

TRADING REPORT

Q3 – 2022/23

COMPANY ANNOUNCEMENT
NO. 10 – 2022/23

Harboe



To NASDAQ OMX Copenhagen

The Board of Directors of Harboes Bryggeri A/S has today considered and approved the following trading report for the third quarter of 2022/23.

Skælskør, 9 March 2023

Bernhard Griese

Chairperson

CEO SØREN MALLING STATES:

“Development in the third quarter show that our implementation of price increases to offset the very high cost of manufacturing and distributing our products has started to show positive results. We’re continuing the close dialogue with customers on security of supply and compensation for the continued high costs. We’re also seeing positive development in both Denmark and Germany, with an increased volume of business with our customers contributing to revenue growth. We’re still facing challenges in Export markets and expect growth here to remain under pressure as long as the existing challenges of high distribution prices persist. We’re working on several cases to strengthen the organisation so we can equip the business for future organic growth.

The launch of the new design for our Harboe products in Denmark has been well received by both customers and consumers. At the same time, we see a positive consumer trend with increased activity in the budget segment, where we compete.

The overall results for the first nine months of the year are not satisfactory, but the positive development in the third quarter show that we are on the right track in line with our strategy. We’re therefore continuing our efforts with planned strategic initiatives to ensure a future platform for value-creating growth. We maintain our expectations for the full year of an EBITDA in the range of DKK 63m to DKK 103m and a profit/(loss) before tax in the range of DKK -30m to DKK 10m, and with the expectation that the results will be around the middle of the ranges.”

FOR FURTHER INFORMATION

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REVENUE GROWTH DRIVEN BY MAIN MARKETS

- **Net revenue increased by 17% to DKK 1,221m**
- **EBITDA decreased from DKK 71m to DKK 51m**
- **Loss before tax from continuing activities* was DKK -18m, compared to DKK -6m in the first nine months of 2021/22**

Revenue growth was driven in particular by Beverages in Germany, where net revenue increased by 35%, while Export activities remain under pressure and decreased by 2%. Overall, revenue in Beverages increased by 16%, while revenue in Ingredients increased by 22%.

However, the increase in revenue was not enough to cover the still very high costs, so earnings before interest, taxes, depreciation and amortisation (EBITDA) in the first nine months of 2022/23 amounted to DKK 51m, compared to DKK 71m for the same period last year.

Depreciation, amortisation and write-downs for the period amounted to DKK 65m, which is lower than in the first nine months last year (DKK 73m), resulting in a loss before tax from continuing activities of DKK -13m, compared to DKK -5m last year.

* Discontinued activities related to Viru Ölu in Estonia

BUSINESS DEVELOPMENT

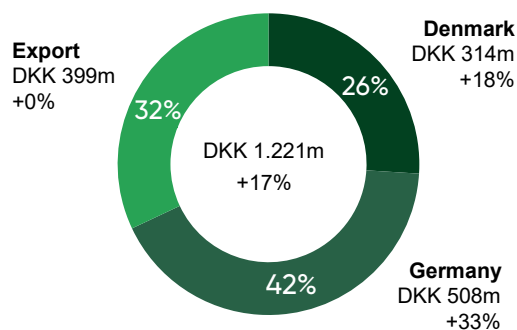
The development in revenue was driven by increasing sales and implemented price increases. In addition, expanded customer agreements contributed to increased activity, particularly in Germany, while increased business volume from the activities in Denmark contributed to the increase in revenue.

At EBITDA level, the results were significantly impacted by high costs, driven by the continued high price of raw materials, packaging, distribution and energy. Furthermore, earnings were affected negatively by falling export revenue.

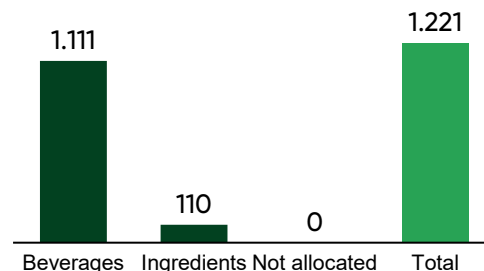
Harboe is cooperating with customers to ensure continued supply, and regularly negotiates compensation for the increased costs in the sales prices.

