



**KARLSBERG**

## ANNUAL REPORT

FOR THE FINANCIAL YEAR 2023  
OF THE KARLSBERG BRAUEREI GMBH,  
HOMBURG



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General note:  
For computational reasons, rounding differences to the mathematically exact values (monetary units, percentages, etc.) may occur in tables and references.

# KEY INDICATORS\*

## KARLSBERG BRAUEREI GMBH

Key figures in EUR million	2023	2022	2021	2020	2019
Gross revenue <sup>1</sup>	153.3	151.3	144.9	149.9	159.4
Investments <sup>2</sup> (intangible assets, property, plant and equipment and other loans)	16.1	12.3	9.3	13.7	7.4
EBITDA adj. <sup>3</sup>	17.7	17.6	18.5	21.3	19.7
Depreciation and amortisation	9.3	8.9	8.4	8.8	9.5
EBIT adj. <sup>4</sup>	8.4	8.7	10.1	12.5	10.2
Total assets	151.4	146.6	140.8	151.3	147.3
Equity	46.1	42.6	42.6	42.6	42.6
Equity ratio	30.5%	29.0%	30.3%	28.2%	28.9%
Net income before earnings-related compensation	5.7	6.4	7.0	9.0	8.3
Employees (average number)	261	258	257	263	258
Personnel expenses (wages and salaries, social security contributions and pensions)	19.4	19.5	19.2	18.9	18.9

<sup>1</sup> Gross revenue = revenue before subtraction of revenue deductions and excise duties

<sup>2</sup> 2023 excluding balance sheet reclassifications of inventories to technical equipment and machinery in the amount of EUR 3.3 million

<sup>3</sup> EBITDA adj. = EBIT adj. plus amortisation of intangible assets and depreciation of property, plant and equipment

<sup>4</sup> EBIT adj. = earnings after taxes plus income taxes, plus interest and similar expenses, plus write-downs on financial assets, less other interest and similar income, less income from other securities and loans classified as financial assets, plus extraordinary expenses from the pro rata allocation to pension provisions arising from the application of Art. 66 and 67 (1) to (5) EGHGB (Transitional Provisions to the German Accounting Law Modernisation Act (BilMoG)), plus/less significant extraordinary expenses/income

\* Section unaudited





# KEY FACTS\*

## REVENUE GROWTH IN BRAND BUSINESS AND STABLE EBITDA

“Given the market environment and the resulting challenges during the last financial year, we can be satisfied with our business performance in 2023. With our strong brand portfolio, we are well positioned for the future. New customer business in the out-of-home sector and the steady national expansion of distribution in the food retail sector have led to further solid growth in revenue for our main brands, Karlsberg and MiXery. The new launch of MiXery Iced Purple and the popular euro bottle for our Karlsberg Helles, Karlsberg Kellerbier and our Karlsberg Weizen range were the highlights of 2023”.

Markus Meyer, Managing Director of Karlsberg Brauerei GmbH

### Gross revenue from beverages<sup>1</sup>

**+ 1.4% increase in revenue**

**Growth** with our brands **Karlsberg + 7.5%** / **MiXery + 1.1%**.

**Domestic revenue + 2.1%** compared with the previous year, **+ 16.1%** in the out-of-home business.

Revenue in **international business** down by **- 3.4%**.

### Our brands

## New customers and product launches in the middle of the year

Besides **acquiring out-of-home customers** in the south-west and further expanding the **national distribution** of **MiXery**, the **product launches** of MiXery Iced Purple and the launch of the euro bottle for parts of the Karlsberg range significantly boosted revenue.

<sup>1</sup> Gross revenue = revenue before subtraction of revenue deductions

<sup>2</sup> Investments excluding investment in shares in affiliated companies and balance sheet reclassifications.

\* Section unaudited

### Adjusted EBITDA

**Slightly above previous year**

**Adjusted EBITDA of EUR 17.7 million**

indicates solid growth despite significant increase in raw material and energy prices.

### Investments

**Well positioned thanks to major investments in recent years**

**Major investment** in site, out-of-home and product equipment amounting to **EUR 13.0 million**.<sup>2</sup>

**Projects at the site**, in particular to reduce energy and water consumption.

### Forecast for 2024 financial year

**Revenue and earnings forecast**

**Further growth in brand business, slight increase in revenue** expected.

**Adjusted EBITDA** also expected to be **slightly above the previous year's figure**, with prices for raw materials and energy remaining high.







Christian Weber together with the Karlsberg brewers at the Karlsberg event location Alte Schlosserei



# FOREWORD\*

## Dear friends of the Karlsberg Brauerei

In the 2023 financial year, we diligently pursued our strategy and focused on our strong brands.

Our mission is always centred on making our consumers' lives better with our beverages and passing on a healthy company for generations to come. Working as a team, we were able to hold our own in a challenging market environment and are well positioned for the future thanks to the investments we have made.

Our brands continued to be successful in 2023. New customer business in the out-of-home sector and the steady national expansion of distribution in the food retail sector drove further solid revenue growth for our main brands, Karlsberg and MiXery. We expanded our portfolio to include innovative products, such as MiXery Iced Purple and the launch of the popular euro bottle for the speciality range, which has delighted our customers. This year, we have also invested in new technology, out-of-home and product equipment, among other things. We are also constantly working on sustainability and are actively committed to conserving our resources.

We have been working together on implementing our strategy with huge commitment and enthusiasm. With our strong brand portfolio, we are well positioned for the future. We are proud of our successes and will continue to place our strategic focus on growing our major brands in Germany and abroad and achieving a sustained improvement in profitability.

Why not join us on this journey!

Best regards  
Christian Weber  
Managing Partner of Karlsberg Brauerei KG Weber

\* Section unaudited





KARLSBERG





# OUR COMPANY'S FOCUS\*

At Karlsberg Brauerei GmbH, we consider it our job to make the lives of our consumers better through our drinks and to pass on a healthy company for generations to come. As part of the Karlsberg Group, a fifth-generation family-run company, we belong to a group of strong beverage brands. Our shared corporate culture and values are the foundations of what we do. Our strategy is based on four strategic pillars:

- Strong team
- Major brands
- Getting better every day
- Thinking in generations

## Strong team

We have always seen people as the key to our business success. Strengthening and developing our teams is very much our priority. We involve as many employees as possible in this process through regular employee surveys. As a signatory to the Diversity Charter, we not only recognise diversity, but are also committed to promoting it in all its facets.

## Major brands

We are focussing on developing and expanding our brands, particularly our major brands Karlsberg and MiXery. We also want to develop other brands from our portfolio, such as the Bundaberg brands, into major brands. In the long term, our goal is to integrate further brands into our portfolio, including those from outside the company.

## Getting better every day

In recent years, we have steadily improved our processes within the Group and increased our productivity and efficiency. By systematically digitalising our processes and making further investments in our production sites, we will continue making further progress in improving ourselves.

## Thinking in generations

We take responsibility for the time after us: Corporate responsibility combined with sustainable action has always been a hallmark of our Group. In defining our strategy for the next few years, we have placed even greater emphasis on economic and ecological sustainability. Taking water from the earth's soil and enriching it with ingredients from nature is a gift that we value by acting responsibly.

With our four strategic pillars as a driving force and framework, our Group will continue to steadily and purposefully evolve over the coming years. As part of our annual strategy process, we regularly define our specific goals and initiatives and use metrics to continuously monitor our progress. We see this as our future path to being a sustainable business.



\* Section unaudited





**SUSTAINABILITY**



# SUSTAINABILITY\*

## WE THINK IN GENERATIONS

As a food manufacturer of beer as a natural product, Karlsberg Brauerei GmbH aims to guarantee its customers and consumers the highest quality of its products.

A strong environmental awareness of the people involved, sustainable economic practices, and the conservation of natural resources are key components of our company's responsible business activities.

### Environmental commitment

Karlsberg Brauerei GmbH has been committed for years to systematically and sustainably reducing energy consumption in the company and making further progress in improving energy efficiency. To ensure this, the company has had an energy management system certified in accordance with DIN EN ISO 50001 since 2014. This is used to achieve the goals based on the company's energy policy with the help of the defined measures and therefore to make an important contribution to conserving resources. ISO 50001 is a globally recognised standard for the verification of systematic energy management.

Being mindful of energy consumption at the workplace is a key concern for us. We are raising awareness among our employees by installing monitors that show current energy consumption. This will enable our employees to find out about energy consumption at any time and respond to it in their area if necessary.

Karlsberg Brauerei GmbH has also been an active member of the Saar Environmental Pact since 2017. By participating, we are committing ourselves to the goal of strengthening Saarland as a location for industry and business through resource-conserving and energy-efficient economic activity.

### Water

Karlsberg Brauerei GmbH operates four of its own wells and obtains water from the municipal water supply. The company's water consumption is continuously monitored and constantly improved through investment projects. A key aspect of conserving water resour-

ces is operating a fully biological wastewater treatment plant, which cleans our own wastewater and discharges it directly into the outflow.

### Energy, electricity and CO<sub>2</sub>

Most of the electricity and heat is generated by the company itself. In 2016, we put a new combined heat and power plant with an electrical output of 3.5 MW into operation, significantly increasing the efficiency of our energy generation. The surplus heat has since been fed into the public district heating network. Karlsberg Brauerei GmbH supplies around 15% of the heat energy in the district heating network of the city of Homburg. The biogas generated by the wastewater treatment plant is converted into process steam, making a significant contribution to the brewery's heat supply. We have also been leasing our roof areas since 2010 to feed electricity into the grid from solar installations.

### Electromobility

Over the next few years, Karlsberg Brauerei GmbH will gradually convert its fleet of company cars, lorries and forklift trucks to electrically powered vehicles. The company car policy already favours e-cars over combustion vehicles.

### Key projects to reduce resource consumption

The sustainable development of a company depends in great measure on making continuous investments in technical equipment which can make processes more resource efficient.

Karlsberg Brauerei GmbH's technical investments in the last three years amounted to EUR 15.2 million.

Key projects which have contributed to the conservation of resources in recent years include

- the commissioning of the highly efficient combined heat and power plant in 2016.
- an energy storage system in the brewhouse, which went live in 2019.



- a new high-performance KEG drum filling system, which went live in 2021. With this compact and efficient system, significant savings of up to 75% were achieved in the area of drum filling in terms of water, steam and electricity consumption.
  - the commissioning of a new bottle washer in November 2023. With this investment, we want to significantly reduce water and steam consumption in this production step; the plan is to cut it by around 70%.
  - the current analysis of heat sources and heat sinks in the brewery as part of a master's thesis. Here, we are laying the foundations for a future waste heat utilisation concept.
  - the conversion to LED lighting in the production area.
- Thanks to the measures implemented, we slashed the brewery's CO<sub>2</sub> emissions from 26,176 tonnes in 2017 to 14,504 tonnes in 2023.

### Research and cooperations

The company is also active in the field of research. In 2021, Karlsberg Brauerei GmbH took part in a demonstration project for bio natural gas production from carbon dioxide (CO<sub>2</sub>) and hydrogen (H<sub>2</sub>) in cooperation with the Saarland University of Applied Sciences (htw saar).

### Circular economy

#### Reusables

At our company, we opt for the use of reusable containers, particularly refillable bottles and barrels. The share of revenue (gross) in returnable containers was 59.4% in 2023. To enhance this system, we are constantly investing in new bottles, barrels and crates. In the last three years, Karlsberg Brauerei GmbH has invested a total of EUR 13.4 million.

When new crates are purchased, the used crates are shredded, and the recycled material reused in the manufacturing process to make new crates.

Almost all of any broken glass produced during the production





process is returned to the glassworks so that this material can also be reused in the production of new bottles.

#### **Spent grains**

A significant by-product during the beer production process is spent grains. These leftovers from the brewing process are turned into animal feed.

#### **Surplus yeast**

The surplus yeast produced during the brewing process is carefully collected and utilised in the cosmetics industry.

#### **Packaging materials**

In recent years, the company has worked hard to reduce the amount of material used in trays for beverage cans and films for securing pallets by using thinner trays and films with the same stability.

#### **Waste**

Thanks to separate collection and process optimisation at Karlsberg Brauerei GmbH, the proportion of recyclable material in total waste has been increased to 98%. The remaining residual waste is thermally utilised.

### **Our products**

#### **Quality**

We are passionate about the quality of our products. Evidence of Karlsberg Brauerei GmbH's strong commitment to quality and safety can be found in the certifications and awards that guarantee the highest quality of processes and products, as well as impeccable food safety. The company has been certified with the IFS Food Standard by SGS Institut Fresenius GmbH. This standard is a Europe-wide recognised control procedure for checking quality and safety in the food sector. The company has also entered into an agreement on quality policy, committing itself to economic, social and ecological sustainability, as well as to active consumer protection both internally and externally. In recent years, Karlsberg Brauerei GmbH has received confirmation of its high quality standards in national and international competitions. We have won awards with many of our beers, including at the World Beer Awards, Meininger International Craft Beer Awards and the European Beer Stars Competition. In 2023, we were especially pleased to receive awards for our Karlsberg UrPils and Karlsberg Bock at the

Finest Beer Selection 2023 and scoop up 11 awards at the World Beer Award. In 2023, we won the Convenience Best award with our MiXery Iced Purple product.

#### **Supply chains**

In recent years, quality and value have been given a higher priority when awarding contracts. We have adopted a Group-wide Code of Conduct in which we have committed ourselves to the ETI Base Code of the Ethical Trading Initiative, a membership initiative to improve working conditions worldwide.

We require our suppliers to comply with the regulations of the Code of Conduct for Business Partners, which was adopted at the same time as the internal Code of Conduct. The largest suppliers are also checked to see whether they have a certified environmental management system in place.

We are also currently revising our supplier contracts to integrate the corporate due diligence obligations relating to the Supply Chain Due Diligence Act in the future. In December 2023, we created the new position Supply Chain Compliance Officer, which is responsible for monitoring compliance with legal regulations, industry-specific standards and company guidelines within our supply chain.

We also promote sustainable, regional supply chains and are increasingly working with regional service providers and suppliers.

