

Harboes Bryggeri A/S  
Annual report for the period 1 May 2008 – 30 April 2009



## **COMPANY ANNOUNCEMENT**

### **Harboes Bryggeri A/S**

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### **ANNUAL REPORT OF HARBOES BRYGGERI A/S for the period 1 May 2008 – 30 April 2009**

To

### **NASDAQ OMX Copenhagen**

The Board of Directors of Harboes Bryggeri A/S has today considered and adopted the annual report for the period 1 May 2008 – 30 April 2009.

The report is described in the following pages.

Skælskør, 29 June 2009

Anders Nielsen  
Chairman of the Board

Bernhard Griese  
CEO



## COMPANY ANNOUNCEMENT

### ANNUAL REPORT OF HARBOES BRYGGERI A/S

#### for the period 1 May 2008 – 30 April 2009

#### The financial year for the group in outline

- Revenue was up 12.7% to DKK 1.54 billion.
- Revenue of the brewery sector was up 16.0% and now constitutes DKK 1.32 billion.
- Revenue of the foodstuff sector was down 3.6% and now constitutes DKK 225.2 million.
- Sales of beer and soft drinks, including malt beverages and malt wort products, totalled 5.7 million hectolitres compared with 5.3 million hectolitres last year, up 7.6%.
- Operating profit (EBIT) amounted to DKK 40.9 million compared with last year's DKK 21.6 million.
- The brewery sector realised an operating profit (EBIT) of DKK 36.1 million against DKK 20.6 million last year.
- The foodstuff sector realised an operating profit (EBIT) of DKK 4.8 million against DKK 1.0 million last year.
- Consolidated profit before tax was DKK 35.1 million against DKK 16.3 million last year.
- Profit before tax is in line with the outlook most recently expressed in the interim report for Q3 2008/09, at which time a profit in the low end of DKK 35-45 million was anticipated.
- The group's gross investments during the financial year totalled DKK 157.3 million, of which plant under construction amounted to DKK 14.0 million as at 30 April 2008.
- Cash flows from operating activities and free cash flows (changes in cash and cash equivalents) amounted to DKK 148.6 million and DKK -31.1 million, respectively.

# Harboes Bryggeri A/S

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## Financial highlights

	2008/09 DKK <sup>m</sup>	2008/07 DKK <sup>m</sup>	2006/07 DKK <sup>m</sup>	2005/06 DKK <sup>m</sup>	2004/05 DKK <sup>m</sup>
<b>Key figures</b>					
<b>Earnings</b>					
Gross revenue	1,806.4	1,607.4	1,649.4	1,633.5	1,753.7
Taxes on beer and soft drinks	(261.8)	(236.5)	(266.6)	(272.2)	(302.0)
Revenue	1,544.6	1,370.9	1,382.8	1,361.3	1,451.7
Operating profit/(loss) (EBIT)	40.9	21.6	88.3	98.8	136.7
Net financials	(5.8)	(5.3)	(2.8)	(4.2)	(6.5)
Profit/(loss) before tax	35.1	16.3	85.5	94.6	130.2
Net profit/(loss) for the year	25.6	20.1	56.5	65.5	86.1
<b>Balance sheet</b>					
Total assets	1,606.4	1,199.3	1,214.9	1,143.6	1,194.6
Equity	664.5	696.9	685.8	677.4	619.4
Net interest-bearing debt	119.6	80.0	46.1	0	0
<b>Investments etc.</b>					
Investments in intangible assets	3.0	6.1	0.0	0.0	0.0
Investments in property, plant and equipment	115.9	180.3	73.5	96.4	187.2
Depreciation, amortisation, impairment losses and write-downs	121.9	109.0	103.0	100.9	95.6
<b>Cash flows</b>					
Cash flows from operating activities	148.6	56.9	86.6	124.8	197.4
Cash flows from investing activities	(438.9)	(97.5)	(111.0)	(118.4)	(153.4)
Cash flows from financing activities	259.2	(9.6)	(44.6)	(17.1)	44.5
Changes in cash and cash equivalents	(31.1)	(50.2)	(69.0)	(10.7)	88.5

# Harboes Bryggeri A/S

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## Financial highlights<sup>1</sup>

	2008/09	2007/08	2006/07	2005/06	2004/05
<b>Ratios in %</b>					
Profit margin	2.6	1.6	6.4	7.3	9.4
Solvency ratio	41.4	58.2	56.4	59.2	51.9
Gearing	18.0	11.5	6.7	0.0	0.0
Current ratio	95.5	99.0	92.3	110.1	92.0
Return on invested capital (ROIC)	3.9	2.0	8.1	9.9	14.7
<b>Share-related ratios<sup>2</sup></b>					
Earnings per share of DKK 10, DKK (EPS)	4.4	3.4	9.5	11.0	14.8
Cash flow per share of DKK 10, DKK (CFPS)	25.5	9.6	14.6	21.0	34.0
Equity value per share of DKK 10, DKK	110.7	116.1	114.2	112.9	103.2
Share price, end of year	112.0	137.0	218.2	222.1	207.1
Price/earnings	25.4	40.4	23.0	20.2	14.0
Dividend per DKK 10 share, DKK	1.5	1.5	1.5	8.0	1.5
<b>Employees</b>					
Average number of full-time employees	520	483	486	531	624

\* The solvency ratio is affected by a change in the company's capital structure in connection with the securing of the group's long-term credit facilities implemented in Q1 2008/2009. The credit facilities were secured by means of the arrangement of a bond loan for DKK 304 million. As the underlying bonds have not yet been realised, they are included in the group's holding of financial assets available for sale.

Adjusted for the capital structure change, the solvency ratio would have been 52.7% as at 30 April 2009.

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<sup>1</sup> The financial highlights have been prepared in accordance with IFRS, cf. the description in note 1.

<sup>2</sup> Comparative figures have been restated in accordance with the changed denomination from DKK 100 per share to DKK 10 per share.