As a result of the continued uncertainty surrounding energy supply, Harboe implemented the necessary measures to be able to continue production without gas during the period. These measures have also entailed additional costs.

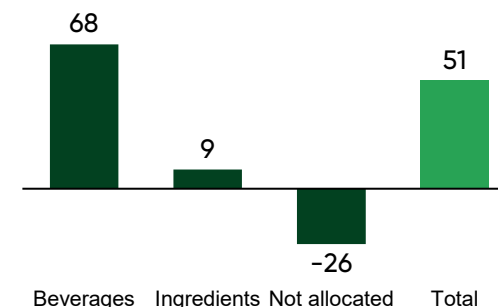
NET REVENUE



SEGMENT REVENUE, DKKm



SEGMENT EBITDA, DKKm



REVENUE GROWTH AND IMPROVED EARNINGS

- **Net revenue increased by 32% to DKK 396m**
- **EBITDA increased from DKK 3m in Q3 2021/22 to DKK 24m**
- **Profit before tax from continuing activities was DKK 1m, compared to a loss of DKK -23m in Q3 2021/22**

Revenue growth in Q3 was also driven by all markets, with net revenue in Germany increasing by 45%, while in Denmark net revenue increased by 26% and Export activities increased by 23%.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) in Q3 2022/23 was DKK 24m, compared to DKK 3m for the same period last year. The result was positively affected by revenue growth, but earnings remain under pressure from high costs.

Profit before tax from continuing activities amounts to DKK 1m for the period, compared to a loss of DKK -18m last year.

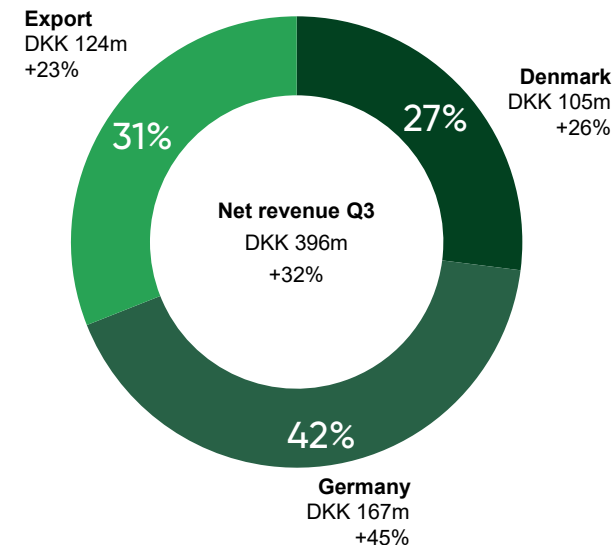
BUSINESS DEVELOPMENT

The continued revenue growth in Germany and Denmark was driven by realised sales price increases and increased business volumes in both markets.

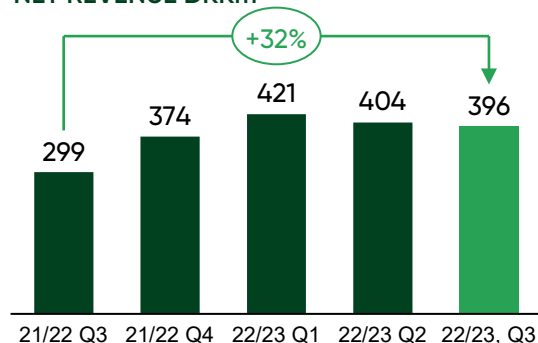
In the quarter, revenue from Export markets increased by 23% compared with the same period last year, but this should be seen in the context of a very weak quarter in 2021/2022. Activities remain under pressure, mainly due to very high transport prices, and the implemented price increases continue to have a negative impact on demand.

In the third quarter, the focus was also on continuously cost savings initiatives in order to counter the cost increases, and we are in close dialogue with customers to ensure continued delivery and compensation for the increased costs.

