

MACKMYRA SVENSK WHISKY AB (PUBL)

Q3 **INTERIM REPORT**
JULY – SEPTEMBER 2017



MACKMYRA
SWEDISH SINGLE MALT WHISKY

RESULTS IN BRIEF

	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full year
Net sales (excluding alcohol tax), SEKm	17.7	16.0	53.6	47.2	73.4
<i>Growth in sales (excluding alcohol tax)</i>	10%	20%	14%	12%	18%
Sales of Bottled Products, SEKm	9.6	9.3	33.8	30.3	47.1
Sales of Casks and Experiences, SEKm	8.0	6.7	19.9	16.8	26.3
Gross profit/loss, before under-absorption, SEKm	9.6	7.9	26.9	22.7	34.9
<i>Gross profit/loss, before under-absorption, %</i>	54%	49%	50%	48%	48%
Gross profit/loss, SEKm	9.6	5.9	26.9	16.0	28.1
<i>Gross profit margin, percent</i>	54%	36%	50%	34%	38%
EBITDA, SEKm	-0.7	-3.8	-2.6	-11.9	-13.0
Operating profit/loss, SEKm	-1.1	-3.9	-3.8	-12.3	-13.6
Interest expenses, SEKm	-2.9	-3.3	-8.9	-9.2	-12.4
Taxes, SEKm	0.0	0.0	0.0	0.0	-0.1
Profit/loss after tax, SEKm	-4.0	-7.2	-12.8	-21.6	-26.1
Cash flow after investments, SEKm	-0.1	-2.0	-10.0	-13.9	-9.5
Earnings per share, basic, SEK	SEK -0.34	SEK -0.79	SEK -1.10	SEK -2.38	SEK -2.70

CONTINUED IMPROVED PERFORMANCE AND 10% GROWTH IN Q3

SALES GROWTH Q3

The third quarter of the year was Mackmyra's eleventh consecutive quarter with sales growth. Growth was driven primarily by strong growth in sales of Casks & Experiences (19%), but sales of bottles also grew during the quarter (4%).

The sales growth in the quarter is the result of successes in several parallel areas:

- The autumn cask campaign with whisky casks saturated with amarone wine from MASI has been extremely successful and is a contributing factor to the increase in sales. Overall, demand for the company's products has been high and Mackmyra's sales at the Stockholm Beer and Whisky Festival, Sweden's largest whisky event, reached record levels.
- Sales growth in the priority export markets – Germany, France and the UK – totalled 63 percent. All three of these markets clearly achieved sales growth independently. Sales to the French market grew during the quarter by more than 90 percent.
- The Travel Retail segment continued to show strong sales growth and more than doubled sales.
- Sales to Mackmyra's largest customer, Systembolaget, surged 8 percent during the quarter. MACK by Mackmyra remains the main driver of this growth.
- As in Q2, the Private Brand segment accounted for a clear decline in sales, attributable in part to a decrease in demand for Motörhead Whisky.
- At the end of the quarter the number of bottles sold reached a new record since the inception of the company over a rolling 12-month period. Sales of bottled products in the most recent rolling 12-month period surpassed 300,000 bottles in the third quarter, which is of course a milestone in the development of the company. This figure does not include volumes bottled from previously sold customer casks.

EARNINGS AND CASH FLOW IN Q3

Gross profit for the quarter amounted to SEK 9.6 million (5.9). Gross profit for the second quarter last year includes the cost of under-absorption corresponding to SEK 2.0 million. There is no corresponding cost for the second quarter this year at the current production rate. Gross margin for the quarter before under-absorption is significantly higher than the previous year, largely because sales of Casks & Experiences, with relatively high gross profit margins, account for a large share of sales. The change in product mix in bottle sales also had a positive impact.

EBITDA for the quarter was a loss of SEK 0.7 million (loss: 3.8), corresponding to an improvement of about SEK 3.1 million compared with the third quarter of the previous year. Operating loss for the quarter totalled SEK 1.1 million (loss: 3.9). Loss after tax was SEK 4.0 million (loss: 7.2), an improvement of about SEK 3.2 million.

Cash flow after investments amounted to SEK -0.1 million (-2.0) for the quarter. The improved cash flow for the quarter should be viewed in light of the fact that the distillation rate almost quadrupled in the quarter compared with the previous year. The increased distillation rate represents an additional investment of approximately SEK 1 million in newly distilled raw spirit compared with the previous year.