Harboes Bryggeri A/S

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## **Management's review**

### **Core business**

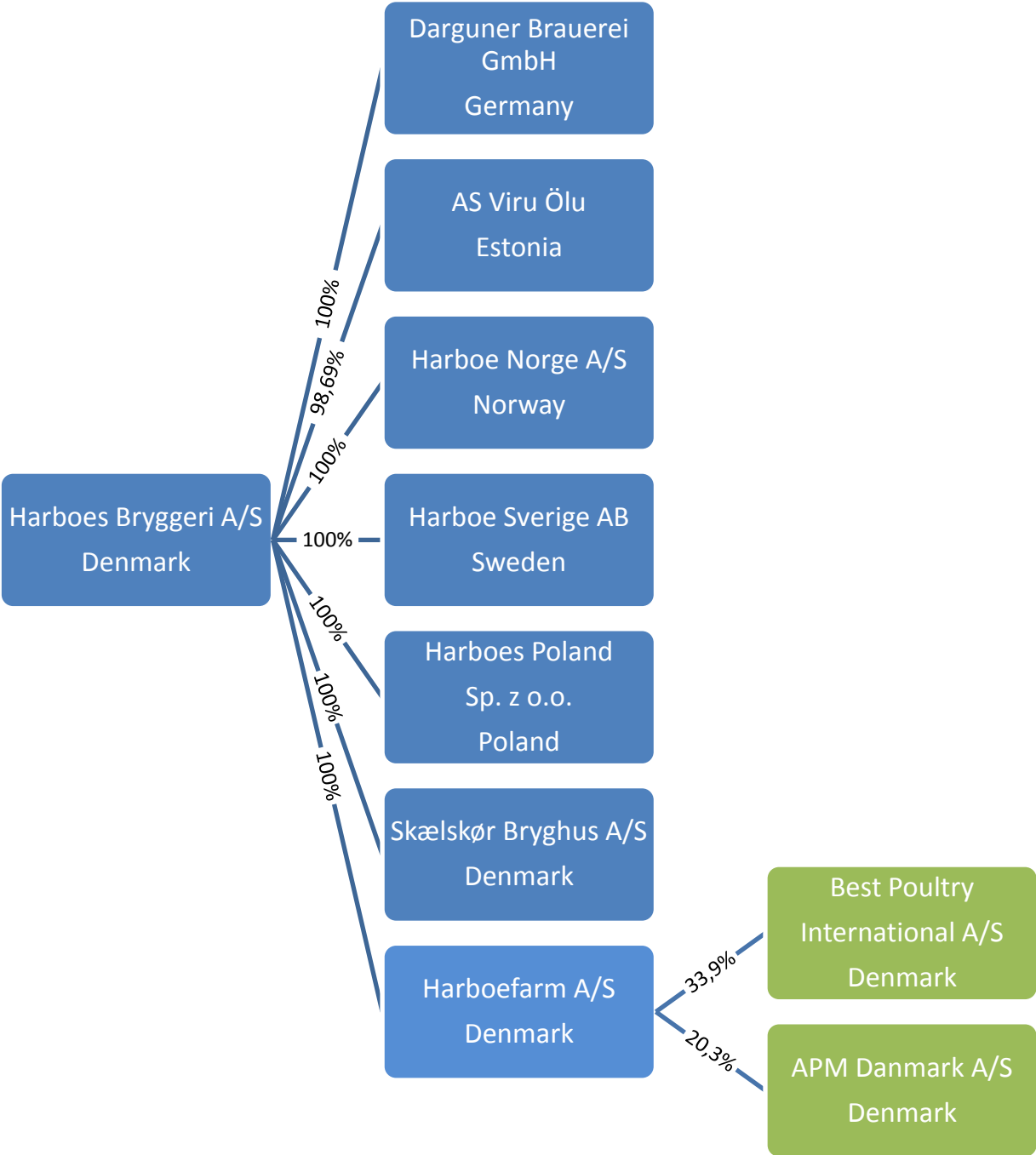
Harboes Bryggeri A/S is listed on the stock exchange and is the parent of the Harboe group.

The group's core business, constituting more than 87.5% of the total gross revenue of the group, is the production and sale of beer, soft drinks, malt beverages and malt wort products.

The Harboefarm A/S foodstuff company and its sale of centrally packaged fresh and processed meat for the retail sector constitutes the remaining 12.5% of revenue.

**Management's review**

**Group chart**



## **Management's review**

### **Business developments**

#### **Gross revenue**

In 2008/09, gross revenue for the group was DKK 1.81 billion compared with DKK 1.61 billion the year before, corresponding to an increase of 12.4%.

Revenue was DKK 1.54 billion against DKK 1.37 billion the year before, corresponding to an increase of 12.7%.

Revenue in the brewery sector was up 16.0%, while revenue in the foodstuff sector was down 3.6%.

Developments are described in further detail under the different sectors.

#### **Earnings**

Operating profit (EBIT) amounted to DKK 40.9 million against DKK 21.6 million last year, up DKK 19.3 million or 89.4%.

Depreciation of property, plant and equipment etc. is included in the operating profit with DKK 121.9 million compared with DKK 109.0 million the year before.

Profit before tax was DKK 35.1 million against DKK 16.3 million the year before.

Profit before tax is in line with the outlook most recently expressed for Q3 2008/09 (company announcement of 11 March 2009), at which time a profit in the low end of DKK 35-45 million was expected.

Net profit for the year amounted to DKK 25.6 million against DKK 20.1 million the year before.

The comparative figures for 2007/08 are influenced by a positive adjustment of tax in respect of previous years of DKK 8.4 million.

#### **Equity**

As at 30 April 2009, equity amounted to DKK 664.5 million against DKK 696.9 million the year before.

Equity is affected by the results for the period, dividend paid, translation adjustments and adjustments of the reserve for adjustment to fair value of financial assets available for sale and the purchase of treasury shares. In 2008/09, the company acquired 242,312 treasury shares. As at 30 April 2009, the company owned 292,312 shares corresponding to 4.9% of the share capital.

## **Management's review**

### **Investments**

Total gross investments for the year amounted to DKK 157.3 million. The investments were primarily made in extensions and efficiency improvements and in a new evaporation plant for malt extract.

### **Liquidity and net interest-bearing debt**

Cash flows from operating activities in the period amounted to DKK 148.6 million against DKK 56.9 million last year.

Free cash flow (changes in cash and cash equivalents) amounted to DKK -31.1 million against DKK -50.2 million the year before.

Cash resources, which are composed of cash and credit facilities granted but not yet activated, amounted to DKK 101.7 million as at 30 April 2009.

In addition to this comes the holding of 292,312 treasury shares amounting to DKK 32.7 million stated at share market value as at 30 April 2009.

Also, the fair value of the portfolio of bonds amounting to DKK 283.3 million is added.

As at 30 April 2009, the group's net interest-bearing debt amounted to DKK 462.7 million against DKK 92.3 million last year. The increase is mainly attributable to the taking out of bond loans which ensure a long-term credit facility. As the underlying bonds have not been realised, they are included in the group's holding of financial assets available for sale.

Adjusted for the carrying amount of the portfolio of bonds of DKK 283.3 million, the group's net interest-bearing debt amounted to DKK 119.6 million as at 30 April 2009 against DKK 80.0 million last year.



## **Management's review**

### **Events occurring after the end of the financial year**

On 4 June 2009, Harboes Bryggeri A/S acquired 75.51% of the shares and a similar share of the votes in GourmetBryggeriet A/S in Roskilde, Denmark.