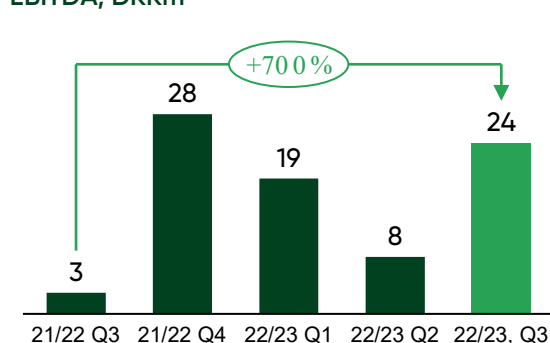
NET REVENUE



NET REVENUE DKKm



EBITDA, DKKm



PROFIT/(LOSS) BEFORE TAX, DKKm



SELECTED FINANCIAL HIGHLIGHTS AND KEY FIGURES

DKK'000	Q3		Q1 – Q3		Full year
	2022/23	2021/22	2022/23	2021/22	2021/22
Earnings (continuing activity)					
Net revenue	396,039	298,954	1,221,445	1,045,618	1,419,353
EBITDA	24,064	2,967	51,246	71,337	99,016
Earnings before interest and tax (EBIT)	2,686	(21,878)	(13,299)	(1,313)	(796)
Profit/(loss) before tax from continuing activities	561	(23,061)	(18,350)	(5,891)	(6,957)
Profit/(loss) after tax from continuing activities	1,141	(17,704)	(13,232)	(5,378)	(4,227)
Balance					
Non-current assets	633,791	667,222	633,791	667,222	653,619
Current assets	462,035	407,350	462,035	407,350	489,403
Equity	667,619	675,177	667,619	675,177	680,903
Non-current liabilities	152,621	170,620	152,621	170,620	167,172
Current liabilities	275,586	228,775	275,586	228,775	294,947
Balance sheet total	1,095,826	1,074,572	1,095,826	1,074,572	1,143,022
Net interest-bearing debt	145,575	130,523	145,575	130,523	82,930
Working capital	313,937	300,871	313,937	300,871	278,212
Investments					
Investment in intangible assets	0	52	0	1,156	1,219
Investment in tangible assets	20,789	12,288	47,967	34,609	49,452
Depreciation, amortisation and write-downs	21,378	24,845	64,545	72,650	99,812
Cash flows					
Cash flows from operations	38,189	36,543	(18,430)	38,214	100,134
Cash flows from investments	(19,815)	(12,406)	(44,284)	(32,797)	(47,119)
Cash flows from financing	(4,096)	(5,994)	(10,588)	(19,031)	(23,384)
Change in cash and cash equivalents (free cash flow)	14,278	18,143	(73,302)	(13,614)	29,631
Key figures					
EBITDA margin	6.1%	1.0%	4.2%	6.8%	7.0%
Operating margin	0.7%	-7.3%	-1.1%	-0.1%	-0.1%
Solvency ratio	60.9%	62.8%	60.9%	62.8%	59.6%
Return on invested capital (ROIC) (prev. 12m)	-0.8%	0.5%	-0.8%	0.5%	-0.3%
Net interest-bearing debt, average/EBITDA (prev. 12m)	1.7	1.2	1.7	1.2	1.1
Number of full-time employees	523	496	519	498	504
kg CO2/hL	4.0	2.9	3.2	2.7	2.7

REVENUE GROWTH AND CONTINUED FOCUS ON MEASURES TO IMPROVE PROFIT

Harboe's Q3 revenue increased by 32% to DKK 396m compared with the same period last year, driven by the developments in all markets and in both Beverages and Ingredients.

The Group's EBITDA in the third quarter was positively affected by the implemented price increases. We remain in close negotiation with suppliers about prices and security of supply. Internally, work is ongoing to ensure supply chain efficiency, and we continue to cooperate and negotiate with customers about the security of supply and compensation for high costs.

The EBITDA margin was 6% in the third quarter, compared to 1% for the same period last year.

Investments of DKK 21m were made in Q3, including finalising investment in production facility for alcohol-free beer in order to meet an increasing demand in this category.

The group's net interest-bearing debt amounted to DKK 146m as of 31 January 2023, slightly higher than for the same period last year.

Cash flow from operations were DKK 38m, compared to DKK 37m for the same period last year. This development was influenced among other by the improved earnings and working capital. Free cash flow was affected by several investments but remains positive at DKK 14m.