SIGNIFICANT EVENTS IN THE THIRD QUARTER

- In July Mackmyra announced the final outcome of the share issue of convertibles (K20), which meant that convertibles with a nominal value of SEK 1.9 million were subscribed and allocated.
- Mackmyra received a Certificate from SMAK confirming that the business was being monitored and that it complies with the rules for KRAV-certified production of organic raw spirit (new make for whisky) and flavouring of raw spirit (e.g., gin).
- Mackmyra announced in August that the Company's products were awarded six medals at this year's International Wine & Spirit Competition.
- Mackmyra announced in August that the Spirits Business' annual World Whisky Masters named Mackmyra's Ten Years one of the top ten best value for money whiskies from the new world and also awarded four medals to Mackmyra, including three gold medals.
- Mackmyra announced in August that it is launching a pink whisky, from ageing in casks saturated with cherry wine. Moment Körsbär, as the product is called, was released in an extremely limited edition of 2,400 bottles in September and is now sold out.
- Mackmyra announced in September that the autumn's seasonal whisky, Skördetid, is a collaboration with the well-known wine producer MASI, where parts of the whisky were stored for finishing in MASI's amarone casks. Skördetid was released at Systembolaget in November, and in a few of the export markets already in September.
- Mackmyra announced in September that the LAB Distillery's first product, a craft-produced, organic gin was launched. The product is called Kreatör [jin] and was released in Systembolaget's order assortment on 27 September.
- The production rate continues to be high, which means that the number of distilled volumes during the quarter almost quadrupled compared with the previous year. A high production rate is essential to be able to meet the continued growing demand for Mackmyra products in the future.

SIGNIFICANT EVENTS AFTER THE QUARTER

- Mackmyra announced in October that the company's products had garnered an impressive ten medals, including three gold medals, in the 2017 competitions at the Stockholm Beer & Whisky Festival.
- Kreatör [jin] quickly raised strong interest and after just a little over a month since the launch in the order assortment, Systembolaget decided to include the product on the shelf in 60 of its stores.
- In November, Plantation Rum released two rum products at Systembolaget that had both been stored in Mackmyra's whisky casks. The release is a continuation of the collaboration that was initiated in 2016 between Mackmyra and Plantation, when Mackmyra's seasonal whisky Vinterdröm was stored for finishing in Plantation's rum casks and Plantation's Caribbean rum was used to enable sales of 30-litre whisky casks saturated in rum to Mackmyra's customers. Plantation's launch attracted strong interest and the limited-edition products quickly sold out.

CEO'S REPORT

The third quarter of the year was Mackmyra's eleventh consecutive quarter with sales growth. Sales for the third quarter, along with the accumulated figure for the first nine months, represent record levels by a wide margin compared with previous results. Earnings for each quarter of the year have made great strides in the right direction. Cash flow after investments continues to improve, balancing out at +/- zero for the quarter even though we considerably increased distillation.

Sales of Casks and Experiences is the locomotive of growth for the quarter. Many new customers are finding their way to our cask offering right now. We have noted in recent times that many members of the younger generations of connoisseurs appreciate Mackmyra's innovative cask experience. Our current campaign promoting 30-litre private casks with an amarone finish in collaboration with MASI was one of the major successes of the quarter. To a greater extent than any other in recent years, this campaign has appealed to new and younger cask owners.

The second part of the MASI collaboration involves the seasonal whisky Skördetid, which also contains whisky with an amarone wine finish. The launch, at whisky fairs and the export market, took place in the third quarter with a very positive reception. The release of Skördetid at Systembolaget had to wait until 17 November, which built up strong demand that resulted in a flying start for sales, to say the least.

Mackmyra specialises in customised innovative products in small editions such as private 30-litre casks or innovative Limited Editions. Two good examples, in two different contexts, are Mackmyra's series of Seasonal editions and the Moment series. Such products clearly represent our motto "Explorers in Whisky" and are our primary driver in communicating our culture and our values, and thus are perhaps our most important tool for further consolidating the Mackmyra brand. This type of product also allows for higher gross margins than traditional standard products, which is an extremely important key to the future profitability puzzle.

These products are a perfect fit in the consumer trend around the world, where more exclusive New World Whisky and Craft Spirits are rapidly growing. The potential for Mackmyra to increase the proportion of these high-margin products in export markets represents a huge opportunity for the future. We primarily focus on our priority export markets in Europe – Germany, France and the UK – where for many years we have seen both an initial and a growing interest in Mackmyra's innovative limited editions. However, these markets are huge and there is considerable scope for increased sales in the years to come.

The general Craft Spirit trend globally continues to show strong growth, with many craft distilleries and continued increased interest among consumers who are prepared to pay more for a more unique product. In New World Whisky, Mackmyra is one of the leading distilleries worldwide since its inception in 1999. With initiatives in the Whisky Village and the buildup of maturing stocks over the years, we are better equipped than most to further expand with this trend in a market that is beginning to flourish.

In Europe new gin distilleries have become increasingly common in recent years. Since gin usually is not matured, the number of craft gin products on the market immediately exploded, especially in markets such as the UK and Spain, but also in several other markets. It took a long time before the trend found its way to Sweden. With predecessors such as the Hven and Hernö distilleries, which have developed excellent products, the trend has slowly gained a foothold and finally emerged to become the Gin boom we are now seeing in Sweden. In this Gin boom, both the new Craft gin products and the previously established premium gin products have shown strong growth. While the somewhat younger consumers and the bar scene are leading the way, most connoisseurs appreciate the delicious new gin products.

The timing for establishing the LAB distillery by Mackmyra could hardly have been better. The work carried out during the year to restart Mackmyra's original distillery at Mackmyra Bruk has now culminated in the third quarter with the launch of our first gin. Consequently Mackmyra's shareholders now own both a whisky distillery (Gravity in Mackmyra Whisky Village) and a gin distillery (LAB distillery by Mackmyra, at Mackmyra Bruk). Two outstanding tools, each on its own merits, for taking advantage of the strong demand for artisan Craft Spirit in a strongly growing market. The ability to sell, market, distribute and administer the products from both of these distilleries within Mackmyra's existing organisation and strong brands of course entails even more exciting opportunities.

