

# COMPANY ANNOUNCEMENT

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## INTERIM REPORT OF HARBOES BRYGGERI A/S

For the period 1 May - 31 October 2017

To

NASDAQ OMX Copenhagen

The Board of Directors of Harboes Bryggeri A/S has today considered and approved the interim report for the period 1 May - 31 October 2017.

The report is described on the following pages.

Skælskør, 13 December 2017

Søren Stampe  
Chairman of the Board

Bernhard Griese  
CEO

## INTERIM REPORT OF HARBOES BRYGGERI A/S

For the period 1 May - 31 October 2017

### **CEO Bernhard Griese on the interim report:**

“Our results in the first half of the year were negatively affected by the poor summer weather in our Northern European markets, which led to lower sales of both beer and soft drinks than in the same period last year. The seasonal effect primarily affected our large private-label contracts, which are already seeing considerable pressure on prices – and this impacts our earnings. On the other hand, we are experiencing continued progress in the positioning and sale of our own key brands in the international markets, which confirms our strategic prioritisation of these. During the period, we therefore also elected not to enter into new private-label contracts, but instead to prioritise the allocation of capacity to the production of our own brands with higher earnings margins, and we are continuing to invest considerable resources in marketing and further strengthening the value of our brands.

We are also continuing our investments in the development and commercialisation of our malt-based ingredients, and the close development processes in collaboration with our customers give us positive expectations for the market potential.

In the short term, this prioritisation has a negative impact on our earnings, but as we gradually increase the relative share of our own brands and new ingredients products over the coming years, we expect to see increasing revenue and earnings. And with efficient production facilities, competent employees and a solid cash flow from operations, we have the best foundation for creating positive results going forward.”

Bernhard Griese  
CEO

# COMPANY ANNOUNCEMENT

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## INTERIM REPORT OF HARBOES BRYGGERI A/S

For the period 1 May - 31 October 2017

### PERIOD IN OUTLINE:

Growth in sales of Harboe's own key brands – but poor summer weather affected total revenue

- Revenue decreased by 6.5% in H1 to DKK 696.4 million against DKK 744.6 million in the prior-year period. In the international markets, Harboe saw satisfactory growth in sales of the group's own key brands, but revenue within private labels was significantly lower than in the same period last year, primarily as a result of the poor summer weather in the Northern European markets.
- Sales of beer and soft drinks, including malt beverages and malt wort products, totalled 2.99 million hectolitres compared with 3.19 million hectolitres in the same period last year.
- Earnings were affected by investments in development and marketing – efficiency improvements and cost savings are being implemented.
- Profit before depreciation, amortisation, net financials and tax (EBITDA) fell by 26.6% to DKK 60.3 million, corresponding to an EBITDA margin of 8.7%. The development is partly due to the declining revenue and partly to the continued investments in strengthening the organisation within sales and marketing, higher costs for development activities as well as quality and production management. Harboe has launched a number of further efficiency improvements and cost savings in several parts of the production with a view to countering the effect of this.
- Operating profit (EBIT) amounted to DKK 12.8 million against DKK 37.6 million last year.
- Consolidated profit before tax was DKK 10.1 million against DKK 35.2 million the year before.
- The group's investments during the financial year totalled DKK 84.0 million and were made primarily in new production plant with a view to creating increased flexibility.
- Cash flows from operating activities and free cash flows (changes in cash and cash equivalents) amounted to DKK 12.4 million and DKK -55.0 million, respectively. Investment activities had a liquidity effect corresponding to DKK -50.2 million.

### OUTLOOK FOR THE FULL YEAR IS ADJUSTED

Harboe adjusts its outlook for the year for EBITDA in the range of DKK 110-120 million (previously in the range of DKK 140-150 million) and for profit before tax in the range of DKK 15-25 million (previously in the range of DKK 40-50 million). The outlook is sensitive, among other things, to the development in raw material prices and the annual renegotiation of large contracts, and the developments in certain international markets with unstable market conditions may also affect the outlook.