The improved earnings in the third quarter are a positive contribution to a continued good financial basis that supports the implementation of the Group's strategy.

ASSUMPTIONS (FROM ANNUAL REPORT 2021/22)

- Continued intense competition and pressure on prices, especially in Danish and German retail markets.
- Rising revenue driven by export markets.
- Improved earnings in both business areas.
- Investments in a strengthened supply chain and efficiency improvements.
- Ongoing 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, among other impacts, potentially lead to significant additional costs.

- Restrictions in supply chains may cause delays and lost revenue.
- 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 apart from increasing revenue in Export markets and improved earnings in both business areas.
- The continued cooperation with customers on reliability of supply and compensation for rising costs is expected to result in a gradual improvement of profits during the remaining part of the financial year.

EXPECTATIONS FOR 2022/23 MAINTAINED

- Based on the realised results in the first nine months of the year and the above assumptions, the expectations for 2022/23 is maintained, and with an expectation that the results will be around the middle of the ranges.
- It should be emphasised that the expectations remains subject to significantly higher-than-usual uncertainty and is highly sensitive to developments in cost prices and the speed with which price increases can be passed on to customers.

EXPECTATIONS FOR 2022/23

	Realised results 2021/22	Expectations for 2022/23 (2021/22 annual report)	Expectations for 2022/23, currently
EBITDA	DKK 99m	mDKK 63–103	mDKK 63–103
Profit/(loss) before tax from continuing activities	DKK -4m	mDKK -30 – +10	mDKK -30 – +10
Profit/(loss) from discontinued activities	mDKK 4	DKK 0m	DKK 0m

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 forecasts given above. Factors that can affect expectations include general economic and business conditions, commodity price trends, new taxes and regulations, political conditions, demand, currency fluctuations and competitive conditions.

OVERALL GROWTH DRIVEN BY GERMANY AND DENMARK IN THE FIRST NINE MONTHS OF THE YEAR

- Volumes increased by 9% compared with the same period last year.
- Net revenue increased by 16% to DKK 1,111m
- EBITDA was DKK 68m, compared to DKK 84m for the same period last year

INCREASING VOLUMES AND REVENUE IN THE THIRD QUARTER

- Volumes in the third quarter increased by 19% compared with the same period last year
- Net revenue increased by 33% to DKK 357m

PRICE INCREASES AND INCREASED BUSINESS VOLUME ARE DRIVING GROWTH

In the Danish market, revenue increased by 27% in the third quarter due to both increased volume and business scope as well as realised increases in sales prices.

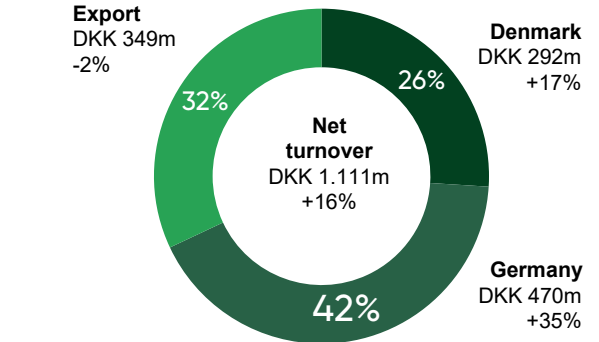
Harboe has received positive feedback on the new packaging design, which, in line with the strategy, was launched during 2022 for both beer and soft drinks. In Q3, Harboe's Christmas Brew was also launched with the new design, and the Easter Brew has now also been launched on the market with a new design.

In Germany, revenue in the third quarter increased by 49%. The increase reflects the effect of expanded customer agreements, while the implemented price increases contribute to the growth.