The launch of the LAB Distillery's first product: Kreatör [jin], has exceeded expectations and the product has already landed on the shelf in about 60 Systembolaget stores. Although the sales start in late September had only a marginal impact on our third quarter figures, the LAB Distillery by Mackmyra will be able to make important contributions to both earnings and cash flow moving forward. Gin is an excellent seasonal complement to whisky, providing good margins and fast cash flow since no time-consuming maturing is necessary, and without having to cannibalise our own sales of Single Malt products. Cash flow continues to be a major area of focus moving forward since in the future, just as in the past, we need to deal with the challenge of interest and amortisation payments on relatively large loans.

Mackmyra is experiencing many positive and exciting events right now, where the market is going our way and where we continue to clearly move in the right direction. My colleagues and I look forward to a really exciting end to 2017!



Magnus Dandanel
Chief Executive Officer, Mackmyra Svensk Whisky AB

MACKMYRA SVENSK WHISKY

Mackmyra Svensk Whisky AB (publ) was founded in 1999 and is Sweden's first producer of malt whisky. The Company has successfully launched the first Swedish single malt whisky in the form of personal 30-litre casks and single malt whisky sold in bottles. Operations are conducted in Mackmyra Whisky Village outside Gävle with marketing handled in Stockholm, as well as through the subsidiaries Mat och Upplevelser i Kungsbäck AB and Mackmyra Swedish Whisky GmbH, which is based in Hamburg. Mackmyra has approximately 7,000 shareholders and its Class B shares are listed on Nasdaq First North Stockholm.

MARKET

Systembolaget's sales of single malt whisky rose by 4 percent (5) in the third quarter compared with the previous year, according to Systembolaget's own statistics. The trend for New World Whisky, whisky from non-traditional countries, remains positive. Many new distilleries are starting all over the world and receiving strong interest among consumers and the media.

NET SALES AND FINANCIAL PERFORMANCE

Net sales



Whisky sales are subject to substantial seasonal variations. For Mackmyra, Q4 and Q2 have been the strongest quarters historically.

Net sales excluding alcohol tax for the second quarter totalled SEK 17.7 million (16.0), up 10 (20) percent over the previous year. This quarter was therefore the eleventh consecutive quarter with growth compared with the previous year.

During the quarter, Bottled Products comprised 55 percent (58) of net sales excluding alcohol tax, while

Casks and Experiences accounted for the remaining 45 percent (42).

Financial Performance

Gross profit for the quarter amounted to SEK 9.6 million (5.9) with a gross profit margin of 54 percent (36). Financial performance in the third quarter of 2016 was negatively impacted by the cost of under-absorption, corresponding to SEK 2.0 million, resulting from the low production rate. With the current high production rate there is no corresponding cost for the third quarter this year.

Gross profit margin excluding under-absorption for Q3 2016 was 49 percent, to be compared with 54 percent for the current quarter as mentioned above. The current quarter's higher gross profit margin before under-absorption can largely be explained by differences in product mix for the quarter. Casks & Experiences, which have a much higher gross profit margin than the majority of the Company's bottled products, accounted for a relatively larger share of sales.

In practice, the cost of under-absorption entails periods with low distillation volume during which earnings are charged with fixed expenses that cannot reasonably be applied to the value of the maturation stock because of the low distillation volume. The negative impact on earnings arises when the fixed production costs cannot be fully allocated to the distilled volumes and instead are expensed directly in income. In recent years under-absorption has had a substantial negative impact on gross profit. However, the lower distillation volume during these years has also contributed to a significant improvement in cash flow. At the current production rate, as was mentioned above, no costs for under-absorption arise.

Other operating expenses for the third quarter amounted to SEK 10.7 million (9.7), and operating loss was SEK 1.1 million (loss: 3.9). Depreciation and amortisation for the quarter amounted to SEK 2.8 million (3.0).

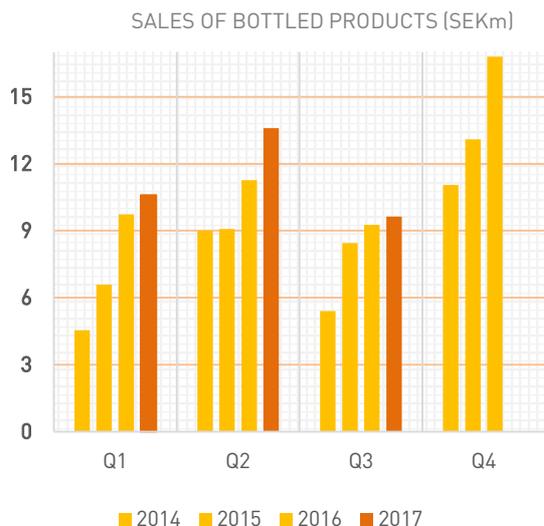
Net financial items for the quarter totalled SEK -2.9 million (-3.3). Net financial items include interest expense attributable to the equity portion of convertible debentures corresponding to SEK 0.3 million (0.3). This latter interest expense has no impact on cash flow for the company, either historically or in the future.

