



## B. Combined management report

Combined Management Report of the Berentzen Group and Berentzen-Gruppe Aktiengesellschaft.

### (1) Basic information about the Group

#### (1.1) Corporate business model

##### Organisation and basic information

With a history going back over 260 years, the Berentzen Group is one of the oldest producers of spirits in Germany. Berentzen-Gruppe Aktiengesellschaft based in Haselünne, Germany, is the ultimate parent of the Berentzen Group, which consists of more than 20 domestic and international subsidiaries as well as the parent company. The corporate group generated revenues of EUR 174.2 million (EUR 146.1 million) in the 2022 financial year and had 495 (489) employees at seven locations in three countries as at the reporting date of December 31, 2021.

As a stock corporation organised under German law, Berentzen-Gruppe Aktiengesellschaft has three executive bodies – the annual general meeting, the Supervisory Board and the Executive Board – each of which has certain areas of responsibility within the framework of competencies allocated in accordance with the German Stock Corporation Act (AktG). The annual general meeting is the ultimate executive body, mainly making decisions on the constitution of the Company, including specifying the corporate statutes and capital-raising measures, determining the utilisation of the distributable profit, appointing the shareholder representatives on the Supervisory Board and ratifying the actions of the Supervisory Board and the Executive Board. The Supervisory Board is responsible for the appointment, oversight and advice for the Executive Board; it is directly involved in decisions of fundamental importance for the Company, where these are not reserved for the annual general meeting. The Supervisory Board consists of six members, one third of whom are employee representatives in accordance with the German One-third Participation Act (Drittelbeteiligungsgesetz). The period of office of a member of the Supervisory Board amounts to five years, although the annual general meeting may resolve a shorter period of office.

According to the Articles of Association, the Executive Board of Berentzen-Gruppe Aktiengesellschaft consists of at least two people. In its role as the management body, the Executive Board of the Berentzen Group conducts the operations, determines the strategic orientation of the Company and implements this as agreed with the Supervisory Board. At present, one member of the Executive Board is responsible for the Marketing, Sales, Production and Logistics, Purchasing, and Research and Development functions and the other for the Finance, Controlling, Human Resources, Information Technology, Legal Affairs, Corporate Communications, Investor Relations, and Corporate Social Responsibility functions.

### Business activities

The business activities of the Berentzen Group essentially comprise the production and distribution of spirits and non-alcoholic beverages and the development and distribution of fresh juice systems. The business activities are divided into the following segments accordingly: *Spirits*, *Non-alcoholic Beverages* and *Fresh Juice Systems*. The marketing, distribution and sale of spirits are grouped together in the Domestic Branded Spirits and the Export and Private-Label Brands sales units within the *Spirits* segment. The marketing, distribution and sale of non-alcoholic beverages are combined in the *Non-alcoholic Beverages* segment. Depending on the system component, the development, marketing, distribution and sale of fruit presses, oranges and filling containers are grouped together in the *Fresh Juice Systems* segment. *Other Segments* essentially covers the tourism, events and webshop business of the Berentzen Group as well as the Spirits business in Turkey, managed by a local Group company.

The Berentzen Group currently produces its spirits and non-alcoholic beverages at four of its own locations in Germany: Spirits in Minden and at the Berentzen Hof distillery in Haselünne. Non-alcoholic beverages are produced in Haselünne and Grüneberg. Products of the *Mio Mio* brand are produced in Haigerloch and Bad Brückenau within the scope of two contract bottling partnerships. In addition, the logistics centre of the corporate group for the distribution of spirits is operated by an external service provider and located in Stadthagen, Germany. The operating activities in the *Fresh Juice Systems* segment are conducted and managed from the facility in Linz, Austria.

### Brands, products and markets

Its long-established spirits brands and attractive private label products make the Berentzen Group a competent partner for the retail and hospitality trades. The spirits portfolio comprises internationally-known brands such as *Berentzen* and *Puschkin*, traditional German spirits such as *Strothmann*, *Doornkaat* and *Bommerlunder* and premium brands such as *Tres Países*.

The consolidated subsidiary Vivaris Getränke GmbH & Co. KG based in Haselünne, Germany, has been operating in the German soft drinks market for decades. Within the assortment of proprietary brands, the beverages of the *Mio Mio* brand are distributed nationally. Regionally important proprietary brands include *Emsland Quelle* and *Märkisch Kristall*, with products in the segments of mineral waters, lemonades and fruit juice beverages. The range is rounded off by energy drinks. The second pillar of the Company is a franchise business that has been operating for over 50 years. It is under this activity that the Company has been producing and distributing soft drinks for the major German soft drinks brand *Sinalco* on the basis of a long-term agreement since January 2015. Furthermore, non-alcoholic branded products are bottled under contract-bottling agreements for other customers.

Through its subsidiary Citrocasa GmbH, based in Linz, Austria, the corporate group is active as a system provider for fresh fruit juice systems, particularly orange presses. Alongside orange presses, the full range marketed under the *Citrocasa* brand encompasses juicy oranges under the *frutas Naturales* brand that are not treated after harvesting and special bottles for freshly squeezed orange juice. These activities are increasingly being supplemented by sales of pomegranate presses. The Company's core competencies are in the ongoing development and optimisation of the system, technical services and the delivery of fruit and bottles.

With such a diverse range of brands and products in the *Spirits*, *Non-alcoholic Beverages*, and *Fresh Juice Systems* segments, the Berentzen Group boasts a broad-based assortment in different price segments and for almost every taste.

The main sales market for the spirits marketed by the Berentzen Group is traditionally in Germany, which is dominated on the demand side by a notably strong food retailing sector that is continuing to consolidate. With marketing centring on Europe, the Berentzen Group is internationally present in around sixty countries around the world and in the duty-free business. Distribution in these places is carried out either by own subsidiaries that are also involved in the management and adaptation of regional sales measures or by distributors in certain focal points.

With its *Mio Mio* branded products, the *Non-alcoholic Beverages* segment has reached a national level in its distribution. Alongside this, the core sales area for the regionally important brands extends to the federal states of northern and eastern Germany, including Berlin together with parts of Hesse and North Rhine-Westphalia. The most important sales channels include the food retailing sector, beverage warehouses and the hospitality trades (via beverage wholesalers).

The core regions of Austria and Germany, which are looked after by internal sales teams, as well as the markets of France, the USA, the United Kingdom, Scandinavia and Eastern Europe, are the main sales areas for the products of the *Fresh Juice Systems* segment. Worldwide distribution of equipment outside of Austria and Germany is handled by local distributors in almost fifty countries. The main distribution channels are the food retailing sector, the out-of-home market, and the on-trade channel.

### Industry-specific legal framework

The business activities of the Berentzen Group are subject to a number of significant industry-specific legal provisions on top of the general domestic and international rules and regulations.

In terms of the production and distribution of spirits, non-alcoholic beverages and the system components marketed by the *Fresh Juice Systems* segment, there are regulatory requirements in connection with the production, marketing, declaration and labelling of foodstuffs. In this context, German and European food law is largely harmonised in European Union (EU) regulations, whereas other country-specific regulations are generally also applicable outside of Europe.

In addition, the production and distribution of fruit presses in the *Fresh Juice Systems* segment is subject to specific expanded regulations regarding product safety, technical designations and standards that are intended to ensure health and safety at work together with food safety and consumer protection. In Europe, these regulations are largely



standardised in EU rules while additional or different regulations are normally applicable in non-EU countries in accordance with local law.

In terms of competition law, there are generally applicable regulations regarding the distribution of non-alcoholic beverages and the system components marketed by the *Fresh Juice Systems* segment. Besides this, the marketing of spirits is subject to additional regulations that vary from country to country, among other things in the form of sales and / or advertising restrictions as well as specific restrictions serving to protect minors.

Finally, special tax regimes relating to the alcohol tax and similar foreign consumption taxes levied at high rates on alcohol and alcohol-based beverages in almost all countries need to be observed for the production and in particular the distribution of spirits. Moreover, high and in some cases prohibitive customs duties and import tariffs are regularly levied on imported spirits, especially outside of Europe.

## **(1.2) Management system**

### **Principles of internal management**

The Berentzen Group is managed using performance indicators that aim to optimally guide the business performance taking into account the mutually interrelated factors of growth, profit and liquidity. The most important of these performance indicators are determined at corporate level.

Prior to the start of each financial year, the Executive Board draws up a detailed corporate plan for the following financial year together with a medium-term corporate plan. The internal management system is overseen centrally by the Controlling department of Berentzen-Gruppe Aktiengesellschaft, which reports directly to the Executive Board member responsible for the function. The Controlling department prepares detailed monthly reports containing information relevant for management as well as a wide range of other data, including income statements for the individual segments, which are made available to the Supervisory Board, the Executive Board and the relevant managers at the next level down. Furthermore, a management reporting system has been implemented for the management of the corporate group that constantly makes available wide-ranging information on the sales, price and revenue development in variable combinations and at various aggregation levels. There are also other instruments in place to help manage the liquidity and capital allocation of the corporate group as well as a specified, standard process flow for investments. Targeted returns are defined in the sense of a return on investment (ROI) for investments in excess of a specific size. The Berentzen Group has to date not employed any non-financial performance indicators to manage the corporate group.

### **Financial performance indicators**

The corporate group is mainly organised and managed on the basis of product groups and sales units. Profitability-oriented management and planning is performed at segment level on the basis of a ratio comprising the contribution margin after marketing budgets. This metric is determined using the revenues of the respective segment together with the product-related purchased goods and services and other direct costs and the expenses for marketing and advertising, adjusted for intersegment revenues and expenses.

Building on this, management is performed at corporate level on the basis of the normalised consolidated earnings or consolidated EBIT (earnings before interest and taxes) adjusted for non-recurring items and the adjusted consolidated EBITDA (earnings before interest, taxes, depreciation, amortisation) as well as the consolidated revenues. The normalised consolidated EBIT reflects the consolidated profit before income or expenses from income taxes, the net financial and investment income, and non-recurring effects; when calculating the normalised consolidated EBITDA, depreciation and amortisation on property, plant and equipment, intangible assets and rights of use from leased assets are added in addition. Non-recurring items are eliminated with a view to focusing on the evaluation and presentation of the operating performance and profitability of the corporate group, thus making it easier to compare results between the financial reporting periods. Non-recurring items reflect the impact of one-off or unusual transactions that are unique expense or income items or not recurring regularly in this form or amount. The gain or loss from the net monetary position in accordance with IAS 29 is likewise included in the adjustments. This was done for the first time in the 2022 financial year in connection with the hyperinflation in Turkey.

Both the normalised consolidated EBIT and the normalised consolidated EBITDA are recognised economic profitability ratios, although they are not defined in accordance with the national and international accounting standards. This also holds true for the ratio used to manage the segments, the contribution margins after marketing budgets.

The development and analysis of the income-related performance indicators are presented in section (2.2.4), Financial performance, in the Economic report.

#### Cash flow indicators

The key performance indicator for the cash flows and financial position of the corporate group is the operating cash flow. The operating cash flow shown in the Cash Flow Statement documents the impact of operating profitability on the change in the cash position. It has been defined as consolidated profit adjusted for amortisation, depreciation and impairment as well as for the balance of expenses and payments (a) for non-recurring items, (b) in connection with income taxes and (c) relating to the interest result. Movements in the volatile working capital that is often subject to reporting-date effects are thus excluded to a great extent to allow for a better assessment and presentation of cash inflows and outflows from operating activities.

Please refer to the comments in section (2.2.5), Cash flows, in the Economic report for information on the calculation and analysis of the cash flow indicator.

#### Financial position indicators

The Group's financial position is planned and managed based on the two indicators equity ratio and dynamic gearing.

The equity ratio provides insights concerning the extent to which risks entered into can be hedged by equity and thus concerning the financial stability of the Berentzen Group. The ratio is calculated as the ratio of adjusted equity to adjusted total consolidated capital (total consolidated assets). Adjusted equity is based on the consolidated capital reported in the Consolidated Statement of Financial Position. If available, receivables from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from the figure, while non-current liabilities to shareholders and mezzanine capital are added. Likewise, receivables

from shareholders, outstanding contributions to subscribed capital, pension provisions not recognised as liabilities and deferred tax assets are deducted from total consolidated capital if available.

The dynamic gearing ratio provides information on the period theoretically needed in order to repay net financial liabilities using profits. Consequently, the ratio is also suitable for indicating the Berentzen Group's debt servicing ability. The performance indicator is calculated as the ratio of total current and non-current financial liabilities adjusted for cash and cash equivalents to consolidated EBITDA recorded over the past 12 months. If this ratio is negative, it shows that, as at the date on which it was calculated, the total of cash and cash equivalents exceeds the amount of financial liabilities and therefore that there is no net formal overindebtedness.

The development and analysis of the financial position indicators are presented in section (2.2.6), Financial position, in the Economic report.

### **(1.3) Research and development**

In order to keep the product range attractive for consumers and exploit potential consumption levels, the Group's inhouse Research and Development department worked on enhancing the quality and flavour of existing spirits products and developing innovative new products in 2022. In the 2022 financial year, 206 (226) recipes for spirits were developed and examined in the area of brands and private-label brands.

In the *Non-alcoholic Beverages* segment, three recipes were optimised within the existing product line under the proprietary *Kräuterbraut* brand in the 2022 financial year. In addition, new products were worked on in the "isotonic sports drink" and "flavoured water with functional additive" product segments. Development activities also focused on a product launch under the *Mio Mio* brand that will take place in the first quarter of 2023. A total of 67 new recipes were developed for the *Non-alcoholic Beverages* segment and evaluated in market research tests.

Research and development activities in the *Fresh Juice Systems* segment focused on the one hand on the development of a new pomegranate fruit press, which will be available in the first quarter of 2023 and will inherit the patented functions of the current generation machinery, in particular with regard to hygiene efficiency. They also focused on the development of a completely new fruit press generation for the food retail market. This is expected to be market-ready in the 2024 financial year.

The direct expenses for research and development and quality assurance amounted to EUR 1.6 million in the 2022 financial year (EUR 1.6 million).

## **(2) Economic report**

### **(2.1) General economic and industry-specific framework conditions**

Apart from the development of the economy as a whole, the decisive framework conditions for the business development of the Berentzen Group are the development of the drinks market including the development of the distribution channels for drinks and fresh juice systems.

### General economic conditions

The global economy continued to expand in 2022, but growth has weakened since the start of the year. Growth of 2.8% (6.2%) is anticipated, as the ifo Institute announced in December 2022. According to information in the "World Economic Outlook Update" of January 2023, the International Monetary Fund (IMF) expects higher growth of 3.4% (6.2%) for 2022. Global economic activity was strained by the war between Russia and Ukraine as well as by the coronavirus pandemic. The effects of the pandemic have certainly diminished in most countries, and yet persistent waves of infection continue to have a negative impact, particularly in China. In addition, commodity prices – particularly energy prices – have risen sharply. The commodity price index published by the Hamburg Institute of International Economics (HWWI) was between 24.3% and 148.6% higher in 2022 on a euro basis than in the corresponding month of the previous year. To curb inflationary pressure, monetary policy was tightened, and the European Central Bank (ECB) decided to raise interest rates. Signs of a weakened global economy were apparent in emerging markets as well as industrialised nations. For instance, the IMF expects growth of 3.9% (6.7%) in emerging markets in 2022 and 2.7% (5.4%) in industrialised nations. Economic output in the Eurozone, projected at 3.5% (5.3%), is expected to be higher than for the industrialised nations as a whole.

The difficult general global economic conditions – such as the persistent coronavirus pandemic, supply bottlenecks, rising prices and the war in Ukraine – also impacted the German economy negatively in 2022. Nonetheless, economic output rose, even if its growth was slower compared to the previous year. According to the Federal Statistical Office, GDP in Germany – adjusted for price, seasonal effects and calendar effects – was 1.9% (2.6%) higher than in the previous year.

### Developments on the drinks market

According to figures from the Federal Statistical Office, consumer prices rose by an annual average of 7.9% in 2022 compared with 2021 (+3.1%). The main reason for the marked rise in the inflation rate was above all the extreme price increases for energy products and food since the start of the war in Ukraine. The entire year was characterised by exceptional effects due to crises and war, such as supply bottlenecks and sharp price increases on upstream levels of the supply chain, even if the price increases were not fully passed on to consumers. Prices in "food and non-alcoholic beverages", which is an important category for the Berentzen Group, rose at a disproportionate rate, increasing by an annual average of 12.8% (+3.1%). By contrast, prices in the "alcoholic beverages and tobacco" category rose at a below-average rate, increasing by an annual average of 5.0% (+2.6%).

According to the Federal Statistical Office, sales in the German retail trade were down by 0.6% in 2022 (up by 0.7%) compared to the previous year on an inflation-adjusted basis. Retail revenues in the "food, beverages and tobacco" category, an important category for the Berentzen Group, fell disproportionately by 4.6% (-1.1%). According to figures released by Eurostat, the statistical office of the European Union (EU), retail sales and revenue volumes in the "food, luxury foods, beverages and tobacco" category decreased by 2.8% in the Eurozone and by 2.4% in the EU in 2022 compared with 2021 (up 0.9% and also 0.9, respectively).

In addition to the food retail trade, the German hospitality industry is another, albeit not as important, distribution channel for the spirits and non-alcoholic beverages of the Berentzen Group. In this economic sector, several coronavirus safety measures had a negative impact in the first few months of 2022 – as in the previous year. The measures in

effect in the reporting period were significantly lessened or were in effect for a shorter time compared to the previous year. At the start of 2022, strict requirements and entrance restrictions were in place in restaurants, while clubs and discotheques were closed. With the Three-Step Plan approved by the federal and state governments in February 2022, there were increasing steps toward re-opening starting in March. For instance, clubs and discotheques could open again, but strict entrance restrictions and requirements remained in force. Finally, at the beginning of April, an amended infectious diseases protection law largely brought an end to the measures. Only basic protection remained in place. By contrast, in the previous year restaurants were closed from the start of the year onward, except for takeaway and delivery services, and could only begin to re-open gradually again in May 2021 in most German federal states. This reopening was subject to strict measures, however, especially at the beginning. In addition, tighter entrance restrictions were applied for restaurants starting in December, and many patrons refrained from going out to restaurants due to sharply rising numbers of infections. Accordingly, revenues in the German gastronomy sector rose sharply in 2022 compared to the previous year, according to the German Federal Statistical Office: the cumulative rise in revenue was 38.7%. The strong growth is particularly attributable to the first half of the year. For example, revenues from food and drink establishments from January to May were considerably higher than those in the same month of the previous year, with a cumulative rise in revenues of 89.7%. Growth ebbed starting in June, ranging between 7.5% and 27.0% compared to the same month in the previous year. In the "Beverage Service" sector, which covers bars, pubs and discotheques, there was an even higher revenue rise of 62.8%. However, revenues in this sector remained distinctly lower than the level before the start of the pandemic; revenue fell by 31.4% compared to 2019.

Figures published by the market research company Information Resources GmbH (IRI) show that domestic sales of spirits in 2022 amounted to 745.4 million 0.7-litre bottles (747.9 million 0.7-litre bottles), thus at about the same level as the previous year. At the same time, revenues in this sales channel remained nearly constant at EUR 6.43 billion (EUR 6.42 billion). At 33.1% (33.5%), the share of private-label brands in total German sales declined slightly, amounting to 247.1 million 0.7-litre bottles (250.4 million 0.7-litre bottles), while revenues from these brands rose modestly from EUR 1.42 billion to EUR 1.44 billion. In the German food retail trade and drugstores, the sales volume of spirits decreased slightly by 0.8% year on year to 638.8 million 0.7-litre bottles (643.6 million 0.7 litre bottles). At EUR 5.29 billion (EUR 5.30 billion), revenues remained at the previous-year level.

Market research company IRI observed a rise in retail sales of non-alcoholic beverages in 2022 of 2.8%, from 22.7 billion litres to 23.3 billion litres, while revenues also increased by 5.7%. Sales of waters increased at the above-average rate of 4.3%, and revenue growth was likewise above-average at 7.3%. Sales of soft drinks also rose, albeit less dramatically, by 0.5%, while revenues increased by 6.0%. The development in the area of iced tea, to which mate beverages marketed under the *Mio Mio* brand are allocated, was virtually the same. This area recorded only 0.1% sales volume growth and 1.1% revenue growth. There was a markedly positive development in the category of sports and energy drinks, which observed sales growth of 6.7% and revenue growth of 13.7%.

A projection published in February 2023 by Verband Deutscher Mineralbrunnen e.V. (VDM), a German mineral water industry association, also showed an increase in sales in the area of waters. According to the VDM, sales of mineral and medicinal waters and non-alcoholic mineral spring beverages from German springs rose by 6.6% to 13.3 billion litres (12.5 billion litres) in 2022. Within this total, 10.1 billion litres (9.5 billion litres) related to sales of mineral and medicinal waters, while mineral spring beverages accounted for 3.2 billion litres (3.0 billion litres). According to VDM,



this positive development is attributable particularly to increased health consciousness among the public and to the comparatively warm summer and fall.

As far as the Berentzen Group is aware, to all intents and purposes there are no all-round, reliable market data available for the *Fresh Juice Systems* segment. The corporate group estimates that existing and future consumer demand for fresh foodstuffs, especially fresh drinks like not-from-concentrate juices, freshly squeezed juices and smoothies, is a key indicator for the development of this segment. The trends ongoing for several years now of increased dietary awareness and the impact on health and well-being are further influencing consumer behaviour. Values and product characteristics like freshness, organic and regional provenance as well as traceability in the production process are increasingly important factors for end customers. Besides the positive momentum from the trend toward higher food consciousness, the war in Ukraine on the other hand had a negative effect on the business environment in the *Fresh Juice Systems* segment and partly worked against the recovery expected in 2022, especially in the restaurant sector, due to the relaxation of coronavirus safety measures. The high inflation connected to the war resulted in greater price sensitivity on the part of consumers.

## **(2.2) Business performance and economic position**

### **(2.2.1) Overview of business performance and operating results**

In a competitive environment that was impacted by the effects of the war between Russia and Ukraine and generally difficult framework conditions, the Berentzen Group achieved consolidated revenues of EUR 174.2 million (EUR 146.1 million); its adjusted consolidated earnings (consolidated EBIT) increased to EUR 8.3 million (EUR 6.7 million) and its adjusted consolidated earnings before depreciation and amortisation (consolidated EBITDA) likewise increased to EUR 16.7 million (EUR 15.4 million). Taking account of negative exceptional effects (non-recurring items) of EUR 1.3 million (previous year: no exceptional effects (no non-recurring items)), expenses arising from the financial result and the result from equity interests of EUR 1.7 million (EUR 1.4 million), income taxes of EUR 2.1 million (EUR 1.6 million) and expenses arising from the gain or loss on the net monetary position in accordance with IAS 29 determined for the first time in the 2022 financial year of EUR 1.2 million, the Berentzen Group generated a consolidated net profit of EUR 2.1 million (EUR 3.7 million).

The results for the financial year are based largely on the significant developments and events described in section (2.2.3) and the development of financial performance summarised under section (2.2.4).

### **(2.2.2) Comparison of actual business performance with the forecast business performance**

The following report covers the most important financial performance indicators of the Berentzen Group applied for internal management purposes in the 2022 financial year. The Group's actual performance is compared with the forecast performance by contrasting the forecasts communicated in the past financial year with the actual performance figures. Symbols are used to illustrate the extent to which the most recent forecast in each case was met, with ✓/ indicating that the forecast was surpassed, ✓ indicating that the forecast was met, and × indicating that the forecast was not met.





### Financial performance

In a market environment characterised by the beneficial factor of less restrictive anti-coronavirus measures, but also by the adverse factor of the repercussions of the war between Russia and Ukraine, achieving the Group's earnings targets was challenging in the 2022 financial year. The business performance of the individual segments was mixed.