#### **Social engagement**

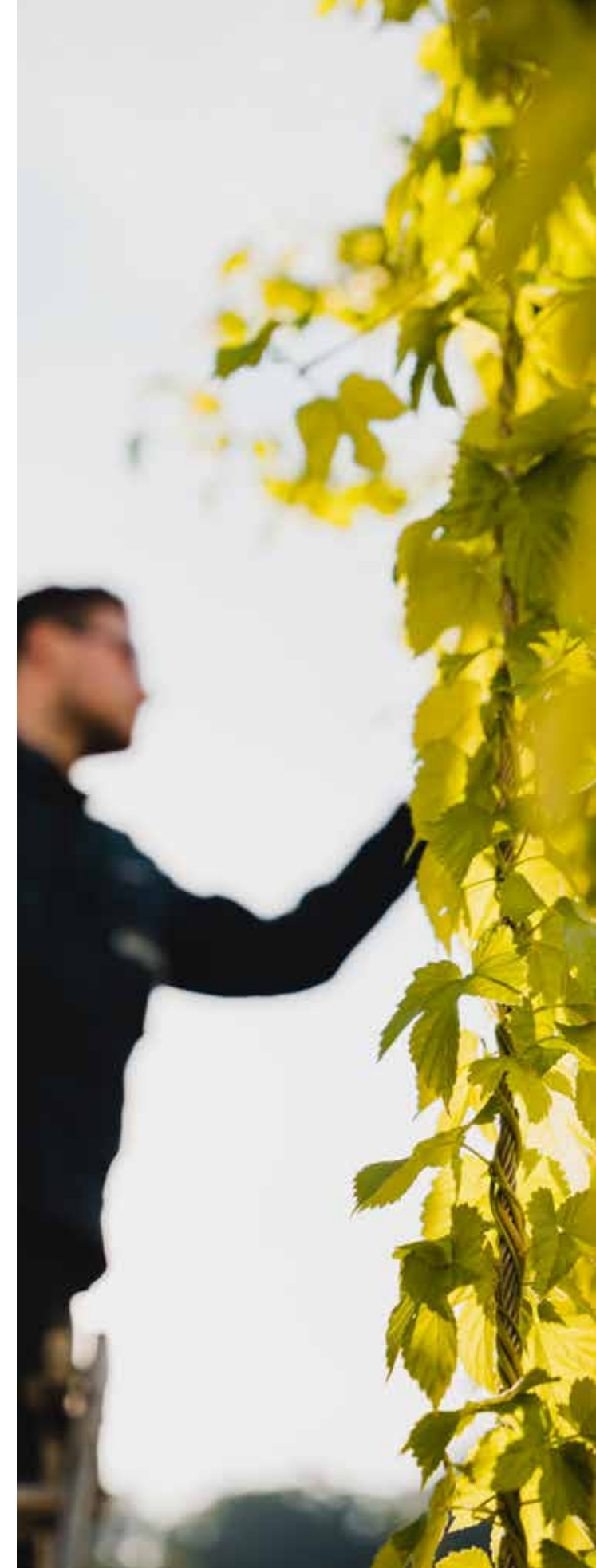
##### **Responsibility**

As a producer of alcoholic beverages, Karlsberg Brauerei GmbH also fulfils its social responsibilities with regard to the conscious and responsible consumption of beer. As a member of the German Brewers' Federation, we are committed to a code of conduct – the Brewers' Code – which purposefully goes beyond the legal and so far voluntary framework conditions for trading in and advertising beer. Karlsberg Brauerei GmbH is also involved in the German brewers' prevention campaign "Bier bewusst genießen" [Enjoy beer responsibly] and also displays this message on the labels of its beers. The company also supports the German Brewers' Federation's "Don't drink and drive" initiative, which educates young drivers between the ages of 18 and 25 on the effects of alcohol consumption on their ability to drive. We are promoting the campaign via our social media channels, displaying

the slogan on the labels of our MiXery product and using it in our communications, including advertising on public transport such as the Saarbahn.

#### **Social responsibility**

Social commitment is also close to our hearts. The Karlsberg Brauerei GmbH sees itself as part of society and takes its social responsibilities very seriously particularly at regional level. Our engagement is aimed at various organisations and campaigns every year. Among other things, we support a large number of clubs and events in the region.







ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT AS AT 31 DECEMBER 2023

# MANAGEMENT REPORT

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2023



## I. GENERAL INFORMATION ON THE BUSINESS

### Business model

Karlsberg Brauerei GmbH is a traditional, family-run brewery. The company pursues a consumer-focused strategy of developing, producing and selling a wide range of alcoholic and non-alcoholic drinks brands. It focuses on the strategic brands Karlsberg and MiXery with a portfolio of beers, mixed beer drinks and non-alcoholic beers, along with a range of other own brands and brands from cooperation partners. This brand business is supplemented to a limited extent by contract manufacturing, particularly for international customers.

### Corporate management systems

The management primarily measures the company's performance using the key performance indicators of revenue (sales revenue after subtraction of excise duties) and adjusted EBITDA.<sup>1</sup>

Operational management is based on productivity indicators such as EBITDA/litre, costs per production volume (EUR/hectolitre) in production or volume sold per outlet per week in retail sales, as well as sustainability indicators. These internal key indicators are not commented on in the external accounting.

Besides these key indicators, adjusted EBIT<sup>2</sup>, investments and free cash flow are also important financial indicators for measuring operational financial performance. The management makes a comparison with both the previous year and the plan for the current financial year so it can recognise deviations at short notice and take appropriate countermeasures promptly.

## II. REPORT ON THE ECONOMIC POSITION

### Macroeconomic and sector-specific conditions

#### Overall economic situation

Price-adjusted gross domestic product (GDP) dipped by 0.3% in 2023 compared with the previous year (PY: + 1.8%), according to preliminary figures from the Federal Statistical Office (Destatis).

Energy price increases and geopolitical tensions unsettled producers, investors and consumers alike. Global trade increasingly lost momentum in the reporting year, with negative consequences for the German export industry. Energy prices, which had soared in 2022 as a result of the Russian attack on Ukraine, stabilised at a high level and weighed in particular on industrial production. The favourable financing conditions that had prevailed for years were negatively impacted by rising interest rates. Overall, prices remained high at all levels of the economy despite the recent declines.

On the demand side, private consumer spending, which was still the main pillar of the German economy in the previous year, fell by 0.8% in real terms (PY 2022: + 3.9%) compared with the previous year due to the impact of high inflation.

Germany's export-orientated industry felt the effects of the weakness in global trade.

Export sales of goods and services went down by 1.8% (PY 2022: + 3.3%) in price-adjusted terms in the year under review, according to preliminary figures from the Federal Statistical Office. Imports also slipped back by 3.0% compared with the previous year (PY 2022: + 6.6%).<sup>3</sup>

Retail sales in 2023 declined by 3.3% (PY 2022: - 0.7%) in price-adjusted terms and increased by 2.3% (PY 2022: + 7.8%) in nominal terms compared with the previous year, according to preliminary figures from the Federal Statistical Office. Retail sales of food, beverages and tobacco products were 3.9% down (PY 2022: - 4.6%) on a price-adjusted basis and 5.9% higher (PY 2022: + 5.5%) in nominal terms than in the same period of the previous year.<sup>4</sup> The difference

between the price-adjusted and nominal results was a reflection of the strong upturn in prices.

Companies in the hospitality industry in Germany produced 1.1% (PY: + 45.4%) more revenue than in 2022 on a price-adjusted basis and 8.5% (PY: + 55.7%) more revenue in nominal terms. Price-adjusted turnover in the catering industry was 0.9% lower (PY: + 38.7%) and nominally 7.2% (PY: + 48.3%) higher than in the same period of the previous year. In the accommodation sector, revenue was slightly higher at 4.5% (previous year: + 63.8%) on a price-adjusted basis and 10.8% in nominal terms (PY: + 76.7%).<sup>5</sup>

### Beer market

Following growth of 2.7% last year, the German brewing industry once again posted a drop in sales in 2023. Total sales (including exports) retreated by 4.5% to around 83.8 million hectolitres, according to the Federal Statistical Office. Domestic sales decreased by 4.2% to 69.3 million hectolitres. The price increases that became necessary were significant and discouraged consumption. Consumers' reluctance to spend in the retail and out-of-home sectors also had an impact on breweries, which were unable to escape the general trend.

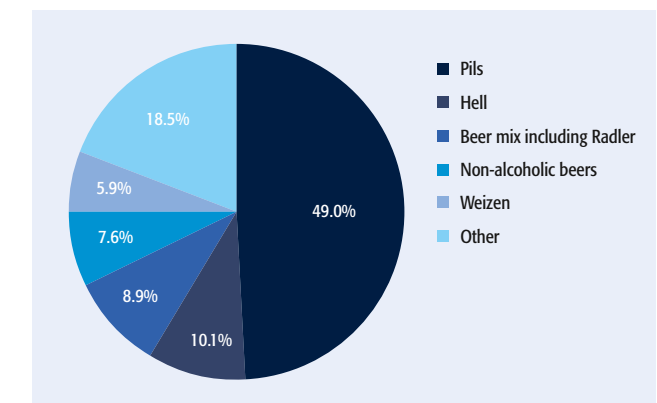
German breweries' export business also experienced diminishing sales. These breweries exported 9.6% less beer to countries outside of the EU than in 2023. Tax-free beer sales to EU countries dropped by 2.6%.<sup>6</sup>

New regional specialities and craft beers have enriched the German beer market in recent years, particularly in the upper price segment. The resulting increase in consumer awareness has enabled the German brewing industry to post continuous value growth over the last few years.

On the product side, Helles, which is especially popular in southern Germany, increased its market share to around 10% despite a slight drop in sales. Non-alcoholic beers also got caught up in the general market trend, but lost less ground and achieved a market share of

around 8% in the past year. With a market share of around 6%, wheat beer was unchanged on the previous year. Pilsner was still the most popular types of beer among Germans, with a market share of 49.0% (PY: 49.1%).<sup>7</sup>

### German beer market – share of beer types in retail (in %):



### Business performance

The acquisition of new customers in the out-of-home sector, steady national expansion of the MiXery brand in retail, and launch of new products combined with price increases further boosted revenue and, according to the management's assessment, contributed to a good business performance in financial year 2023.

Despite the market environment and the resulting challenges, Karlsberg Brauerei GmbH increased its gross revenue<sup>8</sup> by EUR 2.0 million (+ 1.4%) to EUR 153.3 million in the reporting year.

Beverage gross revenue in Germany went up by around EUR 2.5 million (+ 2.1%) to EUR 123.6 million.

The brand business with the brands Karlsberg and MiXery also notched up revenue growth in the reporting year.

<sup>1</sup> Adjusted EBITDA = Adjusted EBIT plus amortization of intangible assets and depreciation of property, plant and equipment.

<sup>2</sup> Adjusted EBIT = earnings after taxes plus income taxes, plus interest and similar expenses, plus write-downs on financial assets, less other interest and similar income, less income from other securities and loans classified as financial assets, plus extraordinary expenses from the pro rata allocation to pension provisions arising from the application of Art. 66 and 67 (1) to (5) EGHGB (Transitional Provisions to the German Accounting Law Modernisation Act (BilMoG)), plus/less significant extraordinary expenses/income.

<sup>3</sup> Source: Press release from the Federal Statistical Office (Statistisches Bundesamt) dated 15 January 2024.

<sup>4</sup> Source: Press release from the Federal Statistical Office (Statistisches Bundesamt) dated 31 January 2024.

<sup>5</sup> Source: Press release from the Federal Statistical Office (Statistisches Bundesamt) dated 20 February 2024.

<sup>6</sup> Source: Press release from the Federal Statistical Office (Statistisches Bundesamt) dated 1 February 2024.

<sup>7</sup> Source: NIQ; LEH + GAM, market share of beer varieties, period January to December 2023 (sales).

<sup>8</sup> Gross revenues = revenues before subtraction of revenue deductions and excise duties.





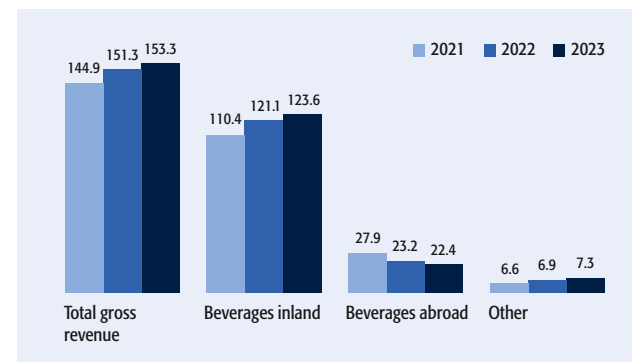
The Karlsberg brand enjoyed a significant 7.5% increase in revenue, and also a slight increase in terms of volume, thus outperforming the market.<sup>9</sup> In particular, draft beer revenue in Germany made a very significant contribution to operating business performance in the out-of-home sector, achieving a big jump in revenue of 16.1%. The MiXery brand achieved an increase in revenue of 1.1%. Compared with the previous year, market share in the national segment of alcoholic mixed beer beverages climbed slightly.<sup>10</sup>

Overall, the focus in the past financial year was increasingly on marketing and sales activities to support the brand business, accompanied by new product launches. The addition of two new flavours to the MiXery range (MiXery Iced Purple and MiXery Beer X Lemon) provided an additional stimulus in the retail sector. In the regional market, the new launch of Karlsberg Pilsener and the euro bottle for the speciality beers Helles (pale lager), Weizen (wheat) and Kellerbier (cellar) generated fresh momentum, according to the management. In addition, the brands Karlsberg and MiXery were relaunched in the first half of the year.

However, beverage revenue in the international business stood at EUR 22.4 million and was EUR 0.8 million (- 3.4%) lower than the previous year's level.

Other sales revenue of EUR 7.3 million mainly included rental and freight income, commission, income from cost allocations and other income.

### Gross revenue (in EUR million):



## Production and procurement

The production facility of Karlsberg Brauerei GmbH is located in Homburg.

The procurement of the most important assets for the brewery's business operations, such as raw materials, packaging and containers, is governed by contract, in some cases on a long-term basis. In the past financial year, the prices of almost all raw materials, consumables and supplies rose, in some cases significantly, as a result of the general economic conditions. Energy costs posted the strongest price increase compared with the previous year.

## Employees

In the 2023 financial year, the average number of employees totalled 261 (PY: 258). For more details, please refer to the notes.

## Results of operations

Karlsberg Brauerei GmbH's sales revenue (after subtraction of excise duties) of EUR 122.6 million was around EUR 2.2 million higher than in the previous year (EUR 120.4 million) due to the aforementioned good business performance in the reporting year.

To mitigate the effects of the very steep growth in purchase prices, Karlsberg Brauerei GmbH had to raise prices in the past financial year both in food retailing and in beverage wholesaling.

Other operating income stood at EUR 5.3 million in the reporting year and was therefore higher year on year (EUR 4.1 million). In the reporting year, this included income from compensation payments and the charging on of costs totalling EUR 2.2 million, the offsetting items of which were mainly recognised in other operating expenses and therefore had no effect on profit or loss from an overall perspective. A large portion of the other operating income was from income from the reversal of provisions and from cost pass-throughs.

<sup>9</sup> Source: Press release from the Federal Statistical Office (Statistisches Bundesamt) dated 1 February 2024.

<sup>10</sup> Source: NIQ, alcoholic beer mix category, Germany LEH + DM + GAM + TS, week 52/ 2023 (by revenues).