The loss after tax for the third quarter was SEK 4.0 million (loss: 7.2), thereby representing an improvement in earnings of SEK 3.2 million.

BOTTLED PRODUCTS

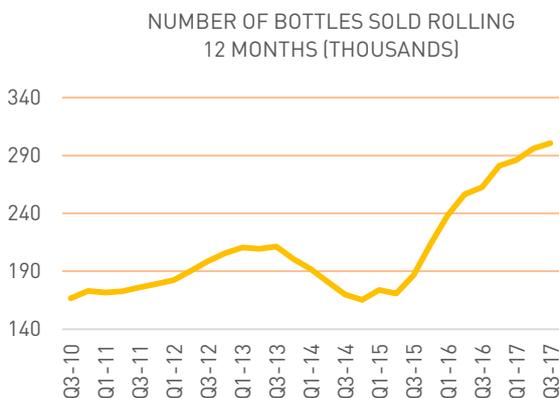
Currently about half of Mackmyra’s sales revenue comes from bottled products to Systembolaget, which is Mackmyra’s largest customer.

The priority export markets, Germany, France and the UK, account for one fourth of sales. Border Shops, Travel Retail and Private Brand account for almost another quarter of sales. The remainder is sold in small volumes to other export markets.



Net sales from sales of bottles increased by an impressive 4 percent during the third quarter compared with the previous year and totalled SEK 9.6 million (9.3).

The number of bottles sold during the quarter amounted to 62,000 (57,000), an increase of 8 percent (15) compared with the previous year. The number of bottles sold over the most recent rolling 12-month period (300,000) thereby once again reached a record high at the end of the third quarter of 2017 since the inception of the company.



Mackmyra’s priority export markets

Sales to the priority export markets during the quarter amounted to SEK 3.0 million (1.9). This represents a 63 percent (30) increase in sales.

During the third quarter, as in the previous quarter, we achieved clear sales growth compared with the previous year in all three of our priority export markets. The French market demonstrated the fastest growing sales during the quarter, surging more than 90 percent. Sales in these priority export markets in the third quarter accounted for 31 percent (21) of Mackmyra’s revenue from bottled products.

Systembolaget

Sales to Systembolaget increased by 8 percent (36) during the quarter. Sales of MACK by Mackmyra continued to grow steadily and are the primary explanation for this growth; sales of products from our most exclusive product series, Moment, also contributed to our sales growth. However, unfortunately we also saw a slight decline during the quarter in sales of Svensk Rök, which has had more competition on the shelf from similar alternatives for some time now.

Private Brand

The Private Brand segment clearly declined in the third quarter, as it did in the second quarter, compared with the previous year. Since these sales are largely ad hoc in nature, some volatility between quarters is expected, but part of the explanation for the decline in sales is reduced demand for the product Motörhead Whisky, which is included in Systembolaget’s regular assortment and can therefore be expected to have a more consistent sales pattern than other products in the segment.

Travel Retail

The collaboration with SAS (Traveler) has been included in the Travel Retail segment since the beginning of the year. This collaboration, along with the launch of Expedition (a product aimed exclusively at the travel retail segment) in May, is the main reason that rapid sales growth continued compared with the previous year. Growth for the third quarter of the year in this segment was 113% and sales in this segment thereby surged to account for 9% of total bottle sales.

Lab Distillery by Mackmyra

On 27 September the first product from the LAB Distillery was launched in Systembolaget’s order assortment. Since this release was in the order assortment and so close to the end of the month, actual third quarter sales attributable to this project are modest. However, sales took off in the beginning of Q4 and at the beginning of November Kreatör [jin] was on the shelf in about 60 Systembolaget stores.

NEW PRODUCTS

Moment Körsbär

On 7 September Moment Körsbär was released in Systembolaget's order assortment. The whisky included in Mackmyra's exclusive Moment series is allowed to mature in oak casks in which sweet cherry wine had previously matured, gaining its lovely, almost pink colour from these casks.

The result is an elegant and subtle combination of vanilla, fruit, spicy oak and sweet berries. The aroma of fruit and berries has soft notes of oak, spicy flowers and hints of fresh citrus fruits. The aftertaste is long, fruity and spicy.

The whisky was released in a limited edition of 2,400 bottles that were quickly sold out.



Skördetid

Skördetid was launched at Systembolaget on 17 November. However, somewhat earlier than that, in late September, it was released in a few select export markets. The whisky is this autumn's seasonal whisky, which was produced in a limited volume and was developed in collaboration with the well-known Italian wine producer MASI. The elegant whisky was allowed to mature in amarone casks that had previously stored MASI Costasera Amarone.

The fruity taste is spicy with dried fruit like raisins, pears and ginger and vanilla. The texture is creamy and medium-bodied. The aftertaste is long, fruity and spicy from oak with warm raisin.