# FINANCIAL HIGHLIGHTS

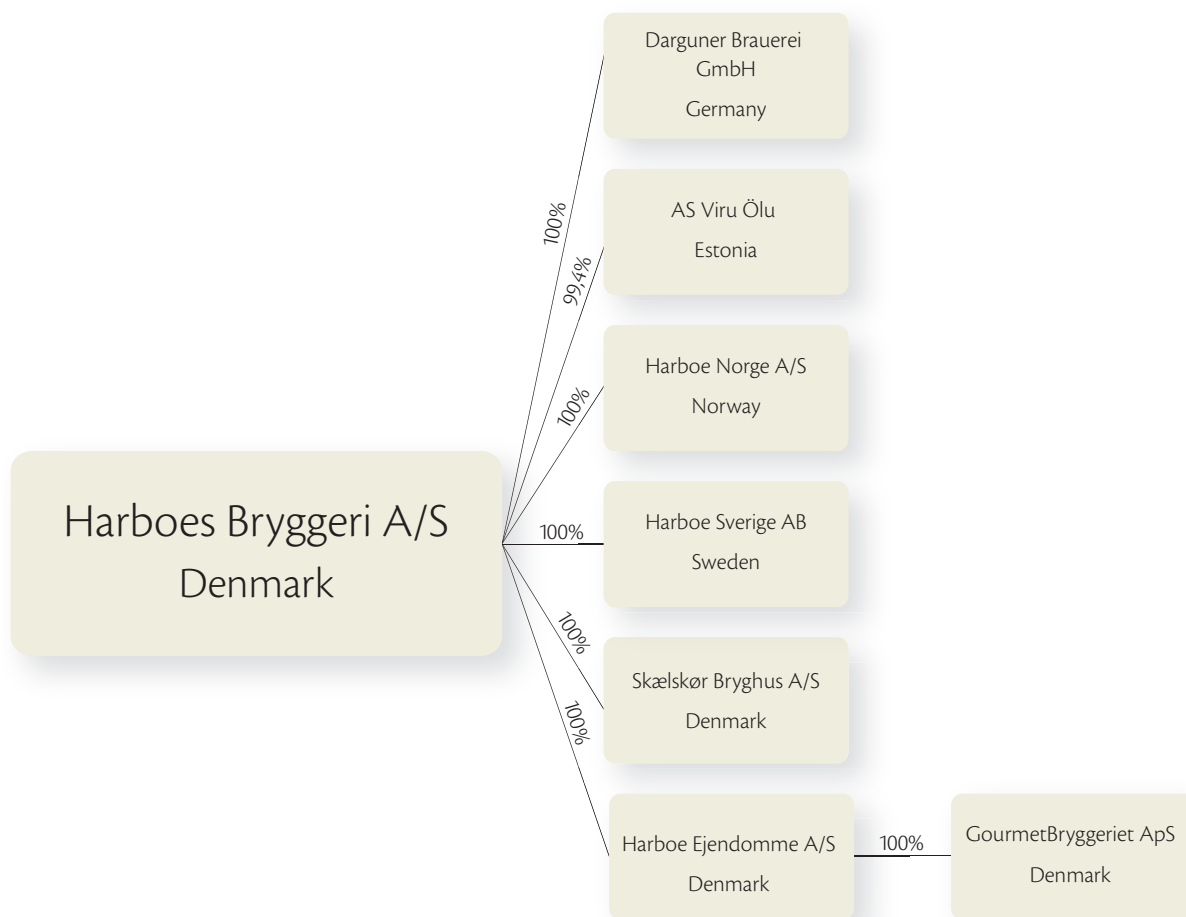
GROU (DKK '000)	H1 2017/2018	H1 2016/2017	FY 2016/2017
<b>Earnings</b>			
Revenue	696,370	744,600	1,431,310
EBITDA	60,299	82,133	140,939
Operating profit/(loss)	12,810	37,594	50,064
Profit/(loss) before tax	10,068	35,173	45,383
Net profit/(loss) for the period	6,871	25,004	31,467
<b>Balance sheet</b>			
Non-current assets	873,162	818,075	871,014
Current assets	390,627	468,925	485,734
Equity	756,667	752,372	758,671
Non-current liabilities	234,335	258,711	245,762
Current liabilities	272,787	275,917	352,315
Balance sheet total	1,263,789	1,287,000	1,356,748
Net interest-bearing debt	182,783	144,322	135,861
<b>Investments etc.</b>			
Investments in intangible assets	406	507	1,394
Investments in property, plant and equipment	83,642	38,024	109,378
Depreciation, amortisation, impairment losses and write-downs	47,489	44,539	90,875
<b>Cash flows</b>			
Cash flows from operating activities	12,360	60,463	168,744
Cash flows from investing activities	(49,997)	(74,630)	(174,198)
Cash flows from financing activities	(17,342)	(17,110)	(25,192)
Change in cash and cash equivalents (free cash flow)	(54,979)	(31,277)	(30,646)
<b>Ratios (in %)</b>			
Profit margin	1.8	5.0	3.5
Solvency ratio	59.9	58.5	55.9
EBITDA margin	8.7	11.0	9.8
Gearing	24.2	19.2	17.9

# GROUP CHART

## CORE BUSINESS

Harboes Bryggeri A/S is listed on the stock exchange and is the parent of the Harboe group.

The group's core business is brewery activities, comprising the production and sale of beer, soft drinks, malt beverages and malt wort products.



# THE GROUP'S BUSINESS DEVELOPMENT

Sales of beer and soft drinks, including malt beverages and malt wort products, totalled 2.99 million hectolitres in H1 2017/2018 against 3.19 million hectolitres in the same period last year.

## REVENUE

The group's revenue in H1 2017/2018 was DKK 696.4 million against DKK 744.6 million in the prior-year period, down 6.5%.

Overall, revenue generated by Harboe's own key brands in the international markets saw decent growth supported by continued marketing activities and positioning, particularly driving growth within beer and malt beverages. Revenue within the private-label segment, however, was significantly lower than in the same period last year, primarily as a result of the poor summer weather in the Northern European markets.

Read more about developments in the business units in the relevant sections in this report.

## EARNINGS

Profit before depreciation, amortisation, net financials and tax (EBITDA) for H1 totalled DKK 60.3 million against DKK 82.1 million in the prior-year period, or a fall of 26.6%, corresponding to an EBITDA margin of 8.7%.