### Performance of the segments

	Forecast for the 2022 financial year in the 2021 forecast report EURm	Adjustments made during the 2022 financial year EURm	Actual business performance 2022 EURm	
<b>Contribution margin after marketing budgets</b>				
Segment				
Spirits	29.8 to 32.9		31.3	✓
Non-alcoholic Beverages	23.3 to 25.7	Q2: 25.0 to 27.5 Q3: 23.3 to 25.7	22.9	×
Fresh Juice Systems	5.7 to 6.3		6.2	✓
Other segments	1.2 to 1.5	Q2: 2.3 to 2.6 Q3: 3.5 to 3.8	4.4	✓✓

The original forecasts of segment earnings (contribution margin after marketing budgets) for the 2022 financial year communicated in the Management Report for the 2021 financial year and the forecast adjustment communicated in the course of the present year were surpassed in one case, met in two cases, and not met in one case.

Unless otherwise noted, the comparative statements made below always refer to the assumptions underlying the updated forecasts communicated in October 2022.

In the *Spirits* segment, the forecast earnings range of EUR 29.8 million to EUR 32.9 million was met by actual segment earnings of EUR 31.3 million. Although the contribution margin amount was slightly higher on the whole, the positive effect on the segment earnings indicator was somewhat lessened by the higher amount of funds allocated to marketing budgets and customer sales budgets. Despite significantly higher sales volumes, the contribution margin value in the business with focus brands — particularly *Berentzen* and *Puschkin* — fell short of the high expectations overall, in the context of huge price increases for materials. The forecast contribution margins for other branded products, especially the traditional *Strothmann*-brand spirits, and export sales of branded spirits were surpassed on the whole. The development of the contribution margins generated on sales of private-label brands, including both premium and medium private-label products, as well as standard private-label products, was in line with expectations.

In the *Non-alcoholic Beverages* segment, both the original forecast and the adjusted forecast of EUR 23.3 million to EUR 25.7 million were missed by segment earnings of EUR 22.9 million. The contribution margin amount on which the corrected forecast was based was not met and the decrease in the amount of funds allocated to marketing budgets compared to the forecast assumptions was not enough to offset this development. Although contribution margin growth was achieved compared to the previous year in the business with own brands and franchise brands, this was not sufficient to reach the target contribution margins in these product categories.

The segment earnings of EUR 6.2 million achieved in the *Fresh Juice Systems* segment were at the upper end of the forecast range of EUR 5.7 million to EUR 6.3 million communicated in the Management Report 2021 due to the fact that the increase in the contribution margin was generally in line with the expectations. Whereas the contribution margin amount generated on sales of fruit presses and the corresponding spare parts and service as one of the system components was slightly lower than expected, the contribution margin targets for the system components of bottling systems and fruit were surpassed by a wide margin. Although the amount of funds allocated to marketing and trade advertising was less than expected, the positive effect of this development on segment earnings was minor by reason of the low amount involved.

The segment earnings of EUR 4.4 million achieved in the *Other segments* surpassed both the initial forecast range and the updated forecast ranges communicated in the second and third quarters. This positive development can be attributed to the significantly higher contribution margin generated on sales of spirits in Turkey compared to the corresponding plan assumptions. This organisational unit benefited particularly from the recovery of tourism in that country. The low amount of funds allocated to marketing and trade advertising was according to plan and therefore it had neither a positive nor a negative effect on the overall development of segment earnings.

#### Development of consolidated revenues and consolidated operating result

	Forecast for the 2022 financial year in the 2021 forecast report EURm	Adjustments made during the 2022 financial year EURm	Actual business performance 2022 EURm	
Consolidated revenues	154.0 to 162.0	Q2: 158.0 to 165.0 Q3: 172.0 to 177.0	174.2	✓
Consolidated operating earnings (consolidated EBIT)	5.0 to 8.0	Q2: 6.0 to 8.0 Q3: 7.8 to 8.8	8.3	✓
Consolidated operating earnings before depreciation and amortisation (consolidated EBITDA)	14.0 to 17.0	Q2: 15.0 to 17.0 Q3: 16.1 to 17.1	16.7	✓

The consolidated revenues of EUR 174.2 million generated in the 2022 financial year met or exceeded both the original forecast range and the twice-corrected forecast ranges, the latest one being EUR 172.0 million to EUR 177.0 million. The significant revenue growth was driven by the positive performance of the segments *Spirits*, *Fresh Juice Systems*, *Non-alcoholic Beverages*, and *Other*.

Based on the changes in the individual segment earnings and consolidated revenues described above, the adjusted consolidated operating result (consolidated EBIT) and the adjusted consolidated operating result before depreciation and amortisation (consolidated EBITDA) met the adjusted forecasts. The consolidated EBIT of EUR 8.3 million and the consolidated EBITDA of EUR 16.7 million met the respective adjusted forecasts for the 2022 financial year.

#### Cash flows and financial position

The Group's cash flows and financial position remained sound. There were no discrepancies between the relevant key indicators applied for internal management purposes and the latest corresponding forecasts.

**Development of cash flows**

	Forecast for the 2022 financial year in the 2021 forecast report EURm	Adjustments made during the 2022 financial year EURm	Actual business performance  2022 EURm	
Operating cash flow	11.0 to 13.0		12.3	✓

A forecast range of EUR 11.0 million to EUR 13.0 million had been communicated for operating cash flow, which essentially excludes changes in working capital so as to show the effects of operating profitability on cash flows. With a value of EUR 12.3 million, this target was achieved. Please refer to section (2.2.5) Financial position for additional information on this subject.

**Development of financial position**

	Forecast for the 2022 financial year in the 2021 forecast report	Adjustments made during the 2022 financial year	Actual business performance  12/31/2022	
Equity ratio	34.0% to 39.0%		34.2%	✓
Dynamic gearing ratio	< 0.00		- 0.58	✓

The equity ratio as at December 31, 2022 was 34.2%, little changed in the previous year and thus at the lower end of the forecast range of 34.0% to 39.0%. This development is mainly attributable to the EUR 1.3 million increase in shareholders' equity accompanied by the EUR 4.2 million or 2.9% increase in total assets.

The dynamic gearing ratio as at December 31, 2022 was - 0.58, in line with the earnings forecast. The negative sign indicates that cash and cash equivalents exceed non-current and current financial liabilities. Thus, the Berentzen Group is not formally over-indebted and it remains well able to service its debts.

**(2.2.3) Business performance – significant developments and events****Effects of the coronavirus pandemic**

The coronavirus pandemic has remained a significant event in the financial year, in line with expectations. Some of the measures taken by federal and state governments to contain the coronavirus continued to have an adverse impact on economic activity in Germany, albeit with declining intensity as the year went on, to the point that some have been largely lifted. The measures include entrance restrictions and regulations imposed on food and drink establishments, extensive social distancing measures and strict rules for events. The Three Step Plan resolved by the federal and state governments in February 2022 led to initial steps toward re-opening, starting in March. Finally, at the beginning of April, an amended infectious diseases protection law largely brought an end to the measures. Only basic protection, including a mask requirement in certain areas, remains in effect.



The coronavirus pandemic has also impacted the sourcing market, resulting on the one hand in a shortage of materials – particularly raw materials and intermediate products – and on the other in supply bottlenecks. Although the effects of the coronavirus pandemic have weakened overall, persistent waves of infection continue to impair economic activity, particularly in China.

All segments of the Berentzen Group continue to experience the effects of the coronavirus pandemic. The business with non-alcoholic beverages and branded spirits was impacted in particular by the entrance restrictions and regulations governing bars and restaurants in the first quarter, which above all affected the *Non-alcoholic Beverages* segment. In the *Spirits* segment, the cancellation of celebrations also impacted sales performance, in particular of those branded products that tend to be consumed on social occasions. In the *Fresh Juice Systems* segment, the pandemic continued to have a negative impact on the sale of fruit presses, owing to a suspension of investments in the direct and indirect sales channels restaurants and food retailers.

#### **The war between Russia and Ukraine**

On February 24, 2022, Russia launched an invasion of Ukraine, causing Ukrainian President Volodymyr Zelenskyy to declare a state of war and martial law across the country. Russia's war of aggression has ground on since then with increasing hardship and destruction. Millions of people have fled Ukraine since the war began. In response to Russia's war of aggression, NATO and EU member states have imposed extensive sanctions on Russia. The potential loss of revenues for the Berentzen Group as a direct result of the conflict is very low. Thus, in the entire 2022 financial year, only around 0.2% (0.2%) of consolidated revenues were generated in total in Russia and Ukraine. On the other hand, more significant impacts were felt in the sourcing market, as the war has further aggravated the existing supply bottlenecks. As a result, prices for energy and materials have soared. A modest improvement in the price situation has begun to emerge since the fourth quarter, but prices remain high. The Berentzen Group does not currently expect a rapid recovery in the various supply chains, particularly for procurement of grain alcohols and glass. The possible impacts on the Berentzen Group's financial performance are analysed continuously, with countermeasures taken where necessary.

#### **General economic conditions and impairment testing for the Non-alcoholic Beverages segment**

In the 2022 financial year, there were steep price increases and high inflation rates in commodities markets and difficult conditions on financial markets, including higher (market) interest rates. As a result, among other things, the basic interest rate under IDW S1, published for valuation purposes by the Institute of Public Auditors in Germany (IDW), rose by nearly two percentage points in the 2022 financial year. In addition, the non-alcoholic beverages market has shown a particular vulnerability to the rise in energy prices. This development made it necessary to conduct an ad hoc impairment test for the *Non-alcoholic Beverages* segment or cash-generating unit as at June 30, 2022, September 30, 2022 and December 31, 2022. Consideration was given to the interest rate change in the respective discount rate applied – the weighted average cost of capital (WACC). Based on the results of the impairment tests conducted as at June 30 and September 30, there was no need to recognise impairments or reversals of earlier impairments. However, based on the result of the impairment test conducted as at December 31, an impairment loss of EUR 1.3 million was recognised.

### (2.2.4) Financial performance

The following table summarises the development of the Group's financial performance. Individual items in the Consolidated Statement of Comprehensive Income have been adjusted for income- and expense-related exceptional effects (non-recurring items) in line with the definition of the normalised consolidated EBIT used to manage the Group. Likewise not included in the normalised consolidated EBIT is the "Gain or loss from the net monetary position per IAS 29", which was calculated for the first time as at June 30, 2022 and is related to the hyperinflationary economy in Turkey.

	2022		2021		Change	
	EUR'000	%	EUR'000	%	EUR'000	%
<b>Consolidated revenues</b>	<b>174,216</b>	<b>97.4</b>	<b>146,109</b>	<b>99.8</b>	<b>+ 28,107</b>	<b>+ 19.2</b>
Change in inventories	4,696	2.6	336	0.2	+ 4,360	> + 100.0
<b>Total operating performance</b>	<b>178,912</b>	<b>100.0</b>	<b>146,445</b>	<b>100.0</b>	<b>+ 32,467</b>	<b>+ 22.2</b>
Purchased goods and services	99,652	55.7	77,988	53.3	+ 21,664	+ 27.8
<b>Consolidated gross profit</b>	<b>79,260</b>	<b>44.3</b>	<b>68,457</b>	<b>46.7</b>	<b>+ 10,803</b>	<b>+ 15.8</b>
Other operating income	4,747	2.7	3,798	2.6	+ 949	+ 25.0
Personnel expenses	28,803	16.1	26,753	18.3	+ 2,050	+ 7.7
Depreciation and amortisation of assets	8,318	4.6	8,649	5.9	- 331	- 3.8
Other operating expenses	38,550	21.5	30,142	20.6	+ 8,408	+ 27.9
Operating expenses	75,671	42.3	65,544	44.8	+ 10,127	+ 15.5
<b>Consolidated operating profit (EBIT)</b>	<b>8,337</b>	<b>4.7</b>	<b>6,711</b>	<b>4.6</b>	<b>+ 1,626</b>	<b>+ 24.2</b>
Gain or loss from the net monetary position in accordance with IAS 29	- 1,195	- 0.7	0	0.0	- 1,195	> - 100.0
Exceptional effects	- 1,299	- 0.7	0	0.0	- 1,299	> - 100.0
Financial result and result from equity interests	- 1,671	- 0.9	- 1,410	- 1.0	- 261	- 18.5
<b>Consolidated profit before taxes</b>	<b>4,171</b>	<b>2.3</b>	<b>5,301</b>	<b>3.6</b>	<b>- 1,130</b>	<b>- 21.3</b>
Income tax expenses	2,070	1.2	1,639	1.1	+ 431	+ 26.3
<b>Consolidated profit</b>	<b>2,101</b>	<b>1.2</b>	<b>3,662</b>	<b>2.5</b>	<b>- 1,561</b>	<b>- 42.6</b>

#### Consolidated revenues and total operating performance

The consolidated revenues of the Berentzen Group excluding alcohol tax amounted to EUR 174.2 million in the 2022 financial year (EUR 146.1 million), while the consolidated revenues including alcohol tax amounted to EUR 368.2 million (EUR 328.8 million). Including the changes in inventory of EUR 4.7 million (EUR 0.3 million), the total operating performance came to EUR 178.9 million (EUR 146.4 million).

	2022 EUR'000	2021 EUR'000
Revenues excluding alcohol tax		
Spirits segment	103,976	92,657
Non-alcoholic Beverages segment	44,649	35,346
Fresh Juice Systems segment	18,816	15,363
Other segments	6,775	2,743
<b>Consolidated revenues excluding alcohol tax <sup>1)</sup></b>	<b>174,216</b>	<b>146,109</b>
Alcohol tax	193,947	182,669
<b>Consolidated revenues including alcohol tax</b>	<b>368,163</b>	<b>328,778</b>

<sup>1)</sup> Please refer to the comments on sector risks in section (3.2) of the Risk and Opportunities Report for information on the development of the share of consolidated revenues generated with the corporate group's most important trading partners.

### Development of revenues in the individual segments

A major factor influencing business performance is the development of revenues in the various product groups and categories, even though diverse mix effects mean that there is no strictly linear link to the development of consolidated gross profit and earnings indicators. The customer sales budgets were included to allow for a reconciliation with the product group-specific revenues in the *Spirits* and *Non-alcoholic Beverages* segments with the revenues presented in the Segment Report. The customer sales budgets are subsidies deducted directly from revenues in accordance with IFRS 15, which can be allocated to the respective customers, but not to the products, product groups or business categories presented below.

### Spirits

	2022 EUR'000	2021 EUR'000	Change	
			EUR'000	%
Berentzen	15,432	13,155	+ 2,277	+ 17.3
Puschkin	7,585	6,604	+ 981	+ 14.9
Other	791	999	- 208	- 20.8
Focus brands	23,808	20,758	+ 3,050	+ 14.7
Other brands	10,695	9,153	+ 1,542	+ 16.8
Customer sales budget	- 2,212	- 2,235	+ 23	+ 1.0
<b>Branded spirits in Germany</b>	<b>32,291</b>	<b>27,676</b>	<b>+ 4,615</b>	<b>+ 16.7</b>
Branded spirits abroad	6,683	5,928	+ 755	+ 12.7
Premium/medium private-label brands	23,700	21,801	+ 1,899	+ 8.7
Standard private-label brands	43,036	38,743	+ 4,293	+ 11.1
Customer sales budget	- 1,363	- 1,182	- 181	- 15.3
<b>Export and private-label brands</b>	<b>72,056</b>	<b>65,290</b>	<b>+ 6,766</b>	<b>+ 10.4</b>
Other and internal revenues	- 371	- 309	- 62	- 20.1
<b>Revenues in the Spirits segment</b>	<b>103,976</b>	<b>92,657</b>	<b>+ 11,319</b>	<b>+ 12.2</b>

Compared to the previous year, the revenues generated in the *Spirits* segment in the 2022 financial year exhibited a

clearly positive development of 12.2%, reaching EUR 104.0 million (EUR 92.7 million) in total. The Berentzen Group generated revenues of EUR 32.3 million on sales of domestic branded spirits (EUR 27.7 million) and revenues of EUR 72.1 million (EUR 65.3 million) on sales of branded spirits in markets outside of Germany and on sales of private-label brands (collectively: export and private-label brands) in the past financial year.

The revenues generated on sales of domestic branded products increased markedly by a total of 16.7% as at December 31, 2022, particularly as a result of the much less restrictive measures imposed to curb the spread of the coronavirus compared to the previous year, although numerous consumption occasions such as Carnival and private celebrations were cancelled or could only be held with restrictions in the early months of the 2022 financial year. The revenues generated on sales of focus brands rose by 14.7% over the previous year, particularly due to the strong performance of the two focus brands *Berentzen* and *Puschkin*. The revenues generated on sales of *Berentzen* products increased by 17.3% and those of *Puschkin* products by 14.9% in the 2022 financial year. By contrast, the revenues generated on sales of the other focus brands (*Tres Países*, *Norden Dry Gin* and *Goldkehlchen*), while comparatively low in absolute terms, declined markedly by 20.8%. The revenues generated on sales of the other spirits brands, particularly the “classic” spirits (*Strothmann*, *Bommerlunder*, etc.), were 16.8% higher. The revenue deductions for the customer sales budgets granted to promote domestic sales of the Group’s branded products amounted to EUR 2.2 million, unchanged from the previous year (EUR 2.2 million).

The revenues generated on sales of export and private-label brands amounted to EUR 72.1 million in the 2022 financial year, that being 10.4% higher than in the previous year (EUR 65.3 million). Positive growth was achieved in all product categories. Revenues on sales of the premium and medium product concepts, which are the Group’s strategic focus, increased markedly by 8.7%, while revenues on sales of the lower-margin standard products increased even more, by 11.1%. Moreover, revenue growth of 12.7% was achieved on export sales of branded spirits, especially the focus brands *Berentzen* and *Puschkin* in the Benelux countries. The customer sales budgets of EUR 1.4 million granted to customers to promote sales of export and private-label brands were higher than in the previous year (EUR 1.2 million).

The revenues generated in the category of Other and internal revenues within the *Spirits* segment amounted to EUR -0.4 million (EUR -0.3 million).





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**Non-alcoholic Beverages**

	2022	2021	Change	
	EUR'000	EUR'000	EUR'000	%
Mio Mio	16,838	13,576	+ 3,262	+ 24.0
Kräuterbraut	171	153	+ 18	+ 11.8
Focus brands	17,009	13,729	+ 3,280	+ 23.9
Emsland / St. Ansgari	9,449	9,078	+ 371	+ 4.1
Märkisch / Grüneberger	8,047	6,982	+ 1,065	+ 15.3
Regional brands	17,496	16,060	+ 1,436	+ 8.9
Other brands	3,130	2,848	+ 282	+ 9.9
<b>Branded products</b>	<b>37,635</b>	<b>32,637</b>	<b>+ 4,998</b>	<b>+ 15.3</b>
Franchise business	11,158	2,671	+ 8,487	> + 100.0
Contract bottling business	1,399	3,804	- 2,405	- 63.2
<b>Other business</b>	<b>12,557</b>	<b>6,475</b>	<b>+ 6,082</b>	<b>+ 93.9</b>
Customer sales budgets	- 5,979	- 4,085	- 1,894	- 46.4
Other and internal revenues	436	319	+ 117	+ 36.7
<b>Revenues in the Non-alcoholic Beverages segment</b>	<b>44,649</b>	<b>35,346</b>	<b>+ 9,303</b>	<b>+ 26.3</b>

In the *Non-alcoholic Beverages* segment, the revenues generated on sales of mineral waters and soft drinks increased substantially by 26.3% to EUR 44.6 million in the 2022 financial year (EUR 35.3 million). Revenues on sales of branded products also registered strong growth of EUR 5.0 million or 15.3%, particularly thanks to a 24.0% increase in sales of the beverages distributed under the Group's *Mio Mio* brand, which belong to the product category of focus brands; the main causes of the growth proved to be the newly introduced product varieties *Mio Mio Orange + Caffeine* and *Mio Mio Lemon + Caffeine*, the development of the business in food and drink establishments and the better tapping of regions of Germany little penetrated to date. Revenue growth in the product category of regional brands, which particularly includes the brands *Emsland Quelle*, *Emsland Sonne*, *Märkisch Kristall*, *St. Ansgari* and *Grüneberg Quelle*, was likewise positive, with revenues rising by 8.9% to EUR 17.5 million. Comparable revenue growth of 9.9% was achieved in the category of Other brands, in which sales of *Vivaris Sport*-brand products generate the lion's share of revenues.

The franchise business recovered very well from the previous year, with revenue growth of EUR 8.5 million, which is considerably higher than 100%. This growth was particularly driven by revenues from cooperation projects with prominent artists in the amount of EUR 7.2 million, which have only been generated since February 2022. These revenues are presented within the franchise business. Positive revenue growth was also generated on sales of the branded beverages of the *Sinalco* Group due to the fact that sales in the comparison period had been much more affected by the closure of eating establishments to combat the coronavirus pandemic.

The revenues generated on contract bottling orders fell by EUR 2.4 million or 63.2% for the sole reason that a years-long bottling contract for *Pepsi*-brand products was terminated at the end of the first quarter of 2021.

The customer sales budgets allocated to the *Non-alcoholic Beverages* segment rose by 46.4% from the previous year. This increase is attributable in part to the above-mentioned cooperation projects with prominent artists, which were done for the first time in the 2022 financial year.

Other and internal revenues amounted to EUR 0.4 million (EUR 0.3 million).

*Fresh Juice Systems*

	2022	2021	Change	
	EUR'000	EUR'000	EUR'000	%
Fruit presses	6,419	5,025	+ 1,394	+ 27.7
Fruit	8,030	7,030	+ 1,000	+ 14.2
Bottling systems	4,641	3,582	+ 1,059	+ 29.6
Other and internal revenues	- 274	- 274	+/- 0	+ 0.0
<b>Revenues in the Fresh Juice Systems segment</b>	<b>18,816</b>	<b>15,363</b>	<b>+ 3,453</b>	<b>+ 22.5</b>

The *Fresh Juice Systems* segment achieved considerable revenue growth of 22.5% in the 2022 financial year. The revenues generated in connection with fruit presses, spare parts, and service rose significantly by 27.7%, driven especially by strong growth in the regions of the United States, the United Kingdom and Eastern Europe. Revenues on sales of fruit increased by 14.2% and revenues on sales of bottling systems increased even more, by 29.6%. These gains were achieved in the core regions of Germany and Austria, which are served by the Group's own sales teams, and were driven by the recovery from the effects of the coronavirus pandemic.

Other and internal revenues amounted to EUR -0.3 million (EUR -0.3 million).

*Other segments*

	2022	2021	Change	
	EUR'000	EUR'000	EUR'000	%
Spirits business in the Turkish Group company	5,769	2,053	+ 3,716	> + 100.0
Tourism, events and webshop business	1,059	810	+ 249	+ 30.7
Other and internal revenues	- 53	- 120	+ 67	+ 55.8
<b>Revenues in the Other segment</b>	<b>6,775</b>	<b>2,743</b>	<b>+ 4,032</b>	<b>&gt; + 100.0</b>

The spirits business in Turkey, which is included in the *Other segment*, continued to perform well, with revenues rising impressively by more than 100%. The tourism market environment in Turkey improved considerably in the 2022 financial year, after having still been affected intermittently by the effects of the coronavirus pandemic in the previous year.

Also included in the *Other segments* is the Berentzen Group's tourism, events and webshop business, which had likewise been heavily affected by the coronavirus pandemic in the past. The revenues generated in this business exhibited a clearly positive development in the 2022 financial year, gaining 30.7% to a level last seen in 2019, the last financial year before the outbreak of the pandemic.

Other and internal revenues amounted to EUR -0.1 million (EUR -0.1 million).

