BERENTZEN-GRUPPE AKTIENGESELLSCHAFT

INTERIM REPORT Q3 / 2018

BERENTZEN-GRUPPE
Durst auf Leben

Content

Overview Q3/2018

Berentzen Group: Consolidated revenues at previous-year level, consolidated EBIT significantly increased, earnings forecast for the Group unchanged.

Q3/2018

- Consolidated revenues: EUR 117.6 million (EUR 117.6 million).
- Consolidated EBIT: EUR 6.0 million (EUR 5.0 million).
- Consolidated EBITDA: EUR 11.6 million (EUR 10.4 million).
- Operating cash flow: EUR 9.4 million (EUR 8.9 million).
- Equity ratio: 32.9 % (24.5 %).

Outlook

- Group: Earnings forecasts for the 2018 financial year confirmed.

(1) Business performance and financial position

(1.1) Significant events during the reporting period

There were no events of significance for the business performance or the financial performance, cash flows and financial position of the Berentzen Group during the reporting period.

(1.2) Financial performance

Since the beginning of the 2018 financial year, the Berentzen Group has been applying the financial reporting standard IFRS 15 (Revenue from Contracts with Customers). The comparative figures for the equivalent period of the previous year that are effected by this were adjusted in line with a full retrospective presentation.

		Q3/2018	Q3/2017	Change
Consolidated revenues excl. spirits tax	**EUR'000**	**117,633**	**117,642**	**- 0.0 %**
Spirits segment	EUR'000	58,625	60,679	- 3.4 %
Non-alcoholic Beverages segment	EUR'000	38,685	35,695	+ 8.4 %
Fresh Juice Systems segment	EUR'000	13,921	15,136	- 8.0 %
Other segments	EUR'000	6,402	6,132	+ 4.4 %
Consolidated EBITDA	**EUR'000**	**11,580**	**10,362**	**+ 11.8 %**
Consolidated EBITDA margin	**%**	**9.8**	**8.8**	**+ 1.0 PP [1)]**
Consolidated EBIT	**EUR'000**	**6,032**	**5,037**	**+ 19.8 %**
Consolidated EBIT margin (operating margin)	**%**	**5.1**	**4.3**	**+ 0.8 PP [1)]**

[1)] PP = percentage points.

The Berentzen Group generated consolidated revenues of EUR 117.6 million (EUR 117.6 million) in the first nine months of the 2018 financial year. This means that consolidated revenues stood at the level of the equivalent period last year.

In the *Spirits* segment, there was a fall in revenue of 3.4 % in comparison to the same interim reporting period of the previous year. In this context, the Spirits business with the umbrella brands *Berentzen* and *Puschkin* saw inconsistent sales performance on the domestic market: While the former returned a significant decline in sales, sales of the products marketed under the *Puschkin* brand remained clearly positive. Sales volume in the business with branded dealer and private-label products remained slightly below the level of the equivalent period last year. The *Other Segments*, that notably include the international business with branded spirits, recorded growth in revenue of 4.4 %. This rise was due to increases in sales in the duty free business and on various international markets. All in all, there were clearly positive developments with regard to revenues in the *Non-alcoholic Beverages* segment, with gains of 8.4 %. This was, once again, mainly due to the rise in sales volume of 37.5 % on the equivalent period last year relating to the beverages marketed under the proprietary *Mio Mio* brand, which recorded a comparatively faster increase in revenue. Benefiting from the good weather in Germany over the summer months, the business with mineral water also returned pleasing revenue growth. In contrast, the contract bottling business with carbonated and soft drinks and other non-alcoholic beverages, which tends to play a subordinate role from an earnings perspective, remained in decline. The *Fresh Juice Systems* segment saw a fall in revenue of 8.0 % in comparison to the equivalent period of the previous year. This was primarily due to the sales volume of fruit presses being significantly down on the previous-year level, a development mainly characterised by a corresponding decline in business on the important French market. Although, on balance, significant growth was achieved in the other sales regions, this growth dynamic was not sufficient to balance out the aforementioned influencing factor. The trade with oranges recorded a smaller sales volume while the level of revenues generated from these products remained stable. In contrast, sales of bottling systems saw positive developments.

Consolidated EBIT adjusted for special effects (non-recurring items) came to EUR 6.0 million (EUR 5.0 million) over the first nine months of the 2018 financial year; the adjusted consolidated EBITDA based on this figure amounted to EUR 11.6 million (EUR 10.4 million). This clearly positive development stems mainly from a significant rise in gross profits of EUR 1.8 million resulting from a refined product and segment mix. In addition, a EUR 0.5 million rise in other operating income in conjunction with a stable level of overheads exerted a positive effect on this development. This was also sufficient to compensate for marketing expenditure that had risen by EUR 1.2 million.