The development is due, among other things, to the declining revenue and a number of price reductions in respect of large contracts in the period. Earnings were also affected by continued investments in strengthening the organisation within sales and marketing with a view to supporting the continued development and positioning of the group's own key brands and products in the international markets. Moreover, investments were made in the continued development activities as well as in additional competencies within quality and production

management. Harboe has launched a number of efficiency improvements and cost savings in several parts of the production with a view to countering the effect of the increased costs.

Depreciation, amortisation, impairment losses and write-downs amounted to DKK 47.5 million in H1 against DKK 44.5 million in H1 last year.

An operating profit (EBIT) of DKK 12.8 million was returned for H1 against DKK 37.6 million in the prior-year period.

Profit before tax was DKK 10.1 million in H1 against DKK 35.2 million in the prior-year period. Net profit amounted to DKK 6.9 million against DKK 25.0 million in the same period last year.

## INVESTMENTS

Investments in intangible assets and property, plant and equipment amounted to a total addition of DKK 84.0 million in H1. The investments are made primarily in new production plant, including a new canning line, with a view to creating increased flexibility in order to meet the international demand for products under Harboe's own brands as well as a generally increased demand for canned products.

In the overall approach, machinery and assets under construction as at 1 May 2017 were recognised at DKK 35.0 million, such that the liquidity effect of investment activities on the group's cash flow amounted to DKK 50.2 million as at 31 October 2017.

## EQUITY

As at 31 October 2017, equity amounted to DKK 756.7 million against DKK 758.7 million as at 1 May 2017.

Equity was affected by the results for the period, foreign currency translation adjustments in respect of foreign subsidiaries and distribution of dividend.

## TREASURY SHARES

As at 31 October 2017, the group's holding of treasury shares totalled 1,434,403 class B shares, corresponding to 23.91% of the share capital. No treasury shares were acquired during the accounting period.

The acquisition of treasury shares was effected in pursuance of a decision made at the general meeting held on 27 August 2015, at which the Board of Directors was authorised to acquire up to 50% of the share capital. The authorisation is valid for five years.

The Board of Directors wants the acquisition of treasury shares to continue to be part of the group's dividend policy in future. The portfolio of treasury shares increases the cash resources available for further attractive dividend payments on the remaining share capital. The portfolio of treasury shares also forms part of the group's strategic capital reserves and ensures the necessary flexibility should Harboe want to enter into strategic partnerships or make acquisitions as part of the continued development of its activities.

## DIVIDEND

In accordance with a resolution adopted at the company's annual general meeting held on 23 August 2017, dividend corresponding to DKK 2.00 per share or a total of DKK 12 million was paid in the accounting period.

## LIQUIDITY AND NET INTEREST-BEARING DEBT

Working capital decreased by DKK 30.0 million, primarily as a result of lower trade payables.

Harboe maintains a consistent focus on optimising the group's working capital through the strict management of procurement and trade payables etc. and has in recent years realised continuous improvements in liquidity. As part of the efforts, Harboe has entered into supply chain finance agreements with major customers.

Cash flows from operating activities amounted to DKK 12.4 million in H1 compared with DKK 60.5 million in the same period last year.

Free cash flow (changes in cash and cash equivalents) amounted to DKK -55.0 million against DKK -31.3 million in the prior-year period.

This development was affected by the liquidity effect of the group's investment activities, which corresponded to a total of DKK -50.2 million at the end of the period.

Cash resources, which are composed of cash and credit facilities granted but not yet activated, amounted to DKK 176.5 million as at 31 October 2017.

To this should be added the holding of treasury shares amounting to DKK 159.2 million stated at the share market value as at 31 October 2017.

As at 31 October 2017, the group's interest-bearing debt amounted to DKK 193.7 million, and net interest-bearing debt amounted to DKK 182.8 million.

## THE OUTLOOK FOR 2017/2018 IS ADJUSTED

Market conditions in the Northern European markets are expected to remain challenging with pressure on prices, but Harboe will focus on maintaining its position in these markets as an attractive and flexible supplier and strategic business partner to major customers in

# THE GROUP'S BUSINESS DEVELOPMENT

the retail sector based on a targeted and dynamic product range that supports a positive perception of Harboe's own brands and products.

A continued high priority will be given to the expansion and development of the group's international activities within the drinks segment, and resources will also be devoted to strengthening the sales and marketing activities for the rest of the year.

The activities within malt-based ingredients are expected to develop positively in continuation of the strategic development projects. Increased costs for wages and salaries and development activities as well as lower than expected sales of malt extract to large individual customers are expected to affect earnings throughout the year.

The prioritisation of strategic investments in development activities, increased marketing to support the establishment of the group's own key brands as well as market challenges result in Harboe adjusting its outlook for the full 2017/2018 financial year.

Harboe is now expecting profit before depreciation, amortisation, net financials and tax (EBITDA) in the range of DKK 110-120 million (previously in the range of DKK 140-150 million) and profit before tax in the range of DKK 15-25 million (previously in the range of DKK 40-50 million).

The outlook is sensitive to the fierce competition and the pressure on prices, the development in raw material prices and the annual renegotiation of large contracts, and the developments in certain international markets with unstable market conditions may also affect the outlook.