4.52% of the shares were settled through payment in cash, while 70.99% of the shares were settled through payment in Class B shares in Harboes Bryggeri A/S where the Harboe share was fixed at a favourable settlement price of 97. As a result, 185,796 Harboe shares were paid, and the holding of treasury shares as at 29 June 2009 now totals 106,516 shares.

The purchase price has so far been calculated at DKK 25.0 million for the above-mentioned share of equity of 75.51% in total.

Harboes Bryggeri A/S will submit a mandatory offer to the other shareholders of GourmetBryggeriet concerning the acquisition of their shares on identical terms.

The total share capital (100%) of GourmetBryggeriet has been fixed at DKK 25.0 million in cash.

Harboes Bryggeri A/S expects to generate positive synergies by merging the two companies.

Over the last couple of years, GourmetBryggeriet A/S has established an efficient sales organisation which has secured the brewery's specialty products a strong position in the Danish cafe and restaurant sector and a number of Danish retail chains.

This position offers new potential for Harboe's own innovative specialty beers and soft drinks which can now be marketed to new segments via GourmetBryggeriet's sales channels. GourmetBryggeriet's specialty products will, at the same time, be included in Harboe's sales and distribution system.

In addition to the sales synergies, the two companies are expected to achieve further synergies and efficiency benefits through the optimum utilisation of Harboe's purchasing organisation, production facilities and technical know-how.

It is Harboe's intention to retain GourmetBryggeriet's facilities in Roskilde for the production of selected specialty products and continue the production of the products, which have been toll-manufactured by Harboes Bryggeri for the past year.

As of 4 June 2009, GourmetBryggeriet will be comprised by Harboe's financial reporting, and a pre-acquisition balance sheet as per this date is being prepared.

## **Management's review**

### **Outlook**

#### **Expectations for 2009/10**

In line with the group's strategy, Harboe will also strive to provide high-quality service to its customers and secure deliveries of the group's core products in the coming year. At the same time, Harboe will drive its continued growth and earnings through marketing and continued development of new innovative products and packaging.

Harboe expects its core business to develop positively in 2009/10, and the investments made in innovation, product development and increased capacity in the past years will help strengthen growth in terms of the volume produced and total revenue. Extended collaboration with a number of large customers is also expected to contribute to high capacity utilisation at the group's production facilities. At the same time, it is expected that the group's continued development activities within malt extract, among other things, will result in new customer agreements and market opportunities during the year.

Harboe expects competition in the main markets to be highly intensive. Due to the general economic recession, Harboe thus expects a continued heavy pressure on retail prices and thereby limited room for compensating for any increases in raw material prices. However, raw material prices have developed positively in the past six months, and Harboe hopes that the prices will settle at a more normal level in the coming financial year.

Similarly, developments in exchange rates are expected to be more stable in the coming year, especially as regards SEK and PLN to which some of Harboe's revenue is exposed.

Harboe expects consolidated revenue to be positively affected by the expected growth and continuously growing revenue from new and innovative products, where the earnings margins are more attractive and less sensitive to the competition pressure and developments in raw material prices. Based on the existing composition of the business and the above-mentioned conditions, Harboe expects to see significantly improved consolidated results for 2009/10 compared to the results for 2008/09. Net profit for the year is thus expected to be in the order of DKK 55-65 million.

Cash flows from operating activities are expected to be in the order of DKK 160-170 million.

Investments planned for 2009/10 are in the order of DKK 100-120 million.

## **Management's review**

### **Objectives and strategy**

#### **Strategy and financial targets**

Harboe produces and sells beer, soft drinks, malt drinks and malt wort products, its primary geographical focus being Germany, Scandinavia and the other countries bordering the Baltic Sea. Harboe's products are marketed in Denmark, Germany, Sweden, Norway and the Baltic countries and are also exported to an ever-growing number of markets in the rest of Europe, the Middle East, Africa, the USA and Asia.

Total beer sales have been declining in Europe in recent years, whereas sales of soft drinks continue to rise. The increase is, among other things, attributable to product development within the segment, which, in addition to soft drinks, also includes energy and sports drinks, ice tea and ice coffee, fruit juices, milk-based drinks etc. Since 2000, the market for these products has seen double-digit growth rates. As the trend is still relatively new and the starting point is relatively low, Harboe estimates the continued potential to be high based on the developments in the USA, among other things.

Harboe's products are primarily sold to the retail sector and have historically focused on the private-label segment. Private-label products are products which are marketed under individual brands tailored to the individual supermarket chains.

#### **High volume in core business**

To ensure the continued creation of value, Harboe therefore continues to pursue a strategy which focuses on maintaining a high volume of core products and on protecting its well-established market position for these products in the existing main markets. Harboe will continue to drive developments in these main markets and provide customers with a high level of quality, reliable deliveries and an attractive product programme in tune with the times.

#### **Value creation through innovation**

However, Harboe's continued growth will primarily be created through targeted product development and establishment within new and less price-sensitive product segments. The strategy is based, among other things, on the strong position enjoyed by the group among the large retail chains, which usually welcome new products from Harboe, providing the basis for a number of obvious synergies within sales and distribution.

#### **Customer segment development**

Harboe also strives to strengthen its position through the development of new customer segments in the main markets, such as the food service and convenience segments. Furthermore, the company is working hard to target selected export markets that hold an interesting potential for beer, non-alcoholic malt beverages, energy drinks and soft drinks.

## **Management's review**

### **Continued investments**

In the coming years, Harboe will therefore continue to focus intensely on innovation, and the group's investment focus will, to a large extent, be aimed at further strengthening activities within the development of products and packaging.

Harboe will continue to develop its marketing strategy which will continue to play a key role in future in connection with the launch and marketing of the group's products.

Efficient and flexible production facilities are a precondition for maintaining the company's market position within its core business, while at the same time realising an ambitious product development strategy. In the past couple of years, Harboe has therefore invested continuously in new production capacity and technology. Moreover, Harboe will continue to develop and adapt its production facilities in step with the strategic growth, and the group's solid capital base ensures the necessary financial stability and manoeuvrability.

### **Positive earnings in the foodstuff company**

The strategic aim of Harboe's foodstuff company, Harboefarm A/S, is to maintain the company's high quality and food safety standards and to ensure that the company makes a positive contribution to the group's earnings.

### **Financial objectives of the group**

Harboe expects the intensive competition to continue within the core areas of the group, and, although the prices of Harboe's core raw materials have stabilised in the last six months of the financial year, it is difficult to permanently increase the earnings margins for Harboe's traditional business. However, the continued launch of new products is expected to contribute to further strengthening and anchoring Harboe's customer relations and to contribute positively to Harboe's continued growth and value creation – expectations which are supported by the positive results for 2008/09.