In connection with arbitration proceedings between T M P Technic-Marketing-Products GMBH, Linz, Austria, a group company, and the sales distributor acting on its behalf in the USA, estimated expenses of EUR 0.5 million for the associated litigation risks were taken into consideration as special effects (non-recurring items). A special effect (non-recurring item) amounting to EUR 0.4 million was similarly incurred in the equivalent period last year as a consequence of an ad hoc impairment test performed in the *Non-alcoholic Beverages* segment as of June 30, 2017.

(1.3) Cash flows and financial position

Cash flows

		Q3/2018	Q3/2017	Change
Operating cash flow	**EUR'000**	**+ 9,402**	**+ 8,880**	**+ 522**
Cash flow from operating activities	**EUR'000**	**- 2,108**	**- 3,614**	**+ 1,506**
Cash flow from investing activities	**EUR'000**	**- 4,995**	**- 4,167**	**- 828**
Cash flow from financing activities	**EUR'000**	**- 2,067**	**- 2,348**	**+ 281**
Cash and cash equivalents at the beginning of the period	**EUR'000**	**+ 18,435**	**+ 67,084**	**- 48,649**
Cash and cash equivalents at the end of the period	**EUR'000**	**+ 9,265**	**+ 56,955**	**- 47,690**

The total funding of the Berentzen Group presented in the Annual Report for the 2017 financial year remains essentially unchanged at the end of the reporting period. In the context of the year-ago comparisons presented here, it should be noted, however, that the surplus liquidity generated from the Berentzen bond 2012/2017 of EUR 50.0 million repaid in October 2017 still had a significant impact on cash and cash equivalents as of the end of the third quarter of 2017.

The operating cash flow, which excludes changes in working capital and hence documents the impact of operating profitability on the change in cash, increased to EUR 9.4 million (EUR 8.9 million) essentially on account of the higher consolidated EBITDA.

The cash flow from operating activities also encompasses changes in working capital. In the first nine months of the 2017 financial year, this resulted in a net cash outflow of EUR 2.1 million (EUR 3.6 million). This is firstly attributable to the rise in operating cash flow in comparison to the previous year that is contained in this figure. Secondly, movements in opposite directions on the part of the current asset and liability items included, stemming in particular from the increase in trade payables and other liabilities, were responsible for this development.

The increase in the Group's investing activities – including but not limited to payments for investments in property, plant and equipment – led to a net cash outflow of EUR 5.0 million (EUR 4.2 million). The higher cash outflow essentially related to growth-related investments in the *Non-alcoholic Beverages* segment.

Financing activities gave rise to a net cash outflow of EUR 2.1 million (EUR 2.3 million), resulting exclusively from the dividend payment by Berentzen-Gruppe Aktiengesellschaft.

All in all, cash and cash equivalents totalled EUR 9.3 million (EUR 57.0 million) at the end of the interim reporting period, of which EUR 8.3 million (EUR 25.6 million) relates to receivables from the customer settlement accounts maintained with banks that are used for settlement under two factoring agreements.

Financial position

		09/30/2018	09/30/2017	Change
Equity ratio	%	**32.9**	**24.5**	**8.4 PP**
Dynamischer Verschuldungsgrad	Ratio	**- 0.08**	**- 0.40**	**+ 0.32**

1) PP = percentage points.

The Group's asset and capital structure remains robust overall. The accounting parameters relevant to the equity ratio decreased due to the changes to the funding structure of the Berentzen Group that took place over the course of the 2017 financial year. As a consequence, the equity ratio improved significantly to 32.9 % (24.5 %) as of the end of the third quarter of 2018. A dynamic gearing ratio of -0.08 as of September 30, 2018 (-0.40) illustrates that cash and cash equivalents exceed non-current and current financial liabilities and that, in this respect, there is, from a general perspective, no debt recorded on the face of the statement of financial position after netting.

(2) Report on subsequent events

No events that could have a significant impact on the future business performance and the financial performance, cash flows and financial position of the Berentzen Group occurred after the end of the reporting period.

(3) Report on opportunities and risks

The primary risks consolidated into categories that could have significant detrimental effects on the Group's business activities and its financial performance, cash flows and financial position are presented in the Berentzen Group Annual Report for the 2017 financial year together with the greatest opportunities and the structure of the risk management system.

