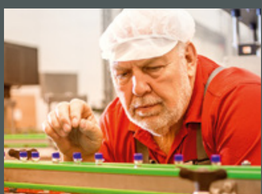
BERENTZEN-GRUPPE

Thirst for life

Berentzen-Gruppe Aktiengesellschaft

Interim Report Q3 2020



Content

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Overview Q3/2020

Consolidated revenues from January 1 to September 30, 2020 were 6.4% less than the corresponding figure for the equivalent period of last year. Adjusted consolidated EBIT, adjusted consolidated EBITDA and operating cash flow were positive, but were likewise below the level of the equivalent period in 2019.

Q3/2020

- Consolidated revenues: EUR 112.9 million (EUR 120.6 million).
- Adjusted consolidated EBIT: EUR 3.6 million (EUR 6.1 million).
- Adjusted consolidated EBITDA: EUR 10.2 million (EUR 12.3 million).
- Operating cash flow: EUR 5.9 million (EUR 7.7 million).
- Equity ratio: 35.0% (34.8%).

Outlook

- Group: Earnings forecast for the 2020 financial year is unchanged.

(1) Business performance and economic position

(1.1) Significant events in the reporting period

Effects of the coronavirus pandemic

The individual segments of the Berentzen Group have been impacted by the coronavirus pandemic to varying degrees. The *Fresh Juice Systems* segment has been the hardest hit, suffering particularly from a temporary decline in unit sales of fruit presses as investments in the direct and indirect sales channels of the hospitality and food retail trades were suspended. Sales of non-alcoholic beverages and branded spirits were depressed by the temporarily complete closure of bars and restaurants and the absence of significant marketing activities in the German food retail trade. The *Non-alcoholic Beverages* segment has been particularly impacted by the consequences of the coronavirus pandemic. It was therefore necessary to perform an ad-hoc impairment test for this segment, leading to an impairment loss of EUR 1.4 million, which was presented as an exceptional earnings effect as of March 31, 2020. Moreover, the absence of important consumption occasions such as Easter, the May holidays and celebrations and festivals of all kinds particularly affected unit sales in the *Spirits* segment, especially of those branded products that are customarily consumed in the context of social activities.

The Berentzen Group has taken numerous measures and converted its operating processes to prevent coronavirus infections, including extensive hygiene measures throughout the corporate group, a comprehensive shift and in-person presence concept at all workplaces, the more intensive use of teleworking, and restrictions on travel and meetings. These measures helped protect the company's staff while maintaining its ability to produce and deliver its products. In addition, the following management decisions were made to ensure sufficient liquidity and mitigate the already evident and possible future earnings effects of the coronavirus crisis: reduction of the amount of planned investments, reduction of marketing communication activities, and reduction of the use of external services. Furthermore, short-time work was implemented in hard-hit areas of the company.

Termination of a contract bottling agreement in financial year 2021 and impairment test for the *Non-alcoholic Beverages segment*

The Berentzen Group will not continue a longstanding cooperation agreement with an international beverages group for the bottling of branded non-alcoholic beverages beyond the end of the first quarter of the 2021 financial year. By itself, this would cause an annualized revenue reduction of roughly EUR 12.0 million in the *Non-alcoholic Beverages* segment from the 2021 financial year onward. However, the effect on the adjusted earnings before interest and taxes (consolidated EBIT) in the 2021 financial year and beyond will probably be limited due to the counter-measures to be taken and the comparatively low earnings quality of the contract bottling business. In connection with the termination of the contract bottling agreement, personnel and other expenses of EUR 0.2 million were recognized as exceptional earnings effects as of September 30, 2020.

A renewed ad-hoc impairment test of the Non-alcoholic Beverages cash-generating unit was performed as of June 30, 2020 on the basis of updated scenario analyses and in consideration of the above-mentioned termination of the longstanding contract bottling agreement. On the basis of indications present as of September 30, 2020 that the development of the segment's contribution margin and the overall profit contribution to the consolidated earnings is and will be less unfavourable than expected, a further impairment test was performed as of September 30, 2020. However, neither one of these impairment tests led to further impairments or reversals of earlier impairments.