Rising prices for raw materials and supplies, energy and external logistics had a significant negative impact on the operating business. Taking into account the significant price increases, the cost of materials including the cost of purchased services totalled EUR 46.2 million and was therefore EUR 2.4 million higher than the previous year's figure of EUR 43.8 million.

As a result, gross profit<sup>11</sup> went down by EUR 0.5 million to EUR 77.2 million in the past financial year.

Personnel expenses amounted to EUR 19.4 million and were slightly below the previous year's level (EUR 19.5 million). The necessary adjustments to the valuation of pension provisions had a negative impact on personnel expenses of around EUR 0.5 million (PY: EUR 0.5 million).

Depreciation and amortisation of EUR 9.3 million was above the previous year's level (EUR 8.9 million), taking into account the significant increase in investments.

Other operating expenses increased by EUR 0.5 million to EUR 47.1 million, mainly due to higher marketing and sales expenses for the brand business.

The financial gains or losses item stood at EUR - 1.0 million, which was lower than in the previous year (EUR - 0.2 million) mainly as a result of higher interest expenses and lower income from long-term investments than in the previous year.

The net income generated in the 2023 financial year before profit transfer to Karlsberg Holding GmbH stood at EUR 5.7 million (PY: EUR 6.4 million).

Thanks to the positive revenue trend, this was a good performance despite the significant effects of higher raw material, energy and logistics prices.

Consequently, the key performance indicators – adjusted EBITDA and EBIT (see "Corporate management systems" section for the definition of key indicators) – were solid in the reporting year, according to management, and slightly above and below the previous year's level at

<sup>11</sup> Gross profit = sales revenue after subtraction of excise duties +/- change in inventories - cost of materials (incl. expenses for purchased services)

<sup>12</sup> adj. EBITDA margin = ratio of adj. EBITDA to sales revenue after subtraction of excise duties.

<sup>13</sup> adj. EBIT margin = ratio of adj. EBIT to sales revenue after subtraction of excise duties.

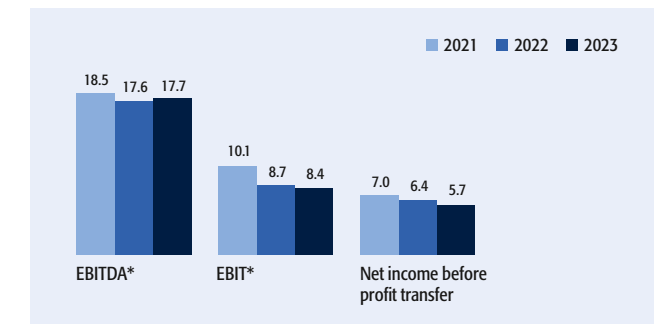
EUR 17.7 million (PY: EUR 17.6 million) and EUR 8.4 million (PY: EUR 8.7 million) respectively. The adjusted EBITDA margin<sup>12</sup> was 14.4% (PY: 14.6%) while the adjusted EBIT margin<sup>13</sup> was 6.9% (PY: 7.2%).

## Comparison with previous year's forecast

Karlsberg Brauerei GmbH's revenue totalled EUR 122.6 million, a rise of 1.9%, in line with the forecast of a moderate increase.

Taking into account the negative impact of higher raw material, energy and logistics prices, adjusted EBITDA in the 2023 financial year was up from the previous year's figure (EUR 17.6 million) at EUR 17.7 million. The earnings forecast of a moderately higher adjusted EBITDA than in the previous year was therefore also achieved.

## Key performance indicators (in millions of EUR)



\* EBIT/EBITDA adjustment:

FY 2021: Adjusted EBITDA and EBIT adjusted for recognised extraordinary expenses from the pro rata addition to pension provisions arising from the application of Art. 66 and 67 (1) to (5) of the Introductory Act to the Commercial Code (EGHGB) in the amount of EUR 0.1 million (no adjustment for Covid-19 financial aid received in 2021 to compensate for revenue and gross profit losses).

FY 2022 and 2023: adjusted EBITDA and EBIT adjusted for extraordinary expenses of EUR 0.1 million from the pro rata addition to pension provisions from the application of Art. 66 and 67 (1) to (5) EGHGB.





## Financial position

**Cash flow from operating activities** of EUR 19.3 million was below the previous year's figure of EUR 21.7 million, which benefited from positive balance sheet effects as at this reporting date.

**Cash flow from investing activities** of EUR - 19.3 million was well below the previous year's level of EUR 2.3 million due to increased investment activity, which had been impacted by increased cash inflows from short-term financial positioning totalling EUR 9.5 million. Payments for investments of EUR 16.1 million were much higher than in the previous year (EUR 12.3 million).

**Cash flow from financing activities** of EUR - 8.2 million (PY: EUR - 11.3 million) was significantly impacted by the profit transfer to Karlsberg Holding GmbH and the increase in share capital of EUR 3.5 million in the reporting year. Interest paid of EUR 4.3 million exceeded the previous year's figure of EUR 3.7 million.

The company's **cash and cash equivalents** dropped by a total of EUR 8.2 million to EUR 7.9 million in the reporting year (PY: EUR 16.1 million), mainly due to the increase in investment activities. As at 31 December 2023, the company had a total credit line of around EUR 17.5 million at its disposal, which had not been utilised as at the reporting date (PY: no utilisation).

Due to the positive cash position and sufficient free credit lines, the company could fulfil its payment obligations at all times.

More details can be found in the cash flow statement within the appendix to the management report.

## Net assets

Karlsberg Brauerei GmbH's total assets as at 31 December 2023 amounted to EUR 151.4 million and were therefore higher than in the previous year (EUR 146.6 million).

Non-current/fixed assets of EUR 91.3 million rose by around EUR 8.2 million in the reporting period due to increased investment activity.

Investments in the 2023 financial year amounted EUR 16.1 million and were therefore significantly higher than in the previous year (EUR 12.3 million), mainly due to increased investment in the location and out-of-home equipment. In addition, additions were made to assets in the reporting year from the reclassification of spare parts inventories of EUR 3.3 million, which were previously recognised under raw materials, consumables and supplies. More details can be found in the notes.

The biggest single technical investment to improve processes in the area of production and bottling with the aim of reducing resource consumption in the reporting period was an investment in a new bottle washing machine, for which prepayments were made in the reporting period. This investment will enable the company to significantly reduce water and steam consumption in this particular part of the production process over the next few years.

Other major individual technical projects included investment in new laboratory technology, a new separator for manufacturing, and expanding bottle filling capabilities to accommodate a new type of bottle (euro bottle).

In addition, the focus of investment activity in the past financial year was also in the sales area with major investment in product equipment for the brands, especially new crates and bottles, and in outdoor advertising for the out-of-home industry, as well as various smaller technical investments to modernise production technology, for quality assurance, and to reduce energy costs.

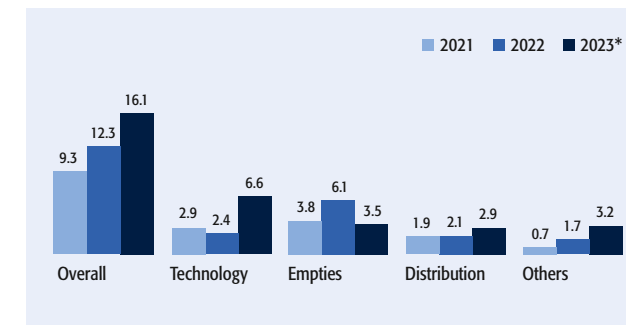
Concerning financial investments, the company repurchased shares in Mineralbrunnen Überkingen-Teinach GmbH & Co. KGaA, Bad



## III. RISK REPORT

Teinach-Zavelstein, from the pension fund Karlsberg Brauerei e.V., Homburg, amounting to about EUR 3.1 million (PY: EUR 1.5 million).

### Investments (in millions of EUR)



\* excluding recognition of balance sheet reclassifications of inventories to technical equipment and machinery of EUR 3.3 million

Current assets went down by EUR 3.5 million to EUR 60.0 million in the reporting period, mainly due to a decrease in inventories of EUR 2.1 million and cash and cash equivalents of EUR 8.2 million. On the other hand, receivables from affiliated companies increased by EUR 7.9 million to EUR 21.2 million compared with the previous year due to the timing of the reporting date.

On the liabilities side, equity increased once the EUR 3.5 million capital increase carried out in the reporting year is factored in. After transferring the net profit for the year in full to the shareholder, equity stood at EUR 46.1 million as at the reporting date. As a result, the equity ratio rose from 29.0% in the previous year to 30.5% despite the increase in total assets in the reporting year.

Provisions were higher than in the previous year. Overall, provisions increased by EUR 0.7 million to EUR 28.3 million, mainly due to higher provisions for pensions and similar obligations, outstanding invoices and customer compensation.

Liabilities amounted to EUR 77.0 million and were therefore marginally higher than in the previous year (EUR 76.4 million).

The risk management system set up for the Karlsberg Group is continuously being developed and adapted to changing legal and operational requirements. Besides identifying and monitoring risks, associated opportunities are also recognised.

The aim of risk management is to identify risks as early as possible, evaluate them, and prevent business losses or damage to the company by taking appropriate measures. At the same time, opportunities which can have a positive impact on the company's development should be identified.

A systematic risk management system has been set up within the Group for this purpose, which is geared towards the specific requirements and circumstances of the individual companies forming part of the Karlsberg Group.

The risk management system is networked with other Group management systems, in particular with planning, monthly reporting and quality assurance, both organisationally and technologically. This utilises the internal control system and ensures interdisciplinary exchange of information.

The risk analysis covers a planning horizon of one year.

The following risk areas are considered especially important for Karlsberg Brauerei GmbH:

### Macroeconomic risks

Like any business enterprise, Karlsberg Brauerei GmbH is also dependent on various macroeconomic factors which are beyond the company's direct control. Economic risks, high inflation with an impact on the purchasing power of market participants and the situation on financial markets can all take their toll on the company's development.

There are currently a number of risks to the global economy, which overlap and reinforce each other, which are also difficult to predict in terms of their progression and impact.



# WIR HABEN DEM DEUTSCHEN PILSENER EINEN FEINSCHLIFF VERPASST.

AUCH FRISCH VOM FASS

NEU



Moreover, inflation plunged over the course of 2023, but will continue to rise over a multi-year horizon. Market participants also increasingly speculated on food commodities and thus drive up their prices further. The management believes the impact of individual risks is lessened due to the company's broadly diversified and robust business model, coverage of a number of different product categories and its presence in different sales channels, markets and regions.

## Geopolitical risks

Risks with a potential impact on the growth and sales of Karlsberg Brauerei GmbH products can also arise from unfavourable political developments, such as an escalation in geopolitical conflicts and an increase in protectionist tendencies. These may have a negative impact on consumer climate in the markets.

The ongoing war in Ukraine and other geopolitical conflicts such as the unrest in the Middle East potentially poses considerable risks for the German economy. Overall, a high level of political and economic uncertainty could fundamentally change the environment for many companies.

If geopolitical conflicts escalate, further negative effects on the German economy should be expected, although this cannot be conclusively assessed at present due to the high level of uncertainty. As a result, the risks on the procurement side are still regarded as high. As a result of the current geopolitical situation, prices of the raw materials and supplies required by Karlsberg Brauerei GmbH are tending to rise globally or are at least subject to greater volatility.

## Industry risks

There is a risk that the behaviour of other market participants or other third parties may be consciously/unconsciously, directly/indirectly associated with the company and therefore have a negative impact on its reputation. In recent years, the food industry has been repeatedly targeted by environmental and consumer groups.

Consumer advocates, other organisations and articles in consumer magazines deal with food and its ingredients or test products using criteria which they often set themselves and which are often neither scientifically nor legally substantiated. Such test results and (true or untrue) statements by consumer advocates, other organisations and in social networks and the media could influence the purchasing behaviour of consumers, which would not only affect the products tested, but could also have an impact on similar products from other brands and/or manufacturers and therefore on Karlsberg Brauerei GmbH's products.

In the beverage industry, this could include the ingredients, the additives in beer-based mixed drinks (e.g. sugar substitutes) or the packaging used, which can be examined from an environmental policy perspective.

There may also be a risk that negatively documented third-party behaviour, such as defects in suppliers' preliminary products or defective products from competitors, may be associated with the industry and/or Karlsberg Brauerei GmbH.

Both the food industry in general and the beverage industry are constantly changing, driven by ever-changing consumer habits. For example, there is currently a general trend towards health-conscious nutrition and new types of packaging units are also present in this market. Consumers are also placing greater importance on sustainability and sustainable production along the entire value chain. Such trends could have a negative impact on Karlsberg Brauerei GmbH's sales. In addition, new scientific findings on ingredients used by Karlsberg Brauerei GmbH in the manufacture of its products may result in a decline in demand for Karlsberg Brauerei GmbH products with these very ingredients.

Risks could also arise as a result of the public debate on the misuse of alcohol. Demands are being made at the national, European and international level to achieve the desired reduction in alcohol consumption, for example by restricting availability, banning





advertising, issuing warnings and increasing taxes. The growing trend towards healthy eating and increasing awareness of the risks and dangers of excessive alcohol consumption, stricter laws on alcohol consumption or broad-based information campaigns and discussions in the media may lead to a further reduction in the consumption of alcohol. Karlsberg Brauerei GmbH is well aware of its responsibilities in this regard and supports the responsible and enjoyable consumption of alcoholic beverages. It also takes a clear stance against the misuse of these products.

Throughout the year, sales and revenue are greatly influenced by the weather. Consumption steps up significantly in the summer months or when the weather is pleasant. The weather, especially during the spring and summer months, has a strong impact on beverage consumption. To take account of this, Karlsberg Brauerei GmbH builds up its stocks and storage capacities before the start of the season in the months from March to June. If, for example, there is a less pronounced warm period in the summer months, this could have a negative impact on revenue. This risk may also arise if major consumer events, such as festivals, are cancelled or negatively affected by external circumstances such as natural disasters, political circumstances, pandemics, etc.

To ensure the company can continue deliveries even during potential peaks in demand, flexible production structures and staffing plans are proactively implemented in the production planning of a seasonally oriented warehouse strategy.

The decline in demand for beer, which is primarily due to demographic factors, is also influenced by changes in consumer behaviour. In the food retail sector, the entry-level price segment is continuously expanding its focus on quantity and pricing to include added product value as a factor. Karlsberg Brauerei GmbH counters these activities through targeted marketing measures in order to document the differentiation and added value of the product and to further increase emotional brand value. The aim of the strategic approach with beverage specialities and product innovations, strong regional presence, and brand image that, in the management's view,

emphasise tradition and brewing expertise in a modern way, is to meet changing customer demands.