EXPORT MARKETS UNDER CONTINUED PRESSURE

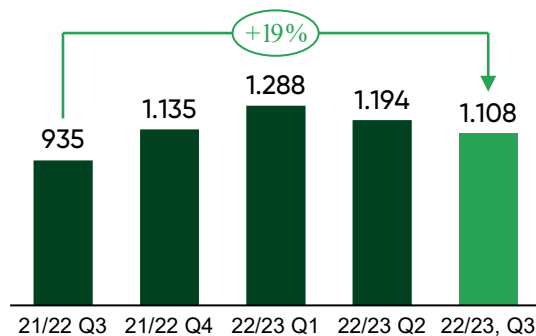
In the Export markets, revenue in the third quarter increased by 23%, but the growth should be seen in the context of a weak quarter in the comparative period. High transport prices and price increases implemented to offset high production costs have significantly dampened demand. Work is ongoing to develop the Export business, but growth is expected to remain under pressure as long as the current challenges persist.

NET REVENUE, 9 MONTHS

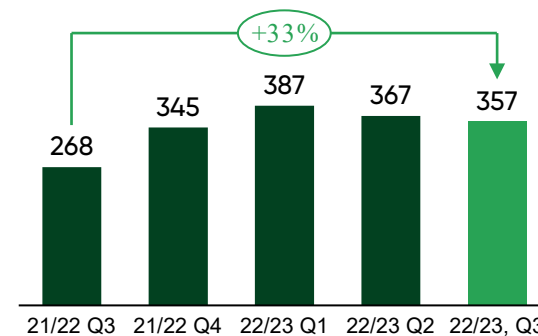


DKKm	9 months 2022/23	2021/22	Full year 2021/22
Volumes (hl'000)	3,590	3,284	4,419
Net revenue	1,111	956	1,300
Total expenditure	(1,043)	(872)	(1,183)
EBITDA	68	84	117
Depreciation, amortisation and write-downs	(52)	(54)	(75)
Earning before interest and tax (EBIT)	16	30	42

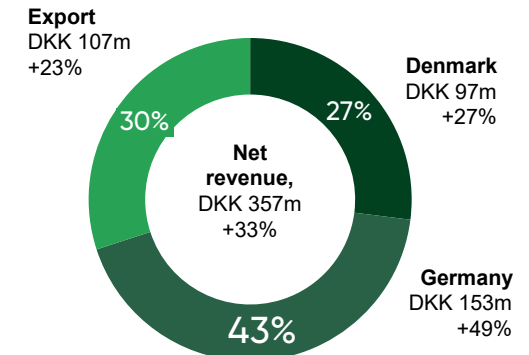
VOLUMES, HL'000



NET REVENUE DKKm



NET REVENUE DKKm, Q3



REVENUE IS UP, BUT EARNINGS IN THE FIRST NINE MONTHS OF THE YEAR ARE SIMILAR TO THE SAME PERIOD LAST YEAR

- Volume decreased by 5% in the first nine months of the year compared with the same period last year
- Net revenue increased by 22% to DKK 110m
- EBITDA was DKK 9m, which is on a par with last year

PRICE INCREASES DRIVE GROWTH IN THE THIRD QUARTER

- Volume decreased by 1% compared with the same period last year
- Net revenue increased by 23% to DKK 38m, primarily driven by realised sales price increases

INCREASING REVENUE IN GENERAL

Revenue growth is driven by realised price increases. In Denmark, revenue in the third quarter increased by 14%, while in Germany it increased by 30% and in Export by 21%.

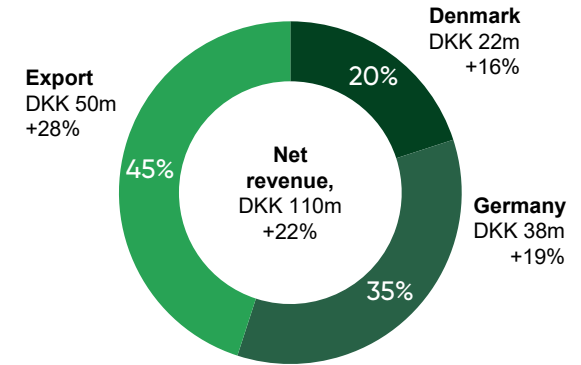
However, revenue growth is not sufficient to cover the still high costs and depreciation of production equipment. Nevertheless, demand for ingredients that meet the requirements for sustainability and clean labelling of food products remains high, and Harboe has continued its close collaboration with customers to develop and implement new applications for malt-based ingredients. In addition, work is under way to launch a number of new products for both new and existing customers, which are expected to take effect in Q4 2022/23.