Skördetid already won a gold medal in the category Swedish whisky up to 5YO at the Stockholm Beer and Whisky Festival, as well as at the German C2C Spirit Cup 2017 which kicked off in October.



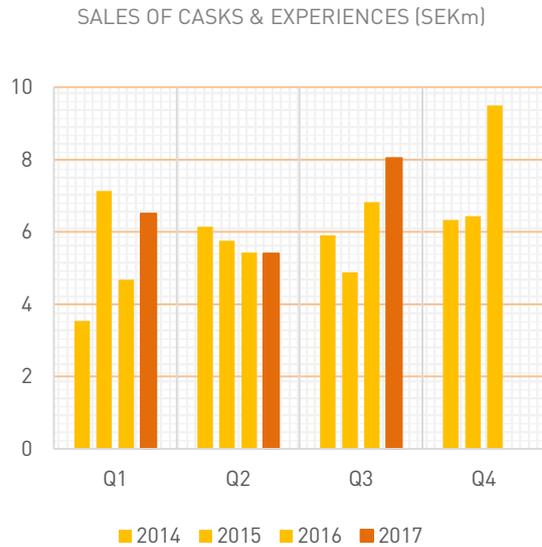
Kreatör [jin]

On 27 September Kreatör [jin] was released in Systembolaget's order assortment. This is the first product to be released from the LAB Distillery by Mackmyra. This organic and handcrafted gin was developed together with craft distiller Rickard Aldén. The product was made with absolutely no compromises, which means that all ingredients used in the recipe were carefully peeled, squeezed and mashed by hand. The ingredients used were selected with great care to provide just the right taste and character.

Kreatör [jin] has a distinct flavour of juniper, citrus, cranberries and raspberries and was distilled in Mackmyra's classic copper pot in the distillery at Mackmyra Bruk.



Casks and Experiences



Third quarter sales of Casks and Experiences totalled SEK 8.0 million (6.7), which was an increase of 19 percent compared with the previous year.

In September the major autumn cask campaign was launched, providing customers with the opportunity to purchase their own personal whisky casks, saturated with amarone wine from MASI. The campaign has been successful. For example, total sales of casks at the Stockholm Beer and Whisky Festival, the biggest whisky event of the year in Sweden, which kicked off at Nacka strand in September, reached record levels. Interestingly, the autumn campaign not only resulted in high sales figures, but we also achieved a larger proportion of new cask owners than in previous campaigns.

Mackmyra Whisky Village

As previously, Mackmyra’s visitor centre in Mackmyra Whisky Village offers visits to Mackmyra’s restaurant, whisky tastings, tours of the distillery and warehouse, as well as conferences. Mackmyra Whisky Village targets both private individuals and companies. The visitor centre plays an important part in supporting the marketing of Mackmyra’s whisky experiences of both bottled products and casks. After reopening at the beginning of the year, the restaurant continued to show a positive trend in the third quarter with increased opening hours and gradually increasing occupancy.



AWARDS AND RECOGNITION

Mackmyra’s products garnered a large quantity of prestigious international awards in the third quarter.

In connection with the Stockholm Beer & Whisky Festival in September Mackmyra received an impressive ten medals in the festival’s competitions. In the two categories for Swedish whisky, Mackmyra took home a grand slam and won all medals. Mackmyra’s other four medals were awarded within the framework for the competition’s international categories where the competition was more intense.

Swedish Whisky up to 5YO



- GOLD - Skördetid
- SILVER - Mack by Mackmyra
- BRONZE - Moment Körsbär

Swedish Whisky over 5YO



- GOLD - Bourbon Förlagrad Elegant, Reserve 30-litre cask
- SILVER - Amerikansk ek Elegant, Reserve 30-litre cask
- BRONZE - Ten Years

World Wide Whisky over 8YO



- SILVER - Bourbon Förlagrad Elegant
- BRONZE - Ten Years

Peaty Malt, NAS and up to 9YO



- GOLD - Bourbon Rök, Reserve 30-litre cask,
- BRONZE - Amerikansk ek Rök, Reserve 30-litre cask

In August, the Spirits Business' annual World Whisky Masters named Mackmyra's Ten Years one of the top ten best value for money whiskies from the new world and also awarded four medals to Mackmyra, including three gold medals (Svensk Rök, Ten Years and Moment Ledin), and one silver medal (Svensk Ek).



Mackmyra also garnered six silver medals at this year's International Wine & Spirit Competition in early August. The IWSC was founded 45 years ago and is one of the world's premier competitions within wine and spirits.



PRODUCTION

DISTILLATION

About 73,000 bottles (19,000) were distilled during the third quarter. The distillation rate was ratcheted up considerably at the end of 2016 and production continued at a high pace during the third quarter of the year, with the exception of the summer holiday period. This increase in the pace of distillation to meet the increased demand for Mackmyra bottled products is necessary to ensure the future supply of younger whisky in Mackmyra's maturing stocks for use in, for example, MACK by Mackmyra. An even age distribution in the maturing stock is preferable in the long term. Consequently, the aim over the next few years is for the distillation rate to at least correspond to balanced distillation, where the input of newly distilled whisky in the warehouse = output of bottled whisky from the warehouse. The estimated growth of younger whisky products will also be added to that amount.