*Overall assessment of revenue performance*

The anti-coronavirus measures imposed by the German federal and state governments became less restrictive over the course of the 2022 financial year and were finally lifted for the most part. In this environment, the Berentzen Group's sales recovered across the board. At the Group level, consolidated revenues rose by 19.2% to EUR 174.2 million. All

segments of the Berentzen Group generated growth, albeit to varying degrees. In the *Spirits* segment, revenue growth was achieved in all product categories, at growth rates ranging from 9% to 17%. Revenues increased considerably in the Non-alcoholic Beverages segment thanks to dynamic growth in sales of the focus brand *Mio Mio* and a recovery of revenues in the franchise business, particularly due to the cooperation projects conducted with prominent artists for the first time in the 2022 financial year. The revenues generated in the *Fresh Juice Systems* segment were likewise well above the level of the previous year. The strongest growth in relative terms was achieved in the *Other segments*.

#### **Purchased goods and services and consolidated gross profit**

In line with the considerably higher total operating performance, the amount of purchased goods and services increased disproportionately to EUR 99.7 million (EUR 78.0 million). The ratio of purchased goods and services to total operating performance rose accordingly to 55.7% (53.3%).

The raw materials and goods purchased by the Berentzen Group for the production of spirits and non-alcoholic beverages are mainly concentrated in the categories of alcohol (including grain alcohol, rectified spirit, whiskey and rum), flavourings (basic substances and aromas) and sugar, as well as packaging (mainly glass and cardboard). In the *Fresh Juice Systems* segment, procurement costs are incurred for the system components of fruit presses, fruit (oranges) and bottling equipment.

A large part of the raw materials needed for the production of spirits and non-alcoholic beverages and the fruit (oranges) traded in the *Fresh Juice Systems* segment are agricultural products, the availability and prices of which are largely dependent on the respective harvests. Prices and availability can also be influenced to a considerable degree by regulatory measures such as customs duties, for example. In the *Spirits* segment, the procurement costs for all essential categories of raw materials and packaging materials were affected by price increases, which were dramatic in some cases. The biggest driver was energy prices, the development of which adversely impacted energy-intensive production sectors such as the glass and aluminium industry, for example. Moreover, the procurement costs for most harvest-dependent raw materials increased substantially as well. The *Fresh Juice Systems* segment was impacted by higher prices for procurement costs of fruit presses and bottling systems, while the procurement costs for fruit (oranges) were largely unchanged.

Despite the higher costs of purchased goods and services, the Group's consolidated gross profit increased significantly by EUR 10.8 million thanks to the EUR 32.5 million increase in the total operating performance. The consolidated gross profit margin itself was 2.4 percentage points lower than in the previous year.

#### **Other operating income**

The total other operating income of EUR 4.7 million earned in the 2022 financial year was considerably higher than the corresponding figure in the previous year (EUR 3.8 million). Besides income from reversals of liabilities and provisions in the amount of EUR 1.6 million (EUR 0.8 million), this item consisted particularly of income from the settlement of deposit fees and sales of empties in the amount of EUR 1.0 million (EUR 0.5 million). This development resulted in particular from a higher volume of business using disposable bottles in the *Non-alcoholic Beverages* and *Fresh Juice Systems* segments.

### Operating expenses

As a result of the developments described above, the Group's operating expenses of EUR 75.7 million were well above the level of the previous year (EUR 65.5 million). Coupled with the likewise substantial, 22.2% increase in the total operating performance, which rose to EUR 178.9 million (EUR 146.4 million), this development led to a slightly lower ratio of operating expenses to operating performance of 42.3% (44.8%).

Personnel expenses increased significantly by EUR 2.1 million to EUR 28.8 million (EUR 26.8 million), although the personnel expenses ratio declined to 16.1% (18.3%). The chief reasons for the increase in personnel expenses were the additionally created positions in the organisational areas of sales, production, and engineering, as well as the higher amounts of vacation entitlements, overtime pay and variable compensation components due to reporting date effects. The Group's headcount as at December 31, 2022 was modestly higher than in the previous year and the Group also had more full-time employees on average during the 2022 financial year. As at December 31, 2022, the Group had 495 (489) employees (including apprentice-trainees), including 204 (199) in production and 265 (266) in commercial and administration activities; 26 (24) apprentice-trainees were in vocational training programmes. The Berentzen Group had an average of 422 (417) full-time employees in the past financial year.

Despite the increase in the volume of funds invested to EUR 9.1 million (EUR 8.5 million) in total, asset depreciation and amortisation fell slightly to EUR 8.3 million (EUR 8.6 million) in total in the 2022 financial year due to the fact that a large share of investments in technical equipment and machinery will only be completed in the 2023 financial year so that the corresponding assets under construction were not yet subject to depreciation and amortisation. Writedowns of EUR 0.5 million (EUR 0.8 million) were charged against the intangible assets included in the purchase price allocation for the acquisition of Citrocasa GmbH. These intangible assets are attributed to the *Fresh Juice Systems* segment.

Other operating expenses increased significantly to EUR 38.6 million (EUR 30.1 million). In line with business growth effects, transport and external selling expenses in particular rose to EUR 22.5 million (EUR 15.1 million) in total. The marketing and trade advertising expenses of EUR 3.3 million were little changed from the previous year (EUR 3.4 million), while the maintenance expenses totalling EUR 3.5 million were higher than in the previous year (EUR 3.1 million). Miscellaneous other operating expenses rose to EUR 9.2 million (EUR 8.6 million) in total, this increase being mainly attributable to higher legal, consulting and auditing costs.

### Gain or loss from the net monetary position according to IAS 29

Turkey has been classified as a hyperinflationary economy according to the definition of IAS 29 since June 2022. Because the Turkish lira is the functional currency of the Turkish subsidiary, IAS 29 must be applied to the separate financial statements of this subsidiary from that time onward. Therefore, the effects of the purchasing power adjustment of the non-monetary line items in the statement of financial position and the line items of the statement of comprehensive income are to be presented within the new item "Gain or loss from the net monetary position per IAS 29". These adjustments gave rise to a net loss of EUR 1.2 million in the 2022 financial year.

### Exceptional effects

#### *Exceptional effects in the 2022 financial year*

In view of the sharp price increases and high inflation rates and ever increasing (market) interest rates in the 2022 financial year, as well as the fact that the Non-alcoholic Beverages segment was especially affected in the course of the year by higher energy prices, it was necessary to conduct impairment testing of the segment or cash-generating unit *Non-alcoholic beverages* as at June 30, 2022, September 30, 2022 and December 31, 2022. Based on the results of the impairment tests conducted as at June 30 and September 30, there was no need to recognise impairments or reversals of earlier impairments. Based on the result of the impairment test conducted as at December 31, however, an impairment loss of EUR 1.3 million was recognised as an exceptional effect.

#### *Exceptional effects in the 2021 financial year*

There were no business transactions considered to be exceptional effects in the 2021 financial year.

### Financial result and result from equity interests

The financial result and result from equity interests led to a net expense of EUR 1.7 million (EUR 1.4 million). The higher expense compared to the previous year is mainly attributable to the unfavourable development of relevant benchmark interest rates applied for debt financing purposes in the second half of the 2022 financial year.

### Income tax expenses

The income tax expenses of EUR 2.1 million (EUR 1.6 million) included EUR 2.2 million (EUR 2.0 million) for German trade tax and corporate income tax and comparable foreign income taxes for the 2022 financial year. The measurement of deferred taxes in accordance with IAS 12 gave rise to deferred tax income of EUR 0.1 million (EUR 0.3 million).

### Consolidated profit

Given that the higher costs of energy and materials were offset by the considerably higher volume of business compared to the previous year, particularly due to growth in unit sales, the consolidated gross profit increased by EUR 10.8 million from the previous year. After including the EUR 10.1 million increase in operating expenses and the EUR 0.9 million increase in other operating income, the adjusted consolidated operating result or consolidated EBIT rose to EUR 8.3 million (EUR 6.7 million). The expense arising from the financial result and result from equity interests increased by EUR 0.3 million. Income tax expenses also increased by EUR 0.4 million. Including the exceptional effect of EUR 1.3 million (PY: no exceptional effect) and the gain or loss from the net monetary position according to IAS 29 in the amount of EUR 1.2 million, which was calculated for the first time in the 2022 financial year, the consolidated profit came to EUR 2.1 million, well below the level of the previous year (EUR 3.7 million).



### Income-related financial performance indicators (reconciliation)

The reconciliation with the income-related financial performance indicators with the financial performance indicators described in the Basic information about the Group in section (1.2) is presented in the table below.

	2022					
	Revenues EUR'000	Inter- segment revenues EUR'000	Purchased goods and services EUR'000	Other direct costs EUR'000	Marketing including advertising EUR'000	Contribution margin after marketing budgets EUR'000
<b>Contribution margin after marketing budgets</b>						
Segment						
Spirits	103,976	7,503	72,419	6,006	1,740	31,314
Non-alcoholic beverages	44,649	261	12,073	8,626	1,303	22,908
Fresh Juice Systems	18,816	0	10,819	1,695	148	6,154
Other segments	6,775	11	2,156	177	70	4,383
<b>Total</b>	<b>174,216</b>	<b>7,775</b>	<b>97,467</b>	<b>16,504</b>	<b>3,261</b>	<b>64,759</b>

	2021					
	Revenues EUR'000	Inter- segment revenues EUR'000	Purchased goods and services EUR'000	Other direct costs EUR'000	Marketing including advertising EUR'000	Contribution margin after marketing budgets EUR'000
<b>Contribution margin after marketing budgets</b>						
Segment						
Spirits	92,657	291	54,772	4,710	2,323	31,143
Non-alcoholic Beverages	35,346	29	9,515	4,497	877	20,486
Fresh Juice Systems	15,363	2	8,652	1,282	72	5,359
Other segments	2,743	10	1,281	73	70	1,329
<b>Total</b>	<b>146,109</b>	<b>332</b>	<b>74,220</b>	<b>10,562</b>	<b>3,342</b>	<b>58,317</b>

	2022 EUR'000	2021 EUR'000
<b>Consolidated revenues</b>	<b>174,216</b>	<b>146,109</b>
<b>Consolidated EBIT / consolidated EBITDA</b>		
Consolidated profit	2,101	3,662
Income tax expenses	2,070	1,639
Financial result and result from equity interests	- 1,671	- 1,410
Exceptional effects	- 1,299	0
Gain or loss from the net monetary position in accordance with IAS 29	- 1,195	0
<b>Consolidated EBIT</b>	<b>8,337</b>	<b>6,711</b>
Depreciation and amortisation of assets	8,318	8,649
<b>Consolidated EBITDA</b>	<b>16,654</b>	<b>15,360</b>

### (2.2.5) Cash flows

#### Funding structure

The main objectives of financial management are to provide adequate liquidity for the Company's business operations, to secure the funding of the corporate group also with growth in mind, and to balance temporary, volatile liquidity burdens so as to optimise both costs and income.

Based on consolidated comprehensive income of EUR 3.2 million (EUR 2.8 million), shareholders' equity rose to EUR 50.1 million (EUR 48.9 million) after the dividend payment of EUR 2.1 million (EUR 1.2 million) resolved by the Annual General Meeting in May 2022. Against total assets that were slightly higher than in the previous year, the consolidated equity ratio remained stable at 34.2% (34.4%) as at December 31, 2022.

Non-current liabilities fell to EUR 9.5 million (EUR 10.8 million). This item included financial liabilities of EUR 1.3 million (EUR 1.3 million) as at December 31, 2022. Non-current liabilities accounted for 9.9% (11.6%) of consolidated total liabilities. The Group also has access to various sources of funding in the form of short-term lines of credit, which amounted to EUR 86.7 million (EUR 82.5 million), representing 59.2% (58.0%) of consolidated total assets at the reporting date.

The total funding of the Berentzen Group at the end of the 2022 financial year is presented in the table below:

		Funding line 12/31/2022			Funding line 12/31/2021		
		Long-term EURm	Short-term EURm	Total EURm	Long-term EURm	Short-term EURm	Total EURm
Syndicated loan agreement	Line, limited	0.0	33.0	33.0	0.0	33.0	33.0
Factoring	Line, limited	0.0	60.0	60.0	0.0	55.0	55.0
Central settlement through factoring	Line, unlimited <sup>1)</sup>	0.0	9.6	9.6	0.0	8.3	8.3
Working capital loans	Line, limited <sup>2)</sup>	0.0	1.5	1.5	0.0	0.9	0.9
Surety bond for alcohol tax liabilities	Line, limited	0.0	0.8	0.8	0.0	0.8	0.8
<b>Total funding</b>		<b>0.0</b>	<b>104.9</b>	<b>104.9</b>	<b>0.0</b>	<b>98.0</b>	<b>98.0</b>

<sup>1)</sup> Average funding volume in the financial year.

<sup>2)</sup> This figure includes working capital loans denominated in foreign currencies, which have been translated to the functional currency as at the respective reporting dates.

In December 2021, Berentzen-Gruppe Aktiengesellschaft extended the syndicated loan agreement concluded with a bank syndicate in December 2016 by another five years. Thus, the maturity date is now December 31, 2026. The total funding volume of EUR 33.0 million is available to the Berentzen Group in two forms, the first being bilaterally agreed branch lines of credit in the amount of EUR 21.0 million and the second being drawdowns with maturities of one, two, three or six months in the amount of EUR 12.0 million. The funding volume can be optionally increased by means of an additionally agreed repayable-at-maturity facility for acquisition financing in the amount of EUR 10.0 million. Drawdowns bear interest at variable rates based on the EURIBOR benchmark rate plus a generally fixed interest margin. The syndicated loan agreement is not secured. Three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the syndicated loan agreement as guarantors under a cross-guarantee arrangement taking the form of a guarantor concept based on the minimum fulfilment of certain Groupwide inventory levels and flow variables stipulated in the agreement, which Berentzen-Gruppe Aktiengesellschaft as the borrower and the guarantors are obligated to maintain. The borrower is obligated to regularly fulfil two contractually defined covenants, the dynamic gearing ratio and the equity ratio, which are to be measured on the basis of its consolidated financial statements. The syndicated loan agreement, which is essentially based on the international contract standard of the British Loan Market Association ("LMA standard"), also stipulates the customary obligations, conditions, assurances and warranties, particularly on the subject of debt limits, limitations on the sale of assets, and a change-of-control clause. If the covenants, other obligations, conditions, assurances and warranties are breached, and if a change of control occurs, the lenders will be fundamentally entitled to terminate the syndicated loan agreement prematurely and to declare the borrowed funds, outstanding interest, and costs due and payable immediately.

Factoring lines represent another key source of external funding. In August 2022, the Berentzen Group extended its two existing factoring agreements early by three years each until March 31, 2027 and increased the total funding volume available under these factoring agreements by EUR 5.0 million from EUR 55.0 million to EUR 60.0 million. The Group

also has access to a formally unlimited factoring line under three further central settlement and factoring agreements with indefinite terms (“until further notice”). The average gross funding volume available under these factoring agreements amounted to EUR 9.6 million in the 2022 financial year (EUR 8.3 million). The factoring agreements are free of covenants on the whole.

Apart from the syndicated loan agreement, the volume of funding from credit agreements with the providers of working capital to the Berentzen Group totals EUR 1.5 million (EUR 0.9 million). These credit lines are available to two foreign Group companies and each has an indefinite term (“until further notice”). Collateral must be provided for one of the credit lines by one of the foreign Group companies in an amount equivalent to EUR 1.3 million (EUR 0.7 million), generally in the form of cash or other securities received before the due date. The Group’s total funding also includes two surety bonds for alcohol tax issued to the surety bond insurers in the total amount EUR 0.8 million (EUR 0.8 million).

Including the formally unlimited factoring agreements with a central settlement agent, the gross funding volume from factoring arrangements as opposed to the working capital credit lines granted under the syndicated loan agreement amounted to EUR 71.1 million as at December 31, 2022 (EUR 64.2 million). In most cases, these short-term external or debt financing arrangements bear interest on the basis of the EURIBOR and EONIA benchmark interest rates, plus a fixed interest margin, otherwise at interest rates based on local market conditions or at fixed interest rates.

The factoring agreements, the central settlement and factoring agreements, and the agreements for working capital lines not included within the syndicated loan agreement are in effect with both Berentzen-Gruppe Aktiengesellschaft and other companies of the Berentzen Group.

As in the previous years, the funding of the motor vehicle fleet, a few other items of plant and office equipment and specific offices and business premises was provided by leases. These leases, which are accounted for in accordance with IFRS 16, gave rise to lease liabilities of EUR 2.3 million as at December 31, 2022 (EUR 2.3 million).

Moreover, the Berentzen Group is the lessor under lease agreements classified as finance leases. These leases are mainly used for leasing fruit presses in the *Fresh Juice Systems* segment. Receivables amounting to EUR 0.3 million (EUR 0.4 million) were recognised in respect of finance leases at the end of the reporting period.

#### **Consolidated cash flow statement for the period from January 1 to December 31, 2022**

The cash flow statement presented below shows the development of liquidity in the Group, including the reconciliation with the cash flow-related key indicator described in the Basic information about the Group in section (1.2). Cash and cash equivalents are composed of the line item “Cash and cash equivalents” and part of the line item “Current financial liabilities” presented in the statement of financial position.

Cash and cash equivalents include the current accounts maintained with banks for the purpose of settling two factoring agreements, containing the cash available at all times from the factoring arrangements (“customer settlement accounts”). The receivables from the customer settlement accounts have different characteristics from normal current account receivables from banks, notably with regard to interest. Only those amounts that are immediately available under working capital cash lines of credit are recognized as current financial liabilities.

	2022 EUR'000	2021 EUR'000	Change EUR'000
Operating cash flow	12,334	12,608	- 274
Cash flow from operating activities	4,914	11,623	- 6,709
Cash flow from investing activities	- 9,015	- 7,299	- 1,716
Cash flow from financing activities	- 10,864	- 2,654	- 8,210
<b>Change in cash and cash equivalents</b>	<b>- 14,965</b>	<b>1,670</b>	<b>- 16,635</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13,039</b>	<b>28,004</b>	<b>- 14,965</b>

#### *Operating cash flow and cash flow from operating activities*

The operating cash flow declined by EUR 0.3 million to EUR 12.3 million in the 2022 financial year (EUR 12.6 million). The somewhat lower amount of cash inflows resulted from the total EUR 0.5 million increase in net payments for income tax and financial results. On the other hand, the consolidated net income adjusted for non-cash effects from depreciation, amortisation and impairments and for the gain or loss from the net monetary position according to IAS 29 improved by EUR 0.2 million.

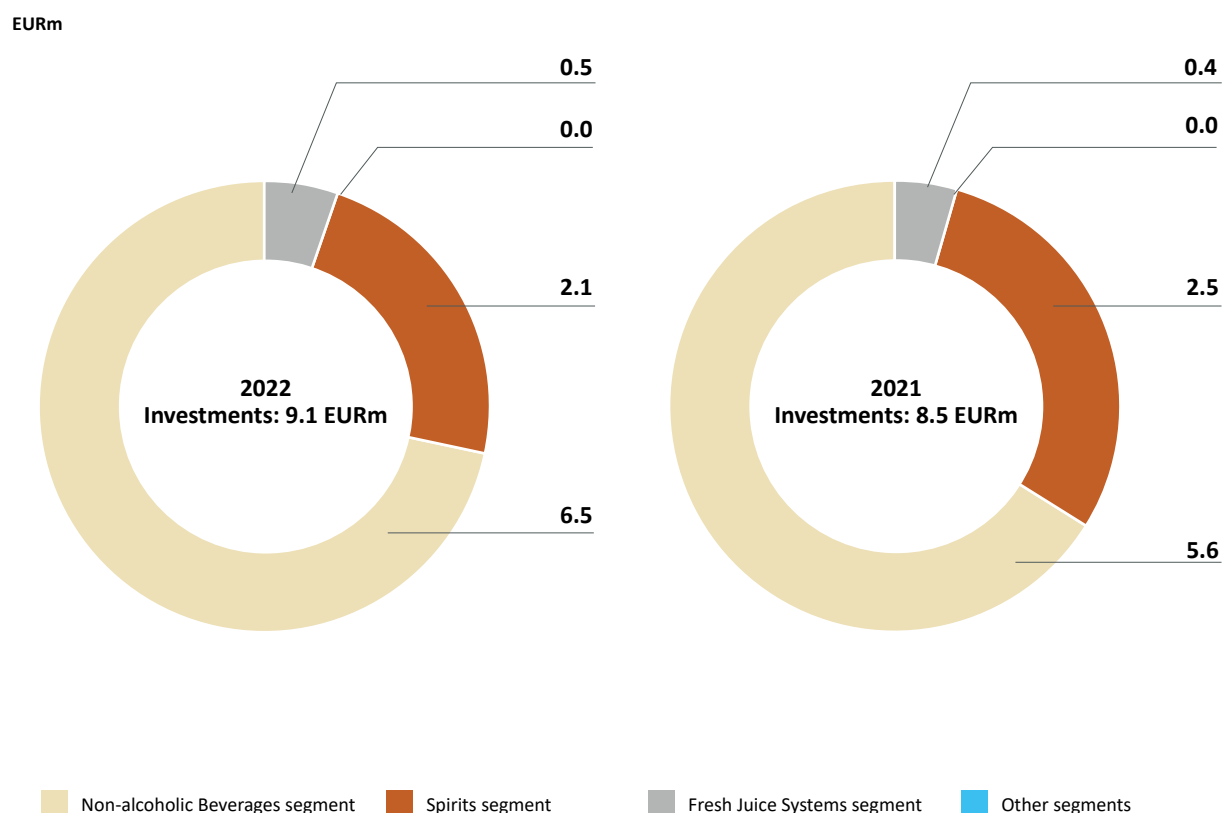
The cash flow from operating activities of EUR 4.9 million (EUR 11.6 million) additionally included payment flows in working capital, which led to a cash outflow of EUR 7.4 million in the 2022 financial year (EUR 1.0 million). The main factors influencing this development are described in the following.

The net change in trade working capital, which refers to the portion of working capital comprising payment flows exclusively in inventories, receivables including factoring, alcohol tax liabilities, and trade payables, led to a significant net cash outflow of EUR 8.0 million (less than EUR 0.1 million). This development resulted particularly from the EUR 12.1 million increase in the value of inventories. The increase in other assets caused an additional cash outflow of EUR 2.6 million (cash inflow of EUR 0.3 million), while the change in other liabilities and other non-cash effects led to a cash inflow of EUR 3.2 million (cash outflow of EUR 1.2 million).



### Cash flow from investing activities

The Group's investing activities led to an overall cash outflow of EUR 9.0 million (EUR 7.3 million). Investments in property, plant and equipment and intangible assets totalled EUR 9.1 million (EUR 8.5 million), while cash inflows from asset disposals came to approximately EUR 0.1 million (EUR 1.2 million).



The higher cash outflow for investments in property, plant and equipment and intangible assets compared to the previous year was mainly caused, on the one hand, by a higher gross investment volume basically related to the following acquisitions: In the *Non-alcoholic Beverages* segment, investments totalling EUR 0.8 million were made for a photovoltaic plant at the business location in Haselünne, apart from the investments made in empty bottle containers and crates (particularly for the reusable *Mio Mio* product containers) in the amount of EUR 4.0 million (EUR 2.7 million). In the *Spirits* segment, investments totalling EUR 0.5 million were made for a photovoltaics plant and investments totalling EUR 0.8 million were made for a labelling machine, both at the business location in Minden. Not all the above-mentioned investments of the *Non-alcoholic Beverages* and *Spirits* segments are fully operational at the present time insofar as some of them will be completed and put into operation only in the 2023 financial year. No single investment of any material amount was made in the *Fresh Juice Systems* segment in the 2022 financial year. On the other hand, cash flow from investing activities was positively influenced by income from the disposal of assets in the amount of EUR 1.2 million. There was no significant amount offsetting this in the 2022 financial year.

### Cash flow from financing activities

The Group's financing activities resulted in a net cash outflow of EUR 10.9 million (EUR 2.7 million), mainly as a result of the repayment of a EUR 7.5 million drawdown taken under the syndicated loan in 2021, which was concurrently counter-financed under the same syndicated loan. Other factors contributing to the cash outflow included the dividend payment of EUR 2.1 million (EUR 1.2 million) and the cash outflows effected to repay lease liabilities in the amount of EUR 1.3 million (EUR 1.2 million).