**EVENTS OCCURRING AFTER THE END OF THE PERIOD**  
No events have occurred after the end of the period which materially affect the earnings and financial position of the company.

## STRATEGIC UPDATE

Positive developments within the group's own key brands. In recent years, Harboe has had a strategic focus on positioning its own key brands in markets and niche segments where it is possible to establish a presence with a solid position and create attractive earnings in the fierce international competition. Harboe's key brands can generally be marketed in more attractive price segments than the products under the large private-label contracts. This creates the basis for improved earnings margins, and the group is therefore continuing its focus on increasing the relative share of the sales of its own key brands. The group's primary brands marketed internationally are Bear Beer, Harboe, Darguner, Hyper Malt, GB and X-Ray. In the Nordic markets, Pure Juice and EGO organic soft drinks, among others, are also marketed.

The group's own key brands represent more than half the revenue generated in the group's international markets, and sales of Harboe's own brands also account for an increasingly larger share in the core Nordic markets. Harboe supports this development through targeted marketing activities and sales support, which can contribute to further strengthening the value of the individual brands and stimulate sales in the individual markets. In H1, this resulted in an additional increase in the total sales of Harboe's own brands – particularly in the international markets, which were not negatively affected by seasonal fluctuations to the same extent as the Nordic markets. The ongoing marketing activities led to rising costs in H1, but the growth results and the

targeted approach to the markets are expected to strengthen the group's position and sales in the coming years.

The continued growth in sales of the group's own key brands must primarily be driven in the international markets. Here, Harboe will continue to market a targeted mix of brands and products adapted to the specific demand and potential in the markets and niches where the group has already gained a foothold and created the basis for further expansion. At the same time, the growth initiatives will be based on an ongoing analysis and prioritisation of earnings potential, efficiency, costs and general market risks.

## EFFICIENCY IMPROVEMENTS AND COST SAVINGS FOLLOWING DECLINING PRIVATE-LABEL SALES

The group's private-label contracts in both the Nordic and international markets provide a key contribution to efficient capacity utilisation in the production facilities. The sale of the large volumes which typically characterise these contracts contributes positively to total earnings, even though the earnings margins are lower than the margins that can be realised on the sale of the group's own key brands. Competition within the segment is fierce, and the prices are under constant pressure. Earnings on these contracts are therefore also particularly exposed to seasonal fluctuations with declining demand, and increasing raw material prices and/or decreasing sales prices etc. may materially affect earnings. Harboe therefore assesses the earnings potential under new contracts on an ongoing basis and seeks, when appropriate and possible, to replace private-label volumes with the production and sale of Harboe's own brands with a view to creating the best possible earnings on the volume produced and the

return on invested capital. In the accounting period, Harboe thus elected not to enter into new private-label contracts in cases where the earnings potential was limited, with a view to prioritising the capacity for the production of the group's own brands.

At the same time, the cold and wet summer in the Northern European markets resulted in a significant decline in the demand for both beer and soft drinks, which particularly affected sales under the group's private-label contracts. In addition, price reductions were made under a number of contracts, resulting in earnings coming under additional pressure in H1. Harboe has therefore launched a number of initiatives to ensure further efficiency improvements and cost savings, including shedding a number of jobs in the production at the group's German production unit. The initiatives are expected to gradually contribute positively to the group's results over the next 6-12 months.

## RESTRUCTURING IMPLEMENTED IN ESTONIA

As mentioned in Harboe's annual report 2016/2017, the group's Estonian production unit has been affected by negative developments with declining sales in local markets, driven by substantial increases in tax on beer and a generally declining population base in the entire Baltic region, among other factors. At the beginning of 2017, Harboe therefore decided to restructure the loss-making activities. This restructuring has now been completed, and the group expects the activities to generate neutral results in the current financial year.

In future, capacity in Estonia will be effectively integrated in the group's overall export production, and Harboe still wants to take advantage of the international potential of Estonian brands, especially Puls, which has

# THE GROUP'S BUSINESS DEVELOPMENT

generated positive interest in other Harboe markets. The local company will continue to serve as a sales and marketing platform, adapted to the current demand and potential in the Baltics.

## DEVELOPMENT ACTIVITIES IN HARBOE INGREDIENTS

Development and marketing of malt-based ingredients remains a strategic priority. Based on its in-depth knowledge of customers in the international food industry, their needs and production processes, Harboe is systematically developing its business activities and individual customer relations through sales and advice on the implementation of targeted product applications adding value to the production of food and drinks.

In recent years, Harboe has invested in additional special competencies and continued product development. The group has also invested in a new high-tech production plant with the capacity for large-scale production of new products and in a test bakery facility where the malt-based ingredients can be tested in collaboration with customers and business partners. A number of ingredients products are ready for production following close multi-annual test procedures and proof-of-concept with customers in the food industry. Harboe expects its sales and marketing activities in respect of these new products to increasingly contribute positively to the group's revenue and results, but in the short term, the results are affected by higher payroll and development costs as well as depreciation of the investments.