The company addresses the risk of a stagnating or shrinking domestic market in the traditional beer segment with what the management considers is a broadly diversified product portfolio and innovative concepts, such as working with international partner brands, bolstered by export activities. It takes account of changes in consumer behaviour by continuously developing the product portfolio.

#### Market price risks

Karlsberg Brauerei GmbH is exposed to market price risks in the areas of procurement, production and sales.

The main cost factors in production are the procurement of raw materials such as malt, sugar and hops, as well as energy supply. For example, poor harvests or crop failures could lead to shortages and increase the price of the raw materials needed. As with raw materials, prices of consumables and other materials required for the manufacture of products also fluctuate. In particular, the prices of cans, glass, paper, plastic and other consumables needed for filling and packaging products could rise. The situation is similar with energy prices. All of these factors may have a negative impact on business activities, either directly or indirectly via suppliers. Risks could also arise from an increase in customs duties and taxes.

Potential price increases on the procurement markets are hedged using medium-term contracts, but volatile energy and rising raw material and container prices in particular pose serious risks in the longer term. One of the main cost objectives is to minimise risks from price fluctuations in raw materials, consumables and supplies, packaging materials and energy through the use of long-term supply agreements. To counter these risks, a corrective measure was created when the purchasing cooperation EBSA GmbH & Co. KG was founded jointly by Karlsberg Brauerei GmbH's shareholder, Karlsberg Holding GmbH, along with Warsteiner Brauerei Haus Cramer KG in order to achieve improved purchasing and delivery terms by pooling procurement volumes.





# BRAUNACHT TOUR 2023



29.04.23 - Homburg  
20.05.23 - Saarlouis  
03.06.23 - Kaiserslautern  
24.06.23 - Merzig  
09.09.23 - St. Wendel

LEICHTES HELLES



BELGISCHES WITBIER



DUNKLES KELLERBIER



Karlsberg Brauerei GmbH is heavily dependent on the changeable purchasing behaviour of food retailers. This could also have an impact on product sales.

Karlsberg Brauerei GmbH has no influence on the pricing policy of the food retail trade towards its customers (end consumers). Food retailers are responsible for setting their own sales prices. While a revenue-increasing pricing strategy is in the interests of both Karlsberg Brauerei GmbH and the food retail sector, it is possible that food retailers will demand lower prices from end consumers for Karlsberg Brauerei GmbH products, which in turn could pressure Karlsberg Brauerei GmbH into lowering the sales prices it charges to food retailers, squeezing margins. As a result of the increasing concentration into a small number of retail chains, the formation of alliances and purchasing cooperatives, the management believes the food retail sector is strongly positioned in this price war. This means the sector can push through lower purchase prices against the interests of the manufacturers in the context of lower selling prices. If a manufacturer does not meet this demand from the retailers or retail chains, they may decide not to renew supply agreements, i.e. to delist the products in whole or in part.

## Market risks

To distribute its products to consumers, Karlsberg Brauerei GmbH needs to work with major customers (such as beverage wholesalers and large retail companies) and numerous customers in the out-of-home industry. They buy the products in large quantities and then sell them to end consumers. The payment and acceptance obligations arising from these business relationships are secured by contracts which typically involve short to medium-term acceptance agreements. These contracts could be terminated or expire without new contracts being concluded to the same extent under equal or more favourable economic terms, and major buyers might not purchase products to the same and/or expected extent for other reasons.

In the out-of-home industry, the temporary reduction in VAT on food

from 19% to 7% also expired at the end of the reporting year, which may lead to price increases in that industry and consequently to lower demand. The out-of-home industry is also experiencing a shortage of skilled workers, which can also have a negative impact on demand.

Karlsberg Brauerei GmbH is facing fierce competition. Existing or increasing competition could have a negative impact. For example, new competitors and new products or retailers' private labels / store brands could enter the market. Competitors might find greater favour with consumers with the products/flavours they produce due to their marketing strategy or more favourable sales prices. In addition, competitors could manufacture and offer their products on more favourable terms, which could increase pricing pressure on Karlsberg Brauerei GmbH.

Another market risk is that market trends and/or market developments may not be recognised in time or that the new products in the future may fail.

To counter this risk, the company's marketing department uses various market research tools to collect and analyse data on current market conditions and their development. These findings are then used to make business decisions.

The company invests considerable financial and human resources in developing and improving its products and/or brands. This also includes costs in connection with distribution – for example, when it comes to publicising a specific product or brand on the market and initiating or promoting sales. There is a risk that these newly developed or improved products or brands might not be launched or successfully launched on the respective market and that the financial and/or human resources invested in them are lost.

Another risk is the limited shelf capacity of food retailers. There is a risk that if Karlsberg Brauerei GmbH does not recognise a new trend, does not recognise it in good time or has incorrectly weighted it, its retailers will remove Karlsberg Brauerei products from their shelves or generally from sale or from the market when adding new products to their range.





### Product, procurement and technical risks

The raw materials, consumables and supplies used in the production process need to be constantly monitored for both quality and availability, as disruptions in the supply chain or poor harvests could lead to significant quality and availability risks. The environment is monitored using a continuously developed quality management system and appropriate action scenarios are activated as required to ensure availability and meet quality standards.

Within the production processes, Karlsberg Brauerei GmbH uses complex and highly specialised technical equipment. Great care must be taken to avoid damage or interruptions here. Besides the use of modern control technology, the systems are regularly maintained and repaired and the relevant employees are continuously trained. The risk of filling lines failing is countered by regular preventive maintenance, assessments of the condition of machines and systems, training of maintenance personnel, investment in replacing system components and, if necessary, completing a renewal of the systems. Risks due to impending contamination of finished products are minimised through the use of control standards and technical equipment.

An internal information system is used to ensure quality assurance and batch tracing to monitor product routes. The risk of breakdowns and incidents in production and the associated potential failure to meet delivery deadlines are minimised using modern process technologies and permanently monitored processes, as well as the measures described in the previous paragraph. Due to the importance of raw materials for product quality, quality assurance plays a key role right from the procurement stage. Besides supplier audits carried out in advance, the flavours, ingredients and packaging materials used are subjected to extensive quality controls both on the supplier's premises and during production.

With regard to product and production risks, the Hazard Analysis and Critical Control Points (HACCP) system used in quality assurance is continuously improved. Karlsberg Brauerei GmbH is also certified in accordance with the International Food Standard (IFS) and audited on an annual basis.

Despite the implementation of these various safety systems, which serve to safeguard food safety, and although both the production facility and the safety systems are subject to regular inspections under the existing IFS certification, product defects or undesirable developments in the goods offered by Karlsberg Brauerei GmbH are a possibility. Product defects can also be caused by disruptions to production and technical problems.

There is a risk that, despite insurance cover, Karlsberg Brauerei GmbH is faced with sizeable claims for damages, e.g. due to product liability, in the event of defects in the products it offers, and costs are incurred, for example for troubleshooting, recalls or take-back campaigns, in the event of delivery bottlenecks or payment obligations to customers due to contractual penalties. In particular, the public disclosure of actual or alleged defects (e.g. through social media) also could mean the considerable loss of reputation for the company and the products it sells, which can lead to a loss of customers /market share and a drop in revenue.

This risk of product damage is insured by Karlsberg Brauerei GmbH, but there is a risk that a loss is caused by an uninsured loss event, that any insurance benefits in the event of a claim are insufficient, that deductibles are incurred or that the insurance does not pay the claim due to breaches of obligations under the insurance policy, so that Karlsberg Brauerei GmbH may have to cover the difference or the full amount of the loss.

The production facility is subject to the risk of operational disruptions and interruptions. This can occur, for example, for reasons such as machine failure, incorrect operation, faulty preliminary products or force majeure such as natural disasters, accidents and fires or for other currently unforeseeable reasons such as pandemics. Interruptions in the manufacturing process and/or disruption of entire stages of the value chain associated with such interruptions or disruptions to operations could lead to consequential losses (such as expenses for locating the source of the error, repairs, replacement purchases, but also contractual penalty payments if it is not possible to supply customers on time).



The company depends on its suppliers to provide it with the necessary raw materials, consumables and supplies for the production of its products in good time, in sufficient quantities and of the right quality. The companies in the Karlsberg Group procure their raw materials and supplies from a wide variety of suppliers. This risk can be minimised by distributing the needs among as many suppliers as possible.

Nevertheless, procurement risks may arise due to supplier dependencies and supply bottlenecks for certain products. Supply bottlenecks could lead to production bottlenecks, delays in deliveries, problems with quality and additional costs.

To distribute its products, Karlsberg Brauerei GmbH also uses logistics companies to transport the products it manufactures to its customers. The company is therefore exposed to the risk that, contrary to expectations, no replacement or no prompt replacement might be found in the event of the short-term cancellation of a logistics company or deliveries might be made too late or too early for other reasons.

Bottlenecks in logistics can arise both nationally and internationally (e.g. due to delays in container sea freight). This risk is mitigated by contractually securing sufficient freight space and a network of service providers.

In addition, seasonal bottlenecks in empty containers, CO<sub>2</sub> or other raw materials, consumables and supplies might arise, especially if there is increased consumer demand in the summer months, leading to a shortage of returnable bottles and crates required for production. This could mean Karlsberg Brauerei GmbH having to reduce or even temporarily cease production despite high consumer demand. Were an out-of-stock situation to arise in the context of the reasons described or other reasons, it might lead to a loss of revenue and contractual penalties.

### Environmental protection risks

Karlsberg Brauerei GmbH is the owner of several business premises. It is also a tenant and leaseholder of various properties. It is a possibility that the company, either as a property owner or tenant/

lessee, could be held liable for any contamination emanating from the land it uses or from the production facilities located on the land. Karlsberg Brauerei GmbH could also be held liable as the cause of environmental pollution that may occur during manufacturing at the production site (seepage into the ground, contamination of groundwater, inadequate treatment of contaminated water or other substances, etc.).

Environmental pollution cannot be completely avoided during the manufacturing process.

To prevent the associated environmental protection risks, environmental protection and occupational health and safety laws are regularly analysed and emission levels are continuously monitored by a comprehensive energy management system.

The energy-saving and efficiency investments made in recent years, such as the combined heat and power plant, the energy storage system in the brewhouse, the keg filling system and the new bottle washing machine, have also significantly reduced emissions and energy costs. Karlsberg Brauerei GmbH also has a fully biological wastewater treatment plant which purifies its own wastewater and discharges it directly into the recipient water body. The biogas produced is utilised in the steam boiler system and therefore is an input into the brewery's heat supply.

All employees involved in the production process are also regularly made aware of current environmental and energy issues and involved in various operational projects in order to tap potential and minimise risks.

### IT risks

The Group uses modern information and communication technology to organise its production and business processes efficiently, securely and cost effectively.

In general, risks can arise from the unavailability of IT systems, loss





or manipulation, but also from the disclosure of confidential data, particularly personal data, as a result of cybercrime, as well as compliance violations (such as non-compliance with specified security standards). Another risk is the failure to meet the changing requirements for internal management, organisational and risk monitoring structures, particularly in this sensitive area. The corporate principles concerning security in information and communication technology therefore regulate the use of information and communication systems with regard to IT and data security.

Strict security standards, modern technology, guidelines and qualified employees who are aware of the risks all help minimise IT risks from the management's perspective. The centrally organised IT structure at Karlsberg Connect & Sales GmbH (formerly Karlsberg Service GmbH), Homburg, and the use of standardised systems and processes across the Group are further measures used to minimise risks through professionalisation.

The risk of a potential failure in central IT systems is minimised through the use of redundant systems and an emergency power supply, so that this risk is considered to be low overall.

As the digitalisation of processes progresses, the issue of cybersecurity has become increasingly important in recent years. Up-to-date security systems are used throughout the Group to protect against potential threats. With this in mind, the Group has implemented technical and organisational measures to protect its business processes and the data and information processed and has also taken out insurance to cover any damage or losses that may occur.

Karlsberg Brauerei GmbH has a complex IT system infrastructure which is used for a variety of purposes, including to monitor production processes and for internal warehouse management, for HR management and accounting and invoice processing.

Karlsberg Verbund is planning to replace the ERP software it has been using with cloud-based ERP software tailored specifically to the SME beverage industry. Once the implementation process is complete,

the new system is expected to be made available to users in the fourth quarter of the current year after extensive testing is completed.

Risks here could arise from insufficient capacity of the project participants due to high resource commitment of the employees involved in the project. There is also a risk that synergies may not be realised as planned and that process efficiency improvements may not be achieved to the desired levels. Delays in the implementation phase may arise due to the gradual introduction across nearly all company divisions of the entire group and consequently high project complexity.

To achieve the project objectives and minimise the aforementioned risks, project organisation was implemented, which includes all levels and functions affected by the introduction of the ERP, an experienced project management team and members of the executive management.

Another risk may be incomplete or inadequate data migration. Data migration is a critical step in an ERP switchover. As company data from different IT systems is interdependent, overlooking problems with data dependencies and integrations could rapidly lead to problems during the implementation process. This could also result in consequential financial risks if, for example, no invoices could be prepared or processed over a longer period of time.

There is also a risk that interfaces with other IT systems used by Karlsberg Brauerei GmbH or to third-party IT systems may not function or not function fully or that processes, such as manufacturing processes in particular, may not be adequately mapped. Although these risks are mitigated by internal and external specialist advice and support, testing in a secure test environment and by maintaining the original ERP system, these risks cannot be ruled out.

The use of cloud-based IT solutions can also pose a security risk. Although providers and ERP operators share this risk in principle, security is ultimately the responsibility of the organisation using the IT system. To combat this risk, appropriate measures are required



in the internal control system and in access and change management. These risks are addressed using internal control systems and an access and authorisation concept with logging of authorisation changes, coupled with an authorisation scope tailored to the needs of Karlsberg Brauerei GmbH. A suitable access and authorisation concept is also currently being developed for the new ERP system.

If, despite the technical and organisational IT security measures implemented, technical faults occur in one or more IT systems, even for a short period, resulting in outages and/or malfunctions, this could have a significant impact on the business.

For a detailed presentation of the opportunities presented by the project, please refer to the opportunities report.

#### **Legal, regulatory and tax risks**

Because of its business activities, Karlsberg Brauerei GmbH is exposed to legal risks and may become embroiled in legal disputes and arbitration proceedings.

Karlsberg Brauerei GmbH always seeks to minimise and control legal risks. It takes the necessary precautions to detect threats and, if necessary, defend rights. Legal risks arise from changes in company law, for example in connection with the conclusion of company agreements. There are also risks from legal disputes in the operating business, particularly in the areas of data protection, contract, tax, labour, competition and antitrust, trademark and patent, product liability and food law, with the latter also supplemented by (directly applicable) directives at European level. Where necessary, sufficient risk provisions are recognised in the balance sheet. In the event of loss or damage, the management believes that the greatest risks are covered with a sufficient level of insurance.