POTENTIAL FOR GROWTH

Harboe will continue its sales efforts aimed at new and existing customers and expects to further strengthen growth and earnings through the remaining part of the financial year.

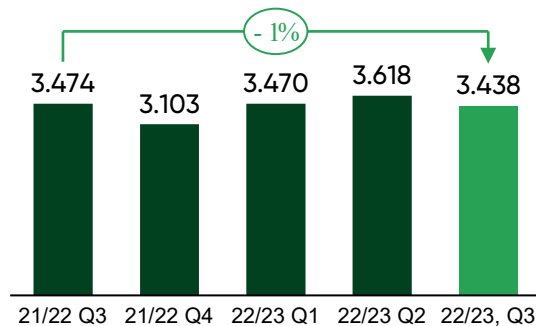
Harboe has positive expectations for the continued development of the ingredients business, which has been reorganised with a new, independent management structure in 2022.

NET REVENUE, 9 MONTHS

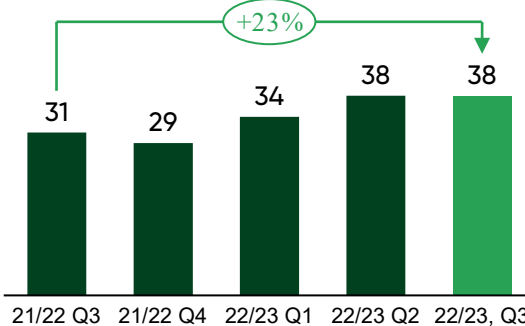


DKKm	9 months 2022/23	2021/22	Full year 2021/22
Sales (ton)	10,526	11,120	13,176
Net revenue	110	90	119
Total expenditure	(101)	(81)	(108)
EBITDA	9	9	11
Depreciation, amortisation and write-downs	(11)	(10)	(14)
Earning before interest and tax (EBIT)	(2)	(1)	(3)

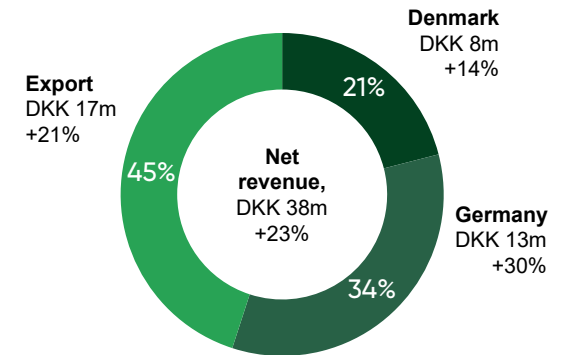
VOLUME, TONNES



NET REVENUE DKKm



NET REVENUE DKKm, Q3



INCOME STATEMENT – Q3 OF 2022/23

DKK'000	Q3		Q1 – Q3		Full year
	2022/23	2021/22	2022/23	2021/22	2021/22
Net revenue	396,039	298,954	1,221,445	1,045,618	1,419,353
Production costs	(318,558)	(259,709)	(1,003,799)	(854,857)	(1,161,534)
Gross profit	77,481	39,245	217,646	190,761	257,819
Other operating income	4,261	2,463	8,139	7,283	10,802
Sales and distribution costs	(61,546)	(46,588)	(186,932)	(149,832)	(202,934)
Administrative costs	(15,684)	(15,463)	(47,362)	(45,010)	(60,161)
Other operating costs	(1,826)	(1,535)	(4,790)	(4,515)	(6,322)
Earnings before interest and tax (EBIT)	2,686	(21,878)	(13,299)	(1,313)	(796)
Financial income	253	70	309	187	206
Financial costs	(2,378)	(1,253)	(5,360)	(4,765)	(6,367)
Profit/(loss) before tax from continuing activities	561	(23,061)	(18,350)	(5,891)	(6,957)
Tax on profit/(loss) for the period	580	5,357	5,118	513	2,730
Profit/(loss) after tax from continuing activities	1,141	(17,704)	(13,232)	(5,378)	(4,227)
Net profit/(loss) for the period from discontinued activities	(46)	(139)	(52)	(475)	4,288
Net profit/(loss) for the period	1,095	(17,843)	(13,284)	(5,853)	61