It is thus Harboe's objective to create annual growth in revenue of 5% and to ensure a long-term profit margin of more than 6-8% through continued strategic development of the group's production facilities, products and packaging.

The group's objective for its capital structure is based on a wish to maintain a high level of financial resources at all times to enable investments in continued organic growth and value creation by constantly adapting to market developments and meeting customer requirements.

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Furthermore, the group aims for its financial resources to be made up of its own funds and for them to be flexible enough to allow for growth through acquisitions or participation in large partnerships. At the same time, the financial resources must ensure that the group can live up to its objective of guaranteeing a regular return for shareholders through the distribution of dividend or share buy-back programmes.

## **Management's review**

### **Customers and market development**

Harboe mainly sells its products in selected main markets in Northern Europe, including Denmark, Norway, Sweden, the Baltic countries and Germany as well as the Danish-German border area, which constitutes a special segment.

In recent years, Harboe has also increased its focus on the export of a number of specialty products to more than 50 selected markets in the rest of Europe, the Middle East, Africa, Asia and the USA.

### **Focus on the retail sector**

In the main markets, Harboe primarily sells its products to the retail sector which has seen ongoing consolidation in recent years. Ongoing consolidation has also taken place among Harboe's competitors, which has further increased competition in these markets.

Harboe's core products are primarily aimed at the private-label segment. In most of Europe, this segment is increasing its relative share of the traditional beer and soft drinks market in relation to the more expensive branded products in the same categories. The products in the private-label segment are marketed at discount prices, and competition is fierce in all markets.

### **Growth in new categories**

However, in recent years, an ever-increasing market for specialty products has been established across Europe within the drinks segment, including juices and smoothies, energy drinks etc., which are marketed in higher price segments than the traditional drinks products. Harboe is working hard to position itself in these segments, and, in the preceding year, it has further expanded its product range within these categories. These products have also allowed Harboe access to new distribution channels within convenience and food service, among others, and such customer segments will continue to be targeted in future.

### **Denmark**

Total beer sales have been declining in the past 10 years, and the market continued to slide in 2008. However, sales in the Danish-German border area were stable in the same period and constitute just under 20% of total Danish beer sales. Price competition in this area is fierce, and sales of private-label products are constantly being challenged by branded beer sold at discount prices.

A slightly upward trend has been evident in sales of soft drinks in recent years, and this trend is expected to continue as new product types are added to the segment. With its targeted product development activities, Harboe seeks to drive this development in its efforts to capturing an important share of this market.

## **Management's review**

### **Germany**

A downward trend in total beer sales has also been evident in the German market in recent years, and the trend is estimated to continue. However, as in Denmark, sales of soft drinks are developing positively, and this development is very much driven by product innovation to which Harboe is actively seeking to contribute.

In recent years, the retail sector has been characterised by considerable consolidation. The competition facing Harboe's traditional products is therefore highly intensive and price sensitive. However, the discount segment is generally seeing continued growth, and it is an important strategic focus for Harboe to maintain its position in this market with secure and flexible delivery of the vast volumes demanded.

### **Sweden**

In the Swedish market, beer consumption has only seen a slight downward trend in recent years, driven by marginally growing sales of stronger beers, in particular. Sales of soft drinks are also declining – unlike the trend seen in the other markets. Harboe is, however, working in a targeted way to maintain and further strengthen sales in the Swedish market, especially by introducing new products outside the discount segment and continuing to strengthen its sales organisation.

### **Baltic countries**

The Baltic markets are seeing a small increase in beer consumption, and the soft drinks market has developed positively in recent years. The market traditionally responds well to new products, and Harboe is working hard to develop its product portfolio within the beer and soft drinks segments. At the end of the last financial year, Harboe acquired the locally known brand PULS which is used for marketing beer, soft drinks and cider products.

### **Exports**

Harboe exports a wide range of beers, energy drinks and soft drinks as well as non-alcoholic malt beverages to more than 50 markets the world over. The products are sold through local distributors and international trade partners, with which long-term contracts are concluded.

The products are to a considerable extent marketed under Harboe's own brands and are aimed at price segments that are higher than the discount segments in the group's main markets. The products are sold in retail shops and in the restaurant sector where Danish-produced beer enjoys a special position in several markets.

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The demand for Harboe's products is showing a positive development, and Harboe has identified a continued attractive potential for both existing and new markets. Especially the market for non-alcoholic malt beverages holds considerable growth potential, and Harboe is working in a targeted way to gain a strong foothold in, for example, the Middle East and Africa where these products constitute a very large and continuously growing category.

The development in the export markets will also in the coming years be a strategic focus area for Harboe, and the continued introduction of new products and variants is to drive this development in combination with targeted, ongoing geographical expansion.



## **Management's review**

### **Innovation and product development**

For several years, innovation has been the driving force behind Harboe's growth, both in the form of investments in new production technologies and through ongoing dynamic development of new products and packaging. In the past year, Harboe has also invested in innovation which strengthens the company's ability to accommodate the continued growth and, at the same time, challenge new market segments with innovative products.

#### **New results with malt extract**

The innovation activities undertaken in 2008/09 were largely concentrated on malt extract, which represents a highly interesting business area.

Harboe has been producing malt extract for the production of malt beverages for several years, and the company has also sold malt extract to selected production industries, including, in particular, bakeries and other food manufacturers. However, in recent years, Harboe has worked intensively to further develop the production processes with a view to producing malt extract with new and interesting uses.

Additional resources have been devoted to the development activities undertaken in the past year, which involved collaboration with groups of researchers from both Denmark and abroad. This work has now resulted in a new and unique product – a clear malt extract that can be used as a stable ingredient in the production of several beverages. Harboe has filed a global patent application for the production method with the relevant authorities.

#### **Interesting market opportunities**

Malt extract has a number of natural and positive properties which makes it suitable for use as a basic component of beverages, including non-alcoholic malt beverages. The latter is a very large and ever-growing category, especially in the Middle East, where the market comprises both children and adult consumers. At the same time, the growing awareness of lifestyle problems and health in general has increased the demand for products made using natural ingredients and flavourings.

The clear malt extract is being introduced in a number of selected markets and is already being tested by several major customers in the drinks industry, which are highly positive about the product.

## **Management's review**

### **New products and packaging**

In addition to the many activities undertaken within malt extract, Harboe continued its strategic product development within the beer and soft drinks segment in the past year. The product launches introduced in 2007/08 were followed by additional variants of specialty beers, energy drinks and juice products. Furthermore, Harboe has worked in a targeted way to optimise packaging for production and energy reasons and to ensure a stronger and better quality look of its products in marketing campaigns.