(1.2) Financial performance

		Q3/2020	Q3/2019	Change
Consolidated revenues excl. alcohol tax	**EUR'000**	**112,918**	**120,624**	**- 6.4 %**
Spirits segment	EUR'000	65,248	63,827 [1)]	+ 2.2 %
Non-alcoholic Beverages segment	EUR'000	35,358	40,189	- 12.0 %
Fresh Juice Systems segment	EUR'000	11,320	14,747	- 23.2 %
Other segments	EUR'000	992	1,861 [1)]	- 46.7 %
Consolidated EBITDA	**EUR'000**	**10,197**	**12,271**	**- 16.9 %**
Consolidated EBITDA margin	**%**	**9.0**	**10.2**	**- 1.2 PP [2)]**
Consolidated EBIT	**EUR'000**	**3,576**	**6,102**	**- 41.4 %**
Consolidated EBIT margin (operating margin)	**%**	**3.2**	**5.1**	**- 1.9 PP [2)]**

1) Prior-year comparison figures adjusted due to the changed composition of the *Spirits* and *Other segments* resulting from a new organizational structure.

2) PP = percentage points.

The Berentzen Group generated consolidated revenues of EUR 112.9 million in the first nine months of the 2020 financial year, indicative of a 6.4% revenue decline from the equivalent period of last year (EUR 120.6 million).

Revenues in the *Spirits* segment were 2.2% higher than in the equivalent period of last year. Due to the absence of numerous consumption occasions such as festivals and private holiday celebrations, total unit sales of the *Berentzen* and *Puschkin* umbrella brands in Germany were 5.9% less than the corresponding figure for the first nine months of last year. On the other hand, unit sales in the core category of liqueurs marketed under the *Berentzen* and *Puschkin* umbrella brands increased by 1.0% and 15.0%, respectively. Unit sales of other branded spirits in Germany, especially the so-called traditional spirits, declined by 8.7%. However, unit sales of export and private-label products exhibited a clearly positive development with an increase of 6.2%, due in particular to growth of 38.8% and 26.9% in unit sales of premium-product and medium-product concepts, respectively. Total revenues in the *Non-alcoholic Beverages* segment declined by 12.0%. However, unit sales of the beverages marketed under the company's own brand *Mio Mio* increased by 12.0%, reflecting a clearly positive trend, although one that was less dynamic than in the equivalent period of last year. Unit sales of the company's own mineral water brands were at the level of the equivalent period of last year and unit sales in the product categories of soft drinks and other non-alcoholic beverages marketed under the company's own brands were stable on the whole. On the other hand, sales volumes in the contract bottling of mineral waters, soft drinks and other non-alcoholic beverages were lower. Particularly as a result of the temporary closure of restaurants due to the coronavirus pandemic, unit sales in the franchise business with the brand-name beverages of the Sinalco group declined sharply by 40.1%.

Revenues in the *Fresh Juice Systems* segment fell considerably, by 23.2%, in the first nine months of the 2020 financial year. In this segment, which was hardest hit by the effects of the coronavirus pandemic, unit sales of all principal system components were lower on the whole. Unit sales of fruit presses fell by 35.7% as customers in both the hospitality trade and the food retail trade deferred investments. Unit sales of oranges declined by 18.0%, unit sales of bottling systems by 20.2%.

Consolidated EBIT adjusted for exceptional earnings effects amounted to EUR 3.6 million (EUR 6.1 million) in the first nine months of the 2020 financial year, well below the level of the equivalent period of last year. This development resulted from the substantial EUR 5.0 million decline in consolidated gross profit due to lower business volumes and a less favourable segment mix compared to the equivalent period of last year. Operating expenses were reduced by EUR 2.6 million, thanks mainly to the counteractive measures implemented in reaction to the coronavirus pandemic. However, this reduction only partially offset the above-mentioned decrease in the gross profit.

The adjusted consolidated EBITDA derived from the above-mentioned adjusted consolidated EBIT amounted to EUR 10.2 million (EUR 12.3 million). The smaller decrease in the adjusted consolidated EBITDA compared to the adjusted consolidated EBIT resulted from the EUR 0.5 million increase in depreciation and amortization.

As a result of the coronavirus pandemic and especially the severe impact of the crisis on the hospitality business, it was necessary to perform an ad-hoc impairment test of the *Non-alcoholic Beverages* segment in the first quarter of the 2020 financial year, resulting in the recognition of an impairment loss of EUR 1.4 million, which was recognized as an exceptional earnings effect. Furthermore, an exceptional earnings effect of EUR 0.2 million was recognized for the measures taken in connection with the termination of a longstanding contract bottling agreement in the *Non-alcoholic Beverages* segment. Please refer to the statements regarding significant events in the reporting period in Section (1.1) for additional information on this subject. In the equivalent period of last year, exceptional earnings effects totalling EUR 0.9 million were recognized for consulting fees and litigation costs related to two sets of civil proceedings filed with a view to claiming damages.