### Cash and cash equivalents

Total cash and cash equivalents amounted to EUR 13.0 million (EUR 28.0 million), at the end of the 2022 financial year, including EUR 8.3 million (EUR 25.8 million) in receivables from the customer settlement accounts held with banks under two factoring agreements. As at the end of the 2022 financial year, drawdowns from short-term credit lines and financing instruments classified as such amounted to EUR 0.5 million (EUR 0.3 million).

### Cash-flow related key indicators (reconciliation)

The reconciliation with the financial performance indicators described in the Basic information about the Group in section (1.2), specifically the one related to cash flow, is presented in the table below.

	2022 EUR'000	2021 EUR'000	Change EUR'000
Consolidated profit	2,101	3,662	- 1,561
Net balance of income tax expenses and income taxes paid/ received	- 359	44	- 403
Net balance of interest income/expenses and interest paid/ received	170	253	- 83
Depreciation and amortisation of assets	8,318	8,649	- 331
Impairments of assets	1,299	0	+ 1,299
Non-cash effects from IAS 29	805	0	+ 805
<b>Operating cash flow</b>	<b>12,334</b>	<b>12,608</b>	<b>- 274</b>

### (2.2.6) Financial position

	12/31/2022		12/31/2021		Change
	EUR'000	%	EUR'000	%	EUR'000
<b>Assets</b>					
Non-current assets	57,339	39.2	56,899	40.0	+ 440
Current assets	88,971	60.8	85,244	60.0	+ 3,727
	<b>146,310</b>	<b>100.0</b>	<b>142,143</b>	<b>100.0</b>	<b>+ 4,167</b>
<b>Shareholders' equity and liabilities</b>					
Shareholders' equity	50,110	34.2	48,856	34.4	+ 1,254
Non-current liabilities	9,532	6.5	10,798	7.6	- 1,266
Current liabilities	86,668	59.2	82,489	58.0	+ 4,179
	<b>146,310</b>	<b>100.0</b>	<b>142,143</b>	<b>100.0</b>	<b>+ 4,167</b>



## Assets

Compared to December 31, 2021, total assets increased slightly by 2.9% from EUR 142.1 million to EUR 146.3 million at the reporting date.

### Non-current assets

Non-current assets accounted for EUR 57.3 million (EUR 56.9 million) or 39.2 % (40.0 %) of total consolidated assets. The carrying amount of property, plant and equipment increased by EUR 0.9 million. Depreciation, amortisation and impairments amounted to EUR 7.6 million (EUR 6.4 million), as compared to the volume of funds invested totalling EUR 8.7 million (EUR 8.0 million). Intangible assets declined by EUR 0.4 million (EUR 1.0 million), mainly due to the writedowns of EUR 0.5 million (EUR 0.8 million) charged in connection with the purchase price allocation for the acquisition of Citrocasa GmbH. Other non-current assets were unchanged at EUR 3.5 million (EUR 3.5 million).

At 104.0%, the coverage of non-current assets by shareholders' equity and non-current liabilities was almost unchanged from the previous year (104.8%).

### Current assets

Current assets increased to EUR 89.0 million (EUR 85.2 million). Whereas cash and cash equivalents decreased by EUR 14.8 million, trade receivables increased by EUR 3.1 million and other current assets increased by EUR 3.2 million. Inventories increased significantly by EUR 12.1 million to EUR 51.1 million (EUR 39.0 million).

As at December 31, 2022, gross receivables of approximately EUR 56.1 million (EUR 48.6 million) had been sold under factoring agreements. The security retentions under factoring transactions, which are presented within the item of other non-current assets, increased accordingly to EUR 9.0 million (EUR 7.3 million).

## Shareholders' equity and liabilities

### Shareholders' equity

Shareholders' equity increased by a net total of EUR 1.3 million to EUR 50.1 million (EUR 48.9 million), mainly based on the consolidated profit of EUR 2.1 million (EUR 3.7 million) and the positive contribution from other comprehensive income of EUR 1.1 million (negative contribution of EUR 0.8 million) – the latter resulting mainly from the remeasurement of defined benefit pension plans. On the other hand, shareholders' equity was reduced by the dividend payment of EUR 2.1 million (EUR 1.2 million) resolved by the Annual General Meeting in May 2022. As a result of the 2.9% increase in total assets, the equity ratio remained nearly constant at 34.2% as at December 31, 2022 (34.3%).

### Non-current liabilities

The Group's non-current liabilities amounted to EUR 9.5 million as at December 31, 2022 (EUR 10.8 million). This decrease resulted from the substantially lower pension provisions of EUR 5.8 million compared to the previous year (EUR 8.0 million) due to the above-mentioned remeasurement of defined benefit pension plans.

### Current liabilities

Current liabilities increased by EUR 4.2 million to EUR 86.7 million (EUR 82.5 million). The current financial liabilities of EUR 2.6 million at the reporting date were considerably lower than the previous-year figure (EUR 9.5 million),

whereas the trade payables of EUR 17.2 million were considerably higher (EUR 11.2 million) and the alcohol tax liabilities of EUR 37.6 million were modestly higher (EUR 36.4 million) than the respective previous-year figures. At EUR 29.3 million, other current liabilities including current provisions were likewise higher than the previous-year figure (EUR 25.4 million).

The appropriate use of interest-linked funding in relation to internal funding from operations is reflected in the very solid dynamic gearing ratio of - 0.58 (- 1.14) (see the calculation in the table below).

#### Key indicators of financial position (reconciliation)

The reconciliation with the financial performance indicators, specifically those related to financial position, described in the Basic information about the Group in section (1.2) is presented in the table below.

		12/31/2022	12/31/2021
<b>Equity ratio</b>			
Consolidated shareholders' equity	EUR'000	50,110	48,856
Tax accruals	EUR'000	91	150
<b>Adjusted shareholders' equity</b>	<b>EUR'000</b>	<b>50,019</b>	<b>48,706</b>
Total capital	EUR'000	146,310	142,143
Tax accruals	EUR'000	91	150
<b>Adjusted total capital</b>	<b>EUR'000</b>	<b>146,219</b>	<b>141,993</b>
<b>Equity ratio</b>		<b>34.2%</b>	<b>34.3%</b>
<b>Dynamic gearing ratio</b>			
Non-current financial liabilities	EUR'000	1,317	1,305
Current financial liabilities	EUR'000	2,591	9,488
Cash and cash equivalents	EUR'000	13,537	28,297
<b>Total Net Debt</b>	<b>EUR'000</b>	<b>- 9,629</b>	<b>- 17,504</b>
<b>EBITDA</b>	<b>EUR'000</b>	<b>16,654</b>	<b>15,360</b>
<b>Dynamic gearing ratio</b>	<b>ratio</b>	<b>- 0.58</b>	<b>- 1.14</b>

#### (2.2.7) General assessment of the Group's business performance and economic position

The 2022 financial year was again very challenging for the Berentzen Group as it had to contend with numerous different challenges and crises: war in Ukraine, coronavirus pandemic, energy crisis, supply chain disruptions, and inflation. While these difficult conditions adversely impacted the Group's cost situation in particular, the considerably less restrictive measures imposed to curb the spread of the coronavirus compared to the previous year led to substantially higher sales in the 2022 financial year. In this tough market environment, the Group's economic position is still judged to be good on the whole in view of its solid cash flows and positive financial performance.

The Berentzen Group generated consolidated revenues of EUR 174.2 million (EUR 146.1 million), an adjusted consolidated operating profit (consolidated EBIT) of EUR 8.3 million (EUR 6.7 million), and an adjusted consolidated profit before depreciation and amortisation (consolidated EBITDA) of EUR 16.7 million (EUR 15.4 million) in the



2022 financial year. Thus, the performance of these three key indicators surpassed the expectations for the 2022 financial year that were originally communicated in the Management Report 2021, but was in line with the most recently updated forecast in October 2022. The consolidated profit of EUR 2.1 million (EUR 3.7 million) was adversely impacted by higher expenses from the financial result and result from equity interests and from income taxes, as well as in particular by an exceptional effect and the loss from the net monetary position according to IAS 29, which was recognised for the first time in connection with the hyperinflation in Turkey.

This earnings performance was driven by revenue and contribution margin increases in all the segments, especially on products of key strategic importance for the Group by reason of consumer appeal and attractive margins. Such products particularly include the spirits focus brands (especially *Berentzen* and *Puschkin*), as well as premium and medium private-label spirits brands, branded spirits sold outside of Germany, and the non-alcoholic products distributed under the *Mio Mio* focus brand. It should be noted in particular that the revenues generated on sales of spirits in Turkey exceeded expectations.

The cash flows and financial position of the Berentzen Group remain solid, meaning that the Group continues to operate on a basis of sound and balanced liquidity, equity, and debt financing. The underlying funding structure did not change materially compared to the end of the 2021 financial year. After the syndicated loan agreement was extended by another five years in December 2021, two key factoring agreements were extended early in August 2022 by three years, until March 2027, and the funding volume was increased by EUR 5.0 million. The funds available under the syndicated loan and the above-mentioned and other factoring agreements continue to form the backbone of the Berentzen Group's external funding. In addition, the internal funding capacity of the Berentzen Group, which is shown as operating cash flow, was little changed from the previous year at around EUR 12.3 million (EUR 12.6 million). Thus, the cash outflows for investing activities in the amount of EUR 9.0 million (EUR 7.3 million) were fully covered by internal funds. The Berentzen Group's equity ratio at the end of the 2022 financial year was solid, at 34.2% (34.3%). The dynamic gearing ratio remained negative at - 0.58 (- 1.14), meaning that the Group was again not formally overindebted as at December 31, 2022.

### (3) Report on risks and opportunities

The Group's business activities open up numerous opportunities, but also expose the Group to numerous risks. Risks are understood to be internal or external events based on uncertainty regarding future developments that prevent the Group from achieving defined goals or successfully realising strategies. Conversely, opportunities are understood as possible future successes that exceed the defined goals and thus can positively impact business performance. Risks and opportunities do not represent polar opposite concepts that are independent of one another, but are instead directly linked with one another: Whereas the perception of opportunities as a rule is linked with risks, risks can also arise in the absence of opportunities.

#### (3.1) Risk management system

The Berentzen Group's risk management is geared towards promptly identifying risks, assessing them and countering them by means of appropriate security measures. The possible severity of risk is identified, probabilities of occurrence

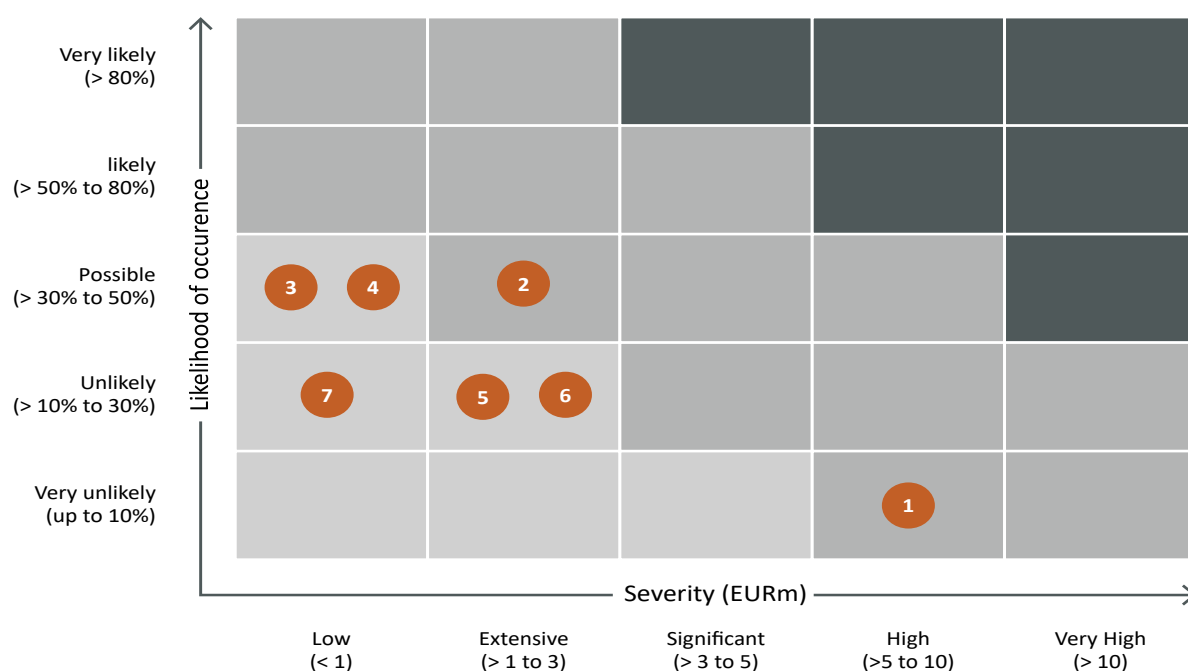


are determined and measures are planned and implemented in order to ensure the achievement of corporate objectives. Thanks to group-wide reporting, the Executive Board can identify and control risks to the Group as a going concern as well as risks that can materially impact the financial position, cash flows and financial performance. The risk management system thus meets the requirements set forth under Section 91(3) of the German Stock Corporation Act (AktG) and includes the early risk identification system required under Section 91(2) AktG. It also meets the pertinent regulations of the German Corporate Governance Code. In the course of the 2022 financial year, the Berentzen Group further developed the concept and content of its risk management system, essentially relating to the technical method of risk assessment and especially to adjustments of the risk-bearing capacity concept. Besides the financial risks observed in the aforementioned risk management system, sustainability risks or so-called ESG risks (Environmental, Social, Governance) are also observed for the first time in a separate ESG risk management system. Risks are assessed with respect to their impact both on the Berentzen Group (outside-in perspective) and on the environment and society (inside-out perspective). The assessment is not done within the framework of a financial evaluation, for instance of the potential impacts on the financial position, cash flows and financial performance of the Berentzen Group, so that the ESG risks are not part of the following presentation. Insofar as sustainability risks include a substantial financial risk, they will be assessed as part of the respective risk category, e.g., operational and product-related risk.

The direct risk responsibility and monitoring is assigned to employees working in operations who report quarterly to the Risk Management Officer on quarterly basis, as well as immediately whenever new risks are identified. The Risk Management Officer informs the Executive Board of the main changes and developments in the risk portfolio. To examine the risk to the company as a going concern, the maximum level of risk that the company can bear is determined as part of a risk-bearing capacity analysis. Based on the Group's overall risk exposure, value at risk, which is determined with the help of Monte Carlo simulations, is also used, among other things. The system is thoroughly updated by means of an annual review that encompasses all risks, assessments and measures and provides an outlook for the next three years. In addition, the entire risk management process of the Berentzen Group is documented in a risk guideline.

In order to identify possible risks to the Group as a going concern, risks are assessed within the context of the risk management system based on severity and estimated likelihood of occurrence. Classification into the risk categories "high", "medium" or "low" is based on the combination of risk severity and probability of occurrence, which is reflected in the weighted expected value (net basis, based on risk containment measures) thereby derived, whereby the expected value is defined as the value at which consolidated net profit and therefore consolidated equity could be negatively impacted.

The risk horizon to be considered extends across two phases. The initial short-term phase covers the next twelve months, and the second medium to long-term phase considers months 13 through 36. In connection with the system adjustments explained previously, internal and external reporting is now focused on the short-term temporal horizon. Consequently, the gradations of the classes were also adjusted or made smaller to classify the risk severity. Therefore, as at the reporting date, this results in the following assessment matrix for the next twelve months.



■ High risk

■ Medium risk

■ Low risk

1 Financial risks

4 Business environment risks

6 IT risks

2 Performance-related risks

5 Other risks

7 Operating product-related risks

3 Industry risks

### (3.2) Risks

The primary risks grouped into categories that can have significant detrimental effects on the Group's business activities as well as on the Group's financial performance, cash flows and financial position will be described below. The order of risk categories reflects the current assessment of risk exposure for the Berentzen Group. As a general rule, the described risks relate – unless otherwise indicated – to all of the Group's segments.

#### Financial risks

##### *Qualitative disclosures regarding risks related to financial instruments*

The primary financial instruments used by the Berentzen Group include the syndicated loan agreement as well as overdraft facilities, factoring agreements and trade payables. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets at its disposal, for example trade receivables as well as cash and cash equivalents that can be directly attributed to the business activities.

The Central Financial Management Department manages the Berentzen Group's financial risk. It monitors liquidity risk, credit risk and market risk. The strategies and methods employed to manage the individual financial risks are presented below.

### **Liquidity risk**

Liquidity risk is the risk that a company is not in a position to procure the funds needed to settle obligations entered into in connection with financial instruments. The Executive Board, the Management and Central Financial Management Department manage the Group's liquidity risk. Liquidity risk is managed primarily by procuring funds as part of the overall funding of the Berentzen Group, which is presented in the Economic report in section (2.2.5) Cash flow/ Financing structure.

In this context it follows that, among other things, the syndicated loan agreement concluded by Berentzen-Gruppe Aktiengesellschaft with a bank syndicate in December 2016 and extended in November 2021 contains an obligation to comply with the covenants of "dynamic debt ratio" and "equity ratio", specified in the agreement, calculated on the basis of the consolidated financial statements. Furthermore, the agreement contains the customary obligations, conditions, assurances and warranties that particularly include limits on leverage, limits relating to the sale of assets and a change-of-control clause. In the event of failure to comply with the covenants, other obligations, assurances and warranties or the occurrence of a change of control, the lenders under the syndicated loan agreement will be entitled to prematurely terminate the syndicated loan agreement and demand immediate repayment of the funds utilised and any outstanding interest and costs. The covenants must be met on an ongoing basis and/or at the end of every month and are subjected to permanent stress testing.

Furthermore – although characterised by a relative minor risk severity – the financing contracts granted to two foreign subsidiaries of Berentzen-Gruppe Aktiengesellschaft in the form of working capital loans, as well as a surety for alcohol tax provided by a guarantee and bonding insurance company, likewise contain change-of-control clauses. A covenant has been agreed for this surety in which the Berentzen Group undertakes to comply with a defined economic equity ratio. A violation of change-of-control clauses or covenants gives rise to special call rights on the part of the lender.

Compliance with the covenants and the miscellaneous other arrangements contained in the financing agreements is continuously monitored by the Executive Board and the Central Financial Management Department. The expected financing requirements and the foreseeable development of the covenants are mapped in the planning and budgeting process so that countermeasures can be initiated and the provision of outside capital can be ensured if necessary.

Furthermore, with respect to the financing of the Group, measures are continuously reviewed and/or implemented that have the goal of both providing an adequate credit line volume as well as maturity matching. This is supplemented to the extent possible by approaches to reducing traditional use of debt capital (e.g. through alternative financing forms such as leasing or by freeing up capital internally in the working capital).

### **Credit risk/default risk**

Credit risk or risk of default is defined as the risk of a financial loss that arises if a contracting party fails to meet its payment obligations. The management of credit risk or risk of default in the Berentzen Group is substantially geared towards entering into transactions with creditworthy third parties.

Approximately 75% (76%) of consolidated revenues are billed via foreign branch offices that also assume the credit risk via del credere agreements. In addition, the risk of default is covered under trade credit insurance. As a general rule, balances in excess of EUR 5 thousand are covered under credit insurance. Trade credit insurance reimburses all defaults on receivables on the part of insured customers up to the agreed deductible of 20% for customers residing in Germany and 10% for customers residing abroad. Alongside export credit insurance, security payments or advance payments are frequently agreed with the Group company domiciled outside of Europe. In the wake of the coronavirus pandemic, the trend of corporate bankruptcies is particularly relevant. Even if a substantial rise in corporate bankruptcies is not observable so far, the credit rating particularly in the hospitality sector has deteriorated, so that insolvencies of food and drink establishments will likely increase in the future. The level of risk to the Berentzen Group is deemed to be manageable in this context, however, because most of the risk of default is covered by the aforementioned commercial credit insurance.

A significant portion of trade receivables is sold under factoring agreements. Since the respective factor also assumes the del credere liability without recourse, these receivables are not reported in the consolidated statement of financial position in accordance with the relevant accounting standards. An exception to this is a relatively insignificant continuing involvement compared to the volume of factored receivables that represents the late payment risk remaining with the group. Measured on the customer structure, the amounts receivable from individual counterparties are accordingly not so large that they would signify a material concentration of risk.

Loans and/or credits are not granted in foreign currencies and bill of exchange operations are not carried out. As a general rule, no deliveries are made to customers not associated with foreign branch offices without first conducting a credit assessment with the help of rating agencies. The receivables portfolio is monitored on an ongoing basis; consequently, the risk of default to which the Group is exposed is manageable and not significant. Furthermore, credit periods for payments are monitored on a regular basis.

In addition, the risk of default includes the country risk and/or the transfer risk. On the one hand, this includes the risk of economic or even political instability in connection with investments or the cross-border financing of Group companies in countries deemed to be risky, and on the other hand also the risk associated with selling directly to customers in these countries. Country risk with respect to equity measures or other forms of cross-border financing for Group companies is managed in connection with the decision to develop or expand a foreign market using a Group company by means of an overall assessment of the general economic and political environment, including the country rating. Companies are not established in countries deemed to be unstable. Subsequent financing measures oriented strictly towards actual capital requirements with respect to previously established foreign Group companies are also accordingly assessed based on continuous monitoring and updated findings and are furthermore managed and accompanied centrally. For example, both intragroup financing made to a subsidiary based in Turkey as well as its current assets are subject to more intense monitoring on account of the economic and political developments of the past years due to the associated implications of a higher risk of default. Security payments or advance payments are agreed in order to minimise the risk associated with selling directly to customers in countries deemed risky if there is no trade credit insurance coverage or it is not possible to sell the receivables under factoring agreements. In addition, the responsible Executive Board member receives separate reports on any overdue foreign receivables.

### Market risk

Market risk is defined as the risk that the fair value of future cash flows from a financial instrument changes due to market price fluctuations. Market risk includes currency risk, interest rate risk and other price risks. Market risk is also managed by the Group's Executive Board, the Management and the Central Financial Management Department.

Currency risk arises from the translation of foreign currencies into the Group's functional currency (euros) as a consequence of changes in the exchange rate and generally results as defined by the Berentzen Group from financial items in the statement of financial position, as well as from executory contracts or transactions planned in foreign currencies. The foreign currencies relevant for the Group particularly include the U.S. dollar and the Turkish lira. In addition to the exchange rate trend, the resulting risk potential also depends on changes in the volume of transactions effected or to be entered into in foreign currencies. So far, the business activities with respect to procurement and sales have been largely settled in euros and US dollars. Furthermore, some currency risk is balanced out in that both procurement as well as sales are carried out in the same foreign currency; as a result, incoming payments offset outgoing payments in the same foreign currency – albeit as a rule not in the same amount or in matching maturities. Without taking consolidation effects into account, liabilities and receivables denominated in foreign currencies amounted respectively to approximately EUR 2.8 million (EUR 1.9 million) and EUR 2.7 million (EUR 1.4 million) as at December 31, 2022. Rate-hedging measures are carried out for the most important foreign currency, the U.S. dollar, insofar as an assessment of the foreign currency environment makes this appear to be useful. However, as at December 31, 2022 there were no rate-hedging measures in place (December 31, 2021: no rate-hedging measures).