## DEVELOPMENTS IN THE GROUP'S MARKETS

Harboe produces and sells a wide range of beverages and malt extract products under its own brands and as private-label products in Europe, the Middle East, Africa, Asia and the Americas. The product portfolio is

designed to meet the demand and market potential of the individual markets and niches. The activities are gathered in three strategic business units: Harboe Nordic, Harboe International and Harboe Ingredients.

## HARBOE NORDIC

Harboe Nordic, which is the group's largest business unit, markets a wide range of beers, soft drinks, energy drinks and non-alcoholic malt beverages in Harboe's main markets in Denmark, Norway, Sweden, the Baltic states and Germany as well as the Danish-German border area. Harboe's strategy is to focus on maintaining a high volume and protecting its position in these markets by providing customers with a high level of quality, flexibility and reliable deliveries. Harboe Nordic's drinks products are marketed as private-label products, but also to an increasing extent under the group's own brands.

In H1, the activities in Harboe Nordic continued with a good collaboration with existing and new customers in the retail sector. However, the poor weather this summer negatively affected demand. Sales of private-label products were thus significantly lower than in the same period last year, and sales of water, soft drinks and energy drinks, in particular, were negatively affected by the poor weather. Sales of the group's own key brands managed to remain largely on a par with sales in H1 2016/2017, with growth in beer sales and sales of juice products under the group's own Pure brand almost managing to offset the lower sales within water and energy drinks etc.

Harboe has focus on developing the product mix in order to create added product value and strengthen sales of its own key brands and speciality products for higher price segments. This applies, for example, to the speciality beer segment, which is experiencing increased

demand across the Northern European markets. In Denmark, sales of speciality beers under Harboe's own brands, for example GB, thus developed positively, and Harboe also saw growth in sales of several different types of beer under its own brands, e.g. Darguner, Puls and Harboe, in the other Northern European markets.

## HARBOE INTERNATIONAL

Harboe International is the framework for the group's marketing of beer, soft drinks, energy drinks and non-alcoholic malt beverages in markets outside the core Northern European markets. Activities are focused on selected markets and niche segments in the Middle East, Africa, Asia and the Americas as well as in a number of European markets outside Northern Europe.

In the international markets, Harboe's products are primarily marketed under the group's own key brands supplemented by selected large private-label agreements. Bear Beer is the leading brand of the beer category, but Darguner, Harboe, Puls and GB also feature in the marketing.

Harboe also markets a range of soft drinks and energy drinks, for instance under the group's own X-Ray brand, along with a series of non-alcoholic products and malt beverages marketed, for example, under the Hyper Malt brand.

The mix of product categories and brands is planned on the basis of demand and market potential in the individual regions and markets with focus on segments and niches where the products can be marketed with attractive margins. Harboe's products are to a large extent marketed in cooperation with local and international partners and distributors.

Harboe's strategy is to increase Harboe International's

relative share of the group's revenue and earnings and thus also contribute to offsetting some of the effects of seasonal fluctuations in the Northern European markets.

Overall, sales of the group's own key brands developed positively in H1, driven, in particular, by growth in sales in both Asia and the Middle East. Particularly beer and malt beverages saw increasing demand, while sales of soft drinks and energy drinks pulled slightly in the opposite direction, putting a damper on the overall growth rate.

Sales to a number of international distributors to which Harboe delivers large volumes declined. Developments were particularly affected by very difficult market conditions in a number of African markets with significant drops in demand for, among other things, malt beverages and by challenges in respect of maintaining cash flows and contractual agreements.

## HARBOE INGREDIENTS

Harboe Ingredients is the framework for Harboe's activities within malt extract. For more than 60 years, Harboe has marketed malt extract for the European food industry and is currently a leading Nordic manufacturer. By further processing and adapting its products and applications, Harboe seeks to maintain and strengthen its market position with solutions that create added value for customers and contribute to transforming the business model from that of a classic raw materials manufacturer to a knowledge-based supplier of value-adding ingredients.

In recent years, the organisation has been further strengthened with a view to ensuring the effective provision of advisory services to customers and the continued development of individual customer



## THE GROUP'S BUSINESS DEVELOPMENT

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relations. The sales and advisory activities are conducted in close collaboration with the development team to ensure that the functionality and properties that should be included in the development of new products and applications are continuously tailored to customer requirements.

Sales of malt extract remained stable in H1, based on successful partnerships with existing customers and increasing sales of a number of new products.

In H1, Harboe continued working with several customers in the food industry on the use of Harboe's ingredients as alternatives to existing flavouring and colouring ingredients in, for example, bread, biscuits, waffles, chocolate and other confectionery products. The market-ready concepts can be marketed at attractive prices, and Harboe expects an increasing earnings contribution from these activities in the coming years.

Our marketing efforts were continued with participation in international food fairs, and increased sales activities are to contribute to identifying new customers and

market opportunities for the new products. Harboe's clear malt extract is attracting particular interest among customers in the drinks industry. High quality and food safety are important competition parameters, and Harboe has positive expectations for its continued sales and marketing activities.

During H1, the development organisation was further strengthened to include dedicated competencies, including research-based specialists in food ingredients, which help to accelerate ongoing development activities towards commercialisation. In other words, development activities and optimisation of quality standards continued during the period. Last financial year, Harboe invested in a new high-tech production plant with the capacity for large-scale production of the new products.