MATURING STOCK

The carrying amount of the maturing stock increased during the quarter by SEK 1.7 million to a total of SEK 163.8 million as at 30 September 2017. Warehouse costs are included in the carrying amount of the maturing stock, which is valued at the lower of either production cost or net realisable sales value at the close of the reporting period. The production cost includes the cost of storage during the period up until when the whisky is matured for selling.

The value of goods ready to deliver (bottled products in the warehouse) rose during the quarter by SEK 3.0 million to SEK 17.9 million.

The total value of stocks on hand at the end of the third quarter was SEK 181.7 million, which is SEK 4.7 million higher than at the beginning of the quarter. The total value of stocks on hand at the end of the third quarter in 2016 was SEK 181.1 million.

Finished whisky at the right age and recipe mix in sufficient quantities are crucial for increasing sales in the long term. Approximately 40 percent of Mackmyra's total maturing stock consists of whisky that has been aged for five or more years. This means that presently Mackmyra has a high delivery capacity even of somewhat older whisky. Meanwhile, the growing sales of bottles require increased distillation, for which reason the pace of distillation has been ratcheted up to avoid a shortage of younger whisky in the warehouse around 2022.

The whisky that is already in the warehouse and that has not been bottled for 2022 will be five years older than today and will command a substantially higher retail price. It should not be used for products in the lower price segment, but rather to supply the products in the more exclusive segments. It will be a major strength to have good capacity to bottle ten to fifteen-year-old whisky while hedging the supply of younger whisky with a well-balanced annual distillation.



FINANCIAL INFORMATION

INVESTMENTS

Investments in the third quarter totalled SEK 0.3 million (0.2). Investments mainly related to casks for ageing of whisky and IT development.

CASH FLOW

Cash flow after investments for the third quarter amounted to SEK -0.1 million (-2.0). Cash flow for the period was SEK -1.8 million (4.2). The reason that cash flow was higher at this point in time last year, despite the positive trend, is that approximately SEK 20.4 million was raised through the issuance of new shares during the third quarter of 2016. During the third quarter this year the company took out short-term bridge loans from two of the company's principal owners for an amount of SEK 3.0 million to cover the seasonally expected dip in liquidity that we see during the period from September to November.

Accumulated cash flow for the year after investments totalled SEK -10.0 million (-13.9). This improvement in cash flow should be viewed in light of the fact that the accumulated distillation rate almost quadrupled compared with the previous year. The increased production rate meant that an additional approximately SEK 3 million of cash flow was invested in new spirit compared with the previous year.

LIQUIDITY AND FINANCING

At the close of the reporting period, cash and cash equivalents amounted to SEK 1.1 million, compared with SEK 6.1 million as at 30 September 2016. Unutilised bank lines of credit at the close of the reporting period totalled SEK 4.9 million (10.0).

Non-current liabilities amounted to SEK 146.9 million at the close of the reporting period, compared with SEK 169.3 million as at 30 September 2016. At the close of the reporting period, non-current liabilities consisted of SEK 131.1 million (137.5) in loans from credit institutions, SEK 1.9 million (16.8) in convertible debentures, SEK 5.1 million (0) in unutilised lines of credit, and SEK 8.8 million (15.0) in non-interest-bearing liabilities attributable to loans from the Company's cask owners. The item non-current liabilities related to convertible debentures is substantially lower between the years because the majority of these values count as current liabilities from Q1 2017.

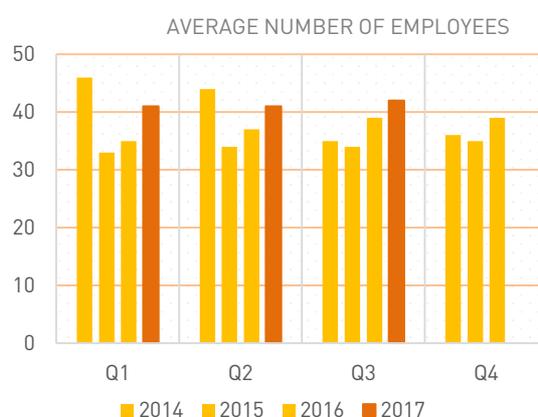
Bank overdraft facilities totalled SEK 10.0 million (10.0).

SHARE CAPITAL

The total number of shares is 11,561,008. Share capital is SEK 11,561,008.

PERSONNEL AND ORGANISATION

The Group had an average of 42 full-time employees (39) during the quarter. The increase is due to the addition of sales representatives and production personnel. The management consists of the CEO, CFO, Sales and Marketing Manager, Master Blender, and Supply Chain Manager. The chart below shows the average number of full-time employees by quarter.



RISKS AND UNCERTAINTIES

For a description of risks and uncertainties, please refer to Mackmyra's 2016 Annual Report, page 28. Mackmyra's annual reports are available at: www.mackmyra.se.

THE MACKMYRA SHARE

Mackmyra Class B shares are listed on Nasdaq First North Stockholm. The closing share price on 29 June 2017 was SEK 14.65, which can be compared with SEK 12.15 as at 30 June 2017. A total of 444,042 shares were traded over the course of the quarter, compared with 623,192 shares during the previous quarter.