From a Group perspective, the recoverability of assets and/or the nominal value of the Berentzen Group's liabilities outside of Germany are also subject to exchange rate fluctuations. Foreign currency effects are recognised directly in consolidated equity when translating the net carrying amount of assets from the financial statements of foreign Group companies; however, risks arising from foreign currencies recognised in profit or loss – even though they are not cash items from a Group perspective – can insofar also result from intra-Group transactions effected in foreign currencies, particularly including the financing of foreign companies using the Group's own funds. In the event that foreign subsidiaries are deconsolidated, however, the effects of the foreign currency risks inherent in the currency translation differences previously recognised in Group equity would need to be recognised in profit or loss. No foreign subsidiaries were deconsolidated in the 2022 financial year. For this reason, as at December 31, 2022, negative currency effects remain in the Berentzen Group's retained earnings from the translation of Group-internal financing to a Group company in Turkey in the amount of EUR 5.0 million (EUR 4.4 million). With respect to the Turkish subsidiary, the Berentzen Group is currently subject to sharply rising exchange rates. The exchange rate for Turkish lira rose from 15.23 as at December 31, 2021, to 19.96 as at December 31, 2022. Turkish society is additionally subject to a high inflation rate: in December 2022, the inflation rate compared to the same month of the prior year was 64.3%. As a result of high inflation, Turkey has been considered since June 2022 a hyperinflationary economy as defined in IAS 29. The local business activity of the Turkish subsidiary has not suffered negative impacts from this so far. From the standpoint of the consolidated financial statements, however, there is a risk that the application of IAS 29 may result in a negative impact on consolidated net income in future as well. As at December 31, 2022, the hyperinflation adjustment totalling EUR 0.7 million had a negative effect on the consolidated net income.



The actual average credit period across the entire Group is currently around 33 (30) days. This does not result in elevated liquidity or interest rate risk, because sufficient factoring lines or – particularly outside of Germany – financing instruments with a comparable effect are available for the financing of receivables.

Any utilisation of the syndicated loan agreement and funds provided in connection with two factoring agreements is subject to variable interest rates on the basis of the EURIBOR reference rate, which means interest rate risks do in principle exist. The effects of any changes in the interest rate can be partially compensated for by the deployment of interest rate hedging instruments. For this reason, the development of interest rates is monitored on an ongoing basis and the possible use of interest rate hedging instruments is regularly reviewed.

Furthermore, the procurement of raw and other materials as well as the purchase costs of merchandise and system components are subject to market and/or price risk. Details in this regard are provided in the section on "Business Environment Risks".

#### **Risk assessment**

Although the likelihood of occurrence was judged overall to be "very unlikely", the financial risks as a whole were estimated to be "moderate risk" due to the risk level being assessed as "high".

#### **Performance risk in connection with the business model**

Performance-related risk represents those risks that can arise within the value added chain, i.e. in the course of production and sales, to the extent that these risks are not assigned particularly to operational and product-related risk or industry risk. Furthermore, negative developments in the value chain may impact the economic profitability and the cash flow of Berentzen Group's assets. As a consequence, the Group monitors, specifically on the basis of the provisions contained in the International Financial Reporting Standards (IFRS), whether there is any indication that the assets are impaired. In this context, potential future impairments may have a negative impact on the Berentzen Group's financial position, cash flows and financial performance.

In the business environment of the *Non-alcoholic Beverages* segment, significant volumes can be attributed to the Group's business with products of franchise brands as well as the bottling of franchise or other third-party brands and private-label products in connection with service agreements. The franchise business with the soft drinks brand *Sinalco* is based on a corresponding contractual agreement that remains valid into the medium term. In addition to competition-related provisions and an associated change-of-control clause, the franchise agreement also specifies performance indicators and provides for further agreements that entitle the franchiser to early terminate the franchise agreement in the event of non-compliance or non-performance and/or to set economically disadvantageous limitations on the rights of the franchisee. Franchised or other third party branded and private-label products are bottled on the basis of service agreements with medium-term and short contract periods. Furthermore, the individual contracts include arrangements that differ in the details, such as competition-related qualified change-of-control clauses that entitle the respective client to early termination of the agreement in the event of non-compliance or non-performance.

In addition, as with all contractual relationships, there is the risk that when the contractual term of these agreements expires they will not be continued or can only be continued under terms and conditions that are unfavourable for the

Berentzen Group. The loss of the franchise business or a portion of the business involving the bottling of franchise or other third-party brands and private-label products can have a significant impact on the development of the business as well as the financial performance, cash flows and financial position as a result of substantial declines in revenues and earnings as well as structurally necessary follow-up measures and effects that must be reflected in the accounting, to the extent that such a loss cannot be replaced through the business with the Group's proprietary brands and products, another franchise business, or other corresponding contracts.

Early unintended termination of the franchise agreement or other service agreements is prevented to the extent possible through the agreement of realistic objectives, adherence to and strict compliance with agreements and instructions within the context of systematic contract management and through constant relationship management. However, since these are necessarily bilateral agreements, some risks – particularly those outside of the franchisee/contractor's area of influence – cannot insofar be ruled out.

In the *Spirits* segment, the business with whiskey is very important due to ongoing high market demand. In addition to the quantitative shortage and price increases on the procurement market for whiskey, the mostly multi-year storage periods also require an anticipatory purchasing policy geared to the medium term in order to secure the basic materials. In this regard, appropriate medium- and long-term delivery agreements are in place on the sales side, meaning that potential risks arising from the uncertainty regarding future sales of already purchased or firmly contracted batches of unprocessed or processed whiskey only occur to a minor extent.

Any occurrence of the aforementioned risks and further indications extending beyond the same could lead to an accounting impairment loss being recognised on the Berentzen Group's assets. As part of risk management, impairment testing is performed on an ongoing basis. In addition to the information from the internal reporting system, monitoring extends to exogenous factors such as market interest rates or market returns, factors that the Berentzen Group can only influence to a limited extent or not at all. Since the outbreak of the coronavirus pandemic in early 2020, ongoing efforts have been undertaken to examine whether the regularly changing impacts of the crisis are an indication of impairment and thus give rise to the need for impairment tests. In the 2022 financial year, moreover, the start of the war between Russia and Ukraine and the significant changes to economic framework conditions in Germany, particularly the high inflation rates and the rise in market interest rates, represented further detrimental changes to the economic environment, which led to a need for specific impairment tests of the cash-generating unit *Non-alcoholic Beverages*. Recording impairment losses, which are often associated with impairment tests, generally reduces the risk of further impairment. Despite the impairment losses recorded in past financial years, further impairment losses with a negative impact on the financial position, cash flows and financial performance cannot be ruled out for the future. Meanwhile, the risk of further impairments in the *Non-alcoholic Beverages* segment is currently viewed as high, in part because a significant dependence on one locally produced product line exists at one location and uncertainties exist in this connection regarding the possibility of passing on necessary price increases and thus regarding profitability.

With regard to all performance-related risks observed as part of the risk management system, they were classified in the category "Moderate risk".

### Sector-specific risks

As with other daily consumable products, spirits, non-alcoholic beverages and fresh drinks such as freshly pressed fruit juices are considered to be Fast Moving Consumer Goods (FMCG). The relative ease with which such products can be substituted also requires for the preservation and expansion of the business volume, among other things, that new brands and products are continuously developed and introduced to the market. Market surveys and past experience document that the risk of not being able to successfully introduce new brands and products to the market in the FMCG segment – or that the success cannot be sustained – is significant. Particularly in the *Spirits* and *Non-alcoholic Beverages* segments, such innovations represent an important building block for sustainable growth geared towards adding value for the Berentzen Group. Therefore, in light of the presented background, they bear the risk that the contributions to earnings planned insofar cannot be realised at all or in the budgeted volumes. Appropriate countermeasures such as careful planning, product development and market tests conducted in advance of the introduction as well as subsequent marketing and sales promotions are also incapable of preventing this. As a general rule, the risk connected with innovations applies analogously in the *Fresh Juice Systems* segment, even though the focus of the risk insofar does not lie so much on the beverage purchased by the consumers, but rather on the system components fruit juicers, and thus consequently on the success of an innovation-driven machine technology in whose development the long-term and currently only supplier also plays an important role that is carried out as part of a close cooperation. The coronavirus pandemic made direct contact difficult not only with suppliers abroad, but also with potential new (mainly international) customers, primarily in view of cancelled industrial fairs and temporary bans on visits. Consequently, communications with suppliers and customers had to be shifted largely to digital communication channels. Insufficient innovative capacity and thus technical innovations that fail to materialise, are late, or not successful in the market, as well as market positions jeopardised as a result thereof or for pricing reasons, include the risk that despite corresponding risk containment measures – particularly general engineering as well as ongoing engineering geared towards the development of new applications – contributions to earnings factored into the managerial planning cannot be realised at all or in part.

As a result of concentration in the German food retailing sector, the top key accounts are very important and individual suppliers are highly dependent on these major customers. Comparable market structures can also be observed abroad with corresponding effects on the subsidiaries. In some cases, substantial dependencies develop in the business relationships with individual major customers. All of the Group's segments are affected by this – each individually to a different extent – with the exception of the *Other segments*. In total, the Berentzen Group realised around 49% (previous year: 48%) of its consolidated revenues in the 2022 financial year with its three largest customers, each of whom belong to the food retailing sector. In this context, there are various aspects that can have a negative impact on the success of the Berentzen Group's business. For example, the supplier agreements – as is typical in the industry – have a relatively short term and normally do not include any purchase commitments. Furthermore, there is the risk that important customers abruptly end their business relationships with the Berentzen Group or do not extend them and that the Group will not be able to quickly adjust its cost and production structure fully or sufficiently and/or cannot find another customer, leading insofar to excess capacities. The pressure on the individual supplier and price terms as well as conditions rises together with a customer's increasing importance; as a result, the Berentzen Group's net selling prices can decrease. It is accordingly possible that the Group may not at all be able to pass on price increases with respect to raw materials or rising personnel expenses and overheads, or that they can only be passed on in part or with a delay. The Berentzen Group is countering this risk by strengthening key account management together with

further systematic efforts to increase sales and distribution. Advertising activities to promote the brand are intended to improve the Group's position vis-à-vis its business partners. All measures are accompanied by efforts to further expand the distribution channels in order to achieve a balanced customer portfolio as well as to continuously and diligently foster relationships with the customers' most important decision-makers and contact persons.

According to the estimate performed within the risk management system relating to the industry risks monitored in this context, the overall classification was "Low Risk", whereas in the previous year the classification was „Medium Risk“.

### **Business environment risk**

With its international operations, the Berentzen Group depends on the economic, political and social development of countries and regions in which it is already active in the market or plans to be. This relates both to the purchasing as well as the selling side of the business. The business environment in the individual markets is subject to continuous – and in some cases very short-term – changes. The Group is exposed to a series of factors on which it only has a limited influence or none at all. These include, among other things, political, social, economic, or legal instabilities, including insufficiently developed or differentiated legal and administrative systems, restrictions on the movement of goods and capital, regulatory changes or limitations, encroachments, or the loss of property, volatility in the financial markets and changes with respect to exchange rates and the resulting market effects as well as general changes in the supply of goods and services, the demand for such goods and services, or consumer trends and/or behaviour. Such risks can have a temporary or permanent negative impact on business activities and therefore on the achievement of the objectives pursued by the Berentzen Group. Such business environment risks are subject to permanent control in the supervision, monitoring and management of the operating business.

Particularly the procurement of raw and other materials as well as the purchase costs of merchandise and system components are subject to a procurement risk. In all segments, the purchase prices of the raw materials and supplies, merchandise and system components used by the Berentzen Group are particularly influenced by their market availability and, in the case of purchases conducted in foreign currencies, the development of the corresponding exchange rates against the euro. A large part of the raw materials needed for the production of spirits and non-alcoholic beverages as well as the fruits (oranges) traded in the *Fresh Juice Systems* segment are agrarian products, the availability of which depends on the respective crop yields. Furthermore, regulatory measures such as duties can have a considerable influence on purchase prices.

Annual supply contracts are normally in place for the purchase of container glass, stipulating fixed prices and fixed quantities. As the effects of the energy price cap on the container glass industry could not yet be fully assessed, only some of the annual supply contracts could be entered into thus far. For harvest-dependent raw materials such as sugar, fruit juice concentrates and alcohol made from grains, contracts are usually concluded from harvest to harvest. Other raw material and packaging material groups are based on market price indexes, with prices mostly fixed on a quarterly or half-yearly basis depending on market conditions. In the *Fresh Juice Systems* segment, purchases of the individual system components are predominantly managed on the basis of single contracts; in particular, the procurement of fruits (oranges) is dependent on harvest seasons in the global cultivation areas.

Production and supply constraints caused by the coronavirus pandemic repeatedly impeded economic development in the past three financial years and caused a rise in prices both in the demand and supply markets. While some of the pandemic-related disruptions of the supply chains partly subsided in the 2022 financial year, the war between Russia and Ukraine had devastating effects on the sourcing market. The loss of production capacities in Ukraine and Russia and the reduction of production capacities due to low profitability of production in other markets led to material shortages. This was particularly the case with raw materials of agrarian origin and with glass bottles and aluminium closures. Crisis or war-related disruptions of international supply chains and labour shortages in the transportation and logistics sector led to numerous delivery cancellations and delays. These impacts of the war on the raw materials markets, particularly the energy market, resulted in sharp price increases for raw materials and intermediate products. In the energy market, there was not only a rise in prices but also the risk of an energy shortage or a possibly endangered reliability of supply. Although for the 2023 financial year there are initial signs of easing in the logistics sector and legislative relief was initiated for the higher energy costs, the risks remain and still have to be observed in the view of the Berentzen Group because of the situation described in the sourcing market.

Against the backdrop of great geopolitical uncertainty and current and imminent international trade conflicts, possible additional tariff barriers – e.g., the import duties levied for bourbon whiskey from the end of June 2018 until December 2021 – and non-tariff barriers to trade deserve mention; they can have negative effects in some circumstances on the business activities of the Berentzen Group. Due to the political and economic situation in Turkey, this market, which is served by a local Group company, is additionally subject to continued more intense monitoring within the Berentzen Group's risk management system.

The business environment risks monitored separately for purposes of risk management relate particularly to the *Spirits* segment and *Other segments*. Restrictions on the marketing of alcoholic beverages, for instance through sales restrictions, increases in alcohol tax or comparable foreign excise taxes, anti-alcohol campaigns and import restrictions on important raw materials or advertising bans, represent potential risks for the Berentzen Group. Legislative measures such as special taxes and measures regulating advertising have had a significant influence on the beverage industry in the past. In this context, risks arising from the amendment and implementation of provisions from the German Packaging Act, particularly with regard to PET packaging for spirits, have likewise been subject to monitoring.

Discussions regarding restrictions on the freedom of advertising for alcoholic beverages are ongoing. While further legal restrictions are not currently on the horizon at the national level, such restrictions have been implemented in Turkey in recent years. This also applies to an increase in excise taxes on alcoholic beverages; for the market in Turkey there were further tax increases in 2022 that are also to be expected in following years.

According to the estimate performed within the risk management system of the monitored business environment risks, the risk severity is "low", and the probability of occurrence is rated "possible". In summary, this signifies a classification as "Low Risk". In the previous year, on the other hand, the overall classification was „Medium Risk“.

#### Other risks

Other risks covers the risks that have not been assigned by the Berentzen Group to any of the other risk categories.



### **Legal and tax-related risks**

As a concern operating in the international food industry, the Berentzen Group is exposed to various legal and regulatory risks. These include contractual and third-party risks in connection with the respective national or international provisions governing express warranties and product liability, food laws, consumer protection laws, competition and antitrust laws, trademark and patent laws, environmental, construction and planning laws, labour laws and occupational health and safety laws, foreign trade and customs laws, tax laws – particularly excise tax laws related to the taxation of alcoholic beverages – as well as provisions related to purchasing activities and procurement; for example the observation of sanctions lists. In addition, Berentzen-Gruppe Aktiengesellschaft is subject to obligations resulting from its listing on the stock exchange, particularly the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation – MAR) and the German Securities Trading Act (WpHG).

The Berentzen Group has methods and institutions at its disposal to ensure compliance with national and international laws and guidelines and, if necessary, the initiation of suitable countermeasures. These particularly include appropriate organisational instruments, including by-laws, competence guidelines, the Group's central departments for legal, tax and accounting issues as well as the engagement of external advisers in legal and tax-related matters. Risk insurance policies are taken out for these risks to the extent possible and appropriate in the opinion of the Berentzen Group; in contrast, it is not possible to insure against possible reputation losses.

The aforementioned measures also serve not least to prevent and minimise legal risks that can ultimately manifest themselves in legal disputes or judicial, administrative, or other proceedings. The Group is represented in legal disputes by the Group's Central Legal Department or by the engagement of external legal advisers with the goal of preventing losses or keeping them as small as possible. However, any legal disputes and proceedings could, nevertheless, have a significant adverse effect on the financial performance, cash flows and financial position of the Group or one of the companies included in the consolidated financial statements not only in the event that the associated expenses are not or cannot be covered by insurance but also in those cases where the expenses arising exceed the risk provisions made in the form of insurance cover or accounting provisions.

The legal risks monitored separately in connection with risk management include such risks arising legal obligations entered into, primarily with respect to long-term contractual relationships, particularly based on third-party contractual relationships, and risks arising from insufficient contract controlling. This can lead to legally and economically detrimental claims and/or the undesired cancellation of contracts or the forgone or delayed assertion of the Group's own claims.

In addition, the other risks include such risks related to income, transaction and excise taxes resulting primarily from inappropriate tax treatment, improper handling that does not meet the formal requirements, or non-standard tax assessment on the part of the responsible tax authorities regarding transactions to the disadvantage of the taxpayer. In various capacities, the Group companies are largely subject to regular tax audits and insofar are closely monitored by the tax authorities. In light of the multitude and complexity of tax rules, it is nearly impossible to completely rule out these risks. Both corresponding organisational measures for the review, processing and clearing of transactions as well as central departments for customs and tax-related matters in Germany and the consultation of external tax advisers serve to limit such risks.

### **Personnel risks**

The skills, commitment and motivation of the workforce play a key role in the success of the Berentzen Group. Qualified skilled and managerial personnel are essential to achieving strategic goals. Amid heightened competition for personnel, the HR management of the Group aims to train, acquire and develop qualified skilled and managerial personnel, and keep them in the Group in the long term. Special risks related to personnel stem from the potential of there being a general lack of personnel resources needed to fill key skilled or managerial positions in the Group or from the potential of not being able to ensure sufficient staffing levels to provide cover if needed. In turn, this can result in increased costs for interim solutions or training and longer training times. If key positions cannot be adequately filled for a longer period of time, this could prevent the Berentzen Group from achieving its goals. Minimising these risks involves in particular identifying key positions in a timely and ongoing manner as well as putting in place forward-looking succession planning and consistent deputising arrangements. Particular attention is paid to developing the skills of skilled and managerial personnel. Furthermore, there are continuous efforts to develop and improve working conditions, for example using an operational health management plan aimed at specific target groups. Employer branding measures are undertaken to intensify the identification of employees with corporate values and improve the Group's positioning as an attractive employer on the labour market.

### **Risk assessment**

For the other risks observed as part of the risk management system, they were classified overall in the category "Low Risk".

### **IT risks**

The reliability and security of the information technology (IT) are very important for the Group. At the same time, IT security around the world is exposed to increasing threats in general. This not only applies for the use of IT systems in connection with the business processes, but also for IT systems implemented for internal and external communication. Outages or disruptions of these IT systems signify risks for the availability, reliability and confidentiality of systems and data in development, production, distribution or administration and therefore for the Berentzen Group's financial position, cash flows and financial performance.

This risk is countered, among other things, through the redundant configuration of server systems, hardware support contracts with short reaction times, a direct availability of replacement parts and data lines as well as an uninterruptible power supply. An even higher level of security and availability of the ERP system is ensured by means of a high availability environment (virtualisation) in connection with a storage solution involving redundant capacities at two computer centres and deploying a synchronous mirroring system. In the event of a failure, a shadow database makes it possible to make data available again at extreme short notice; in addition, all data inventories are backed up on a daily basis. Firewall systems, a VPN solution with 2 factor authentication, virus scanners, spam and content filters and authorisation concepts guarantee a high level of security in access authorisations and external access.

According to the estimate of the observed IT risks performed in the risk management system, the risk level stood at "moderate" and the likelihood of occurrence was estimated to be "unlikely". In summary, this gave rise to a classification in the category "Low Risk".

## Operational and product-related risk

### Operational risks

In the *Spirits*, *Non-alcoholic Beverages* and *Other segments*, there are operational risks primarily with respect to the breakdown of production plants or sites as well as, if applicable, with respect to the outsourcing of production capacities to another plant location that could lead to supply bottlenecks or delivery disruptions. The risk of production losses is minimised by means of ongoing maintenance and capital expenditures, the constant availability of technical services and emergency staffing plans; in addition, a business interruption insurance policy is in place. In order to limit this risk, suppliers are carefully selected with a view towards maintaining long-term relationships as part of a sustainable relationship management process. In addition, the entire production process is also closely accompanied and monitored in collaboration with the suppliers.

In the context of the coronavirus pandemic, production processes could be adversely affected by quarantine orders or infections within the staff, even though the risk in this regard is deemed insignificant by current estimates. In addition, there may continue to be further material shortages and supply bottlenecks in procurement on account of disruptions to sourcing markets especially due to war, as explained above under Business Environment Risks.

In the *Fresh Juice Systems* segment, the machinery supply and the bottle supply are each concentrated on one supplier; therefore, there are risks of production stoppages, capacity bottlenecks and justified or unjustified unilateral termination of the supply relationship by the respective supplier. The availability of alternative production capacities is currently very limited and it is expected that it could only be realised with a considerable delay. This risk is countered by means of particularly close support and management of the long-term cooperation arrangements that includes, in the case of the machinery supplier, the implementation of an effective local quality assurance system.

Furthermore, in the *Spirits* and *Non-alcoholic Beverages* segments, whose manufacturing facilities and property have been utilised for decades, operational risks could arise from environmental damage. This is understood to be a directly or indirectly occurring identifiable, detrimental change (impairment) in protected species and natural habitats (biodiversity) as well as in waters or in the ground as a result of which the Group must bear environmental liability risks and risks arising from existing or changing general regulatory conditions. In addition to rules related to the environment that are included in the quality assurance system, risk provisions for environmental damage serve to cover insured losses. Against this background, it is also important to assess the consequences of climate change that can already be observed or may arise in the future – in particular weather extremes such as longer periods of drought or short-term heavy rainfall events.

### Product-related risks

Product-related risks can result from product defects, product sabotage, or product extortion and particularly lead to health risks on the part of consumers, loss of reputation, and restrictions in the marketability of products up to and including product recalls. Product defects are defined as the unintentional chemical, physical, or microbiological contamination of a product in connection with the manufacturing process. In contrast, product sabotage and product extortion are based on intentional actions outside or within the Group during or subsequent to the manufacturing process. In order to reduce the potential losses and/or the effects of an operational or product-related incident, the arrangements for security, plant and product safety are constantly further improved or expanded and monitored through corresponding checks.

The Berentzen Group fulfils the complex requirements from statutory provisions in the area of technology and product safety, for example for accident prevention and environmental protection or under the relevant food regulations, by using internal plant inspections, selecting reputable suppliers, employing qualified personnel and engaging reliable service providers that demonstrate a proficiency in the use of Berentzen Group products. In addition, product safety is served by ongoing quality controls, continuous adaptation to new technical standards and the established quality assurance and crisis management system, which is subject to regular internal audits and corresponding external certifications according to recognised quality standards, namely according to IFS (International Featured Standards) Food. The production facilities of the Berentzen Group were certified in accordance with the latest version (IFS V7) in the IFS certification audits in 2022 and were successfully re-certified in the IFS Food assessments. Furthermore, there are the certifications issued for the system components fruit presses with respect to technical safety by the relevant testing organisations such as the Technical Inspection Association (TÜV), particularly in the *Fresh Juice Systems* segment. For the procurement of capital goods and raw materials, quality standards are defined and safeguarded by long-term cooperation with corresponding suppliers; new suppliers must undergo a qualification process. An additional building block for the reduction of product-related risks consists in the covering of corresponding insured losses.