(1.3) Cash flows and financial position

Cash flows

		Q3/2020	Q3/2019	Change
Operating cash flow	EUR'000	+ 5,877	+ 7,722 [1)]	- 1,845
Cash flow from operating activities	EUR'000	- 5,372	+ 522	- 5,894
Cash flow from investing activities	EUR'000	- 4,256	- 3,856	- 400
Cash flow from financing activities	EUR'000	- 3,588	- 2,830	- 758
Cash and cash equivalents at the beginning of the period	EUR'000	+ 22,010	+ 15,459	+ 6,551
Cash and cash equivalents at the end of the period	EUR'000	+ 8,794	+ 9,295	- 501

[1)] The comparison figure was adjusted to account for a changed definition of this key indicator.

The total funding of the Berentzen Group presented in the Annual Report for the 2019 financial year was essentially unchanged at the end of the interim reporting period.

The operating cash flow, which excludes changes in working capital and hence documents the impact of operating profitability on the change in liquidity, decreased to EUR 5.9 million (EUR 7.7 million), mainly due to an unfavourable development of the balance of payments for income taxes.

The cash flow from operating activities in the first nine months of the 2020 financial year showed a net cash outflow of EUR 5.4 million, as compared to a cash inflow of EUR 0.5 million in the equivalent period of last year. Compared to operating cash flow, the cash flow from operating activities includes additional cash flows in working capital, which led to a cash outflow of EUR 11.2 million (EUR 7.2 million). The main cause was the continually recurring effect of the seasonal decrease in liabilities for the alcohol tax; this amounted to EUR 10.9 million (EUR 9.8 million) at the reporting date of September 30, 2020. The change from the equivalent period of last year resulted particularly from different developments of various items of working capital due to reporting date effects.

The Group's investing activities – notably including payments for investments in property, plant and equipment – led to a net cash outflow of EUR 4.3 million (EUR 3.9 million). In this context, the cash outflow was once again essentially attributable to investments in empty bottle containers and crates in the *Non-alcoholic Beverages* segment.

Financing activities gave rise to a net cash outflow of EUR 3.6 million (EUR 2.8 million), mainly due to the dividend payment of EUR 2.6 million (EUR 2.6 million). The other cash outflows are mainly attributable to the repayment of lease liabilities in accordance with IFRS 16.

Cash and cash equivalents totalled EUR 8.8 million (EUR 9.3 million) at the end of the interim reporting period. This figure includes EUR 5.7 million (EUR 6.5 million) in receivables from the customer settlement accounts maintained with banks that are used for settlement under two factoring agreements.

Financial position

		09/30/2020	09/30/2019	Change
Equity ratio	**%**	**35.0**	**34.8**	**+ 0.2 PP [1)]**
Dynamic gearing ratio	**Ratio**	**0.08**	**0.00**	**+ 0.08**

1) PP = Percentage points.

The Group's asset and capital structure remains robust overall. The equity ratio improved slightly to 35.0% (34.8%) at the end of the third quarter of 2020. Both at September 30, 2020 and at the year-ago reporting date, the dynamic gearing ratio was close to nil. This is attributable to the very low net debt of EUR 1.3 million (less than EUR 0.1 million) compared to the rolling 12-month EBITDA of EUR 16.3 million (EUR 18.0 million). Thus, the Berentzen Group maintains a good ability to service its debt.

(2) Events after the reporting date

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 risks and opportunities

The primary risks aggregated into categories that could have significant detrimental effects on the Group's business activities and its financial performance, cash flows and financial position, the most significant opportunities and the structure of the risk management system, are presented in the Berentzen Group Annual Report for the 2019 financial year.

In the first nine months of the 2020 financial year, the risks and opportunities of the Group's anticipated development described in the Annual Report for the 2019 financial year changed primarily as a result of the coronavirus pandemic. In particular, the probabilities of occurrence of the risks aggregated within the categories of "Financial risks" and especially "General business risks" increased as a result of the pandemic. Moreover, the termination of a longstanding cooperation agreement for contract bottling in June 2020 in the *Non-alcoholic Beverages* segment activated a risk in the category of "Performance-related risks". However, the termination of this contract bottling agreement will not have a material effect on the future development of earnings due to the counteractive measures to be implemented. In the medium term, the probabilities of occurrence and extents of individual risks likewise increased, but this did not lead to changes in the risk categories within the risk matrix presented in the 2019 Annual Report. This applies to the overall assessment of opportunities and risks described in the 2019 Annual Report. Consequently, there are no risks classified as high risks within the scope of the risk management system. In the estimation of the management, therefore, the overall risk exposure of the Berentzen Group has not changed from the status described in the Berentzen Group's Annual Report for 2019 and remains manageable from today's point of view.