Increasing legal and regulatory conditions can have a negative impact on the net assets, financial position and results of operations of Karlsberg Brauerei GmbH, both through the associated regulatory and administrative expenses and, in the event of their violation, through

the threat of fines and a potentially tarnished reputation.

Karlsberg Brauerei GmbH has obtained various licences under public law to operate its production facility and sell its products in Germany and abroad, for example under the Federal Immission Control Act. Further licences may be required in the future, the requirements of existing licences may be amended and/or existing licences may even be withdrawn, with negative consequences for the company in each case.

As a beverage producer, Karlsberg Brauerei GmbH must comply with statutory provisions to protect consumers from health hazards and from being misled or deceived by its products. In this context, the production or distribution of Karlsberg Brauerei GmbH products may be restricted or subject to more restrictive legal requirements.

Additionally, there is a possibility that Karlsberg Brauerei GmbH might be subject to antitrust investigations by the Federal Cartel Office due to the purchasing cooperation EBSA GmbH & Co. KG set up by Karlsberg Holding in conjunction with Warsteiner Brauerei Haus Cramer KG. To mitigate this risk, antitrust training has been and will continue to be arranged with all relevant parties. In addition, a lawyer sits in on all joint working group meetings and similar activities.

Amendments to the law in matters relating to deposits and recycling could also lead to changes in consumer behaviour. The introduction or increase of levies on certain product categories from the Karlsberg Brauerei GmbH product range could have a negative impact on revenue and results of operations.

Another risk factor could come from new regulations on sustainability. New sustainability regulations are currently being enacted or increasingly implemented in Germany and around the world, and these may have a direct or indirect impact on Karlsberg Brauerei GmbH. These include the Supply Chain Sustainability Obligations Act (LkSG), sustainability requirements on lenders and the EU regulation on sustainability reporting. Karlsberg Brauerei GmbH may be indirectly affected by this if, for example, its contractual partners, such





as banks or customers, expect compliance with certain requirements because they themselves must comply with them. Insofar as Karlsberg Brauerei GmbH itself is affected by such regulations, failure to comply properly may result in fines. The direct and indirect effects may lead to increased administrative expenses and investment requirements in connection with conversions, monitoring obligations relating to production processes, HR reorganisations or in relation to the selection and monitoring of suppliers.

Dealing with confidential information, trade secrets, and personal data generally carries the risk that despite the use of data security systems and despite regular training of employees on data protection, data protection breaches may occur. This may not only be due to an (un-)intended disclosure, but also to an excessively long storage period and inadequate information provided to data subjects, which may lead to claims for damages by the data subjects as well as fines.

Risks can be minimised through documentation obligations, implemented processes and measures for complying with data controls, as well as through the monitoring of all measures by an external data protection officer.

Further legal risks could arise if the brands used by Karlsberg Brauerei GmbH or the company logo and product designations are not adequately protected or infringe third-party property rights.

Risks could also arise with regard to insurance cover. Karlsberg Brauerei GmbH has taken out insurance policies to a degree it considers appropriate in view of the risks associated with its business operations (including product liability, environmental liability, commercial general liability, fire and cyber insurance) and also regularly reviews its insurance coverage. However, the insurance cover may not apply in certain cases – for example, if obligations are breached.

Liability risks may also arise for other reasons. For example, Karlsberg Brauerei GmbH faces claims for damages from the owner and subtenants, as well as recourse claims from the owner's insurer, due to a major fire that broke out in March 2019 in a rented and sublet

industrial complex. These claims are currently being asserted in court through performance lawsuits. In some cases, the plaintiffs are also bringing actions for a declaratory judgement. The company's liability insurance has assumed responsibility for the litigation.

Karlsberg Brauerei GmbH's business activities are also subject to the applicable national tax legislation. Changes to the respective tax laws and their jurisdiction as well as different interpretations in the context of tax audits can lead to higher tax expenses and higher tax arrears payments. Moreover, changes to laws and regulations can also have a significant impact on tax receivables and tax liabilities.

Tax risks arising from various complex issues are continuously identified and assessed by the tax department of Karlsberg Connect & Sales GmbH, which is heavily involved in operational and strategic decisions with potential tax implications. Whatever risk-reducing measures are needed are initiated.

#### **HR risks**

Karlsberg Brauerei GmbH considers it important to attract, develop and retain qualified and committed employees for all areas of the company and to manage all human resources effectively – otherwise, it may not be able to conduct its business efficiently and successfully.

Adjustment risks (employees are incorrectly or insufficiently qualified), motivation risks (work performance is withheld) or strike risks (loss of production due to the exercise of the right to strike) or the loss of key specialists and managers could have a negative impact on the company. The current level of inflation is not only a burden on the company, but also on employees. This could result in higher wage settlements, leading to higher personnel expenses than previously planned (wage risk).

After the pandemic, which was very challenging from an HR perspective, there is an increasing willingness to change jobs coupled with higher demands in the "war for talent". Finding and retaining qualified employees has therefore become an increasingly challenging



task. The increased willingness of employees (including long-standing employees) to change jobs could lead to more vacancies which are difficult or impossible to fill. In a more employee-driven labour market in which companies are competing for skilled workers, it is becoming increasingly difficult to fill vacant positions with qualified employees. If vacant positions are filled slowly or not at all, it can impair the ability to manage human resources effectively and conduct business activities efficiently and successfully.

To mitigate these risks, various measures are taken to minimise their negative effects as far as possible. This includes the following:

- Setting up a new applicant platform with an integrated HR management system, along with an action plan in the area of HR marketing and social recruiting, are important steps to "get a grip on" the shortage of skilled workers
- Building employee and management skills through targeted professional development measures during the annual employee development meetings.
- Rolling out a network-wide concept to promote autonomy and motivation by recognising and managing the employee's own contribution to strategy implementation (target implementation cycle).
- Monitoring the potential of young talent.
- Regular, annual implementation of an anonymous employee survey with follow-up in the specialist departments to promote a positive corporate culture.
- Regular consultations between HR and management and the works councils, assessing sentiment and organising online and hybrid events with opportunities for participation.
- Regular (at least annual) consultation between employees and their managers (HR development in the divisions).
- Interdisciplinary bargaining committees accompanying every collective bargaining process with the aim of achieving an appropriate result by mutual agreement.

#### **Receivables risks**

Default risks may arise from the deterioration in the financial situation

of borrowers and customers of the company. This would result in the risk of partial or complete cancellation of contractually agreed payments or services.

Potential default losses are mitigated through debtor management. An IT-supported monitoring system, along with an event-based and automated receivables valuation methodology, safeguards the operational measurement and management of credit risks. As part of financial management, credit positions and loan commitments are reviewed and creditworthiness and maturity analyses carried out on an ongoing basis. Sales financing in the out-of-home industry is secured by an effective contract monitoring process. Efficient debtor management indicates changes in creditworthiness in good time and promptly initiates countermeasures. The assessment of default risk is based on individual analyses.

#### **Credit, liquidity and financing risks**

Liquidity risks are risks that the company may not have sufficient funds to meet its payment obligations or that it may not be able to obtain sufficient liquidity at the expected conditions. The task of liquidity management is to finance foreseeable demand at market-standard conditions and thus ensure the company's liquidity at all times. Any potential liquidity fluctuations are detected early on using frequent analyses of deviations from the annual financial planning. To ensure solvency and financial flexibility at all times, the company manages its financing and liquidity requirements using short and medium-term liquidity planning. Funding which is falling due is promptly reviewed for refinancing needs, and refinancing discussions with business partners swiftly initiated.

Karlsberg Brauerei GmbH is largely financed through borrowed capital, in particular by the bonds issued in 2020 and maturing in September 2025 with a total nominal value of EUR 50.0 million and by credit lines from various banks totalling up to EUR 17.5 million, which can be drawn down as current account or money market loans. From time to time, Karlsberg Brauerei GmbH also avails itself of intra-group financing tools within the scope of mutual



**WIE GESCHWISTER:  
GLEICHE HERKUNFT,  
UNTERSCHIEDLICH IM  
CHARAKTER.**



**KARLSBERG**  
ECHT. BEGEISTERT. GEBRAUT.





current account agreements with other companies of the Karlsberg Group, which in turn partially refinance themselves through banks or other Group companies.

The management intends to refinance the corporate bond ahead of schedule in the current year.

With regard to the credit lines, discussions will be initiated with the lenders in 2024 to achieve an appropriate extension of the term of the loan commitments or other suitable follow-up financing.

The bank-independent financing concluded in 2020 in the form of the EUR 50.0 million corporate bond is linked to obligations in the form of financial covenants that restrict Karlsberg Brauerei GmbH's freedom of action. Working capital loan agreements also contain covenants. Breaches of these covenants could have detrimental consequences, including the cancellation of the loan. The cancellation of loan agreements could result in the company having to seek alternative financing, which may be impossible or only possible on unfavourable terms. Compliance with these key indicators is regularly monitored in the financial reporting. These were met at all times last year. The management considers the probability of non-compliance in the current year to be low.

Owing to rising interest rates, the use of bank loans has become more costly in the past financial year. Interest rates are also expected to remain high in the current year. Taking into account seasonal use of credit lines and the positive cash balance at the reporting date, the impact of this risk for the current year can be rated as relatively low based on current estimates.

#### Risks from pension obligations

Pension obligations are determined on the basis of actuarial valuations. The actuarial valuation includes assumptions about discount rates and future increases in wages, salaries and pensions. In line with the long-term nature of these plans, these estimates are subject to significant uncertainty. It is possible that the provisions to be recognised in

accordance with German commercial law may also have to be raised significantly in the future and might be insufficient. Forward-looking multi-year analyses and scenario calculations can increase planning reliability and enable appropriate countermeasures to be taken in good time.

In addition, obligations from pension agreements outsourced to the Karlsberg Brauerei e.V. pension fund may not be sufficiently covered by the pension fund's assets or provisions. The pension obligations of Karlsberg Brauerei GmbH to employees who left the company up to and including 31 December 2020 are no longer recognised as provisions in the balance sheet of Karlsberg Brauerei GmbH. These have been outsourced to the Karlsberg Brauerei e.V. pension scheme. Insofar and to the extent that the pension fund does not meet the respective pension obligations, Karlsberg Brauerei GmbH is directly liable for these pension obligations to the beneficiaries.

#### Risks in relation to the Group's legal integration

Karlsberg Brauerei GmbH is administratively and operationally integrated into the Karlsberg Group. This is reflected in particular in ongoing extensive supply and service relationships, strong personnel links, including at management level, the joint utilisation of administrative resources via the shared service company Karlsberg Connect & Sales GmbH and mutual loan relationships for liquidity management.

These various interrelationships could create dependencies or even conflicts of interest between the companies within the Karlsberg Group, which could have a negative impact on Karlsberg Brauerei GmbH, for example if decisions are made at Group management level in the interests of other companies in the Karlsberg Group, which could be positive for the Karlsberg Group overall, but negative for Karlsberg Brauerei GmbH alone.

A profit and loss transfer agreement exists between Karlsberg Brauerei GmbH and its sole shareholder, Karlsberg Holding GmbH, under which all annual profits are transferred to the sole shareholder. Although Karlsberg Brauerei GmbH theoretically may build up reserves with the consent



of its shareholder, it may happen in practice to a lesser extent than would be the case without the profit and loss transfer agreement, especially if financial resources are needed by Karlsberg Holding. A claim for loss compensation against Karlsberg Holding GmbH may only be based on a net loss for the year so that Karlsberg Brauerei GmbH is not entitled to make such a claim if it simply experiences a shortfall in liquidity.

Another risk factor could lie in Karlsberg Brauerei GmbH's dependence on members of the Karlsberg Group's management. The future success of the company is significantly influenced by the activities of a number of key individuals. In some cases, key management functions for Karlsberg Brauerei GmbH are performed by the management of the Karlsberg Group. These people have long-standing expertise, relevant skills and experience and a good network. There is no guarantee that it will always be possible to retain the current members of management in the company or, if necessary, attract new ones.

Due to the company's integration in the corporate group, a risk may exist through the liability for obligations of subsidiary companies. A default may occur on receivables from subsidiaries or companies of the Karlsberg Group. There is also the risk that any loss compensation claim by Karlsberg Brauerei GmbH against its sole shareholder, Karlsberg Holding GmbH, arising from the profit and loss transfer agreement concluded with the latter will not be fulfilled should Karlsberg Holding GmbH become insolvent. Karlsberg Brauerei GmbH and Karlsberg Holding also have an open-ended reciprocal clearing and current account agreement with a loan facility of up to EUR 40.0 million for the purpose of liquidity management and Group financing. If there were to be a default on receivables from Karlsberg Holding GmbH, this could have a significant negative impact on the financial position, depending on utilisation.

#### Overall assessment

Karlsberg Brauerei GmbH's management regularly reviews the company's risk situation. The risk position in the 2023 financial year had not changed significantly compared with the previous year. In the reporting period, the company performed well in the market from the management's perspective. In 2023, no risks – either from individual

risks or from the overall risk position of the company – arose that endangered the existence of the company or impaired its development and, according to the management's assessment, such risks are not expected in the prospective risk forecasting period of one year. The management does not expect the aforementioned risks to have any significant negative impact on the net assets, financial position and results of operations.

## IV. REPORT ON EXPECTED DEVELOPMENTS AND OPPORTUNITIES

The report on expected developments and opportunities deals with the expected qualitative development of Karlsberg Brauerei GmbH and the business environment in the current year. The opportunities that could arise for Karlsberg Brauerei GmbH are also highlighted. Opportunities for the future development of the company are defined as short-term positive possibilities which are considered realisable under certain conditions.

There are planning uncertainties for the entire beverage industry and therefore also for Karlsberg Brauerei GmbH. In the event of unexpectedly weaker economic growth, price activity on the market may increase. In general, interactions between the overall economic situation and consumer behaviour are not completely predictable. Furthermore, the weather is a highly unpredictable factor for the beverage industry. Please refer to the risk report for a detailed presentation of the risks.

#### Opportunities report

Karlsberg Brauerei GmbH has a wide range of opportunities which support the company's long-term success. The main opportunities for the company and which have additional earnings potential are presented below.

#### Opportunities through brand expertise in Germany

The management believes that a high-quality product range and swift decision-making processes help the company to exploit growth oppor-





tunities with a focus on profitability. The company's brands are well positioned with consumers and provide business partners with attractive margins. Established regional brands and national brands in the beer mix segment, as well as international specialities, are subject to clear brand management in order to seize profitable growth opportunities.

The management sees good opportunities in particular for the brands Karlsberg and MiXery, which are firmly established in their markets and offer an attractive and extensive product portfolio tailored to partners in the out-of-home and retail sectors and their discerning customers.