Development activities, test procedures carried out in collaboration with customers and depreciation of the investments made negatively affected results in H1, but they are expected to contribute positively to earnings within 1-2 years.

### RISKS

Harboe is constantly analysing and considering the business and financial risks affecting the company's development and results.

In all the group's main markets, the beer and soft drinks segments are characterised by fierce competition, leading to a constant pressure on prices. Harboe is therefore very sensitive to seasonal fluctuations and market increases in the prices of raw materials and consumables, as increasing costs cannot simply be added to the selling prices. This is true, in particular, of those of the group's products that are marketed to the retail sector. The group's strategic focus on a continued strengthening of the international sale of targeted product ranges under its own key brands, which can be marketed in more attractive price segments, provides an ever-increasing contribution to reducing this risk.

The current political turmoil and conflicts in parts of the Middle East and in a number of markets in Africa have resulted in special precautions and risk assessments. The exposure to business risks in these areas is continuously

monitored by the group's Board of Executives and Board of Directors, which assess the specific framework and criteria for business activities, the conclusion of contracts, monetary transactions etc. The group's risk exposure is described in further detail in the annual report for 2016/2017.

### DISCLAIMER

The interim report contains forward-looking statements, including such as relate to the future earnings performance. Such statements are subject to risks and uncertainties concerning a number of factors, many of which are outside the Harboe group's control. This may cause the actual results to deviate significantly from the outlook described in the interim report. Factors which may impact the outlook include general economic and commercial conditions, price development of raw materials, new taxes and regulation, political conditions, demand, exchange rate fluctuations and competition.

The interim report is published in Danish and English. In the event of discrepancies between the Danish and the English text, the Danish text will prevail.

# COMPANY ANNOUNCEMENT

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## FINANCIAL CALENDAR

Harboes Bryggeri A/S expects to publish preliminary announcements of financial statements as follows:

<b>DATE</b>	<b>ANNOUNCEMENT</b>
29 June 2018	Annual report 2017/2018

## COMPANY ANNOUNCEMENTS

In the period from 1 May to 31 October 2017, the company submitted the following announcements to NASDAQ OMX Copenhagen, which may be found at the company's website, [www.harboes.dk](http://www.harboes.dk).

<b>DATE</b>	<b>ANNOUNCEMENT</b>
22 May 2017	Adjustment of the outlook for FY 2016/2017
26 June 2017	Notice of annual general meeting
29 June 2017	Annual report 2016/2017
24 July 2017	Notice of annual general meeting
24 August 2017	Announcement concerning candidates for the Board of Directors up for election at the annual general meeting
28 August 2017	Minutes of annual general meeting
29 August 2017	First meeting of new Board of Directors

# MANAGEMENT'S STATEMENT

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Today, we have reviewed and approved the interim report of Harboes Bryggeri A/S for the period 1 May - 31 October 2017.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for the interim reporting of listed companies.

In our opinion, the interim report provides a true and fair view of the group's assets and liabilities and financial position as at 31 October 2017 and of the results of its activities and cash flows for H1 2017/2018.

We also believe that the management's review gives a fair presentation of the development in the group's activities and financial affairs, its results for the period and general financial position as well as a description of the most important risks and uncertainty factors to which the group is exposed.

Skælskør, 13 December 2017

## **Board of Executives**

Bernhard Griese  
CEO

## **Board of Directors**

Søren Stampe, Chairman  
Bernhard Griese  
Mads O. Krage  
Poul Møller  
Karina Harboe Laursen  
Søren Malling  
Jens Bjarne Jensen\*

\*Elected by the employees

## INCOME STATEMENT

1 MAY - 31 OCTOBER 2017

DKK '000	H1 2017/18	H1 2016/17	FY 2016/17
<b>Revenue</b>	<b>696,370</b>	<b>744,600</b>	<b>1,431,310</b>
Production costs	(557,810)	(577,447)	(1,122,557)
<b>Gross profit/(loss)</b>	<b>138,560</b>	<b>167,153</b>	<b>308,753</b>
Other operating income	7,646	8,528	18,100
Distribution costs	(102,085)	(104,578)	(214,823)
Administrative expenses	(26,662)	(28,831)	(51,745)
Other operating expenses	(4,649)	(4,678)	(10,221)
<b>Operating profit/(loss) (EBIT)</b>	<b>12,810</b>	<b>37,594</b>	<b>50,064</b>
Financial income	319	270	335
Financial expenses	(3,061)	(2,691)	(5,016)
Fair value adjustment – other investments and securities	0	0	0
<b>Profit/(loss) before tax</b>	<b>10,068</b>	<b>35,173</b>	<b>45,383</b>
Calculated tax on profit/(loss) for the period	(3,197)	(10,169)	(13,842)
Adjustment of tax, previous years	0	0	(74)
<b>Net profit/(loss) for the period</b>	<b>6,871</b>	<b>25,004</b>	<b>31,467</b>
<b>Distribution of net profit/(loss) for the year:</b>			
Shareholders of the parent	6,875	25,064	31,528
Minority interests	(4)	(60)	(61)
Earnings per share and diluted earnings per share (continuing activities)	1.51	5.49	6.91