The chart below shows the share price movements in 2017.



ACCOUNTING POLICIES

This quarterly report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board General Guidelines BFNAR 2012:1 Annual Reports and Consolidated Financial Statements (K3 rules). The same accounting policies are applied as in the 2016 Annual Report. For a more detailed description of the accounting policies applied, please refer to the 2016 ANNUAL REPORT. All information in this report refers to the Group which consists of Mackmyra Svensk Whisky AB and the wholly

owned subsidiaries Mat och Upplevelser i Kungsbäck AB and Mackmyra Swedish Whisky GmbH.

To achieve the most accurate gross profit possible, costs related to the Master blender and product development beginning in 2017 are charged to the line item "cost of sales" instead of the previous "Administrative costs". To simplify comparison with the previous year, these figures were also restated according to the same principle.

OWNERSHIP Q3 2017

Owner	Total	Class A shares	Class B shares	Capital %	Votes %
Family Rolf Klingberg	1,606,750	11,000	1,595,750	13.9%	12.1%
The Founders' Group*	1,281,334	207,860	1,073,474	11.1%	22.4%
Lantmännen ek. för.	1,136,908	34,940	1,101,968	9.8%	10.3%
Håkan Johansson	1,016,622	0	1,016,622	8.8%	7.2%
W & L Kapitalförvaltning AB	470,600	0	470,600	4.1%	3.4%
Lennart Hero	368,331	0	368,331	3.2%	2.6%
ALMI Invest Norra Mellansverige	200,000	0	200,000	1.7%	1.4%
Family Tage Klingberg	22,230	22,200	30	0.2%	1.6%
Other shareholders	5,458,233	0	5,458,233	47.2%	38.9%
Total	11,561,008	276,000	11,285,008	100.0%	100.0%

Ovanstående ägarförteckning speglar förhållandena per 2017-09-30.

* Grundargruppen består utav de åtta grundarna (Annika Berg, Jonas Berg, Astrid Dandanell, Magnus Dandanell, Jennie Kastengren, Carl-Johan Kastengren, Rikard Lundborg och Malin Lövmemark), Spiritum Spritaktiebolag AB samt Gillesvik AB-koncernen.

FINANCIAL REPORTS

PROFIT & LOSS STATEMENT

SEK THOUSAND	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full year
Net sales	24,267	21,531	73,344	62,870	99,773
<i>Less: alcohol tax</i>	-6,588	-5,487	-19,698	-15,691	-26,417
Net sales excluding alcohol tax	17,679	16,044	53,646	47,180	73,356
Cost of goods sold	-8,053	-8,185	-26,780	-24,480	-38,500
Under-absorption	0	-2,008		-6,715	-6,715
Gross profit/loss	9,626	5,852	26,867	15,986	28,141
Other operating expenses					
Selling and marketing expenses	-7,619	-7,071	-21,393	-19,387	-27,854
Administrative costs	-3,035	-2,676	-9,032	-8,925	-12,521
Other operating expenses	-58		-247		-1,387
	-10,713	-9,747	-30,672	-28,312	-41,763
Operating profit/loss	-1,087	-3,896	-3,805	-12,326	-13,622
Net financial items	-2,878	-3,256	-8,950	-9,238	-12,368
Profit/loss after financial items	-3,965	-7,152	-12,755	-21,564	-25,990
Taxes	0	0	0	-5	-127
Profit/loss after tax	-3,965	-7,152	-12,755	-21,569	-26,117

BALANCE SHEET

SEK THOUSAND	30 Sept. 2017	30 Sept. 2016	31 Dec. 2016
ASSETS			
NON-CURRENT ASSETS	103,034	113,741	109,869
CURRENT ASSETS			
Inventories	181,678	181,094	174,434
Other current assets	13,282	18,942	21,896
Cash and bank balances	1,081	6,082	7,999
	196,041	206,118	204,329
TOTAL ASSETS	299,075	319,859	314,198
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	102,255	119,562	115,007
NON-CURRENT LIABILITIES AND PROVISIONS	151,329	172,907	163,651
CURRENT LIABILITIES	45,490	27,390	35,540
TOTAL EQUITY AND LIABILITIES	299,075	319,859	314,198

CHANGES IN EQUITY

SEK THOUSAND	2017	2016	2016
	Jan.-Sept.	Jan.-Sept.	Full year
Equity at the beginning of the period	115,007	120,689	120,689
Issuance of new shares	-	21,378	21,378
Issuance expenses	-	-899	-990
Convertible debentures, value of conversion option	-	-	-
Translation differences	3	-37	46
Profit/loss for the year	-12,755	-21,569	-26,117
Equity at the end of the period	102,255	119,562	115,007