In future, product and packaging development will be a key factor in the further strategic development of Harboe's activities, and marketing investments will also be made to ensure continued growth. An important element in this will be the already launched work to cultivate and expand the market for malt extract and non-alcoholic malt beverages based on continued innovation and product development.

### **Production and capacity**

In 2008/09, the three breweries in Denmark, Germany and Estonia invested in the further expansion of the production facilities.

The increased production volume is thus a result of the recent years' investments in ongoing efficiency improvements and expansions of all three facilities and the result of the first full year of operation of the group's new aseptic facility at the German production unit, which alone has boosted capacity by 1 million hectolitres per year. The enhanced capacity means that Harboe has significantly strengthened its flexibility to deliver the volumes demanded – also during seasonal fluctuations – and delivery and logistics management is coordinated and optimised across production units. The degree of utilisation of the group's capacity is therefore generally high.

Harboe has also invested approx. DKK 50 million in a new evaporation plant at the production unit in Skælskør. The plant was put into service in January and has quadrupled Harboe's capacity for the production of malt extract. At the same time, the new facilities ensure a more efficient utilisation of raw materials in production, and the efficient production process means that energy consumption can be maintained at the previous level despite the considerable increase in capacity. The plant forms part of the factory's ISO-certified production and is also certified in accordance with international halal standards.

In the past five years, Harboe has invested DKK 662 million in the ongoing strengthening of the brewery sector's production facilities. Production capacity and efficiency will also in future be vital to Harboe's competitiveness, and the group will assess the need for further investments on an ongoing basis.

**Management's review****Brewery sector**Brewery sector – key figures<sup>3</sup>:

	<b>2008/09</b> <b>DKKkm</b>	<b>2007/08</b> <b>DKKkm</b>	<b>2006/07</b> <b>DKKkm</b>	<b>2005/06</b> <b>DKKkm</b>	<b>2004/05</b> <b>DKKkm</b>
<b>Volume (million hectolitres)</b>					
Beer, soft drinks and malt wort products	5.72	5.30	5.70	5.31	5.15
<b>Earnings</b>					
Gross revenue	1,581.3	1,373.8	1,455.8	1,432.9	1,501.4
Taxes on beer and soft drinks	(261.8)	(236.5)	(266.6)	(272.2)	(302.0)
Revenue	1,319.5	1,137.3	1,189.2	1,160.7	1,199.4
Operating profit/(loss) (EBIT)	36.1	20.6	88.5	93.2	127.2
Profit/(loss) before tax	30.4	15.9	86.6	91.1	124.0
Tax on profit/(loss) for the year	(8.7)	4.8	(29.3)	(27.0)	(42.3)
Net profit/(loss) for the year	21.7	20.7	57.3	64.2	81.7
<b>Balance sheet</b>					
Total assets	1,472.3	1,062.6	1,052.5	997.8	1,014.5
Equity	547.5	584.5	572.8	563.6	498.3
Non-current liabilities	422.1	102.9	112.5	117.6	131.0
Current liabilities	502.7	375.2	367.2	316.5	385.1
<b>Investments etc.</b>					
Investments in intangible assets	3.0	6.1	0	0	0
Investments in property, plant and equipment	115.9	175.7	72.6	96.3	182.4
Depreciation and amortisation	110.1	97.7	90.7	86.9	81.0
<b>Cash flows</b>					
Cash flows from operating activities	126.4	66.0	66.5	110.8	171.4
Cash flows from investing activities	(442.6)	(92.3)	(110.8)	(120.8)	(150.7)
Cash flows from financing activities	265.1	(4.0)	(39.1)	(11.6)	46.4
Changes in cash and cash equivalents	(51.0)	(30.3)	(83.4)	(21.5)	67.1
<b>Ratios in %</b>					
Profit margin	2.7	1.8	7.4	8.0	10.6
Solvency ratio	37.2	55.0	54.4	56.5	49.1
Current ratio	91.1	93.6	85.7	106.0	89.3
Return on invested capital (ROIC)	3.9	2.3	10.3	10.8	16.9
<b>Employees</b>					
Number of employees	492	457	467	504	540

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<sup>3</sup> The financial highlights have been prepared in accordance with IFRS, cf. the description in note 1.

## **Management's review**

### **Brewery sector**

The total sales of beer and soft drinks, including malt beverages and malt wort products, totalled 5.7 million hectolitres, against 5.3 million hectolitres last year, corresponding to an increase of 7.6%.

Thanks to increasing sales and a changed product mix, revenue in the brewery sector increased by 16.0% to DKK 1,319.4 million against DKK 1,137.3 million last year.

The increase is driven by an increase in sales to the company's most important main markets. This development must be seen in light of the fact that the falling trend observed in recent years in the total consumption of beer and soft drinks in these markets is continuing.

The positive developments are based on a further consolidation of the company's solid position in the market for Harboe's core products, and in particular on the successful launch of a number of new speciality products in innovative packaging and new designs. The product launches are the result of the company's strategic investments in development and innovation and have been warmly welcomed by the markets.

The new specialty products supplement the company's existing product programme and are targeted at a higher price segment, which is less sensitive than the company's traditional products. This will at the same time guarantee greater robustness to fluctuations in the prices of raw materials and consumables.

The product launches have contributed to further strengthening existing customer relations and have also, in a number of cases, opened doors to new customers and distribution channels. In line with the company's marketing strategy, the launches have entailed a number of investments in sales and marketing activities, including traditional advertising, outdoor media, TV spots etc.

The many product launches and marketing activities have been appreciated and welcomed by our customers and collaboration partners in all relevant markets, and the activities have helped strengthen Harboe's profile as a modern and dynamic company which is capable of supplying the whole range of conventional quality products while also ensuring innovation and the setting of new standards in new categories.

This will remain our focus, and more specialty products will be launched in future as a means of continuing to drive the group's growth and value creation.

Harboes Bryggeri A/S

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## **Management's review**

As a contribution to the debate and increasing consumer awareness of climate change and sustainability, Harboe has also launched a new beer under the name 'IceBeer'. For every product sold, DKK 0.25 will be donated to the IceBeer Climate Fund under establishment, the purpose of which is to fund research, education and conservation projects for the benefit of the climate and the environment.

Profit before tax for the brewery sector was DKK 30.4 million against DKK 15.9 million the year before.

In FY 2008/09, the brewery sector employed 492 people compared with 457 last year.