Furthermore, in the *Fresh Juice Systems* segment, the highest standards of quality are maintained for the oranges marketed in the *frutas naturales* variety. Depending on the time of the year and the harvest cycle, the fruits are procured from Southern Europe, but also from cultivation areas outside of Europe and put on the market without any post-harvest treatment. Insofar, there are risks with respect to the availability and quality of the oranges for a wide range of reasons. On the one hand, these include poor harvests or bad weather, which may be heavily dependent on the impacts of climate change – in particular extreme events such as longer periods of drought, storms or short-term heavy rainfall. On the other hand, there could be a general market shortage and interruptions or delays in the – considering the easy perishability – particularly important logistics processes, or a deterioration in the relationship with suppliers or producers. Furthermore, quality defects can lead to severe reputational damage. Measures to minimise the risk include an anticipatory procurement policy executed on the broadest possible supplier basis and with a view towards sustainable relationship management as well as the appropriate management and monitoring of the logistics processes. The quality of the purchasing process for oranges has been confirmed by an external body through IFS Broker certification. In addition, internal analyses of quality and sensory evaluations are performed. Furthermore, analyses to detect pesticides are carried out continuously in cooperation with laboratories.

### **Risk assessment**

Following the estimation of operational and product-related risks performed in the risk management system, they were classified under the "Low Risk" category.

### **(3.3) Opportunities**

The Group's broad positioning with its product range of spirits, non-alcoholic beverages and fresh juice systems allows the Berentzen Group to emancipate itself from critical demand factors and declining product categories and opens up manifold opportunities for sustained positive business performance. They are based on the dual-track operational positioning in the traditional and innovative segments as well as in the domestic market and international markets. The opportunities are supported by a consistent focus on the needs of the consumers as well as those of the trade and catering partners. In addition to endogenous factors based on internal decisions and measures, exogenous factors can also have an impact on the market success. The most important opportunities that arise against this background are described below. However, they only represent a sample of the possibilities and a snapshot assessment, because the Berentzen Group is continually further developing just like the markets, and therefore the significance of an opportunity can decrease just as options that are entirely unknown today can arise in the future. Therefore, the Berentzen Group monitors all relevant trend lines in order to systematically take advantage of future opportunities with decisions that are appropriate for the situation.

#### **Opportunities from the change in general economic conditions**

Opportunities can arise for the Group from the development of general economic conditions at a national and international level if the economies of the important industrialised nations – especially Germany – recover from the difficulties in the past three financial years and experience appreciable economic growth. From the perspective of the Berentzen Group, the resulting potential for opportunities must be regarded as subject to a significant reservation since the future course of current major geopolitical conflicts, first and foremost the war between Russia and Ukraine, is difficult to predict. The end of the war, an easing of tension in the global procurement market and the resolution of global trade conflicts may have significant positive effects on the business performance of the Berentzen Group. In the opinion of the International Monetary Fund, the German economy is likely to avoid a recession in 2023. However, private households still face a decrease in the purchasing power of their income due to high inflation and are therefore reducing their consumption spending. If there is gradual relief in this regard, real wages rise again and uncertainty diminishes little by little, this may have a significant positive impact on the Group's business performance.

Additionally, an improvement in the general political and economic conditions prevailing in Turkey can have a beneficial effect on the business with spirits assigned to the *Other segments*. The Group company operating in that country continues to provide the foundation on which the Group can build to benefit directly from any recovery of the market environment, particularly in view of a lessening of inflation and a rise in the value of the Turkish lira.

#### **Opportunities in connection with strategic decisions**

As a nationally and internationally active beverage concern, the Berentzen Group has set itself the strategic goal of being a provider of drinks for every occasion by means of a balanced position in the *Spirits*, *Non-alcoholic Beverages*, and *Fresh Juice Systems* segments. The expansion of the product portfolio and an intensive concentration on trends and



customer benefit or expectations can open up new growth opportunities, especially on the back of innovations, and the Berentzen Group intends to continue focusing on select areas promising strong growth.

The Berentzen Group's spirits umbrella brands *Berentzen* and *Puschkin* are widely recognised in the German market. With a joint market share of around 12% in the category of "fruity liqueurs", the two umbrella brands continue to enjoy a strong competitive position. Moreover, the *Berentzen* brand further increased its market share in the category of "cream liqueurs" to around 7% in the 2022 financial year. On this basis, the Berentzen Group attributes strong growth potential to marketing the existing product portfolio, particularly to the marketing of shots or so-called "Minis". In the export and dealer brands business, there are opportunities in business expansion through strategic partnerships with domestic and international trade partners. Further growth opportunities result from tapping additional export markets, particularly in other European countries. Finally, implementing measures to make up for cost increases will play a crucial role for future business performance across all spirits product segments.

In the *Non-alcoholic Beverages* segment, the nationwide success in the *Mio Mio* brand beverages business presents an opportunity to continue along this growth path. The basis for this will be the contract bottling agreements established with two partners in southern and central Germany in the 2021 and 2022 financial years and the innovations in the 2022 financial year: the *Mio Mio Orange + Caffeine* and *Mio Mio Lemon + Caffeine* varieties and a new 0.33L catering trade container for eight of the ten current *Mio Mio* product varieties. This last item in particular opens up opportunities for further expansion of the catering trade business with *Mio Mio* products. In addition, the Berentzen Group sees further sales potential with these products in the export business and via sales channels like filling stations, newsstands, student unions and delivery services, some of which have not been exploited very much previously.

In the *Fresh Juice Systems* segment, the competitive advantage of the *Citrocasa* brand provided by its positioning as a premium system vendor continues to offer opportunities to tap into international growth potential. The focus set in the 2022 financial year on promoting fruit press sales in the markets of France, the United Kingdom and the United States, and in particular in the DACH region (Germany, Austria, and Switzerland), will be continued. The expansion of the product line to include fruit presses for pomegranates and the setup of logistics for supplying pomegranates in the DACH region and surrounding European countries are additional opportunities. Furthermore, the potential for opportunities is supported by the continuing tendency to consume fresh, natural and high-quality products observed among consumers and in the food retailing sector. In the estimation of the Berentzen Group, this trend is weakened only temporarily by the current crises.

#### Opportunities from the implementation of operational measures

As an efficient spirits manufacturer, the Berentzen Group subjects its production and logistics processes to continuous analysis and always finds approaches for additional optimisation measures. In this regard, the Berentzen Group considers further productivity increases possible, as replacement investments are also designed not only with stabilisation in mind, but rather as an improvement in the status quo. This applies equally to the *Non-alcoholic Beverages* segment, although in this case streamlining and increased efficiencies in production particularly offer significant opportunities. In the *Fresh Juice Systems* segment, the continuing optimisation of logistics for fruit and bottling systems offers wide-ranging opportunities.

With respect to procurement, the Berentzen Group is dependent on the commodity and producer markets. Insofar, cost advantages can be realised if there is a general decrease in commodity prices and if short-term supplier contracts can be formed for the procurement of such commodities at favourable delivery points. In the *Fresh Juice Systems* segment, bountiful harvests of oranges for sale may lead to favourable price trends. The setup of a supply chain for pomegranates provides further opportunities in the *Fresh Juice Systems* segment. The technical requirements for fruit presses are very high for the niche product pomegranates – even more than was the case for oranges or apples – so that the development of the corresponding expertise and the supply structures may produce a competitive advantage. A positive influence on market prices is anticipated from the cap on energy prices passed by law in Germany, although high volatility is expected in terms of the overall market outlook. Meanwhile, the development of issues like sustainability and the shortage of specialised workers, and particularly the war between Russia and Ukraine, will play a critical role in any potential opportunities that may arise from these caps.

#### Opportunities from strategic acquisitions

With its current positioning, the Berentzen Group considers itself in a good position to meet the various needs of the consumers as well as those of its trade and catering partners in large volumes with its product portfolio of spirits, non-alcoholic beverages and fresh juice systems. In addition to the opportunities highlighted from organic growth, the Berentzen Group also continues to pursue exogenous growth opportunities in connection with opportunities presented as a result of selective business acquisitions that support the Group's growth strategy.

As a general rule, these opportunities not only open up the possibility of sensibly expanding sales channels or rounding out the product and customer portfolio, they also leverage and utilise mutual synergy effects. Therefore, business acquisitions can have a positive impact on the business performance and the Group's financial performance, cash flows and financial position.

### (3.4) Overall assessment of risks and opportunities

In the light of the difficult economic framework conditions in Germany resulting from the impact of the war between Russia and Ukraine, the risk exposure of the Berentzen Group remains challenging in the view of the Management, albeit manageable at present.

On the basis and in the sense of the assessment matrix presented in section (3.1), there are no risk categories assessed as high risks. Financial and performance-related risks are assessed as medium risks, while the other risk categories presented are each estimated as low risk.

Thanks in particular to the positive financial position, cash flows and financial performance of the Group, no separate or cumulative risks are expected by the Management with respect to the risks described above and their possible likelihood of occurrence that could jeopardise the company as a going concern with a period of at least one year. The Executive Board sees potential for the Group in the consistent pursuit of the opportunities discussed above that should not be passed up.

The Berentzen Group continues to have solid liquidity at its disposal and therefore the possibility of taking advantage of

its growth potential as well as of implementing other measures to improve its profitability. However, the materialisation of risks or the realisation of opportunities can have an impact on the Group's forecasts.

### **(3.5) Comments on the internal control and risk management system and on the accounting process**

The objective of the internal control and risk management system set up by the Berentzen Group is in particular to ensure the propriety of the financial reporting in the sense of the compliance with all the relevant provisions for the annual and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as well as the management report.

#### **Internal control system (disclosure not in management report) <sup>1)</sup>**

The internal control system in the Berentzen Group includes all principles, methods and measures to ensure the effectiveness, efficiency and compliance of the accounting as well as to ensure the compliance with the relevant legal provisions. This likewise includes the compliance regulations and the sustainability-related control systems in effect within the Berentzen Group. The internal control system comprises the internal control and internal monitoring system. Below the level of the Executive Board, the responsibility for the internal control system lies particularly with the areas of Controlling and Reporting, Accounting, Finance, Sustainability and Taxes as well as Legal and Personnel, which are managed centrally at Berentzen-Gruppe Aktiengesellschaft.

Process-integrated and process-independent control measures form the elements of the internal monitoring system. In addition to the manual process controls – for instance, the “dual control principle” – IT process controls in the system represent a significant part of the process-integrated measures. Expanded risk control matrices are introduced for material transactions that are updated on an ongoing basis. Furthermore, process-integrated monitoring is ensured through organisational measures, for example by means of guidelines or access restrictions as well as through specific Group functions such as the central Investment Controlling or also central departments for tax, accounting and legal affairs.

The Supervisory Board – specifically the Finance and Audit Committee – of Berentzen-Gruppe Aktiengesellschaft and the Internal Auditing department of the Berentzen Group are involved in the internal control system at the Group level with the process-independent audit procedures.

#### **Accounting process**

In the legal sense, the Group Executive Board is obligated to prepare the annual and consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft as well as the combined management report for the Berentzen Group (Group) and Berentzen Group AG, while the respectively responsible Executive Board member bears the overall responsibility for all processes.

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<sup>1)</sup> The disclosures not in the management report are statements that go beyond the legal requirements for the management report and thus are excluded from the substantive audit of the management report by the auditor.

All accounting entries are recorded in the annual financial statements of the individual companies of the Group by Berentzen-Gruppe Aktiengesellschaft's central Accounting department, with the exception of foreign Group companies, using the SAP ERP system developed by the homonymous software enterprise. The application of the SAP system is periodically reviewed by the independent auditor and/or the Group auditor. The standardised, uniform preparation of the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft is ensured due to the fact that the individual annual financial statements are primarily prepared centrally. All accounting entries are recorded in the annual financial statements of the foreign Group companies by the Group's respective local Accounting department using various ERP systems or in line with corresponding agreements by external expert service providers. The individual annual financial statements of the foreign Group companies consolidated in the consolidated financial statements are included by means of a corresponding reporting package, which also contains further information – for instance, for the notes to the consolidated financial statements. The reporting packages of the foreign Group companies included in the consolidated financial statements are subjected to an audit in accordance with International Standards on Auditing (ISA) or a review, depending on their significance for the Group and/or the consolidated financial statements.

The information resulting from the separate annual financial statements and reporting packages is transferred to a consolidation file that is not integrated in the ERP system. Manual reconciliation and a review by the Group auditor ensure the accuracy of the transferred data. All consolidation processes for the preparation of the consolidated financial statements of Berentzen-Gruppe Aktiengesellschaft, such as the consolidation of capital, the consolidation of assets and liabilities, and the consolidation of income and expenses, are listed in the consolidation file. The result is tested for plausibility and validated with the help of the statement of changes in equity. The disclosures in the notes to the separate financial statements and the notes to the consolidated financial statements are prepared and documented on the basis of the information provided to the central Accounting and Controlling department as well as computer-based evaluations.

#### **Comments on the main features of the internal control and risk management system with respect to the accounting process**

The internal control and risk management system with respect to the accounting process ensures an efficient accounting process in which errors are largely avoided, but at any rate can be detected. The system is based on a central accounting and reporting function for all German Group companies, which simultaneously also manages and controls the accounting and reporting function of the foreign Group companies.

The accounting entries recorded in the respective Group companies, which are reviewed on an ongoing basis for completeness and accuracy, for example as part of plausibility assessments, by means of sampling, or computer-based processes, as well as periodic or as-needed specific control activities, form the basis for the data used to prepare the separate annual financial statements and the consolidated financial statements as well as the combined management report. Further accounting control mechanisms include analytical audits with respect to the individual line items of the separate annual financial statements and consolidated financial statements, and with respect to the consolidated financial statements both at the aggregated level of the Group as well as at the level of the underlying separate annual financial statements of the individual companies.

There is an authorisation concept for the IT systems employed in the accounting area in order to prevent unauthorised access and unauthorised use as well as to ensure that the accounting-related data cannot be altered.

Additional building blocks to ensure an orderly, uniform and continuous accounting process include sufficient staffing levels in responsible functional areas with qualified employees. In addition, clear internal instructions with respect to a separation of functions for the key areas involved in the accounting process, but also the preparation and updating of accounting-related guidelines, such as the Berentzen Group's Accounting Handbook, contribute to this.

The clear separation of areas of responsibility as well as various control and inspection mechanisms ensures the propriety of the accounting system as a whole. On this basis, it is ensured that transactions are recorded, processed and documented as well as evaluated in their entirety on a timely basis and properly in the bookkeeping system in compliance with statutory provisions, the German generally accepted accounting principles and international accounting standards and also accurately included and presented in the separate annual financial statements and consolidated financial statements as well as in the combined management report.

#### **Statement of the Executive Board on the Effectiveness and Appropriateness of the Internal Control System and the Risk Management System (disclosure not in management report) <sup>2)</sup>**

The Executive Board of the Berentzen Group has occupied itself in detail with the effectiveness and appropriateness of the internal control system as a whole and of the risk management system. Based on this, the Executive Board has no indications that the internal control system or the risk management system were not appropriate or not effective, respectively as a whole, as at December 31, 2022.

## **(4) Forecast Report**

The Forecast Report of the Berentzen Group takes account of the relevant facts and events known and estimable at the time of preparing the consolidated financial statements that could have an impact on the corporate group's future business performance. The forecasts made herein on the basis of the current version of the integrated corporate plan of the Berentzen Group for the 2023 financial year are based on the assumption of organic development within the corporate group excluding significant non-recurring exceptional effects and changes arising from possible company acquisitions; where such events need to be taken into account at the time of preparing this Forecast Report, this is stated accordingly.

### **(4.1) General economic and industry-specific framework conditions**

#### **General economic conditions**

The global economy is expected to continue to grow in 2023, but it is assumed that the rate of growth will be lower than it was in 2022. According to the World Economic Outlook Update from January 2023, the International Monetary Fund (IMF) anticipates economic growth of 2.9% (2022: +3.4%) worldwide, while the ifo Institute in its Economic Forecast Winter 2022 predicts a slower global economic growth rate of 1.6% (2022: +2.8%) for 2023. The forecasts are based on the expectation that inflationary momentum will lessen as a result of a tighter monetary policy. Both the IMF and the ifo Institute expect growth for the industrialised countries to be slower (1.2% and 0.7%, respectively) than for the global economy as a whole. Growth of 0.7% (IMF) or 0.6% (ifo Institute) is expected for the eurozone, whereas the emerging markets are predicted to see above-average growth of 4.0% (IMF) or 3.5% (ifo Institute).

<sup>2)</sup> The disclosures not in the management report are statements that go beyond the legal requirements for the management report and thus are excluded from the substantive audit of the management report by the auditor.



Though it is expected that the global economy will continue to grow, the IMF and the ifo Institute note that, in light of the forecast provided, the risks pointing downwards predominate. With regard to the war in Ukraine, so far no signs point to a resolution of the conflict any time soon, while further escalation could push natural gas prices even higher. If there are further shocks to energy and food prices, inflationary trends could persist even longer. Beyond this, risks related to the coronavirus pandemic continue to exist, due to potential new increases in infection rates or new virus variants. On the other hand, opportunities exist with regard to stronger economic momentum from pent-up demand or a faster reduction of inflation.

For the German economy as well, the ifo Institute expects the inflation rate to go down in 2023, particularly due to government constraints on energy and natural gas prices. Nonetheless, inflationary pressure will remain high for the time being. The Berentzen Group also assumes that high sourcing and energy prices will continue to weigh heavily. High prices will curb private consumption for now, according to the ifo Institute, and not until the second half of the year is income expected to begin rising faster than prices, which causes private consumption to go up. In the processing industry, expansion is anticipated, particularly with the gradual end of supply bottlenecks. Overall, it is expected that economic output in Germany will initially decline in the first quarter of 2023 compared to the same quarter of the previous year. An economic recovery is expected starting in the spring, so that overall 2023 will see a slight reduction of gross domestic product by 0.1% compared to the previous year.

#### Developments on the drinks market

The aforementioned anticipated challenges to the global and, in particular, national economy in 2023 will likewise impact the sales markets of all segments in the Berentzen Group to varying extents.

The Berentzen Group forecasts that domestic retail sales of spirits will remain on a level comparable to the previous year on the whole, but expects the individual product categories to perform variably. After important occasions for consumption and seasonal high points suffered in the last three years under the effects of the coronavirus pandemic, it is assumed that social occasions for celebration and consumption will fully resume in 2023, which will have a positive effect particularly on so-called "fun spirits" such as liqueurs and "minis". On the other hand, negative influences on branded spirits and premium dealer brands result from the increased price sensitivity of consumers in connection with high inflation rates, which may contribute to non-consumption and a switch to lower-priced alternatives. In general, the increased price sensitivity will in turn lead to positive momentum for dealer brands. Nonetheless, premiumisation remains an important trend for branded spirits and dealer brands.

In the retail business with non-alcoholic beverages, the submarket mineral waters in particular is heavily dependent on weather conditions. Assuming weather conditions comparable to the 2022 financial year, the Berentzen Group expects a stable overall market for non-alcoholic beverages. In this context, positive momentum is expected in particular in the area of high-end lemonades. While trends such as healthy diets, sustainability, regionality as well as fresh and premium products are driving growth in some product segments, they tend to have more of a negative impact on others, in particular classic sweet beverages and products filled in PET bottles. Consumers' increased price sensitivity is having a negative effect on the growth of the mineral water market, in particular for branded waters, leading to a trend toward lower-priced and tap water. Political discussions relating to tap water and the significant market growth of carbonator systems have also negatively impacted developments in the mineral water market.

Besides the food retail trade, the German hospitality industry is another, albeit not as important, distribution channel for the spirits and non-alcoholic beverages of the Berentzen Group. After this business sector was burdened over the past three years by the closing of food and drink establishments due to the coronavirus pandemic, no renewed restrictions are expected for 2023. Thus, positive momentum for sales of spirits and non-alcoholic beverages can be expected from this business sector.

As far as the Berentzen Group is aware, there are practically no all-round, reliable market data available for the *Fresh Juice Systems* segment. As a result, it makes use of the market development of fresh drinks such as not-from-concentrate juices, freshly squeezed fruit juices and also smoothies – which are also in line with the trend of several years' standing towards increased dietary awareness – as a leading indicator. The Berentzen Group is of the view that the coronavirus pandemic further reinforced trends towards freshness, naturalness and high quality and thus the trend towards freshly squeezed juices will resume now with greater strength than seen previously. A survey by consulting firm McKinsey published in March 2022 confirms this assessment. According to the survey results, a solid third of respondents pays more attention to healthy food. Whereas the pandemic reinforced the trend toward greater dietary awareness, the war in Ukraine has a contrary effect due to the greater price sensitivity of consumers.

## (4.2) Anticipated development of financial performance

### Anticipated development of the segments

	2022 EURm	Forecast for the 2023 financial year EURm
<b>Contribution margin after marketing budgets</b>		
Segment		
Spirits	31.3	32.0 to 35.4
Non-alcoholic Beverages	22.9	24.9 to 27.5
Fresh Juice Systems	6.2	6.3 to 7.0
Other Segments	4.4	3.1 to 3.4

### Spirits segment

For the *Spirits* segment, the corporate group expects to achieve segment earnings ranging between EUR 32.0 million and EUR 35.4 million in the 2023 financial year. This planned development is predominantly dependent on a sharp increase in the contribution margin value, but this is likely to be partially cancelled out by a likewise higher use of funds for marketing and trade advertising.

In the domestic business with branded spirits, the plan is to further expand the market position of the *Berentzen* and *Puschkin* focus brands over the course of 2023, again focusing on marketing measures for existing liquor varieties and “minis”. Steps are also planned to further expand distribution for the remaining focus brands, particularly the brand *Norden Dry Gin*. In addition, the aim is to optimise the customer and product mix, which is done particularly by means of stringent portfolio adjustment.

In the 2023 financial year, the strategic focus in the export and dealer brands business will be on business expansion through strategic partnerships with domestic and international trade partners. Appropriate product contribution margins are central for achieving the intended earnings performance in the business with dealer brands. The planned implementation of compensatory measures is especially relevant, particularly in light of cost increases for purchased goods and services and overhead that have already occurred and that are expected in the future, which fundamentally burden the quality of contribution margins. The Berentzen Group expects, on these conditions, to achieve marked contribution margin growth in the 2023 financial year. The business with branded spirits abroad grew in the 2022 financial year at a more gratifying pace than expected, as a result of which the contribution margin value is expected to fall slightly from this high level in the 2023 financial year.

With regard to the *Spirits* segment, it should be noted that making a reliable forecast remains difficult, due to the fact that, despite active management, the composition of sales and revenues through products with higher or lower margins – which is a very decisive factor in earnings performance – depends heavily on external factors like the future development of consumption patterns and the corresponding demand. A particularly important issue, therefore, is whether potential further inflation will lead to non-consumption of the relevant products.

#### **Non-alcoholic Beverages segment**

In the *Non-alcoholic Beverages* segment, the Berentzen Group intends to achieve segment earnings in a range of between EUR 24.9 million and EUR 27.5 million. The assumption in this context is that the contribution margin value will increase considerably, with more funds used for marketing and trade advertising.

The positive expectations surrounding the contribution margin are largely based on the expected development of the business with the focus brand *Mio Mio*. It is assumed that this will be brought about through a focus on distribution, geographic expansion and firm implementation of the latest innovations. Entry into new sales channels also offers further growth potential. In the business with regional water brands, such as *Emsland Quelle* and *Märkisch Kristall*, a stable to slightly positive contribution margin is expected, whereas the other brands are expected to go down slightly. This is based on the assumption that these product segments will make progress in terms of profitability. In the franchise business, the Berentzen Group likewise anticipates a slightly lower contribution margin overall. The contribution margin value from cooperation projects with prominent artists is expected to be significantly lower compared to the previous year, while growth is expected in the business with branded beverages of the *Sinalco* Group.

Finally, it should be noted that the forecast development is very much dependent on the aimed-for profitabilisation of certain product segments through improved margins, among other things.