## STATEMENT OF COMPREHENSIVE INCOME

1 MAY - 31 OCTOBER 2017

DKK '000	H1 2017/18	H1 2016/17	FY 2016/17
<b>Net profit/(loss) for the period</b>	<b>6,871</b>	<b>25,004</b>	<b>31,467</b>
<b>Other comprehensive income</b>			
<i>Items which may be reclassified to the income statement:</i>			
Foreign currency translation adjustment regarding foreign enterprises	251	(449)	(586)
Fair value adjustment of other investments and securities	0	0	8
Recirculation to the income statement of fair value adjustment upon disposal of financial assets available for sale	0	0	0
Tax on other comprehensive income	0	0	(2)
<b>Other comprehensive income</b>	<b>251</b>	<b>(449)</b>	<b>(580)</b>
<b>Total comprehensive income</b>	<b>7,122</b>	<b>24,555</b>	<b>30,887</b>
<b>Distribution of comprehensive income for the period:</b>			
Shareholders of the parent	7,126	24,615	30,948
Minority interests	(4)	(60)	(61)

# BALANCE SHEET

ASSETS	31 October 2017	31 October 2016	30 April 2017
<b>DKK '000</b>			
Intangible assets	21,027	22,554	20,740
Property, plant and equipment	776,827	721,020	773,790
Investment properties	62,150	61,578	63,206
Financial assets available for sale	5,138	5,414	5,280
Deposits, leases	2,490	2,471	2,470
Deferred tax assets	5,530	5,038	5,528
<b>Non-current assets</b>	<b>873,162</b>	<b>818,075</b>	<b>871,014</b>
Inventories	163,747	173,753	169,411
Receivables	203,184	245,094	269,779
Prepayments	13,540	11,395	10,955
Cash	10,156	38,683	35,589
<b>Current assets</b>	<b>390,627</b>	<b>468,925</b>	<b>485,734</b>
<b>Assets</b>	<b>1,263,257</b>	<b>1,287,000</b>	<b>1,356,748</b>

EQUITY AND LIABILITIES	31 October 2017	31 October 2016	30 April 2017
<b>DKK '000</b>			
Share capital	60,000	60,000	60,000
Other reserves	(2,937)	(3,057)	(3,188)
Retained earnings	699,518	695,483	701,908
<b>Equity owned by shareholders of the parent</b>	<b>756,581</b>	<b>752,426</b>	<b>758,720</b>
<b>Equity owned by minority interests</b>	<b>86</b>	<b>(54)</b>	<b>(49)</b>
<b>Equity</b>	<b>756,667</b>	<b>752,372</b>	<b>758,671</b>
Mortgage debt	143,738	160,073	151,855
Provision for deferred tax	52,169	51,316	52,158
Deferred recognition of income	38,428	47,322	41,749
<b>Non-current liabilities</b>	<b>234,335</b>	<b>258,711</b>	<b>245,762</b>
Bank debt and mortgage debt	49,936	23,939	20,472
Trade payables	111,556	136,832	208,775
Other short-term payables and other liabilities	89,431	89,889	91,450
Deferred recognition of income	7,150	6,486	7,623
Income tax	14,714	18,771	23,995
<b>Current liabilities</b>	<b>272,787</b>	<b>275,917</b>	<b>352,315</b>
<b>Liabilities</b>	<b>507,122</b>	<b>534,628</b>	<b>598,077</b>
<b>Equity and liabilities</b>	<b>1,263,789</b>	<b>1,287,000</b>	<b>1,356,748</b>

# CASH FLOW STATEMENT

1 MAY - 31 OCTOBER 2017

DKK '000	H1 2017/18	H1 2016/17	FY 2016/17
<b>Operating profit/(loss)</b>	<b>12,810</b>	<b>37,594</b>	<b>50,064</b>
Depreciation, amortisation, impairment losses and write-downs	47,487	43,994	90,630
Grants recognised as income	(3,812)	(4,430)	(8,860)
Other adjustments	1,085	419	2,240
Change in net working capital	(30,037)	(3,334)	48,888
<b>Cash flows from primary operating activities</b>	<b>27,533</b>	<b>74,243</b>	<b>182,962</b>
Financial income received	365	241	305
Financial expenses paid	(3,061)	(2,691)	(5,010)
Income tax paid	(12,477)	(11,330)	(9,513)
<b>Cash flows from operating activities</b>	<b>12,360</b>	<b>60,463</b>	<b>168,744</b>