(4) Outlook

		2019	Forecast for the 2020 financial year in the 2019 Forecast Report	Adjustments made during the 2020 financial year	Forecast for the 2020 financial year Q3/2020
Consolidated revenues	**EURm**	**167.4**	**167.9 to 176.7**	**Q2: 153.0 to 160.0**	**unchanged**
Consolidated EBIT	**EURm**	**9.8**	**9.8 to 10.8**	**Q2: 4.0 to 6.0**	**unchanged**
Consolidated EBITDA	**EURm**	**18.4**	**18.5 to 20.5**	**Q2: 13.0 to 15.0**	**unchanged**

On March 26, 2020, the Berentzen Group published an ad-hoc announcement in which it withdrew the forecast for the 2020 financial year provided in the 2019 Annual Report.

This was done in view of the increasingly more dynamic spread of the coronavirus pandemic, the government crisis measures initiated to curb the spread, and the resultant drastic effects on national and international economies, as well as the sub-markets in which the Berentzen Group is also affected. Consequently, a sufficiently reliable and assured forecast of the Berentzen Group's business performance in the 2020 financial year was no longer possible.

In the course of preparing the Group's Interim Financial Report for the first half of 2020, the Berentzen Group published an updated forecast of the development of its financial position, cash flows and financial performance in July 2020 on the basis of the corresponding preliminary results for the first half of the 2020 financial year and a validation of the simulations conducted with regard to the expected further effects of the pandemic. The Berentzen Group is therefore reaffirming this forecast in relation to the adjusted consolidated earnings (consolidated EBIT), the adjusted consolidated earnings before depreciation and amortization (consolidated EBITDA), and consolidated revenues.

All in all, the Berentzen Group does not have any new information suggesting that the updated basic forecasts and other statements regarding the anticipated development of the corporate group in the 2020 financial year presented in the Group's Interim Financial Report for the first half of 2020 have changed in any significant way. Consequently, the Berentzen Group continues to expect a sound financial performance in the 2020 financial year.

In each case, the forecasts are based on a mainly unchanged corporate structure compared to the 2019 financial year. Furthermore, these forecasts are dependent on the general economic and industry-specific environment. The opportunities and risks described in the Report on opportunities and risks in the Annual Report for the 2019 financial year and also such opportunities and risks that were not identifiable when the present Interim Report was prepared may likewise have an impact on the forecast. With regard to the coronavirus pandemic, it is assumed that the current conditions will remain in effect through the end of the year. In consideration of the difficulty in estimating the further development of the currently worsening pandemic and the economic consequences, there is a substantially heightened degree of planning uncertainty at this time.

Information about the publisher

Berentzen-Gruppe Aktiengesellschaft

Ritterstraße 7

49740 Haselünne

Germany

T: +49 (0) 5961 502 0

F: +49 (0) 5961 502 268

E: info@berentzen.de

Internet: www.berentzen-gruppe.de/en

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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

Current financial calendar 2020

November 17 and 18, 2020	German Equity Forum – virtual

As of October 22, 2020. The financial calendar is provided for information purposes only and will be regularly updated. It is subject to change.

Disclaimer

This report contains forward-looking statements that relate particularly to the future course of business and the future financial performance, as well as future events or developments affecting Berentzen-Gruppe Aktiengesellschaft and the Berentzen Group. These statements are based on management assumptions, estimates and expectations at the time of this report's publication regarding future company-related developments. They therefore carry risks and uncertainties which are named and explained, particularly (but not exclusively) in the risk and opportunities report and the forecast report within the management report of the Berentzen Group's Annual Report for 2019 and the present report. Events and results that actually occur thereafter may therefore significantly differ from the forward-looking statements, both positively and negatively. Many uncertainties and resulting risks are characterised by circumstances that are beyond the control and influence of Berentzen-Gruppe Aktiengesellschaft and cannot be estimated with certainty. These include changing market conditions and their economic development and effect, changes in financial markets and exchange rates, the behaviour of other market actors and competitors and legal changes or political decisions by regulatory and governmental authorities. With regard to the forward-looking statements, unless otherwise required by law, Berentzen-Gruppe Aktiengesellschaft assumes no obligation to make any corrections or adjustments based on facts arising after the time of this report's publication. No guarantee or liability, neither expressed nor implied, is assumed for the currency, accuracy or completeness of the forward-looking statements.

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For information purposes, this report is also available in English. In the event of deviations, the German version shall be the sole definitive version and take precedence over the English version.

Berentzen-Gruppe Aktiengesellschaft
Ritterstraße 7
47940 Haselünne
Germany
T: +49 (0) 5961 502 0
F: +49 (0) 5961 502 268
E: info@berentzen.de
Internet: www.berentzen-gruppe.de/en