In particular, product innovations will continue to be positioned in the market in order to generate further growth. For the company, it is important to have a consumer-focused local and regional positioning of its brands – and in the case of the beer mix segment and its partner brands, also a national positioning – in a high-quality environment. For example, the new product launches MiXery Iced Yellow 2022 and MiXery Iced Purple 2023 both received the Convenience Best Award.

Besides its own brand portfolio, the company has signed sales partnerships with international partners for the domestic market in recent years. Karlsberg Brauerei GmbH is responsible for the national distribution of international beverage specialities. Its goal is to generate further revenue growth and associated synergy effects for the existing brand portfolio with internationally recognised partner brands, such as Bundaberg.

The company also sees opportunities in selected export markets to further build up its market position and gradually increase awareness of its export brands.

#### Opportunities through diversification and synergies

Due to the diversified product portfolio's presence in various product categories and different markets and regions, not only can potential individual risks often be compensated for, but opportunities may also arise, for example, through knowledge transfer and catalysts for innovation.

In addition, synergies may be realised by working with Karlsberg Brauerei GmbH and other companies in the Karlsberg Group.

Close integration in the areas of sales and administration and the streamlining of decision-making processes produce efficiency gains and synergy effects. For example, on the sales side, cooperating with other companies in the network leads to more intensive market penetration, i.e. optimisation of customer support and relationship management.

In addition, the Group's IT, HR, communications, accounting, treasury, tax, purchasing, legal and contract management functions are pooled into the Group company Karlsberg Connect & Sales GmbH.

Karlsberg Verbund has founded an independent purchasing company together with the Warsteiner Group. The aim of the strategically orientated purchasing cooperation is to ensure an optimal supply of goods to customers at all times. At the same time, the company is seeking improved purchasing and delivery conditions by pooling procurement volumes. The positive impact of this purchasing cooperation could be enhanced even more if other partners join in the future.

#### Opportunities through digitalisation and smart data use

Digital technology is becoming increasingly important for end-to-end, data-orientated networking with suppliers and customers as well as for internal workflows at Karlsberg Brauerei GmbH. Effective and efficient data management, coupled with the highest data quality and timeliness, increases the effectiveness of corporate data usage for the value-oriented targeting of previously untapped market potential. This means the brewery can respond more quickly and in a more targeted manner to changes in the market while giving it the space to act more effectively and proactively to gain new market share. This data-driven development provides the strategic foundations for the brewery's sustainable economic growth.

In the technical field, the use of sensors within IT allows for the step-by-step networking of systems and machinery within the procurement



and production process. With the resulting database, the company can adjust production plans in real time to market conditions, reduce downtime and disruption both situationally and structurally, and sustainably optimise losses in the procurement and manufacturing process.

In the commercial area of sales and marketing, the use of IT technology offers new channels for the comprehensive, targeted acquisition of new customers. Centralised customer data and automated business processes enable personalised interaction and promote the analysis of customer behaviour to sustainably increase satisfaction levels. In summary, new IT technology helps build customer loyalty and engagement, and optimises company processes and business growth.

In the administrative management area, digitalisation forms the basis for the efficient use of data and processes to continuously optimise operating cash flow. IT applications open the doors to transparent, cost-effective, user-friendly and paperless workflows across all departments.

Karlsberg Verbund plans to introduce ERP software specially tailored to the needs of the medium-sized beverage industry to further develop, improve and automate business processes along the entire value chain in the specialist areas of production and bottling, logistics, finance and sales.

The goal behind using standardised ERP software in all companies and almost all areas of the Karlsberg Group is to increase efficiency by minimising or eliminating manual processes, using data consistently and automating repetitive processes.

The project involves analysing and testing internal company processes and workflows to make the best possible use of any room for improvement through the new ERP software. The management believes that industry-specific, standardised optimisation of all processes along the value chain will help increase process quality and stability by reducing the number of sources of error. The process-related focus on industry benchmarks during the ERP switchover will help to ensure that inefficient or outdated processes are systematically replaced.

The new, standardised system landscape provides strategic competitive advantages thanks to the fundamentally improved database for all stakeholders. In the future, this will mean high-quality, data-supported faster and more effective decisions on strategic corporate management. The new end-to-end processes will also ensure simple, transparent and secure workflows with the aim of strengthening and increasing customer and employee satisfaction. In addition, the cloud-based ERP system will simplify structural system operations and enable the company to benefit quickly and effectively from external economies of scale.

Please refer to the risk report for a detailed presentation of the risks associated with the project.

Other digitalisation initiatives in the Karlsberg Group are focusing on the following areas, both now and in the years to come:

- **Auto replenishment:** Using digital networking and standardisation of purchasing and buying processes with suppliers and customers to secure the best possible availability of goods and product ranges at points of sale in supermarkets and the out-of-home sector.
- **Smart data use:** Using data quality and security, analysis of behavioural patterns, forecasting and potential models, market and segment potential, context-specific use of AI and data governance and cybersecurity as a strategic basis to leverage revenue and business potential.
- **Digital points of sale:** Setting up and expanding digital commerce channels (sales and marketing), for example B2B webshops, as well as strategically integrating existing and new partners in beverage supply (specialised beverage wholesalers).
- **Media and advertising formats:** Expanding digital media platforms for brand development.
- **Customer service and experience:** Improving customer service, including setting up customer self-service portals to provide 24/7 insights and information on orders and status.
- **Mobile:** Using mobile devices as a key interaction and information channel for customers and employees, improving mobile access to company information and processes; for example, mobile





participation in the invoice receipt workflow and mobile self-service app in the HR area.

- **Digital vendor ecosystem:** Organising purchasing processes between individual users along the entire supply chain via a digital platform.
- **Digital finance operations:** Automating repetitive business processes in accounting and optimising document and payment flows, for example digitalising P2P processes through the use of artificial intelligence.
- **Smart logistics & transport:** For example, Using logistics optimisation through digital route planning, mobile warehouse logistics and delivery, and yard time management through booking of time slots by customers and freight forwarders.
- **Digital HR operations:** Automating key HR processes and providing self-service options.

### Expansion of opportunity management

Potential opportunities for positive business development are evaluated and utilised at all levels of the company. Trends and developments are monitored in the respective product areas and operational opportunities identified. If the probable profit exceeds the costs of the implementation, the company will carry out the project if it aligns with the overarching strategy. For this purpose, the company has set up an organisational structure which the management believes is very much focused on lean structures and efficient processes. The tasks include seizing operational opportunities in the markets in which the company operates. The current marketing and sales strategy further strengthens the regional or national connection of the brands and their products and takes special account of the needs of business partners. The management of Karlsberg Brauerei GmbH, in cooperation with the corporate management of the Group, sets the strategic framework, secures financing and liquidity and focuses on monitoring and managing the operating business units. Project managers are therefore supported and provided with resources to capitalise on opportunities that are identified.

### Report on expected developments

After a significant economic slowdown in 2023, some of the macroeconomic and geopolitical negative factors weighing on the **German economy** will persist in the current year.

In its economic forecast from December 2023, Deutsche Bundesbank predicted a price-adjusted increase in gross domestic product of 0.4%. Inflation is likely to continue to soften at the same time, according to current estimates by Deutsche Bundesbank. Price rises of 2.7% are anticipated for the current year.

Due to the ongoing wars in Ukraine and the Middle East, weak momentum of the global economy and the impact of the still high levels of inflation, economic output is expected to shrink further at the start of the year. At present, economic growth being dampened by limp foreign demand and private consumption in particular, along with higher financing costs. However, in its current forecast, Deutsche Bundesbank foresees a gradual recovery over the course of the year.<sup>14</sup>

The **beverage industry** is also facing major challenges in the current year from consumer restraint in the retail and out-of-home sectors, even though the industry can expect some stimulus from the UEFA European Football Championship and rising wages. Inflation is still putting companies and consumers under pressure. It is predicted costs will remain high in 2024 and will continue to rise in some cases. The biggest challenges facing the brewing industry in the new year, besides consumer restraint in the out-of-home and retail sectors, are the continuing high cost pressures and increased pricing pressure from retailers, according to the German Brewers' Federation (Deutscher Brauer-Bund).<sup>15</sup>

**Karlsberg Brauerei** GmbH's aim is to further expand its brand business in Germany and abroad. The company will continue to place its strategic focus on sustainable profitability, concentrating on high-margin brands and further expanding the market position of its brands Karlsberg and MiXery.



In view of the continuing rise in raw material prices, further price increases will be implemented in food retail, beverage wholesaling and out-of-home.

To help expand market position, the company is focusing strongly on brand-oriented distribution expansion in the food retail sector and in the out-of-home industry.

Due to the macroeconomic and geopolitical situation and the resulting high level of uncertainty, it is still difficult to make a forecast for the current 2024 financial year. The forecast is based on the current assessment of the probable consequences for the beverage industry and Karlsberg Brauerei GmbH in the current environment. The forecasts for 2024 are based on largely stable macroeconomic conditions. The development outlined above is subject to various opportunities and risks which do not, however, put the company's continued existence at risk. These are explained in detail in the risk report and opportunities report sections.

A modest increase in revenue is expected for 2024 as a whole. With prices for raw materials and energy expected to remain high, the management believes adjusted EBITDA will also be slightly higher than in the previous year.

Homburg, 18 March 2024

Markus Meyer  
Managing Director

<sup>14</sup> Source: Press release from Deutsche Bundesbank dated 15 December 2023.

<sup>15</sup> Source: German Brewers Association press release dated 1 February 2024: „Bilanz 2023: Bierabsatz rückläufig - Hoher Kostendruck belastet die deutschen Brauereien“.



## CASH FLOW STATEMENT FOR 2023

	2023	2022
	EUR	kEUR
Net income before profit transfer	5,725,983.00	6,404
Depreciation (+) / write-ups (-) on non-current/fixed assets	9,421,206.85	9,067
Increase (+) / decrease (-) in provisions	652,040.43	2,223
Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	762,617.41	-356
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	2,110,921.39	4,808
Profit (-) / loss (+) from the disposal of non-current/fixed assets	-26,523.96	-88
Interest expenses / interest income	2,057,036.74	1,393
Other expenses / income from investments	-1,405,829.20	-1,743
<b>Cash flow from operating activities</b>	<b>19,297,452.66</b>	<b>21,707</b>
Proceeds from disposals of intangible assets	0.00	3
Payments for investments in intangible assets	-10,000.00	0
Proceeds from disposals of property, plant and equipment	165,782.34	99
Payments for investments in property, plant and equipment	-11,586,741.96	-9,848
Proceeds from disposals of financial assets	1,597,923.34	1,626
Payments for investments in financial assets	-4,467,872.54	-2,491
Changes in short-term financial planning*	-8,127,986.88	9,480
Interest received	1,686,662.52	1,730
Dividends received	1,405,829.20	1,743
<b>Cash flow from investing activities</b>	<b>-19,336,403.98</b>	<b>2,342</b>
Proceeds from additions to equity	3,500,000.00	0
Proceeds from the issue of bonds and the raising of (financial) loans	0.00	338
Payments from the redemption of bonds and (financial) loans	-1,004,367.92	-968
Interest paid	-4,274,949.25	-3,654
Dividends paid	-6,403,618.01	-7,038
<b>Cash flow from financing activities</b>	<b>-8,182,935.18</b>	<b>-11,322</b>
<b>Cash and cash equivalents at the end of the period</b>		
Cashflow-relevant changes in cash and cash equivalents	-8,221,886.50	12,727
Cash and cash equivalents at the beginning of the period	16,115,459.49	3,389
<b>Cash and cash equivalents at the end of the period</b>	<b>7,893,572.99</b>	<b>16,116</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand and bank balances	7,893,572.99	16,116
<b>Cash and cash equivalents at the end of the period</b>	<b>7,893,572.99</b>	<b>16,116</b>

\* includes changes from cash pooling with affiliated companies





ANNUAL REPORT FOR THE FINANCIAL YEAR 2023

**BALANCE SHEET AS AT 31 DECEMBER 2023**  
**INCOME STATEMENT FOR 2023**



## BALANCE SHEET AS AT 31 DECEMBER 2023

Assets		31 Dec 2022		
		EUR	EUR	kEUR
<b>A.</b>	<b>Non-current/fixed assets</b>			
<b>I.</b>	<b>Intangible assets</b>			
	Purchased concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets	6,268,606.00		7,321
<b>II.</b>	<b>Property, plant and equipment</b>			
1.	Land, land rights and buildings, including buildings on third-party land	7,689,103.49		8,328
2.	Technical equipment and machinery	19,676,192.21		16,694
3.	Other equipment, operating and office equipment	12,972,938.00		12,665
4.	Prepayments and assets under construction	5,094,915.32		1,196
		<b>45,433,149.02</b>		<b>38,883</b>
<b>III.</b>	<b>Financial assets</b>			
1.	Shares in affiliated companies	36,161,551.95		33,076
2.	Loans to affiliated companies	620,775.14		1,078
3.	Long-term investments	25,600.00		26
4.	Other loans	2,804,787.66		2,721
		<b>39,612,714.75</b>		<b>36,901</b>
		<b>91,314,469.77</b>		<b>83,104</b>
<b>B.</b>	<b>Current assets</b>			
<b>I.</b>	<b>Inventories</b>			
1.	Raw materials, consumables and supplies	3,027,636.21		6,055
2.	Work in progress	1,326,031.23		1,080
3.	Finished goods and merchandise	5,706,269.39		5,035
		<b>10,059,936.83</b>		<b>12,170</b>
<b>II.</b>	<b>Receivables and other assets</b>			
1.	Trade receivables	11,513,706.71		11,661
2.	Receivables from affiliated companies	21,209,351.74		13,299
3.	Other assets	9,330,799.50		10,263
		<b>42,053,857.95</b>		<b>35,223</b>
<b>III.</b>	<b>Cash on hand and bank balances</b>	<b>7,893,572.99</b>		<b>16,116</b>
		<b>60,007,367.77</b>		<b>63,509</b>
<b>C.</b>	<b>Prepaid expenses</b>	<b>42,199.57</b>		<b>29</b>
<b>D.</b>	<b>Excess of plan assets over post-employment benefit liability</b>	<b>5,193.86</b>		<b>0</b>
		<b>151,369,230.97</b>		<b>146,642</b>