1 MAY - 31 OCTOBER 2017

DKK '000	H1 2017/18	H1 2016/17	FY 2016/17
Purchase of intangible assets	2,770	(507)	(1,394)
Purchase of property, plant and equipment	47,394	(75,112)	(174,258)
Sale of property, plant and equipment	16	827	1,157
Dividend received from financial assets available for sale	28	29	30
Purchase of financial assets	0	(7)	(7)
Sale of financial assets	123	140	274
<b>Cash flows from investing activities</b>	<b>49,997</b>	<b>(74,630)</b>	<b>(174,198)</b>
Dividend paid	(9,131)	(9,131)	(9,131)
Investment grant received	0	0	(16,061)
Repayment of mortgage debt	(8,211)	(7,979)	(0)
<b>Cash flows from financing activities</b>	<b>(17,342)</b>	<b>(17,110)</b>	<b>(25,192)</b>
<b>Changes in cash and cash equivalents</b>	<b>(54,979)</b>	<b>(31,277)</b>	<b>(30,646)</b>
Cash and cash equivalents as at 1 May	31,417	62,436	62,436
Translation adjustment, beginning of year	70	(231)	(374)
<b>Cash and cash equivalents as at 31 October</b>	<b>(23,492)</b>	<b>30,928</b>	<b>(31,416)</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve for foreign currency translation adjustment	Reserve for value adjustment of financial assets available for sale	Other reserves total	Retained earnings	Equity owned by shareholders of the parent	Equity owned by minority interests	Total equity
<b>Equity as at 1 May 2017</b>	<b>60,000</b>	<b>(1,479)</b>	<b>(1,709)</b>	<b>(3,188)</b>	<b>701,908</b>	<b>758,720</b>	<b>(49)</b>	<b>758,671</b>
Changes in equity 2017/2018								
Net profit/(loss) for the year	0	0	0	0	6,875	6,875	(4)	6,871
Other comprehensive income	0	251	0	251	0	251	0	251
Dividend paid	0	0	0	0	(9,131)	(9,131)	0	(9,131)
Other adjustments	0	0	0	0	(134)	(134)	139	5
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>251</b>	<b>0</b>	<b>251</b>	<b>(2,390)</b>	<b>(2,139)</b>	<b>135</b>	<b>(2,004)</b>
<b>Equity as at 31 October 2017</b>	<b>60,000</b>	<b>(1,228)</b>	<b>(1,709)</b>	<b>(2,937)</b>	<b>699,518</b>	<b>756,581</b>	<b>86</b>	<b>756,667</b>
<b>Equity as at 1 May 2016</b>	<b>60,000</b>	<b>(893)</b>	<b>(1,715)</b>	<b>(2,608)</b>	<b>679,523</b>	<b>736,915</b>	<b>6</b>	<b>736,921</b>
Changes in equity 2015/2016								
Net profit/(loss) for the year	0	0	0	0	25,064	25,064	(60)	25,004
Other comprehensive income	0	(449)	0	(449)	0	(449)	0	(449)
Dividend paid	0	0	0	0	(9,131)	(9,131)	0	(9,131)
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>(449)</b>	<b>0</b>	<b>(449)</b>	<b>15,933</b>	<b>15,484</b>	<b>(60)</b>	<b>15,424</b>
<b>Equity as at 31 October 2016</b>	<b>60,000</b>	<b>(1,342)</b>	<b>(1,715)</b>	<b>(3,057)</b>	<b>695,456</b>	<b>752,399</b>	<b>54</b>	<b>752,372</b>

# NOTES

## 1. ACCOUNTING POLICIES

The interim financial statements are presented as compiled financial statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. No interim financial statements have been prepared for the parent.

The interim financial statements are presented in Danish kroner (DKK), which is the functional currency of the parent.

The accounting policies applied in the interim financial statements are consistent with those applied in the consolidated financial statements for 2016/2017, which are in accordance with the International Financial Reporting Standards as adopted by the EU.

Reference is made to the annual report for 2016/2017 for a more detailed description of the accounting policies applied, including the definitions of the ratios stated, which have been calculated in accordance with the definitions of the 'Recommendations and Financial Ratios 2015' issued by the Danish Society of Financial Analysts.

The interim report has not been reviewed by the company's auditors.

The company announcement is published in Danish and English. In the event of discrepancies between the Danish and the English text, the Danish text will prevail.

## 2. ESTIMATES

The preparation of interim reports requires the management to make certain accounting estimates which affect the application of the accounting policies and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The most significant estimates made by the management in applying the group's accounting policies and the considerable uncertainty associated with these estimates are the same in connection with the preparation of the compiled interim report as for the preparation of the annual report for 2016/2017.

## 3. SEGMENT INFORMATION

Based on the internal reporting, which is used for the allocation of profit and resources, the company has identified one operating segment, the brewery sector, which is in line with the way in which activities are organised and controlled.

### REVENUE AND NON-CURRENT ASSETS DISTRIBUTED ON GEOGRAPHICAL AREAS

The group's primary basis of segmentation is geo-

graphical, with segment information being provided for Denmark, Germany and other geographical markets.

The group's revenue from external customers and the distribution of non-current assets on these geographical areas are specified below, where revenue is distributed on the basis of the domicile of the customers, and non-current assets are distributed on the basis of the physical location and legal affiliation, respectively.

(DKK '000)	Revenue		Non-current assets	
	2017/18	2016/17	2017/18	2016/17
Denmark	155,992	169,975	392,162	362,106
Germany	273,235	293,522	384,322	358,053
Other geographical areas	267,143	281,103	21,370	23,415
	<b>696,370</b>	<b>744,600</b>	<b>797,854</b>	<b>743,574</b>

### INFORMATION ABOUT IMPORTANT CUSTOMERS

Out of the group's total revenue in Denmark and Germany, sales to a single customer account for approx. 25% of revenue.