



October 2018

Dear Shareholder

Following several queries from shareholders who weren't able to make the recent AGM, I thought it worth following up to all of you with the main messages we shared on what has been a very busy twelve months for Black Sheep.

The AGM was Paul Theakston's last as a Director of Black Sheep and I know he was touched with the show of support and affection from shareholders at the end of the meeting. It was a seminal moment in the Company's history and a memory that will live long with Paul.

A changing company

Black Sheep is no longer simply a cask beer brewer, in fact only 52% of our production is now in that format. This reflects the rapidly developing beer market, with the move to Off Trade consumption (now over 50% of all UK beer sales) and the rapid emergence of Craft Keg beers (now over one third the size of the keg ale market).

Black Sheep has changed to improve its commercial performance and 24% of the beer we brewed last year hadn't been thought of even two years ago. Those of you working in Consumer Goods companies will appreciate the fast pace of that product development programme and how critical its success to our future.

Yorkshire

The foundations for our long term success will be a thriving local market. Black Sheep already produces Yorkshire's best-selling cask and bottled ales but developing our range - especially with 54 Degrees North Lager – means there is no reason you shouldn't find a Black Sheep beer in every licensed outlet in Yorkshire.

Our local direct market is the most profitable part of Black Sheep's business and is in fastest year on year growth.

It is supported locally with Sponsorship of Tour de Yorkshire Cycling, Yorkshire Cricket and Great Yorkshire Show. A video titled "Now then" illustrating the TDY initiative is available on www.blacksheepbrewery.co.uk. It received a spontaneous round of applause from those at the AGM, which I guess is a good indication of how shareholders at the AGM received it.

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Packaging Line investment

At present Black Sheep can only package beer into traditional casks, which has led to spiralling third party packaging costs that last year topped £1.5m.

We were delighted to announce the details of a £2.0m investment to bring packaging in house. This will save Black Sheep money as well as providing a potential income stream from third party packaging and will also allow us to be even nimbler with product development.

Move into retail

We have had substantive discussions with a number of groups about potential purchase or leasing of pubs to extend our retail offer outside Masham.

The board are very mindful that it may be necessary to fund the acquisition of a retail estate with both debt and equity and we will communicate with shareholders once a suitable investment has been targeted.

Shareholder communication

As well as an extended Half Year Chairman's statement, we will shortly be launching an investors section on a revamped Black Sheep website which will include company news updates together with copies of the annual accounts and AGM presentation. We will also be holding shareholder meetings in Masham, Lancashire and London at which we can share our plans with you on a face to face basis.

More details of this in the near future.

Finally, in response to a number of specific questions, I thought it worth recording that Mr David Nabarro – author of a recent letter to shareholders – attended the AGM but chose not to speak.

With thanks for your continued support

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andy Slee', with a horizontal line underneath it.

Andy Slee
Chairman
Black Sheep Brewery
Masham