Liabilities		31 Dec 2022		
		EUR	EUR	TEUR
<b>A.</b>	<b>Equity</b>			
<b>I.</b>	<b>Subscribed capital</b>	16,282,500.00		12,783
<b>II.</b>	<b>Capital reserve</b>	29,770,500.00		29,770
<b>III.</b>	<b>Retained earnings</b>			
	Other retained earnings	44,842.00		45
		<b>46,097,842.00</b>		<b>42,598</b>
<b>B.</b>	<b>Provisions</b>			
1.	Provisions for pensions and similar obligations	16,037,765.00		15,451
2.	Tax provisions	7,056.95		8
3.	Other provisions	12,220,357.34		12,154
		<b>28,265,179.29</b>		<b>27,613</b>
<b>C.</b>	<b>Liabilities</b>			
1.	Bonds	50,000,000.00		50,000
2.	Liabilities to banks	1,847,305.48		2,129
3.	Trade payables	12,929,755.72		10,142
4.	Liabilities to affiliated companies	579,987.46		3,177
5.	Other liabilities	11,649,161.02		10,983
	thereof from taxes EUR 668,503.15 (PY: kEUR 807)			
	thereof social security EUR 25,714.59 (PY: kEUR 26)			
		<b>77,006,209.68</b>		<b>76,431</b>
		<b>151,369,230.97</b>		<b>146,642</b>



# Mixery





## INCOME STATEMENT FOR 2023

	EUR	EUR	2022 TEUR
1. Sales revenue	128,389,429.54		126,371
./ Excise duties	-5,770,400.77		-5,991
Sales revenue after deduction of excise duties	122,619,028.77		120,380
2. Increase in finished goods inventories and work in progress	765,712.09		1,086
3. Other own work capitalised	65,500.00		0
4. Other operating income thereof income from currency translation EUR 135.39 (PY: kEUR 1)	5,347,499.97		4,116
		128,797,740.83	125,582
5. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	42,726,951.61		40,002
b) Cost of purchased services	3,425,214.59		3,772
6. Personnel expenses			
a) Wages and salaries	15,437,843.78		15,316
b) Social security, post-employment and other employee benefit costs, thereof in respect of post-employment benefits EUR 939,014.24 (PY: kEUR 1,164)	3,926,370.03		4,162
7. Amortisation and writedowns of intangible fixed assets, and depreciation and writedowns of property, plant and equipment	9,263,382.09		8,902
8. Other operating expenses thereof expenses from currency translation EUR 915.52 (PY: kEUR 3) thereof expenses from the application of Art. 66 and 67 (1) to (5) EGHGB (Transitional Provisions to BilMoG) EUR 120,189.01 (PY: kEUR 120)	47,109,813.36		46,577
		121,889,575.46	118,731
9. Income from long-term investments thereof from affiliated companies EUR 1,405,829.20 (PY: kEUR 1,743)	1,405,829.20		1,743
10. Income from other securities and loans classified as financial assets thereof from affiliated companies EUR 26,033.97 (PY: kEUR 40)	67,319.43		85
11. Other interest and similar income thereof from affiliated companies EUR 1,370,215.15 (PY: kEUR 1,430)	1,686,662.52		1,730
12. Writedowns of long-term financial assets	157,824.76		165
13. Interest and similar expenses thereof to affiliated companies EUR 133,937.46 (PY: kEUR 180) thereof costs from discounting EUR 209,300.58 (PY: kEUR 964)	3,952,999.84		3,607
		-951,013.45	-214
14. Profit after taxes	5,957,151.92		6,637
15. Other taxes	231,168.92		233
	5,725,983.00		6,404
16. Profits transferred on the basis of a profit transfer agreement	5,725,983.00		6,404
17. Net income for the year		0.00	0





APPENDIX FOR THE 2023 FINANCIAL YEAR

# APPENDIX



## NOTES FOR THE FINANCIAL YEAR 2023

### General

The company is registered under the name Karlsberg Brauerei GmbH with registered office in Homburg in the Commercial Register of the Saarbrücken District Court under number HRB 17866

These annual financial statements were prepared in accordance with sections 242 et seq. and 264 et seq. of the German Commercial Code (HGB) and pursuant to the relevant provisions of the Law Concerning Companies with Limited Liability (GmbHG). The regulations for large corporations apply.

The income statement is structured in accordance with the nature of expense method pursuant to section 275 (2) HGB.

To improve the clarity of presentation, individual items in the balance sheet and income statement have been summarised and are therefore broken down and explained separately in these notes. For the same reason, the disclosures on belonging to other items and, in some cases, "thereof" notes have also been included here.

### Accounting policies

For the preparation of the annual financial statements, the following accounting and valuation methods were essentially unchanged, with the exception of the reclassifications made in the balance sheet from inventories to property, plant and equipment.

**Purchased intangible fixed assets and property, plant and equipment** are capitalised at acquisition or production cost plus incidental acquisition costs less purchase price reductions. Amortisation or depreciation is recognised on a straight-line basis over the useful life of the assets. The useful life for supply, trademark and other rights is between 3 and 15 years. The useful life of buildings and parts of buildings is between 15 and 50 years, and for technical equipment and machinery as well as other equipment, operating and office equipment between 3 and 20 years.

The presentation on the balance sheet of inventories of spare parts was modified in the reporting period. Contrary to the practice of previous

years, the assets previously recognised under raw materials, consumables and supplies are now available to business operations on a long-term basis and were consequently reclassified to non-current/fixed assets (technical equipment and machinery) at the end of the reporting year. Inventories are now recognised as a fixed value under technical equipment and machinery. The total effect of the change in presentation recognised directly in equity was EUR 3,304 thousand. The reclassification of technical equipment and machinery is shown as an addition in the statement of changes in non-current assets appended to the notes.

For the initial outfitting of newly introduced empty containers as well as for newly acquired empty containers, the useful life is four years.

Besides direct production costs, a portion of indirect costs is also included in the production costs of self-constructed fixed assets.

Low-value assets up to a net individual amount of EUR 250.00 are fully amortised/depreciated or recognised as an expense in the year of acquisition; it was assumed they are immediately disposed of. For low-value fixed assets with a purchase price of between EUR 250.00 and EUR 1,000.00, an annual compound item is created and amortised/depreciated over five years.

Amortisation/depreciation of additions to property, plant and equipment is also recognised on a pro rata basis.

Under **financial assets**, shares in affiliated companies and share rights are recognised at the lower of cost or fair value in the event of expected permanent impairment, and loans are recognised at the lower of nominal value or fair value, including in the event of expected permanent impairment.

**Inventories** are reported at the lower of acquisition or production cost or fair value on the reporting date.

Inventories of **raw materials, consumables and supplies** are capitalised at the lower of average cost price or market price on the reporting date.

**Work in progress and finished goods** are valued at production cost on the basis of itemised costing based on current operating accounts, taking into account direct material costs, direct labour and special direct costs as well as production and material overheads and amortisation/depreciation. Interest on borrowed capital was not recognised in the production costs. General administration costs were not capitalised. In all cases, loss-free valuation was applied, i.e. deductions were made from the expected sales prices for costs still to be incurred.

**Merchandise** is recognised at the lower of average cost or market price on the reporting date.

All recognisable risks in **inventories** arising from above-average storage periods, reduced usability and lower replacement costs are recognised through appropriate writedowns.

Apart from customary reservations of title, inventories are free of third-party rights.

**Receivables and other assets** are recognised at nominal value. Depending on the maturity structure, the company applies standardised loss allowances to trade receivables on an individual customer basis. Accordingly, a loss allowance of 50% is applied to receivables that are more than 90 days overdue. From 180 days overdue, a loss allowance of 75% is applied and from 360 days overdue, the loss allowance is 100%. General credit risk is recognised through a general loan loss provision on the net receivables portfolio adjusted for individually impaired receivables.

**Cash on hand and bank balances** are recognised at nominal value, analogously to equity.

Provisions for pensions and similar obligations were determined in accordance with actuarial principles on the basis of the projected unit credit method using a discount rate of 1.83% (PY: 1.80%), a wage and salary trend of 2.50% (PY: 2.50%), an expected pension trend of between 0.00% and 2.00% (PY: between 0.00% and 1.75%), a staff turnover rate of between 0.00% and 0.66% (PY: 0.00% and 0.80%) and by applying the 2018 G mortality tables drawn up by Prof. Dr Klaus Heubeck.

**Provisions for in-kind obligations** for commitments granted after 31 December 1986 were determined in accordance with actuarial principles on the basis of the projected unit credit method using a discount rate of 1.83% (PY: 1.80%), an expected pension trend of 2.00% (PY: 1.75%) and by applying the 2018 G mortality tables drawn up by Prof. Dr Klaus Heubeck.

The increase in the pension trend from 1.75% to 2.00% had a negative impact on earnings of EUR 507 thousand (PY: EUR 484 thousand) for the provisions for pensions and provisions for in-kind obligations. The amount was recognised under personnel expenses.

By exercising the option under Article 67 (1) sentence 1 EGHGB, the allocation amount resulting from the change in the accounting of provisions in accordance with sections 249 (1) sentence 1, 253 (1) sentence 2, (2) HGB due to the German Accounting Law Modernisation Act (BilMoG) is distributed evenly over the maximum period of 15 years.

The plan assets falling within the definition of section 246 (2) sentence 2 HGB are recognised for pension commitments from salary conversion partially backed by reinsurance so that cover is closely aligned with the benefits in accordance with accounting standard IDW RH FAB 1.021. The funded status and earnings alignment of the partially reinsured pension commitments are measured using the funded capital method. The reinsurance policies were valued on the basis of the principle of liability precedence.

The assets exclusively used to meet the pension obligations and not accessible to all other creditors (plan assets falling under the definition of section 246 (2) sentence 2 HGB) were offset against the provisions for partial retirement. As there is no active market on the basis of which the market price can be determined, the asset value was used to determine the fair value of the reinsurance policies.

**Tax provisions and other provisions** account for all uncertain liabilities and imminent losses from pending transactions. They are set at the settlement amount deemed necessary based on prudent commercial judgement.



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Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven years, corresponding to their remaining term.

**Liabilities** are recognised at the settlement amount.

**Deferred taxes** are not recognised for Karlsberg Brauerei GmbH due to the existing tax group arrangement with Karlsberg Holding GmbH.

**Assets and liabilities** denominated in foreign currencies were translated at the mean spot exchange rate on the reporting date. Where there was a remaining term of more than one year, the realisation principle (section 252 (1) no. 4 half-sentence 2 HGB) and the acquisition cost principle (section 253 (1) sentence 1 HGB) were observed.

## Notes to the balance sheet

### Non-current/fixed assets

Changes in the individual non-current/fixed asset items, including depreciation and amortisation for the financial year, are shown in the statement of changes in fixed assets appended to the notes.

The 1,216,592 ordinary shares and 38,050 preference shares in Mineralbrunnen Überkingen-Teinach GmbH & Co. KGaA were recognised at acquisition prices of EUR 17.33 for ordinary shares and EUR 14.50 for preference shares in accordance with the valuation option under section 253 (3) sentence 6 HGB. The share price on the reporting date was EUR 13.60 for the ordinary shares and EUR 11.30 for the preference shares. The carrying amount of the ordinary shares was therefore recognised at EUR 21,084 thousand, which was EUR 4,538 thousand above the fair value of EUR 16,546 thousand, while the carrying amount of the preference shares was EUR 552 thousand, which was EUR 122 thousand above the fair value of EUR 430 thousand. No writedowns were recognised as at the reporting date, as the impairment was not considered to be permanent.

### Notes on shareholdings

Karlsberg Brauerei GmbH holds direct interests in the following companies:

Company	Capital share %	Equity 31 Dec 2023 kEUR	Profit/loss 2023 kEUR
Karlsbräu CHR S.A.S., Saverne/France	100.00	3,585	- 402
Mineralbrunnen Überkingen- Teinach GmbH & Co. KGaA, Bad Teinach-Zavelstein <sup>1</sup>	16.48	72,966	8,248

<sup>1</sup> Equity and profit of Mineralbrunnen Überkingen-Teinach GmbH & Co. KGaA as at 31. December 2022.

### Receivables and other assets

Other assets included receivables with a remaining term of more than one year of EUR 4,077 thousand (PY: EUR 5,426 thousand).

Receivables from affiliated companies of EUR 1,368 thousand (PY: EUR 1,560 thousand) related to deliveries and services.

As at the reporting date, receivables from affiliated companies included receivables from shareholders of EUR 20,631 thousand (PY: EUR 12,590 thousand).

### Equity

The annual general meeting on 22 November 2023 voted to amend the articles of association and thereby increase the share capital by EUR 3,500 thousand. The entry in the commercial register was made on 5 December 2023. The company's share capital which has been paid up in



full was EUR 16,283 thousand as at the reporting date.

The other retained earnings of EUR 45 thousand (PY: EUR 45 thousand) related to amounts from the first-time application of the German Accounting Law Modernisation Act (BilMoG).

### Provisions for pensions and similar obligations

The deficit to be accumulated in future periods in accordance with Art. 67 (2) EGHGB amounted to EUR 120 thousand (PY: EUR 240 thousand).

The difference pursuant to section 253 (6) HGB amounted to EUR 251 thousand (PY: EUR 1,006 thousand) and is subject to a distribution restriction, but not a transfer restriction.

Pursuant to Art. 28 EGHGB, provisions for indirect pension obligations of the pension recipients of Karlsberg Brauerei GmbH, for which a subsidiary liability exists, are not recognised in the balance sheet of Versorgungswerk Karlsberg Brauerei e. V., Homburg.

The size of the unrecognised indirect pension obligations, based on a discount rate of 4.50%, which corresponds to the average interest rate of the pension fund's plan assets, was EUR 5,256 thousand (PY: EUR 4,575 thousand). Based on a discount rate of 1.83% (PY: 1.80%) pursuant to section 253 (2) HGB, the amount was EUR 10,412 thousand (PY: EUR 10,168 thousand).

There were also indirect pension obligations of the provident fund of Löwenbrauerei Trier J. Mendgen GmbH, Homburg, amounting to EUR 175 thousand (PY: EUR 184 thousand).

### Other provisions

Other provisions mainly included provisions for deposits of EUR 3,848 thousand (PY: EUR 4,711 thousand), personnel costs of EUR 1,462 thousand (PY: EUR 1,332 thousand) and outstanding invoices, refunds

and sales promotions of EUR 6,152 thousand (PY: EUR 5,640 thousand). Other provisions for contingent liabilities of EUR 618 thousand (PY: EUR 339 thousand) were also recognised.

Pursuant to section 246 (2) sentence 2 HGB, partial retirement obligations were offset against related assets.

### Offsetting pursuant to section 246 (2) sentence 2 HGB:

	kEUR
Settlement amount of offset liabilities	15
Acquisition cost of assets	20
Fair value of assets	20
Offset expenses	1
Offset income	1

The income and expenses incurred in this context are also recognised on a net basis under "Interest and similar expenses".