#### **Fresh Juice Systems segment**

For the *Fresh Juice Systems* segment, the Berentzen Group expects segment earnings to rise in the 2023 financial year and therefore anticipates earnings ranging from EUR 6.3 million to EUR 7.0 million. Strong contribution margin growth is assumed, accompanied by a sharp increase in the use of marketing budgets.

The forecast development is based on expected contribution margin growth in the business with the system component fruit presses. In a competitive market environment characterised by aggressive pricing, the *Citrocasa*

brand continues to position itself as a premium supplier. Based on the associated quality expectations, and with the help of technical innovations, significant growth is expected in the markets of Germany, Austria, the United States and the United Kingdom. A significantly higher contribution margin value is likewise expected in the business with the system component fruit, while on the other hand a declining contribution margin performance is assumed for bottling equipment due to increases in the cost of materials.

The above assessment is based on the assumption of average framework conditions. The planned success hinges in particular on the performance of external sales partners on the international markets as well as on harvest quality, availability and prices for oranges. As already explained in section (4.1), the Berentzen Group is of the view that the topic of conscious, healthy diets will take on an even more important role in the future and thus the trend towards freshly squeezed juices will accelerate.

### Other segments

*Other Segments* include the Spirits business in Turkey, managed by a local Group company, as well as the tourism, events and webshop business of the Berentzen Group. Based on a reduced contribution margin value with marketing expenses remaining stable, the Berentzen Group anticipates lower segment earnings for these two organisational units in the 2023 financial year ranging in total between EUR 3.1 million and EUR 3.4 million. This forecast is based on a cautious estimate, in view of the greater uncertainty of the economic and political environment in Turkey and, linked with that, the potential for further devaluation of the local currency.

### Anticipated development of consolidated revenues and consolidated operating profit

	2022 EURm	Forecast for the 2023 financial year EURm
Consolidated revenues	174.2	185.0 to 195.0
Consolidated operating profit (consolidated EBIT)	8.3	7.0 to 9.0
Consolidated operating profit before depreciation and amortisation (consolidated EBITDA)	16.7	15.6 to 17.6

In light of the positive development of the individual segments presented above, the Berentzen Group anticipates increased consolidated revenues for the 2023 financial year of between EUR 185.0 million and EUR 195.0 million, with significant growth expected for the *Spirits* and *Non-alcoholic Beverages* segments and modest growth for the *Fresh Juice Systems* segment.

The Berentzen Group expects consolidated earnings (consolidated EBIT) to be within a range of between EUR 7.0 million and EUR 9.0 million. In this context, a significantly higher gross profit is forecast; it is assumed that this increase will be achieved through a more intensive utilisation of resources and higher operating expenses, in particular for human resources and marketing. Since the Berentzen Group expects stable to slightly higher levels of amortisation and depreciation of assets, consolidated earnings before amortisation and depreciation (consolidated EBITDA) is forecast to be within a range of between EUR 15.6 million and EUR 17.6 million.







### (4.3) Anticipated development of cash flows and financial position

Based on the anticipated development of operating activities as described above, it is assumed that the cash flows and financial position of the corporate group will continue to remain sound in the 2023 financial year.

#### Anticipated development of cash flows

	2022 EURm	Forecast for the 2023 financial year EURm
Operating cash flow	12.3	11.7 to 13.5

Against the background of a – compared with the same period in the previous year – similarly high consolidated profit (consolidated EBIT), adjusted for amortisation, depreciation and impairment losses for non-cash components, the corporate group again expects a considerably positive operating cash flow ranging from EUR 11.7 million to EUR 13.5 million.

#### Anticipated development of financial position

	2022	Forecast for the 2023 financial year
Equity ratio	34.2%	32.2% to 37.2%
Dynamic gearing ratio	- 0.58	0.19 to 0.29

As a result of the positive profit forecast and assuming an appropriate dividend policy, the Berentzen Group expects consolidated shareholders' equity to rise slightly in absolute terms by the end of the 2023 financial year. Taking into account the slight increase in consolidated total assets, an equity ratio within the range of 32.2% to 37.2% is expected.

In view of the fact that capital requirement parameters are set to change – to be noted in particular are funds movements to finance an anticipated higher working capital – the dynamic gearing ratio is expected to range from 0.19 to 0.29 by the end of the 2023 financial year. The ability of the Berentzen Group to service its debts going forward reflected in this indicator will therefore remain sound.

Based on the corporate plan for the 2023 financial year, the financial position and cash flows of the corporate group will remain balanced overall. Nevertheless, the indicators used to manage the corporate group are also subject to reporting-date effects to a large extent, in particular if they are only subject to short commitment periods.

### (4.4) General statement regarding the anticipated development of the corporate group

Based on the above forecasts, the Berentzen Group expects its financial position, cash flows and financial performance to develop soundly in the 2023 financial year. This will be founded on the viability of the corporate group's proprietary products and brands, the innovation strength of all operating segments and the successful implementation of key strategic and operational topics in all of the individual segments. Both the secured financing headroom and appropriate corporate structures for the relevant risks and rewards are crucial to the attainment of the corporate group's goals.

The 2023 financial year will once again bring a number of challenges. With regard to sales activities, there will be a consistent orientation toward the *Berentzen* and *Puschkin* focus brands in the national branded business in the *Spirits* segment. In the export and dealer brands business, the plan is to strengthen existing strategic partnerships, build on the success of the premium/medium-quality concepts and make up for cost increases by implementing price increases across all product segments. In the *Non-alcoholic Beverages* segment, the growth trajectory in the business with products of the *Mio Mio* brand will be continued, while further expanding the business with restaurants in particular. In the *Fresh Juice Systems* segment, the positioning as a premium supplier is anticipated to significantly boost revenues in the business with fruit presses, particularly in the markets of Germany, Austria, the United States and the United Kingdom.

Difficult general economic conditions and ongoing negative conditions in the labour and sourcing markets, due in part to the impact of the war between Russia and Ukraine, will make it more challenging to achieve the corporate group's operational objectives. In this context, an important management task in the 2023 financial year will be to avoid staffing, supply and material bottlenecks and to largely minimise the dampening effect on earnings caused by sharp price rises in costs, for example through sale price increases. Implementing this task will be particularly challenging in the Berentzen Group's sales markets dominated by large companies in the German food retail trade.

The forecasts presented here are based on an unchanged corporate structure compared with the end of the 2022 financial year. Accordingly, significant deviations may arise from the realisation of the possible opportunities to make further company acquisitions. Furthermore, the actual business performance is dependent not least on the general economic and industry-specific environment and may be negatively affected by more strongly adverse changes in the underlying conditions described. Both positive and negative deviations from the forecast may also result not only from the opportunities and risks described in the Report on Opportunities and Risks but also from opportunities and risks that were either not identifiable or impossible to assess at the time of preparing this Group Management Report. In this context, particular mention is due to the potential effects of the war between Russia and Ukraine and the general economic conditions in Germany.

## (5) Acquisition-related disclosures and explanatory report of the Executive Board

The acquisition-related disclosures in accordance with Section 315a and Section 289a of the German Commercial Code (HGB) and the explanatory report of the Executive Board of Berentzen-Gruppe Aktiengesellschaft form part of the Combined Management Report.

Beyond this, the Executive Board believes there is no need for any further explanations within the meaning of Section 175 (2) sentence 1 and Section 176 (1) sentence 1 of the Stock Corporation Act (AktG).

### (5.1) Composition of subscribed capital

The subscribed capital of Berentzen-Gruppe Aktiengesellschaft of EUR 24,960 thousand is divided into 9,600,000 shares of common stock structured as no-par bearer shares and is fully paid in. The imputed nominal value per share is EUR 2.60.

All the shares confer the same rights and obligations. The rights and obligations of the shareholders are derived in detail from the provisions of the German Stock Corporation Act (AktG), and notably from Section 12, Section 53a et seq., Section 118 et seq. and Section 186 AktG.

With respect to the disclosures about the shares of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 (1) no. 3 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.11), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2022, Note (2.5).

### **(5.2) Restrictions relating to voting rights or the transfer of shares**

Each share confers one vote in the general meeting and is definitive for the share of the Company's profit attributable to the shareholders. Excluded from this are the treasury shares held by Berentzen-Gruppe Aktiengesellschaft, which do not confer any rights on the Company pursuant to Section 71b AktG. Berentzen-Gruppe Aktiengesellschaft held 206,309 treasury shares as of December 31, 2022.

In the instances set forth in Section 136 AktG, the voting right is excluded by law from the shares concerned. Violations of notification obligations relating to changes in the proportion of voting rights arising from shares in Berentzen-Gruppe Aktiengesellschaft or certain instruments relating to its shares as defined in the pertinent provisions of the German Securities Trading Act (WpHG), i.e. violations of notification obligations relating to holdings that have reached, exceeded or fallen below the statutory reporting thresholds stipulated therein, may lead to the at least temporary abrogation of rights conferred by shares and also the voting right pursuant to the German Securities Trading Act.

The Executive Board of Berentzen-Gruppe Aktiengesellschaft is not aware of any contractual restrictions on voting rights or the transfer of shares.

### **(5.3) Equity holdings exceeding 10% of voting rights**

To the Company's knowledge, there are currently no direct holdings or indirect holdings attributable pursuant to the German Securities Trading Act in the capital of Berentzen-Gruppe Aktiengesellschaft that exceed 10% of the voting rights.

The above disclosure is based notably, but not exclusively, on the notifications pursuant to Section 33 (1) and (2), Section 38 (1) and Section 39 (1) of the German Securities Trading Act in the version in effect since January 3, 2018 and, as applicable, Section 21 (1) and (1a), Section 25 (1) and Section 25a (1) in the version of the German Securities Trading Act in effect until January 2, 2018 received and published by Berentzen-Gruppe Aktiengesellschaft.

With respect to the notification on holdings communicated under the German Securities Trading Act to Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 (1) no. 8 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (4.8), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2022, Note (4.3).

#### **(5.4) Shares with special rights that confer control powers**

There are no shares with special rights in accordance with Section 315a sentence 1 no. 4 HGB and Section 289a sentence 1 no. 4 HGB that confer control powers.

#### **(5.5) Type of voting rights control where employees hold shares of capital and do not exercise their control rights directly**

Where they hold shares in the capital in Berentzen-Gruppe Aktiengesellschaft, employees normally exercise their voting rights like other shareholders directly in compliance with the statutory provisions and the arrangements set forth in the Articles of Association of Berentzen-Gruppe Aktiengesellschaft. The Company is not aware of any employees who hold shares of the Company's capital and do not exercise their control rights directly.

#### **(5.6) Statutory provisions and regulations in the Articles of Association regarding the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association**

##### **Appointment and dismissal of members of the Executive Board**

The appointment and dismissal of members of the Executive Board are based on Section 84 and Section 85 AktG in conjunction with Article 6 of the Articles of Association of Berentzen-Gruppe Aktiengesellschaft. Article 6 (1) of the Articles of Association states that the Executive Board must consist of at least two members. According to Article 6 (2) of the Articles of Association, the number of Executive Board members is determined by the Supervisory Board. The Supervisory Board may appoint a chairperson and a deputy chairperson of the Executive Board.

##### **Amendments to the Articles of Association**

Amendments to the Articles of Association of Berentzen-Gruppe Aktiengesellschaft are fundamentally governed by Section 119 (1) No. 6 and Sections 179, 181 and 133 AktG and require a resolution adopted by the Annual General Meeting. At the same time, there are numerous further provisions in the German Stock Corporation Act that may become applicable in the event of provisions in the Articles of Association and modify the regulations mentioned above.

According to Article 19 (3) of the Articles of Association, resolutions are adopted by the general meeting with a simple majority of the votes cast and, where the law prescribes a capital majority as well as a vote majority, with a simple majority of the share capital eligible to vote represented when the resolution is put to the vote, provided that compulsory statutory provisions do not require a larger majority. According to Article 15 of the Articles of Association, amendments only affecting the wording of the Articles of Association may be adopted by the Supervisory Board without a resolution of the Annual General Meeting. Furthermore, the Supervisory Board has been authorised by resolution of the Annual General Meeting to correspondingly amend the wording of Article 4 (4) of the Articles of Association following every exercise of the Authorised Capital 2019 or every expiry of the deadline for utilisation of the Authorised Capital 2019, as well as in the event of treasury shares being retired in line with the relevant utilisation of the authorisation to retire these shares.

## **(5.7) Powers of the Executive Board notably regarding the option to issue or buy back shares**

### **Authorised Capital (not issued)**

Following a resolution of the ordinary General Meeting of May 22, 2019, the Executive Board of Berentzen-Gruppe Aktiengesellschaft is authorised, with the consent of the Supervisory Board, to increase the share capital by issuing new bearer shares of common stock in exchange for cash or in-kind contributions on one or more occasions, but for a maximum total of up to EUR 9,984 thousand, in the time until May 21, 2024 (Authorised Capital 2019). In this context, a subscription right is normally granted to the shareholders. The new shares can also be acquired by one or more banks, or equivalent companies as defined in Section 186 (5) sentence 1 AktG with the undertaking to offer them to the shareholders for subscription.

The Executive Board is, however, authorised, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders:

- For fractional amounts;
- For the acquisition of non-cash contributions, such as the granting of shares against the contribution of companies, against the contribution of company divisions or participating interests in companies, or against the contribution of other assets, including receivables;
- In order to issue shares to employees of the Company and affiliated companies subordinate to the Company to an appropriate extent, however with a total proportionate share of the share capital not exceeding EUR 2,496 thousand attributable to such shares;
- In order to grant to the holders and/or creditors of conversion and/or warrant rights, or the debtors of conversion and/or warrant obligations conferred by convertible bonds and/or warrant bonds issued by the Company directly or by way of a (direct or indirect) majority-owned company, a subscription right to new shares to the extent to which they would be entitled following exercise of the conversion and/or warrant rights or settlement of the conversion and/or warrant obligations;
- If a capital increase in return for cash contributions does not exceed ten percent of the share capital and the issue amount of the new shares is not significantly below the quoted price (Section 186 (3) sentence 4 AktG; when exercising this authorisation subject to exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG, the exclusion of subscription rights on the basis of other authorisations pursuant to Section 186 (3) sentence 4 AktG must be taken into account.

The above authorisation to exclude subscription rights in a capital increase in exchange for cash and/or in-kind contributions is limited to a total amount of ten percent of the share capital, which amount may not be exceeded either on the effective date of this authorisation or on the date on which use is made of this authorisation. In addition, the aforementioned ten percent limit shall apply to treasury shares issued or sold during the term of this authorisation in direct application or application mutatis mutandis of Section 186 (3) sentence 4 AktG and those shares issued to



service convertible bonds and/or warrant bonds (hereinafter referred to as “bonds”) to the extent that the bonds were issued subsequent to the effective date of this authorisation subject to application mutatis mutandis of Section 186 (3) sentence 4 AktG with exclusion of shareholders’ subscription rights.

The Executive Board is authorised, with the consent of the Supervisory Board, to specify the further details of the authorised capital increase and its implementation.

#### **Treasury shares (own shares)**

The Annual General Meeting of July 2, 2020 authorised the Executive Board to purchase Company shares with the consent of the Supervisory Board. The authorisation is limited to treasury shares with an imputed share in the share capital of up to 10 percent (EUR 2,496 thousand). The authorisation can be exercised in full or in partial amounts, once or several times, by the Company or by third parties on its behalf. The authorisation is valid until July 1, 2025.

The purchase takes place by way of the stock exchange or by way of a public tender offer addressed to all of the Company’s shareholders.

a) Where the purchase is made on the stock exchange, the equivalent value paid by the Company for each share (excluding transaction costs) may not be 10 percent more or less than the average closing price on the Frankfurt Stock Exchange (XETRA trading or a comparable successor system) on the ten last stock exchange trading days prior to the purchase of the shares for shares of the same class.

b) Where the purchase is made by way of a public tender offer to all shareholders in the Company, the purchase price offered for each share (excluding transaction costs) may not be 10 percent more or less than the average closing price on the Frankfurt Stock Exchange on the ten last stock exchange trading days prior to the tender publication date. The tender offer may stipulate further conditions. The volume of the tender may be limited. Where the total number of shares tendered for purchase by the shareholders exceeds this volume, acceptance will be in proportion to the shares tendered for purchase. Provisions may be made for preferential acceptance of smaller packages of up to 50 tendered shares per shareholder as well as rounding in accordance with commercial principles in order to avoid any imputed fractional amounts of shares.

In addition to offering them to all shareholders by way of public tender or selling them via the stock exchange, the Executive Board is authorised, with the consent of the Supervisory Board, to use the treasury shares that will be acquired on the basis of this authorisation or were acquired on the basis of earlier authorisations for the following purposes:

a) Offering them to third parties within the framework of company mergers, acquisition of companies, participating interests in companies, company divisions or acquisition of receivables from the Company as consideration;

b) Selling them to third parties. The price at which Company shares are sold to third parties must not be significantly less than the quoted price of the shares at the time of the sale. Exercising this authorisation is subject to the exclusion of subscription rights on the basis of other authorisations pursuant to Section 186 (3) sentence 4 AktG;

c) Using them to fulfil warrant and/or conversion rights conferred by warrant and/or convertible bonds issued by the Company or its Group companies;

d) Retiring them, without the retirement or the performance of the retirement requiring a further resolution from the general meeting. Retiring them will lead to a capital decrease. The shares may also be retired in a simplified process without a capital decrease, by adjusting the imputed proportionate amount of the remaining shares to the Company's share capital. The retirement may be limited to partial volumes of the shares acquired.

The authorisations listed above concerning utilisation of treasury shares acquired may be used once or more than once, in full or in part, individually or together. The subscription right of the shareholders to treasury shares acquired is excluded to the extent that these shares are utilised under a), b) or c) in accordance with the above authorisation.

On July 21, 2015, the Executive Board of Berentzen-Gruppe Aktiengesellschaft passed a resolution to exercise the authorisation previously granted by the extraordinary general meeting of July 20, 2015 to acquire treasury shares in accordance with Section 71 (1) no. 8 AktG and to purchase by way of the stock market shares of common or preferred stock of the Company with a total volume (excluding transaction costs) of no more than EUR 1,500 thousand. This share buyback programme ended on May 27, 2016. Berentzen-Gruppe Aktiengesellschaft purchased a total of 206,309 shares under the share buyback programme over the period from July 27, 2015 to and including May 27, 2016. This corresponds to an imputed share equal to EUR 536 thousand or 2.15% of the Company's share capital.

With respect to the disclosures about the treasury shares of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 160 (1) no. 2 AktG, reference is made additionally to the notes to the consolidated financial statements, Note (2.11), and separately to the notes to the separate financial statements of Berentzen-Gruppe Aktiengesellschaft as of December 31, 2022, Note (2.7).

## **(5.8) Significant agreements of the parent company or of the Company subject to change-of-control provisions in the event of a takeover bid**

### **Financing agreements**

Berentzen-Gruppe Aktiengesellschaft is a party, as borrower, to a syndicated loan agreement with a bank syndicate concluded originally in December 2016 and most recently amended in November 2021, currently with a total volume of funding of EUR 33.0 million. Three subsidiaries of Berentzen-Gruppe Aktiengesellschaft are included in the syndicated loan agreement as guarantors with respect to the payment obligations under this agreement as part of a cross-guarantee system taking the form of a guarantor concept. According to the provisions of this financing agreement, the lending syndicate members are authorised – individually or collectively – and obligated if so directed by the majority of lenders to cancel the loan commitments under the syndicated loan agreement with immediate effect and to call in the borrowed funds and outstanding interest and costs for payment in the event of a change of control at Berentzen-Gruppe Aktiengesellschaft or one of the subsidiaries included as borrowers in the syndicated loan agreement upon such change of control and at any time thereafter. The syndicated loan agreement defines a change of control as a situation in which a total of more than 50% of capital shares or voting rights in Berentzen-Gruppe Aktiengesellschaft is held directly or indirectly by one or more persons acting collectively (i.e. persons who coordinate their behaviour with respect to their

purchase of capital shares or voting rights or their exercise of voting rights with the purchaser by virtue of an agreement or by other means), unless such persons already held such a majority at the time when the syndicated loan agreement was concluded. The same applies mutatis mutandis to the subsidiaries of Berentzen-Gruppe Aktiengesellschaft that are included in the syndicated loan agreement as guarantors. This provision is entirely inapplicable to changes of control within and amongst the set of affiliated companies of Berentzen-Gruppe Aktiengesellschaft.

Berentzen-Gruppe Aktiengesellschaft is also party to a framework agreement regarding a credit guarantee with a financing volume of EUR 0.5 million serving to provide security for spirits tax payable as required by the relevant statutes. This includes an agreement that changes in the shareholder structure of Berentzen-Gruppe Aktiengesellschaft of more than five percent fundamentally constitute an extraordinary termination right for the finance provider.

The exercise of these termination rights could have a negative effect on the financing of the Berentzen Group's ongoing business activities, at least temporarily.

#### **Distribution agreements**

Berentzen-Gruppe Aktiengesellschaft has concluded contractual agreements with a number of domestic and international distributors regarding the distribution of spirits particularly outside of Germany. Some of these distribution agreements similarly include mutual agreements that permit the other contracting party in each case to invoke the extraordinary termination of the distribution agreement in question in the event of a change of control (change-of-control clauses). The basic form of the agreements defines change of control as a change in the ownership or control structure at the respective other party or at any contracting party holding a direct or indirect participating interest in such other contracting party or controls the same. In this context, "control" refers to the power, on the basis of an agreement, a participating interest or on any other basis, to assume management at another party. Internal restructuring measures do not qualify as change of control. As this basic form can be the subject matter of individual negotiations between the contracting parties, the details agreed may vary in individual cases.

In the event of these termination rights being exercised, the sales of Berentzen Group's spirits, particularly in other countries, could be negatively impacted at least temporarily. This, in turn, could have a detrimental effect on the financial performance, cash flows and financial position.

#### **Agreements with members of the Executive Board**

Under the compensation system for Executive Board members resolved by the Supervisory Board effective January 1, 2021, and ratified by the ordinary General Meeting of Berentzen-Gruppe Aktiengesellschaft on May 11, 2021, the employment agreements of individual members of the Executive Board may provide for a special termination right for early termination of the employment agreement in the event of a change of control ("Change of Control") and the granting of a severance payment due to the occurrence of such.

A "Change of Control" situation in the above sense exists (1) if a takeover obligation under the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) arises in relation to the shares of the Company, or (2) if the general meeting agrees to a merger with another enterprise under which Berentzen-Gruppe Aktiengesellschaft will be the absorbed entity or by which the previous shareholders of Berentzen-Gruppe

Aktiengesellschaft will hold less than 50% of the shares of the company or Berentzen-Gruppe Aktiengesellschaft will gain a principal shareholder that would have a takeover obligation under the WpÜG in the event of a share acquisition, or (3) if the general meeting agrees to a control and profit-or-loss transfer agreement under which Berentzen-Gruppe Aktiengesellschaft would be a dependent company.

Such a special termination right has been stipulated with the current members of the Executive Board within the scope of their existing employment agreements. In accordance with the same compensation system that has been in effect since January 1, 2021, the current members of the Executive Board are granted in their service agreements a claim to a severance payment in the event of exercise of this special termination right; the severance payment shall be limited to a maximum of twice the total compensation for one financial year.

If the employment relationship ends in consequence of such a special termination, the members of the Executive Board shall accordingly each have a claim to a severance payment in the aforementioned amount. In addition, any exercise of this special termination right could compromise the business performance of the Berentzen Group at least temporarily.

#### **Other agreements**

Some subsidiaries of Berentzen-Gruppe Aktiengesellschaft have likewise entered into material agreements, including but not limited to financing and sales agreements, as well as a franchise agreement, that are subject to change-of-control provisions and – with differing arrangements in each individual case – generally grant an extraordinary termination right to the respective other contracting party in the event of such a change of control. A change of control as defined in some of these agreements is deemed to not only be a direct change in the ownership or control structure of the subsidiary that is party to the agreement but also an indirect change in the ownership or control structure of Berentzen-Gruppe Aktiengesellschaft.