BALANCE SHEET – Q3 OF 2022/23

Harboe

ASSETS	31 January	31 January	30 April
DKK'000	2023	2022	2022
Intangible assets	5,541	9,804	6,218
Tangible assets	596,993	622,478	613,578
Investment properties	28,899	32,367	31,460
Other non-current assets	2,358	2,573	2,363
Non-current assets	633,791	667,222	653,619
Inventories	202,933	153,015	164,926
Receivables	250,476	247,869	271,883
Prepayments and accrued income	8,626	3,420	6,504
Cash and cash equivalents	0	3,046	46,090
Current assets	462,035	407,350	489,403
Assets	1,095,826	1,074,572	1,143,022

LIABILITIES	31 January	31 January	30 April
DKK'000	2023	2022	2022
Share capital	60,000	60,000	60,000
Other reserves	(225)	(1,045)	(225)
Retained earnings	607,844	616,222	621,128
Equity	667,619	675,177	680,903
Minority shareholders	40	6	40
Equity of parent company's shareholders	667,579	675,171	680,863
Mortgage debt	58,282	74,442	70,318
Recognised leasing obligations	33,624	33,318	33,029
Deferred tax liabilities	45,259	44,648	46,453
Deferred recognition of income	15,456	18,212	17,372
Non-current liabilities	152,621	170,620	167,172
Debt to credit institutions	27,220	0	0
Debt to mortgage credit institutions	16,136	15,926	15,990
Recognised leasing obligations	10,313	9,883	9,683
Trade payables	139,472	100,013	158,597
Deferred recognition of income	2,552	3,013	2,869
Other debt and other liabilities	79,893	99,940	107,808
Current liabilities	275,586	228,775	294,947
Liabilities	428,207	399,395	462,119
Liabilities and equity	1,095,826	1,074,572	1,143,022

CASH FLOW STATEMENT – Q3 OF 2022/23

DKK'000	Q3		1Q – Q3		Full year
	2022/23	2021/22	2022/23	2021/22	2021/22
Operating profit	2,686	(21,878)	(13,299)	(1,313)	(796)
Depreciation, amortisation and write-downs	21,378	24,845	64,545	72,650	99,812
Income-recognised investment grants	(872)	(1,027)	(2,607)	(3,050)	(4,053)
Other adjustments	304	9	(284)	(82)	0
Changes in working capital	14,046	35,883	(62,387)	(15,040)	16,680
Discontinuing activity	215	(112)	8	(345)	5,569
Cash flows from primary operations	37,757	37,720	(14,024)	52,820	117,212
Financial income	253	122	309	187	206
Financial costs	(2,378)	(1,299)	(5,360)	(3,757)	(5,359)
Corporate tax paid	2,557	0	645	(11,036)	(11,925)
Cash flows from operations	38,189	36,543	(18,430)	38,214	100,134
Purchase of intangible assets	0	(52)	0	(1,156)	(1,219)
Purchase of tangible assets	(20,789)	(12,288)	(47,967)	(34,609)	(49,452)
Sale of tangible assets	213	0	3,683	3,388	208
Sale of financial assets	0	0	0	0	3,312
Dividends received from financial assets	0	0	0	0	32
Change in financial assets	761	(66)	0	(420)	0
Cash flows from investments	(19,815)	(12,406)	(44,284)	(32,797)	(47,119)
Repayments on debt to mortgage-credit institutions	(4,202)	(4,123)	(12,093)	(12,321)	(16,193)
Incurrence of leasing liabilities	1,828	500	8,399	562	2,721
Payments on leasing liabilities	(1,722)	(2,371)	(6,894)	(7,272)	(9,912)
Cash flows related to financing	(4,096)	(5,994)	(10,588)	(19,031)	(23,384)
Change in cash and cash equivalents	14,278	18,143	(73,302)	(13,614)	29,631
Cash and cash equivalents, start of period	(41,496)	(15,110)	46,090	16,642	16,642
Translation adjustment, start of period	(2)	13	(8)	18	(183)
Cash and cash equivalents, end of period	(27,220)	3,046	(27,220)	3,046	46,090