Compared with the opportunities and risks regarding the anticipated development of the corporate group in the remaining three months of the 2018 financial year as described in the Annual Report for the 2017 financial year, there were no significant changes in the third quarter of the 2018 financial year, apart from the following exception. In the opinion of the Berentzen Group, there is a higher level of risk in connection with the current economic and political developments in Turkey that should be mentioned at this point. The intragroup financing arrangements entered into with the group company located there and that entity's current assets are generally subject to a greater risk of default and currency fluctuation in such an environment. The amount regularly recorded in the Group's retained earnings for negative currency effects arising from consolidation of the local subsidiary rose to EUR 3.1 million as of September 30, 2018 (December 31, 2017: EUR 2.4 million).

In the opinion of the Management, the Berentzen Group's risk exposure has remained unchanged overall compared with the position described in the Berentzen Group Annual Report for the 2017 financial year, and continues to be manageable from today's perspective.

(4) Outlook

		2017	Forecast for the 2018 financial year in the 2017 Forecast Report	Adjustments made during the 2018 financial year	Forecast for the 2018 financial year Q3/2018
Consolidated revenues	**EURm**	**160.4**	**170.1 to 178.9**	**Q2: 162.8 to 171.2**	**unchanged**
Consolidated EBIT	**EURm**	**9.2**	**9.6 to 10.6**	**unchanged**	**unchanged**
Consolidated EBITDA	**EURm**	**16.4**	**17.2 to 19.0**	**unchanged**	**unchanged**

At the end of the third quarter of 2018, the Berentzen Group confirms the forecast for its consolidated revenues as updated in the 2018 Group Half-yearly Financial Report: a range from EUR 162.8 million to EUR 171.2 million. Furthermore, the Group confirms the forecasts made in the Annual Report for the 2017 financial year relating to the development of consolidated EBIT and consolidated EBITDA, both income-related indicators.

All in all, the Berentzen Group does not have any new information suggesting that the forecasts and other statements regarding the anticipated development of the corporate group for the 2018 financial year made in the 2017 Annual Report and updated in some cases in the 2018 Group Half-yearly Financial Report have changed substantially. To summarise, this means that the positive development in the corporate group's financial performance presented in the above overview continues to be expected in the 2018 financial year.

In each case, the forecasts are based on a corporate structure unchanged in comparison to the 2017 financial year and are, furthermore, dependent of the general economic and industry-specific environment. The opportunities and risks described in the Report on risks and opportunities in the Annual Report for the 2017 financial year and also such opportunities and risks which were not identifiable when the present Interim Report was prepared may likewise have an impact on the forecast.

Information about the publisher

Berentzen-Gruppe
Ritterstraße 7
49740 Haselünne
Germany
T: +49 (0) 5961 502 0
F: +49 (0) 5961 502 268
E: berentzen@berentzen.de
Internet: www.berentzen-gruppe.de/en/

Publication date: October 25, 2018

Public Relations / Press
T: +49 (0) 5961 502 215
F: +49 (0) 5961 502 550
E: pr@berentzen.de

Investor Relations
T: +49 (0) 5961 502 219
F: +49 (0) 5961 502 550
E: ir@berentzen.de

Financial calendar 2018

January 11/12, 2018	ODDO BHF Forum in Lyon, France, Lyon Convention Center
February 1, 2018	Publication of preliminary business figures 2017
March 15, 2018	Publication of consolidated and separate financial statements and 2017 Annual Report
April 26, 2018	Publication of the Q1/2018 Interim Report
May 3, 2018	Annual general meeting in Hanover, Germany, Hannover Congress Centrum (HCC), Glashalle
May 15/16, 2018	Equity Forum Spring Conference 2018 in Frankfurt/Main, Germany, Marriott Hotel Frankfurt
August 14, 2018	Publication of the 2018 Group Semiannual Report
September 26/25, 2018	Berenberg & Goldman Sachs Seventh German Corporate Conference in Munich, Germany, INFINITY Hotel & Conference Resort Munich
October 25, 2018	Publication of the Q3/2018 Interim Report
November 26/27, 2018	Deutsches Eigenkapitalforum in Frankfurt/Main, Germany, Sheraton Frankfurt Airport Hotel & Conference Center

Date: October 25, 2018. The financial calendar is provided for information purposes only and will be regularly updated. It is subject to change.

Disclaimer

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This report is also available in English translation for information purposes. In the event of discrepancies the German version alone is authoritative and takes precedence over the English.

Berentzen-Gruppe Aktiengesellschaft
Ritterstraße 7
49740 Haselünne
Germany
T: +49 (0) 5961 502 0
F: +49 (0) 5961 502 268
E: berentzen@berentzen.de
Internet: www.berentzen-gruppe.de/en