### **(5.9) Compensation agreements in place between the parent company or the Company and the members of the Executive Board or employees in the event of a takeover bid**

#### **Members of the Executive Board**

The existing employment agreements with the current members of the Executive Board, in accordance with the compensation system for members of the Executive Board effective as from January 1, 2021, contain a special termination right that they may exercise in the event, among other things, of a takeover bid or other circumstances specifically defined therein that constitute a change of control ("Change of Control") at Berentzen-Gruppe Aktiengesellschaft. In the event that this special termination right is exercised, the member of the Executive Board concerned will be entitled to a severance payment. For further details in this respect, please refer to the comments regarding the agreements with members of the Executive Board in the previous section (5.8).

#### **Employees**

Berentzen-Gruppe Aktiengesellschaft has not entered into any compensation agreements with its employees for the eventuality of a takeover bid.

## (6) Berentzen-Gruppe Aktiengesellschaft (explanatory notes on the basis of HGB)

Berentzen-Gruppe Aktiengesellschaft (the “Company”) based in Haselünne, Germany, is the parent company of the Berentzen Group. Unlike the consolidated financial statements of the Berentzen Group, which are prepared in accordance with the International Financial Reporting Standards (IFRS), the separate financial statements are prepared in accordance with German commercial law as embodied in the German Commercial Code (*Handelsgesetzbuch*, HGB) and the German Stock Corporation Act (*Aktiengesetz*, AktG).

### (6.1) Basic information about the Company

The business activities of Berentzen-Gruppe Aktiengesellschaft essentially comprise the production and distribution of spirits, which from the Group’s point of view are managed in the *Spirits* and *Other segments*. In addition, the Company performs management and central functions for the Berentzen Group by carrying out essential overarching activities for the Group’s domestic subsidiaries and – to a significantly lesser extent – for the subsidiary Citrocasa GmbH, Linz, Austria. The centrally pooled and managed functions notably include the strategy of the corporate group, corporate communications including capital market reporting, financial management, finance and accounting, human resources, IT, internal support for legal and tax affairs, and corporate compliance.

The Company produces its spirits in Germany at the Minden facility and at the Berentzen Hof Distillery in Haselünne. In addition, the Company’s logistics centre for the distribution of spirits, which is operated by an external service provider, is located in Stadthagen, Germany.

Furthermore, Berentzen-Gruppe Aktiengesellschaft directly and indirectly holds equity interests in more than 20 domestic and international subsidiaries; it does not hold minority stakes. In consideration of this fact, the Company’s performance is influenced not only by its operating activities, but also by the management and central functions. The main items associated with these functions are the recharging of the costs of services provided to the subsidiaries and the financial result and result from equity interests arising from the holding function performed by Berentzen-Gruppe Aktiengesellschaft.

As at December 31, 2022, Berentzen-Gruppe Aktiengesellschaft employed at three locations 226 (223) employees (including vocational trainees), including 121 (120) at the Minden location, 100 (98) at the Haselünne location, and 5 (5) at the Stadthagen location.

The share capital of Berentzen-Gruppe Aktiengesellschaft amounts to EUR 24,960 thousand (EUR 24,960 thousand). It is divided into 9,600,000 shares of common stock (9,600,000 shares of common stock), which are no-par bearer shares and are fully paid-in. The imputed nominal value per share is EUR 2.60. All common shares of Berentzen-Gruppe Aktiengesellschaft are listed on the regulated market (General Standard) of the Frankfurt Stock Exchange under the international securities number (ISIN) DE0005201602. As at December 31, 2022, the number of shares outstanding was 9,393,691 (9,393,691) shares of common stock, Berentzen-Gruppe Aktiengesellschaft having purchased a total of 206,309 treasury shares in the financial years 2015 and 2016.



As a publicly traded company domiciled in a member state of the European Union (EU), Berentzen-Gruppe Aktiengesellschaft is required by Article 4 of Regulation (EC) No. 1606/2002 to prepare its consolidated financial statements in accordance with IFRS as they are to be applied in the EU and the applicable further provisions of commercial law specified in Section 315e (1) of the German Commercial Code (HGB). Accordingly, the management of the corporate group takes place on this basis and exclusively at the Group level. The income-related performance indicators for Berentzen-Gruppe Aktiengesellschaft encompass those of the *Spirits* and *Other segments*. For further information on this subject, please refer to the remarks in sections (2), (3) and (4) of the combined Management Report: the Economic Report, the Report on Opportunities and Risks, and the Forecast Report. On account of the significance of Berentzen-Gruppe Aktiengesellschaft for the corporate group, please also refer to the relevant remarks about the corporate group in the combined Management Report regarding cash flow and financial position indicators, as there are no such key financial performance indicators that relate exclusively to Berentzen-Gruppe Aktiengesellschaft.

Further information notably regarding the organisation and basic information of Berentzen-Gruppe Aktiengesellschaft and the business activities of the Company and its subsidiaries is presented in section (1) Basic information about the Group in the combined Management Report.

## **(6.2) Economic report**

### **(6.2.1) General economic conditions and business performance**

The general economic conditions for Berentzen-Gruppe Aktiengesellschaft and its subsidiaries together with the key developments and events affecting their business performance are presented in the Economic Report for the corporate group as described in section (2.1) General economic and industry-specific conditions and in section (2.2.3) Business performance – Significant developments and events of the combined Management Report. The comments regarding the Group's *Spirits* and *Other segments* are particularly relevant in this regard.

### (6.2.2) Financial performance

In the table below, certain non-recurring items (exceptional effects) have been eliminated from individual items of the income statement in line with the definition of the normalised operating result or EBIT (earnings before interest and taxes) used as a key indicator for managing the corporate group.

	2022		2021		Change	
	EUR'000	%	EUR'000	%	EUR'000	%
<b>Revenues</b>	<b>119,917</b>	<b>96.6</b>	<b>99,684</b>	<b>99.7</b>	<b>+ 20,233</b>	<b>+ 20.3</b>
Change in inventories	4,169	3.4	281	0.3	+ 3,888	> + 100.0
<b>Total operating performance</b>	<b>124,086</b>	<b>100.0</b>	<b>99,965</b>	<b>100.0</b>	<b>+ 24,121</b>	<b>+ 24.1</b>
Purchased goods and services	78,720	63.4	56,958	57.0	+ 21,762	+ 38.2
<b>Gross profit</b>	<b>45,366</b>	<b>36.6</b>	<b>43,007</b>	<b>43.0</b>	<b>+ 2,359</b>	<b>+ 5.5</b>
Other operating income	1,762	1.4	1,288	1.3	+ 474	+ 36.8
Operating expenses	39,858	32.1	37,708	37.7	+ 2,150	+ 5.7
<b>Operating profit (EBIT)</b>	<b>7,270</b>	<b>5.9</b>	<b>6,587</b>	<b>6.6</b>	<b>+ 683</b>	<b>+ 10.4</b>
Other taxes	47	0.0	47	0.0	+ 0	+ 0.0
Financial result and result from equity interests	- 9,179	- 7.4	- 4,769	- 4.8	- 4,410	- 92.5
<b>Profit before income taxes</b>	<b>- 1,956</b>	<b>- 1.6</b>	<b>1,771</b>	<b>1.8</b>	<b>- 3,727</b>	<b>&gt; - 100.0</b>
Income tax expenses	481	0.4	1,106	1.1	- 625	- 56.5
<b>Net profit for the year</b>	<b>- 2,437</b>	<b>- 2.0</b>	<b>665</b>	<b>0.7</b>	<b>- 3,102</b>	<b>&gt; - 100.0</b>

#### Revenues and total operating performance

The revenues of Berentzen-Gruppe Aktiengesellschaft excluding alcohol tax amounted to EUR 119.9 million (EUR 99.7 million), while revenues including alcohol tax totalled EUR 306.4 million (EUR 278.7 million). Including the changes in inventory of EUR 4.2 million (EUR 0.3 million), the total operating performance came to EUR 124.1 million, that being 24.1% higher than in the previous year (EUR 100.0 million).

#### Purchased goods and services and gross profit

The raw materials and goods purchased by Berentzen-Gruppe Aktiengesellschaft are mainly concentrated in the categories of alcohol (including grain alcohol, rectified spirit, whiskey and rum), flavourings (basic substances and aromas) and sugar, as well as packaging (mainly glass and cardboard). Based on the considerably higher total operating performance, purchased goods and services increased disproportionately to EUR 78.7 million in the 2022 financial year (EUR 57.0 million) and the ratio of purchased goods and services to the total operating performance rose accordingly to 63.4% (57.0%). Procurement costs in all key categories of raw materials and packaging materials were affected by price increases, some of which substantial, in the 2022 financial year. Thanks to the considerably higher total operating performance and despite the increased cost of purchased goods and services, the consolidated gross profit improved by 5.5% to EUR 45.4 million.

#### Other operating income

At EUR 1.8 million, the total other operating income generated in the 2022 financial year was higher than in the previous year (EUR 1.3 million). It mainly included income from the reversal of provisions in the amount of EUR 1.0 million (EUR 0.5 million).

### Operating expenses

Total operating expenses including depreciation, amortisation and impairments amounted to EUR 39.9 million, that being 5.7% higher than in the previous year (EUR 37.7 million).

Whereas personnel expenses rose by EUR 0.9 million to EUR 14.9 million (EUR 13.9 million), the ratio of personnel expenses to the total operating performance fell to 12.0% (13.9%). The chief reasons for the absolute increase were the additionally created positions in the organisational areas of sales, production, and engineering, as well as the higher amounts of vacation entitlements, overtime pay, and variable compensation components due to reporting date effects. As at December 31, 2022, Berentzen-Gruppe Aktiengesellschaft had 226 (223) employees, including 77 (75) in production and 131 (131) in commercial and administrative activities; 18 (17) apprentice-trainees were in vocational training programmes. The Company had an average of 186 (183) full-time employees in the 2022 financial year.

Depreciation and amortisation amounted to EUR 2.0 million in the 2022 financial year, little changed from the previous year (EUR 1.9 million).

Other operating expenses rose to EUR 23.0 million (EUR 21.8 million). Whereas marketing and trade advertising expenses fell to EUR 5.6 million (EUR 6.0 million), transport and selling expenses in particular rose to EUR 9.7 million (EUR 8.1 million). Specific other overhead costs exhibited a mixed development, but the total amount of EUR 7.7 million (EUR 7.7 million) was at the same level as in the previous year.

### Financial result and result from equity interests

The financial result and result from equity interests led to considerably increased expenses of EUR 9.2 million (EUR 4.8 million) in total.

The result from equity interests and income from profit-and-loss transfer agreements with affiliated companies declined slightly to EUR 0.5 million (EUR 0.7 million).

Impairments of non-current financial assets totalled EUR 7.8 million (EUR 3.7 million), consisting of impairments of the book value of the equity interest in an affiliated company. The expenses from losses assumed under profit-and-loss transfer agreements in effect with subsidiaries amounted to EUR 0.5 million (EUR 0.7 million), below the level of the previous year.

Interest and similar expenses rose to EUR 1.4 million in the 2022 financial year (EUR 1.1 million). This figure included interest expenses and fees related to factoring in the amount of EUR 1.0 million (EUR 0.7 million).

### Exceptional effects

There were no business transactions to be taken into account as exceptional effects in the 2022 and 2021 financial years.

### Income tax expenses

Current income tax expenses amounted to EUR 1.2 million in the 2022 financial year (EUR 1.7 million), mainly on account of trade tax and corporate income tax for the 2022 financial year. The recognition of deferred taxes in respect of temporary differences between the commercial and tax balance sheets resulted in deferred tax income of EUR 0.7 million (EUR 0.6 million).

### Operating result and net profit for the year

The operating result achieved in the 2022 financial year increased by 10.4% to EUR 7.3 million, mainly due to the significant, 24.1% increase in the total operating performance. Due to the considerably higher burden of EUR 9.2 million (EUR 4.8 million) from the financial result and result from equity interests, as well as income tax expenses of EUR 0.5 million (EUR 1.1 million), Berentzen-Gruppe Aktiengesellschaft generated a net loss of EUR 2.4 million (net profit of EUR 0.7 million) in total.

### Executive Board's proposal for the utilisation of profit

The distributable profit of Berentzen-Gruppe Aktiengesellschaft, which included a remaining profit carry-forward from the previous year in the amount of EUR 12.4 million (EUR 13.8 million), came to EUR 9.9 million in the 2022 financial year (EUR 14.4 million).

The Executive Board of Berentzen-Gruppe Aktiengesellschaft will propose to the Annual General Meeting that the stated distributable profit of EUR 9.9 million for the 2022 financial year be utilised to pay a dividend of EUR 0.22 per qualifying common share for the 2022 financial year and that the rest be carried forward to new account. Taking into account the treasury shares held by the Company on the date of the Annual General Meeting, which do not qualify for dividends in accordance with Section 71b AktG, this corresponds to an anticipated pay-out totalling around EUR 2.1 million and an amount of EUR 7.9 million carried forward to new account. The payment of this dividend is contingent upon the approval of the Annual General Meeting to be held on May 10, 2023. The number of shares qualifying for dividends may change in the time leading up to the Annual General Meeting. In this case, the dividend will remain unchanged at EUR 0.22 per qualifying common share and an adjusted draft resolution for the utilisation of profit will be presented to the Annual General Meeting.

## (6.2.3) Cash flows

### Funding structure

In its role as parent company of the Berentzen Group, Berentzen-Gruppe Aktiengesellschaft acts as the central source of funding for the affiliated companies. The overall funding of the Berentzen Group at the end of the 2022 financial year is described in detail in section (2.2.5) Cash flows of the Group Economic Report.

### Cash flow statement for the period from January 1 to December 31, 2022

The following abridged cash flow statement shows the development of liquidity in the Company. The cash flow statement is based on a definition of cash and cash equivalents that encompasses the net balance of liquid assets less bank liabilities due at call.

Cash and cash equivalents include the current account maintained with a bank that is used to settle a factoring agreement, which contains the cash available at all times from this factoring agreement ("customer settlement account"). The receivables from the customer settlement account have different characteristics from usual current account receivables from banks, notably with regard to interest.

	2022 EUR'000	2021 EUR'000
Operating cash flow	7,390	6,323
Cash flow from operating activities	15,926	- 287
Cash flow from investing activities	- 5,056	- 2,542
Cash flow from financing activities	- 9,591	- 1,221
<b>Change in cash and cash equivalents</b>	<b>1,279</b>	<b>- 4,050</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,338</b>	<b>3,059</b>

#### *Operating cash flow and cash flow from operating activities*

The operating cash flow remained positive at EUR 7.4 million (EUR 6.3 million) in the 2022 financial year despite the net loss of EUR 2.4 million (net profit of EUR 0.7 million).

The cash flow from operating activities also includes changes in working capital. These changes led to a net cash inflow of EUR 15.9 million in the 2022 financial year, as opposed to a net cash outflow of EUR 0.3 million in the previous year. Cash movements in current assets, some of which due to reporting-date and revenue effects, as well as notably a decrease in receivables from affiliated companies due to cash and liquidity management effects, led to a net cash inflow of EUR 4.9 million (cash outflow of EUR 1.4 million). The alcohol tax liability increased by EUR 1.3 million (EUR 6.3 million) to EUR 37.6 million (EUR 36.4 million). On balance, the change in provisions and other liabilities gave rise to a net cash inflow of EUR 3.6 million, as opposed to a net cash outflow of EUR 5.3 million in the previous year.

#### *Cash flow from investing activities*

Investing activities led to a net cash outflow of EUR 5.1 million (EUR 2.5 million). Investments in property, plant and equipment totalled EUR 1.9 million (EUR 2.4 million). They were offset by cash inflows from the disposal of property, plant and equipment of less than EUR 0.1 million in both the 2022 and 2021 financial years. The cash outflows for investments in non-current financial assets totalled EUR 3.0 million. They resulted mainly from the appropriation of funds to additional paid-in capital reserves for two domestic subsidiaries.

#### *Cash flow from financing activities*

Financing activities gave rise to a net cash outflow of EUR 9.6 million (EUR 1.2 million) due to the repayment of a EUR 7.5 million drawdown taken under the syndicated loan in the 2021 financial year, which was concurrently counter-financed under the same syndicated loan, as well as the dividend payment of EUR 2.1 million (EUR 1.2 million).

#### *Cash and cash equivalents*

Cash and cash equivalents totalled EUR 4.3 million (EUR 3.1 million) at the end of the past financial year. This amount included EUR 1.9 million (EUR 2.8 million) in receivables from the customer settlement account maintained with a bank that is used for settlement under a factoring agreement.

**(6.2.4) Financial position**

	12/31/2022		12/31/2021		Change EUR'000
	EUR'000	%	EUR'000	%	
<b>Assets</b>					
Non-current assets	44,398	35.2	49,169	36.5	- 4,771
Current assets	81,723	64.7	85,307	63.4	- 3,584
Other assets	127	0.1	154	0.1	- 27
	<b>126,248</b>	<b>100.0</b>	<b>134,630</b>	<b>100.0</b>	<b>- 8,382</b>
<b>Shareholders' equity and liabilities</b>					
Shareholders' equity	50,420	39.9	54,924	40.8	- 4,504
Non-current liabilities	3,363	2.7	2,835	2.1	+ 528
Current liabilities	72,465	57.4	76,871	57.1	- 4,406
	<b>126,248</b>	<b>100.0</b>	<b>134,630</b>	<b>100.0</b>	<b>- 8,382</b>

**Assets**

As shown above, total assets declined to EUR 126.2 million compared to December 31, 2021 (EUR 134.6 million). Non-current assets accounted for EUR 44.4 million (EUR 49.2 million) or roughly 35.2% (36.5%) of total assets.

**Non-current assets**

In addition to property, plant and equipment such as real estate, technical equipment and machinery, operational and office equipment, which account for EUR 18.5 million (EUR 18.5 million) of non-current assets, a further amount of EUR 25.5 million (EUR 30.3 million) consisted of non-current financial assets, primarily including shares in affiliated companies in the amount of EUR 24.6 million (EUR 29.4 million) and loans of EUR 0.9 million (EUR 0.9 million) to ensure the long-term funding of affiliated companies. Another EUR 0.4 million (EUR 0.4 million) of non-current assets consisted of intangible assets, primarily software licenses.

**Current assets**

45.5% (57.2%) of current assets totalling EUR 81.7 million (EUR 85.3 million) consisted of receivables and other assets, which declined in nominal terms by EUR 11.6 million from EUR 48.8 million to EUR 37.2 million on account of cash and liquidity management effects. Inventories rose to EUR 40.2 million (EUR 33.5 million).

Cash and cash equivalents increased to EUR 4.3 million (EUR 3.1 million) due to the positive cash flow totalling EUR 1.3 million shown in the cash flow statement.

**Shareholders' equity and liabilities****Equity**

After the net loss of EUR 2.4 million (net profit of EUR 0.7 million) and the dividend payment of EUR 2.1 million resolved by the Annual General Meeting in May 2022 (EUR 1.2 million), shareholders' equity declined to EUR 50.4 million (EUR 54.9 million).



### **Non-current liabilities**

Non-current liabilities of EUR 3.4 million (EUR 2.8 million) were available to the Company at the end of the 2022 financial year. This item consisted mainly of pension provisions amounting to EUR 1.9 million (EUR 2.0 million) and other non-current provisions.

### **Current liabilities**

Current assets declined to EUR 72.5 million (EUR 76.9 million), representing 57.4% (57.1%) of total assets. In the previous year, EUR 7.5 million of the liabilities under the syndicated loan had been classified as current liabilities because they were repaid in January 2022.

Alcohol tax liabilities amounted to EUR 37.6 million (EUR 36.4 million). These are the alcohol tax liabilities for the last two months of the financial year.

Other liabilities and other current provisions together increased to EUR 34.9 million (EUR 32.3 million) in total.

## **(6.2.5) General assessment of business performance and economic position**

### **Business performance**

The business performance of Berentzen-Gruppe Aktiengesellschaft in the 2022 financial year was satisfactory as a whole.

Significant overall revenue growth of 20.3% over the previous year was achieved on sales of spirits. Revenue growth was also achieved on domestic sales of branded products, especially the two focus brands of *Berentzen* and *Puschkin*. Consistently higher revenues were likewise generated on sales of export brands and private-label brands in all product categories. Significant revenue growth was also achieved on export sales of branded spirits.

For details concerning the *Spirits* and *Other segments*, please refer to sections (2.2.3) and (2.2.4) of the Economic Report in the combined Management Report.

### **Economic position**

In view of the positive financial performance, the Company's economic position is likewise satisfactory on the whole.

Based on the considerably higher revenues and increased gross profit, Berentzen-Gruppe Aktiengesellschaft closed the 2022 financial year with an operating result of EUR 7.3 million, representing a 10.4% improvement over the previous year (EUR 6.6 million).

By contrast, the financial result and result from equity interests were considerably lower than in the previous year particularly due to the impairment loss recognised in the book value of the Company's equity interest in an affiliated company in the 2022 financial year. This development led to a net loss of EUR 2.4 million in the 2022 financial year, after a net profit of EUR 0.7 million in the previous year.

For details concerning the Company's cash flows and financial position, which remained solid in the 2022 financial year, please refer to the comments relevant to the Group in sections (2.2.5) and (2.2.6) of the Economic Report in the combined Management Report.

### **(6.3) Report on risks and opportunities**

The business performance of Berentzen-Gruppe Aktiengesellschaft is essentially subject to the same risks and opportunities as the Berentzen Group. These risks and opportunities are described in section (3) of the combined Management Report. Whereas various individual risks directly affect and create opportunities for the parent company itself in the course of its operating activities – which correspond to those of the Berentzen Group in the *Spirits* and *Other segments* – or the management and central functions performed by the parent company, Berentzen-Gruppe Aktiengesellschaft itself fundamentally participates in the risks and opportunities of its subsidiaries, directly or indirectly, in proportion to its shareholdings in the subsidiaries.

As the parent company of the Berentzen Group, moreover, Berentzen-Gruppe Aktiengesellschaft is integrated into the Groupwide risk management system, which is summarised in section (3.1) of the Report on risks and opportunities.

The financial reporting-related internal control system of Berentzen-Gruppe Aktiengesellschaft is described in the explanatory notes on the internal control and risk management system and on the accounting process in section (3.5) of the Report on risks and opportunities.

### **(6.4) Forecast report**

The expectations for Berentzen-Gruppe Aktiengesellschaft are basically reflected in the expectations for the Berentzen Group owing to its position and weight within the corporate group, the income-related key performance indicators for Berentzen-Gruppe Aktiengesellschaft being essentially the same as those of the *Spirits* and *Other segments*. The financial position, cash flows and financial performance of the parent company are dependent both on its own business performance, particularly including its operating activities involving the production and distribution of spirits, and on the business performance and dividends of the subsidiaries or the shares of profit attributable to the parent company.

Based on the forecast development of the corporate group for the 2023 financial year, it is expected that Berentzen-Gruppe Aktiengesellschaft will generate a considerably increased profit and thus be able to pay a dividend of an appropriate amount from the corresponding distributable profit in the 2023 financial year.

Please refer to the Forecast Report in section (4) of the combined Management Report for further explanations of the key operating topics in the 2023 financial year and for the general assessment of the anticipated performance of the corporate group.

## (7) (Group) declaration on corporate governance

The (Group) declaration combines the declaration on corporate governance of Berentzen-Gruppe Aktiengesellschaft pursuant to Section 289f of the German Commercial Code (HGB) and the Group declaration on corporate governance of Berentzen-Gruppe Aktiengesellschaft and its Group companies and subsidiaries pursuant to Section 315d HGB and forms a constituent part of this combined management report.

The (Group) declaration on corporate governance has been made accessible to the public on the corporate website of Berentzen-Gruppe Aktiengesellschaft at [www.berentzen-gruppe.de/en/investors/public-limited-company](http://www.berentzen-gruppe.de/en/investors/public-limited-company).