STATEMENT OF CASH FLOWS

SEK THOUSAND	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full year
Cash flow from operating activities	-699	-3,881	-2,875	-11,734	-15,116
Change in working capital					
Change in inventories	-4,660	1,002	-7,244	3,253	9,913
Change in other working capital	5,646	1,108	1,712	-3,884	-2,208
Cash flow after changes in working capital	287	-1,771	-8,406	-12,365	-7,411
Cash flow to investments	-337	-242	-1,587	-1,582	-2,052
Cash flow after investments	-50	-2,013	-9,993	-13,947	-9,463
Financing					
Amortisation	-1,489	-6,152	-5,626	-10,022	-16,497
New loans	3,433	4,389	3,579	11,374	11,374
Change in line of credit	-1,849	-8,459	5,121	-3,753	-3,753
Issuance of new shares	0	16,479	0	16,479	20,388
Cash flow from financing activities	95	6,258	3,075	14,078	11,512
Cash flow for the period	45	4,245	-6,918	132	2,049
Cash and cash equivalents at the beginning of the period	1,036	1,837	7,999	5,950	5,950
Cash and cash equivalents at the end of the period	1,081	6,082	1,081	6,082	7,999

KEY FIGURES

	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full year
Net sales, SEKm	24.3	21.5	73.3	62.9	99.8
Net sales (excluding alcohol tax), SEKm	17.7	16.0	53.6	47.2	73.4
<i>Growth in sales (excluding alcohol tax)</i>	<i>10%</i>	<i>20%</i>	<i>14%</i>	<i>12%</i>	<i>18%</i>
Sales of Bottled Products, SEKm	9.6	9.3	33.8	30.3	47.1
Sales of Casks and Experiences, SEKm	8.0	6.7	19.9	16.8	26.3
Gross profit/loss, before under-absorption, SEKm	9.6	7.9	26.9	22.7	34.9
Gross profit/loss, before under-absorption, %	54%	49%	50%	48%	48%
Under-absorption, SEKm	0.0	-2.0	0.0	-6.7	-6.7
Gross profit/loss, SEKm	9.6	5.9	26.9	16.0	28.1
Gross profit margin, percent	54%	36%	50%	34%	38%
EBITDA, SEKm	-0.7	-3.8	-2.6	-11.9	-13.0
Operating profit/loss, SEKm	-1.1	-3.9	-3.8	-12.3	-13.6
Profit/loss after tax, SEKm	-4.0	-7.2	-12.8	-21.6	-26.1
Cash flow after investments, SEKm	-0.1	-2.0	-10.0	-13.9	-9.5
Cash flow, SEKm	0.0	4.2	-6.9	0.1	2.0
Investments, SEKm	0.3	0.2	1.6	1.6	2.1
Maturing stocks, carrying amount, SEKm	163.8	167.6	163.8	167.6	161.7
Change in maturing stocks, SEKm	2.0	-3.8	2.0	-3.8	-9.6
Change in maturing stocks, percent	1%	-2%	1%	-2%	-6%
Financial net debt excluding convertible debentures, SEKm	145.0	140.9	145.0	140.9	136.7
Liquid ratio, percent	42%	128%	42%	128%	112%
Interest coverage ratio (times)	-0.4	-1.2	-0.4	-1.3	-1.1
Equity, SEKm	102.3	119.6	102.3	119.6	115.0
Equity per share, SEK	8.84	13.22	8.84	13.22	9.95
Equity ratio, percent	34%	37%	34%	37%	37%
Number of shares, basic	11,561,008	9,045,924	11,561,008	9,045,924	11,561,008
Number of shares, diluted	12,636,071	9,995,444	12,636,071	9,995,444	12,529,881
Earnings per share, basic, SEK	-0.34	-0.79	-1.10	-2.38	-2.70
Earnings per share, diluted, SEK	-0.34	-0.79	-1.10	-2.38	-2.70
Average number of shares, basic	11,561,008	9,045,924	11,561,008	9,045,924	9,674,695
Average number of shares, diluted	12,582,976	9,995,444	12,565,277	9,995,444	10,629,053
Number of employees (average)	42	39	41	37	37

The Company's auditors did not audit this year-end report.

FINANCIAL CALENDAR, GLOSSARY AND DEFINITIONS

DATES FOR PUBLICATION OF FINANCIAL INFORMATION:

28 Feb. 28 Year-end Report for 2017

GLOSSARY AND DEFINITIONS

Bottle

70 cl raw spirit or whisky calculated with an alcohol content of at least 40 percent, distributed and sold via traditional channels.

Cask

Personal whisky casks ordered and produced according to customer orders. To be delivered after maturation for an average of five years, in about 48 whisky bottles containing 50 centilitres.

Angel's share

Approximately three percent of the whisky evaporates from the oak casks each year during storage. This is referred to as the angels' share.

Gross Profit Margin (%)

Gross profit/loss divided by net sales.

Operating Margin (%)

Operating profit divided by net sales.

Liquidity ratio

The total of current assets, cash and cash equivalents and unutilised line of credit divided by current liabilities.

EBITDA

Earnings before interest, tax, depreciation, and amortisation.

Financial net debt excluding convertible debentures

Interest-bearing liabilities, excluding convertible debentures – Cash and bank balances

Equity ratio (%)

Shareholders' equity divided by the balance sheet total.

Return on equity (%)

Profit/loss after tax divided by average shareholders' equity.

Interest coverage ratio (times)

Earnings before interest expense divided by interest expense.

Earnings per share (SEK)

Profit/loss after tax divided by average equity during the period.

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