**Management's review****Foodstuff sector**Foodstuff sector – key figures<sup>4</sup>:

	<b>2008/09</b> <b>DKKkm</b>	<b>2007/08</b> <b>DKKkm</b>	<b>2006/07</b> <b>DKKkm</b>	<b>2005/06</b> <b>DKKkm</b>	<b>2004/05</b> <b>DKKkm</b>
<b>Earnings</b>					
Revenue	225.2	233.6	193.7	200.7	252.3
Operating profit/(loss) (EBIT)	4.8	1.0	(0.1)	5.7	9.5
Profit/(loss) before tax	4.7	0.4	(1.3)	3.3	6.3
Tax on profit/(loss) for the year	(0.9)	(1.0)	0.5	(1.0)	(1.9)
Net profit/(loss) for the year	3.9	(0.6)	(0.8)	1.3	4.4
<b>Balance sheet</b>					
Non-current assets	96.3	109.0	113.5	126.3	146.2
Current assets	58.1	38.4	59.2	30.7	47.7
Equity	116.3	112.4	113.0	113.8	112.5
Non-current liabilities	10.8	16.4	21.8	26.9	32.1
Current liabilities	27.3	18.6	37.9	16.3	49.3
Balance sheet total	154.4	147.4	172.7	157.0	193.9
<b>Investments etc.</b>					
Investments	0.0	4.6	0.9	0.1	4.8
Depreciation and amortisation	11.4	11.3	12.3	14.5	15.1
<b>Cash flows</b>					
Cash flows from operating activities	22.2	(9.0)	20.1	13.9	26.0
Cash flows from investing activities	3.6	(5.2)	(0.2)	2.4	(2.7)
Cash flows from financing activities	(5.9)	(5.6)	(5.6)	(5.5)	(1.9)
Changes in cash and cash equivalents	19.9	(19.8)	14.4	10.7	21.4
<b>Employees</b>					
Number of employees	28	26	19	27	84

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<sup>4</sup> The financial highlights have been prepared in accordance with IFRS, cf. the description in note 1.

Harboes Bryggeri A/S

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## **Management's review**

### **Foodstuff sector**

The foodstuff sector's share of revenue amounted to DKK 225.2 million in the financial year against DKK 233.6 million last year.

Operating profit amounted to DKK 4.8 million against DKK 1.0 million last year.

Profit before tax of DKK 4.7 million was realised against DKK 0.4 million last year, of which DKK 2.9 million originates from an insurance compensation.

The positive development in revenue was, among other things, based on the conclusion by Harboefarm A/S of new, long-term contracts in the period. The company's other activities also developed stably.

Harboefarm A/S is still leasing the company's turkey farms, which are all leased out.

## **Management's review**

### **Risks**

Harboe is constantly analysing and considering the business and financial risks affecting the company's development and results. The Board of Directors regularly considers the risks to which Harboe is exposed and the policy laid down for the handling thereof.

As part of the group's ongoing operational risk management, Harboe has set up a system of procedures and internal controls for all subelements of production at the group's three production units – from purchasing, receipt of goods and reconciliation of inventories to production and quality checks. Harboe's production facilities are also certified according to ISO 22000 and HACCP, just as the production units are subject to a number of requirements from national authorities, and Harboe reports on compliance with the routines established.

Moreover, Harboe has established standard procedures and controls for the group's key administrative and financial functions.

As part of the most recent changes to the Danish Financial Statements Act (*Årsregnskabsloven*) concerning the establishment of an audit committee, it is the intention of Harboe's Board of Directors to set up an internal audit committee to assist the Board of Directors following the next general meeting. The committee will consist of the externally elected and independent members of the Board of Directors. The Board of Directors is of the opinion that these members will jointly be fully capable of undertaking the future task of ensuring that Harboe's financial reporting, risk management and internal control systems follow best practice.

Below follows an outline of the most important risks to which Harboe is exposed in its business activities. The list is not exhaustive, nor are the risks listed in any order of priority:

### **Production and quality**

Harboe's production of beverages is exposed to a risk of errors or accidents happening which may affect the quality of the end product. This can result in losses because products must be rejected or recalled from the market, which in the long term may undermine consumer confidence in the group's products. To minimise the risk of this happening, Harboe is very focused on the quality assurance of its production processes. All the group's production facilities are certified in accordance with international quality standards and apply established operating and maintenance procedures.



## **Management's review**

### **Competition and prices**

In all the group's main markets, the beer and soft drinks segments are characterised by intense competition, leading to pressure on prices. Harboe is therefore very sensitive to fluctuations in the prices of raw materials and consumables as increasing production costs cannot simply be added to the sales prices. This is true, in particular, of the group's core products. To counter such fluctuations as much as possible, Harboe is systematically seeking to conclude long-term contracts with subsuppliers and regularly analyses the scope for additional streamlining of production. Moreover, Harboe focuses on developing new products and on strengthening sales of a number of specialty products which offer high earnings margins and less sensitivity.

### **Season and capacity**

Sales of beer and soft drinks are characterised by considerable seasonal and weather-dependent fluctuations. The summer is normally the high season when demand is very high, but a cold and wet summer can change this picture considerably and thus affect the group's operating profit. Fluctuations in demand entail a strong demand for flexible capacity utilisation. The group is constantly seeking to optimise this through additional streamlining and investments in expanding capacity.

### **Customers and agreements**

Harboe's sales are to a large extent effected through agreements with major retail-sector customers. Harboe's revenue is thus dependent on these agreements being renewed, and the company is therefore devoting considerable resources to nursing and further developing its collaboration with customers and to ensuring that product offerings, prices and capacity are in line with customer demand and expectations at all times, based on fundamental principles of competition.

### **Product development and sales**

The successful introduction of new products is an important precondition for Harboe's continued growth. It is therefore decisive that the market comes to accept the new products, and that the products meet or can help drive demand in the markets. Harboe's product development strategy is therefore based on a close and ongoing dialogue with customers, detailed market analyses combined with the targeted exploitation of new production technologies and innovative product design. The marketing of Harboe's products will increasingly be backed by the company's own sales-promoting activities aimed at consumers.

## **Management's review**

### **Financial risks**

Due to Harboe's capital structure, the risk relating to developments in market interest rates is limited. The group's net interest-bearing debt adjusted for the bond portfolio amounted to DKK 119.6 million at the end of the financial year. At this level, a fluctuation in the market interest rate of 1 percentage point will affect Harboe's profit/loss before tax by approx. DKK 0.2 million.

As Harboe's sales and purchases in foreign currencies are primarily denominated in EUR, currency risks for the group are considered limited. However, in the past year, Harboe experienced a negative effect of exchange rates, which partly relates to the group's sale of products in SEK and partly to growing sales in the export markets, which were affected by the development in USD. Harboe will in future assess the need for currency hedging in step with the development in the group's activities.

## **Management's review**

### **Corporate governance**

Harboe's Board of Directors regularly considers the company management and places considerable emphasis on ensuring that the fundamental values which have been created and developed by the Harboe family-owned business through five generations are combined with efficient and dynamic business management, the primary objective being to create value for the company's shareholders, employees and customers.