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## Liabilities

	Amount kEUR	Thereof with a remaining term		
		under one year kEUR	from 1 to 5 years kEUR	over 5 years kEUR
1. Bonds (PY)	50,000 (50,000)	50,000 (0)	0 (50,000)	0 (0)
2. Liabilities to banks (PY)	1,847 (2,129)	299 (281)	848 (988)	701 (859)
3. Trade accounts payable (PY)	12,930 (10,142)	12,930 (10,142)	0 (0)	0 (0)
4. Liabilities to affiliated companies (PY)	580 (3,177)	580 (3,177)	0 (0)	0 (0)
5. Other liabilities (PY)	11,649 (10,984)	7,369 (5,446)	4,207 (4,814)	73 (724)
thereof from taxes (PY)	669 (807)	669 (807)	0 (0)	0 (0)
thereof relating to social security (PY)	26 (26)	26 (26)	0 (0)	0 (0)
<b>TOTAL</b> (PY)	<b>77,006</b> (76,431)	<b>71,177</b> (19,046)	<b>5,055</b> (55,802)	<b>774</b> (1,583)

Liabilities to banks are collateralised as follows:

- Land charges,
- Assignment by way of security of all trade receivables,
- Pledging of shares,
- Joint liability of Karlsberg Holding GmbH.

Liabilities to affiliated companies included trade payables totalling EUR 580 thousand (PY: EUR 3,177 thousand).



## Notes to the income statement

### Sales revenue

Sales revenue (before subtraction of excise duties) comprise:

	2023 kEUR	2022 kEUR
Revenue from own-brand beer / AFB-linked products / trade merchandise	146,126	144,243
Revenue from cost allocations	1,917	1,527
Revenue from by-products	1,458	1,321
Revenue from rents and leases	2,108	2,183
Other revenue	1,726	2,005
Gross revenue*	153,334	151,279
Revenue deductions	-24,944	-24,908
Sales revenue before subtraction of excise duties	<b>128,389</b>	<b>126,371</b>
thereof attributable to:		
Domestic	106,979	103,878
Foreign	21,410	22,493
	<b>128,389</b>	<b>126,371</b>

\*Gross revenue = revenue before subtraction of revenue deductions and excise duties

### Prior-period and extraordinary income and expenses

Other operating income included prior-period income of EUR 856 thousand (PY: EUR 939 thousand) and related to income from the reversal of provisions and income from the sale of non-current assets. In addition, other operating income included extraordinary income of EUR 1,454 thousand (PY: EUR 1,364 thousand) from damages received as a result of fire damage in an industrial complex rented and sublet by Karlsberg Brauerei GmbH in the 2019 reporting year. In this context, extraordinary expenses of EUR 1,454 thousand (PY: EUR 1,364 thousand) were booked to various items on the income statement in the reporting year. Due to damage, planned sales revenue amounting to 1,054 thousand (PY: 998 thousand) could not be realised. Other operating expenses included extraordinary expenses of EUR 148 thousand (PY: EUR 366 thousand), principally for property protection, as well as extraordinary expenses for interest and similar expenses of EUR 252 thousand (PY: EUR 0 thousand) recognised under the financial gains or losses. Expenses relating to other periods of EUR 472 thousand were recognised in the previous year, mainly in connection with write-downs on current assets.

Furthermore, extraordinary expenses of EUR 120 thousand (PY: EUR 120 thousand) related to the addition to pension provisions pursuant to Art. 67 (1) sentence 1 EGHGB, which were reported in other operating expenses.

### Financial gains or losses

The reduced interest expense of EUR 86 thousand (PY: increased interest expense of EUR 189 thousand) due to the change in the discount rate in accordance with section 253 HGB was recognised under financial gains or losses.

## II. OTHER DISCLOSURES

### Contingent liabilities and transactions not included in the balance sheet

#### Contingent liabilities

Karlsberg Brauerei GmbH has taken on a "debt accession" in favour of Siemens Finance & Leasing GmbH for a lease of Karlsberg Direkt GmbH & Co. KG. The total net acquisition value was EUR 76 thousand. The liability amount from the "debt accession" was EUR 12 thousand as at 31 December 2023.

It is not expected any claim will be made on the liabilities and sureties, as the debtor is financially capable of meeting its obligations on time.

There were no contingent liabilities towards third parties.

#### Other financial obligations

Up until the respective contract end dates, the financial obligations existing as at 31 December 2023 from leasing, raw material, and service contracts amounted to:

	Amount kEUR	Thereof with a remaining term		
		under one year kEUR	from 1 to 5 years kEUR	over 5 years kEUR
Obligations from raw materials contracts	21,019	21,019	0	0
Obligations from leases	878	488	391	0
Other obligations	542	478	64	0
<b>Total</b>	<b>22,439</b>	<b>21,985</b>	<b>455</b>	<b>0</b>

There were also annual payment obligations from rental agreements and leases of EUR 1,570 thousand. The contracts expire between 2024 and 2029.

From the service contract concluded with Karlsberg Connect & Sales GmbH, an affiliated company, an expense from cost allocations for management and other services, mainly in the areas of sales (trade and exports) and IT, amounting to an estimated 11,348 thousand is expected to be incurred in financial year 2024 following the transfer of the trade and export divisions of Karlsberg Brauerei GmbH to Karlsberg Connect & Sales GmbH. In the 2023 reporting year, expenses totalling EUR 6,540 thousand were incurred for the sales division (trade and exports) and reported in personnel expenses in the amount of EUR 5,673 thousand and in other operating expenses in the amount of EUR 867 thousand at Karlsberg Brauerei GmbH prior to the transfer of this division on 1 January 2024.

The service agreement concluded with Karlsberg Direkt GmbH & Co. KG for internal logistics and materials management services is expected to generate expenses from cost allocations of EUR 2,400 thousand in the 2024 financial year.

As at the reporting date, there were contractual obligations arising from home consumption allowances for commitments granted before 1987 amounting to EUR 217 thousand.

To ensure the sustainable income of the plan assets of the pension fund Versorgungswerk Karlsberg Brauerei e.V., the sponsoring company Karlsberg Brauerei GmbH has committed itself to supplement the income each year, taking into account additional endowments that might be required, as well as dividend and interest income, in case the annual return of 4.5% on the status of the plan assets as at 1 January of the calendar year is not achieved. Taking into account planned additional endowments, interest, and dividend income, a supplement to the income of EUR 247 thousand is expected for the financial year 2024.



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## Managing Director

Mr Markus Meyer.

The disclosure pursuant to section 285 no. 10 HGB arises from the executive position of the managing director.

In accordance with section 286 (4) HGB in conjunction with section 285 no. 9a HGB, the remuneration of the management is not disclosed, as only one managing director receives remuneration from the company.

Remuneration for former managing directors and surviving dependants totalled EUR 18 thousand in the reporting year (PY: EUR 0 thousand). The provision for pensions and similar obligations amounted to EUR 1,418 thousand (PY: EUR 1,396 thousand) as at the reporting date, of which EUR 259 thousand (PY: EUR 252 thousand) was reinsured by appropriate insurance policies and the corresponding plan assets are recognised under other assets.

## Average number of employees during the financial year

	2023 In total	2022 In total
Commercial/industrial employees	133	132
Salaried employees	120	117
	253	249
Apprentices	8	9
	<b>261</b>	<b>258</b>

## Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Karlsberg Holding GmbH, Homburg, and published in the Federal Gazette (smallest consolidation group). These are part of the consolidated financial

statements of Karlsbergbrauerei Kommanditgesellschaft Weber, Homburg, which are also published in the Federal Gazette (largest consolidation group).

As at 31 December 2023, the company was not obligated to prepare consolidated financial statements, as Karlsberg Holding GmbH, Homburg, prepared consolidated financial statements and a consolidated management report as at 31 December 2023, so exempting the company.

## Audit and consulting fees of the auditor

The auditor's fee for the financial year was EUR 211 thousand. Of this amount, EUR 199 thousand related to auditing services and EUR 12 thousand to other assurance services.

## Events after the reporting date

Effective 1 January 2024, the existing sales divisions for trade and exports of Karlsberg Brauerei GmbH, and the trade division of KAMPOS Vertriebs GmbH, were consolidated into a new unit and sold to the sister company Karlsberg Connect & Sales GmbH in an asset deal. Provisions of EUR 2,043 thousand and fixed and current assets of EUR 73 thousand were transferred in connection with this transaction.

No other events of special significance occurred after the reporting date of 31 December 2023 which have any significant financial impact on the net assets, financial position and results of operations of Karlsberg Brauerei GmbH.

## Proposed appropriation of profits

Based on the existing profit and loss transfer agreement, the profit is transferred in full to Karlsberg Holding GmbH.

Homburg, 18 March 2024

Markus Meyer  
Managing Director





## DEVELOPMENT OF FIXED ASSETS AS AT 31 DECEMBER 2023

	Acquisition and production costs				
	01.01.23	Additions	Disposals	Transfers	31.12.23
	EUR	EUR	EUR		EUR
<b>I. Intangible assets</b>					
1. Purchased concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets	17,477,941.14	10,000.00	7,987.87	0.00	17,479,953.27
<b>II. Property, plant and equipment</b>					
1. Land, land rights and buildings, including buildings on third-party land	49,778,640.90	66,580.47	0.00	0.00	49,845,221.37
2. Technical equipment and machinery	99,322,002.34	4,638,538.51	1,101,558.91	576,101.29	103,435,083.23
3. Other equipment, operating and office equipment	56,380,726.77	5,679,589.86	4,891,991.74	31,381.55	57,199,706.44
4. Prepayments and assets under construction	1,196,058.83	4,506,339.33	0.00	-607,482.84	5,094,915.32
	206,677,428.84	14,891,048.17	5,993,550.65	0.00	215,574,926.36
<b>III. Financial assets</b>					
1. Shares in affiliated companies	33,076,313.41	3,085,238.54	0.00	0.00	36,161,551.95
2. Loans to affiliated companies	1,077,498.65	0.00	456,723.51	0.00	620,775.14
3. Long-term investments	1,406,087.83	0.00	0.00	0.00	1,406,087.83
4. Other loans	3,492,243.25	1,382,634.00	1,443,247.16	0.00	3,431,630.09
	39,052,143.14	4,467,872.54	1,899,970.67	0.00	41,620,045.01
	263,207,513.12	19,368,920.71	7,901,509.19	0.00	274,674,924.64

## Appendix to the notes

	Accumulated amortisation/depreciation				Carrying amounts	
	01.01.23	Additions	Disposals	31.12.23	31.12.23	31.12.22
	EUR	EUR	EUR	EUR	EUR	EUR
	10,157,509.14	1,061,826.00	7,987.87	11,211,347.27	6,268,606.00	7,320,432.00
	41,450,971.41	705,146.47	0.00	42,156,117.88	7,689,103.49	8,327,669.49
	82,627,969.34	2,213,343.60	1,082,421.92	83,758,891.02	19,676,192.21	16,694,033.00
	43,715,572.77	5,283,066.02	4,771,870.35	44,226,768.44	12,972,938.00	12,665,154.00
	0.00	0.00	0.00	0.00	5,094,915.32	1,196,058.83
	167,794,513.52	8,201,556.09	5,854,292.27	170,141,777.34	45,433,149.02	38,882,915.32
	0.00	0.00	0.00	0.00	36,161,551.95	33,076,313.41
	0.00	0.00	0.00	0.00	620,775.14	1,077,498.65
	1,380,487.83	0.00	0.00	1,380,487.83	25,600.00	25,600.00
	771,065.00	157,824.76	302,047.33	626,842.43	2,804,787.66	2,721,178.25
	2,151,552.83	157,824.76	302,047.33	2,007,330.26	39,612,714.75	36,900,590.31
	180,103,575.49	9,421,206.85	6,164,327.47	183,360,454.87	91,314,469.77	83,103,937.63



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## AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

TO KARLSBERG BRAUEREI GMBH

### Audit opinions

We have audited the annual financial statements of Karlsberg Brauerei GmbH, Homburg, comprising the balance sheet as at 31 December 2023 and the income statement for the financial year from 1 January 2023 to 31 December 2023, and notes to the financial statements, including the accounting policies presented therein. We have also audited the management report of Karlsberg Brauerei GmbH for the financial year from 1 January 2023 to 31 December 2023.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the net assets, financial position and results of operations of the company as at 31 December 2023 and of its results of operations in the financial year from 1 January 2023 to 31 December 2023 in compliance with German legally required accounting principles, and
- the accompanying management report provides an accurate picture overall of the company's situation. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### Basis for the audit opinions

We have conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and



German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the company pursuant to the requirements of German commercial and professional law and have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

### Other information

The legal representatives are responsible for the other information. The other information comprises other components provided for the annual report, of which we have obtained a version prior to issuing this auditor's report, in particular the sections on sustainability and the key indicators.

Our opinions on the annual financial statements and on the management report do not cover the other information, and accordingly, we do not provide an audit opinion or any other form of audit conclusion on this.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the annual financial statements, management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.





## Legal representative's responsibility for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in compliance with German legally required accounting principles. Furthermore, the legal representatives are responsible for such internal controls as they have, in accordance with German generally accepted accounting principles, determined necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud (i.e. fraudulent manipulation of the accounting records or misrepresentation of assets) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuance of the company as a going concern, where relevant. In addition, they are responsible for preparing the financial statements on the basis of the going concern principle, unless actual or legal circumstances prevent this.

Additionally, the legal representatives are responsible for the preparation of the management report that provides an accurate picture of the company's position overall and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. The legal representatives are also responsible for such arrangements and measures (systems) they have deemed necessary to enable the preparation of a management report that complies with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the statements in the management report.

## Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the management report as a whole provides an accurate picture of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report which includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but no guarantee that an audit conducted in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

During the audit, we exercise professional judgement and maintain a critical attitude. In addition

- we identify and assess the risks of material misstatement of the annual financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk that material misstatements resulting from fraud will not be detected is higher than the risk that material misstatements resulting from errors will not be detected, as fraudulent actions may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal controls;
- we obtain an understanding of the internal control system relevant for the audit of the annual financial statements and the precautions and measures relevant for the audit of the management report to plan audit procedures that are appropriate under the circumstances,

but not with the aim of issuing an audit opinion on the effectiveness of these company systems;

- we evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and related disclosures made by the legal representatives;
- we draw conclusions on the appropriateness of the accounting principle of a going concern applied by the legal representatives, as well as, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the company no longer being able to continue as a going concern;
- we evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in compliance with German legally required accounting principles;
- we evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the picture of the company's position it provides;
- we perform audit procedures on the forward-looking information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and assess the proper derivation of the forward-looking information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We discuss with those responsible for the monitoring, among other matters, the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Saarbrücken, 18 March 2024

EY GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft [Auditing company]

Dr Zabel	Delizia
Wirtschaftsprüfer [Auditor]	Wirtschaftsprüfer [Auditor]



# FINANCIAL CALENDAR

- 25. MARCH 2024** Publication of annual financial statements and management report as at 31 December 2023
- SEPTEMBER 2024** Publication of 2024 half-year financial statements

## LEGAL NOTICE

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**KARLSBERG**