Harboe is thus adhering to many of the recommendations for corporate governance issued by NASDAQ OMX Copenhagen. Below follows an outline of Harboe's corporate governance based on the main recommendations.

### **Role of shareholders and interaction with company management**

Harboe places considerable emphasis on the company's shareholders being able to monitor the company's development and therefore keeps a website updated with current and detailed information about the company's strategy, business and results. In connection with the presentation of annual financial statements, results are webcast.

Harboe's Board of Directors assesses the group's capital structure at appropriate intervals, accounting for their assessment in the strategy section of the annual report.

The company's general meeting is called subject to at least one week's notice, the notice being accompanied by the full agenda. The group's annual report is published on the Harboe website and is also available in a print version. In connection with the annual general meeting in August 2009, power of attorneys have been drawn up which allow the shareholders to consider each item on the agenda.

Harboe has not been targeted by public takeover bids, but the Board of Directors would find it natural to allow the shareholders to assess any bid received at a general meeting.

### **Role of stakeholders and importance to the company**

It is an integral part of Harboe's management philosophy and fundamental values that the company has a good and constructive relationship with its stakeholders, based on open dialogue and mutual respect. Relations with stakeholders are considered at appropriate intervals by the Board of Directors.

### **Openness and transparency**

Harboe's Board of Directors has adopted a policy for the company's communication with the outside world, and the management has drawn up procedures for the publication of essential information. The company publishes all announcements in both Danish and English, and the announcements are made available on the Harboe website.

## **Management's review**

Harboe maintains an active dialogue with the share market, holding a number of meetings with potential and existing investors and analysts in the course of the year. Presentations from these meetings are made available on the company website.

Harboe's annual report is presented in accordance with statutory requirements according to IFRS.

The annual report also describes a number of non-financial factors, including employees, the environment and other issues influencing the company's development.

Harboe publishes interim reports.

### **Tasks and responsibilities of the Board of Directors**

The Board of Directors of Harboe lays down the company's strategy and approves policies, systems and procedures for the group's risk management. The Board of Directors follows up on strategic initiatives and the realisation of the set targets at appropriate intervals.

The role of the chairman of the Board of Directors is regulated by the company's rules of procedure, and in practice the chairman, in performing his managerial duties, emphasises the involvement of the individual members based on their experience and competencies. At present, no deputy chairman has been appointed, but the Board of Directors considers the need at appropriate intervals and in step with developments in the company's strategic challenges.

The Board of Directors of Harboe considers the company's rules of procedure once a year.

Prior to each meeting of the Board of Directors, members receive a report from the Board of Executives providing a follow-up on the company's development and results, risk management activities etc.

### **Composition of the Board of Directors**

Members of the Board of Directors are elected for a term of four years, and shareholders receive a description of the candidates standing prior to the general meeting. In the process of identifying new candidates for the Board of Directors, emphasis is placed on adding relevant competencies within strategic management, product development and sales to the Harboe management. At the same time, the Board of Directors finds it important that the Board is composed such that its members match each other in the best possible way in terms of age, background, sex etc. in order to ensure a competent and versatile contribution to Harboe's management.

New members are given a thorough introduction to the company's business activities and strategy.

The size of the Board of Directors is such that it can work and function efficiently.

## **Management's review**

The majority of the members of the Board of Directors are independent. However, Harboe still does not comply with the recommendation that members of the Board of Executives should not at the same time serve on the Board of Directors. Harboe has decided that the Board of Directors should, for the time being at least, to some extent continue to reflect the historical ownership of the company. At the same time, the composition of the Board of Directors and their term of service ensure a continuity which Harboe finds very valuable. The optimum composition of the Board of Directors is, however, being considered on an ongoing basis.

According to the company's Articles of Association, there may be up to three staff representatives on the Board of Directors.

The members of the Board of Directors meet for scheduled meetings and also as and when required by pressing strategic considerations or decisions demanding the involvement of the Board of Directors or the clarification of its views.

No upper age limit has been defined for members of the Board of Directors as this has not yet been a relevant issue.

The Board of Directors will set up an audit committee following the general meeting in 2009. The committee will consist of the externally elected, independent members of the Board of Directors. The Board of Directors has not found it necessary to appoint other committees, but will, of course, consider this option should a situation arise which would require special efforts.

The Board of Directors has not established a formal evaluation procedure, but the chairman of the Board of Directors ensures that meetings are characterised by constructive dialogue and that individual members contribute in line with their competencies.

In FY 2008/09, the Board of Directors held a total of six meetings, including two strategy seminars.

## **Management's review**

### **Remuneration of members of the Board of Directors and the Board of Executives**

Harboe's Board of Directors emphasises that the company should offer competitive terms of employment to the members of the Board of Executives and the rest of the management and regularly assesses elements which can help motivate and retain skilled and performance-oriented managers. The Board of Directors has, for the time being, decided not to introduce share-related incentive schemes. Instead, Harboe offers a number of special elements to executive staff, such as e.g. accommodation and other staff benefits which make it attractive to be employed by Harboe, even though the company is located far away from the large urban centres. All employees of Harboe Bryggeri A/S are part of the company's pension scheme. The remuneration policy is described in the chairman's report at the annual general meeting.

The remuneration paid to the Board of Executives and the Board of Directors is specified in the annual report. Members of the Board of Directors receive a fixed fee only.

Harboe has no special severance programmes for members of the Board of Executives.

The Board of Directors' decisions concerning the company's strategy include the consideration of important risks and the handling of such risks. The most significant business and financial risks to which Harboe is exposed are described in a separate section of the annual report.

### **Audit**

Harboe's Board of Directors and Board of Executives monitor the company's audit activities on an ongoing basis, and the audit contract is made with the company's Board of Directors. Every year, the Board of Directors lays down the scope of the auditors' provision of non-audit services.

The Board of Directors reviews the company's risk and control systems at regular intervals. At the meeting of the Board of Directors at which the financial statements for the year are approved, the auditors present the results of the audit procedures for further discussion.

As mentioned under the composition of the Board of Directors, the Board of Directors has decided to set up an audit committee following the 2009 general meeting.

## Management's review

### Harboe's deviations from the recommendations on corporate governance issued by NASDAQ OMX

Recommendations	Comments by Harboe
It is recommended that a deputy chairman be appointed in the company who must take over in the event of the chairman's absence and who can generally function as an efficient sparring partner for the chairman.	At present, no deputy chairman has been appointed, but the Board of Directors considers the need at appropriate intervals and in step with developments in the company's strategic challenges. Furthermore, the chairman ensures that all the members of the Board of Directors are involved in the strategic discussions of the Board and draws on the individual competencies of the members.
It is recommended that the members of the company's Board of Executives do not serve on the company's Board of Directors.	Harboe has decided that the Board of Directors should, for the time being at least, to some extent continue to reflect the historical ownership of the company. At the same time, the composition of the Board of Directors ensures a continuity and diversity which Harboe finds very valuable. The optimum composition of the Board of Directors is, however, being considered on an ongoing basis.
It is recommended that the company set an age limit for members of the Board of Directors, and that the annual report contain information about the age of the individual members.	No upper age limit has been set for members of the Board of Directors as this has not yet been a relevant issue. The age of the individual members appears from the annual report.
It is recommended that members of the Board of Directors be up for election each year at the annual general meeting, and that the Board of Directors in that context seeks to ensure a balance between innovation and continuity, in particular as regards the chairmanship and the deputy chairmanship.	The current term of service is four years. The Board of Directors believes that this ensures the continuity of the work of the Board of Directors, which Harboe finds very valuable. In 2008, the general meeting elected three new members to the Board of Directors.
It is recommended that the Board of Directors establish an evaluation procedure under which the work, results and composition of the Board of Directors and the individual members, including the chairman, be evaluated continuously and systematically in order to improve the work of the Board of Directors, and that clear criteria be defined for the evaluation.	The Board of Directors has not established a formal evaluation procedure, but the chairman of the Board of Directors ensures that meetings are characterised by constructive dialogue and that individual members contribute in line with their competencies.

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## Management's review

### Shareholder information

Harboes Bryggeri A/S has a share capital of DKK 60,000,000, corresponding to 6,000,000 shares of DKK 10 each. The share capital is divided into 640,000 Class A shares with a combined nominal value of DKK 6,400,000 and 5,360,000 Class B shares with a combined nominal value of DKK 53,600,000.

In connection with votes at the company's general meetings, each Class A share of DKK 10 carries ten votes, while each Class B share of DKK 10 carries one vote.

Only the company's Class B shares are listed in the NASDAQ OMX Copenhagen SmallCap segment. Trading for the period totalled DKK 209 million, corresponding to an average trading per day of DKK 0.83 million.

In the course of the year, the Harboe share was traded at a maximum price of 155 and a minimum price of 96. This development must be seen in the context of the general development in both the MidCap and the SmallCap indices and in Harboe's Danish peer group, which has also seen an increasing pressure on the price of their shares, in line with general market trends.

### Ownership

At the end of the financial year, Harboes Bryggeri A/S had 4,521 registered shareholders. The registered shareholders represent DKK 52.6 million of the total share capital, corresponding to 87%.

As at 30 April 2009, the following shareholders have registered a shareholding exceeding 5% of the share capital in accordance with Section 29 of the Danish Securities Trading Act (*Værdipapirhandelsloven*):

Kirsten and Bernhard Griese

Spegerborgvej 4, 4230 Skælskør, Denmark

Capital share: 13.1%, voting share: 52.1%

Lønmodtagernes Dyrtingsfond

Vendersgade 28, 1363 Copenhagen K., Denmark

Capital share: 20%, voting share: 10.2%

As at 30 April 2009, members of the Board of Directors and the Board of Executives held a total of 796,889 shares. Of these, 786,820 shares were owned by the Board of Executives.



## **Management's review**

Members of the Board of Directors and the Board of Executives and the company's executive officers are registered as insiders, and their trading in the company's shares must be reported. According to Harboe's internal rules, insiders can only trade in the company's shares for a period of six weeks after the publication of financial statements.

### **Amendments to the company's Articles of Association**

Amendments to the company's Articles of Association shall be subject to the general provisions of the Danish Companies Act (*Aktieselskabsloven*).

### **Election of members to the Board of Directors**

The company is managed by a Board of Directors elected by the general meeting and consisting of three to six members. Members are elected for a term of four years at a time, with the earliest elected member standing down each year. Members standing down may be reelected.

### **Authorisations of the Board of Directors**

At the general meeting held on 21 August 2008, the Board of Directors was authorised to acquire treasury shares with a nominal value of up to 10% of the share capital at a price corresponding to the listed price plus/minus 10%. This authorisation is valid until the next general meeting.

### **Material contracts or changes in control**

It is part of Harboe's business model and strategy that contracts with customers are, as a general rule, long-term. In certain of these contracts, it is a standard provision that the contract can be terminated at shorter notice if the control of the company should change. Moreover, agreements with banks concerning borrowing facilities typically contain provisions to the effect that the agreements can be terminated in case of a takeover of the company. However, Harboe does not view these risks as being critical.

### **Investor relations policy**

With its IR policy, Harboes Bryggeri A/S wants to ensure a high level of information to the shareholders and other stakeholders.

Harboe aims to communicate actively and openly with a view to providing a basis for the pricing of the company's share which best reflects the value of the company and its future earnings potential.

Harboe's IR activities are constantly being developed, and communication centres on the company's interim reports and the annual report in Danish and English, presentations and meetings with stakeholders as well as the company website at [www.harboes.dk](http://www.harboes.dk).

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In FY 2008/09, Harboes Bryggeri A/S published two webcasts in connection with the H1 interim report and the annual report. These can be seen on the company website.

Moreover, Harboes Bryggeri A/S has held a number of meetings with investors and analysts in Denmark. The management will also in future allocate resources to such activities with a view to maintaining an active dialogue with existing and potential investors.

Harboes Bryggeri A/S does not comment on results or developments for a period of four weeks leading up to the publication of financial statements.

Shareholders, analysts and other interested parties are welcome to contact Harboe's IR contact, and the company is always pleased to receive suggestions as to the further development of its investor relations.

### **Analysts**

The following analysts monitor developments in Harboes Bryggeri A/S:

Danske Equities	Søren Samsøe
Enskilda Securities	Michael K. Rasmussen
Handelsbanken	Kitty Grøn
Carnegie	Casper Blom

### **Dividend**

The Board of Directors recommends to the annual general meeting that dividend in the amount of DKK 1.50 per share be paid, corresponding to a total of DKK 9.0 million.

### **Financial calendar**

Harboes Bryggeri A/S expects to publish the financial statements as follows:

Interim report – Q1 2009/10	1 September 2009
Interim report – H1 2009/10	8 December 2009
Interim report – Q3 2009/10	11 March 2010

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## **Management's review**

### **Company announcements**

Company announcements issued in the period 1 May 2008 to 30 April 2009:

<b>Date</b>	<b>Announcement</b>
2 May 2008	Financial calendar
1 July 2008	Annual report 2007/08
13 August 2008	Notice of general meeting
22 August 2008	Minutes from general meeting
10 September 2008	Interim report, Q1 2008/09
3 October 2008	Financial calendar
20 October 2008	Insider trading
18 December 2008	Interim report, H1 2008/09
11 March 2009	Interim report, Q3 2008/09
13 March 2009	Financial calendar

## **Management's review**

### **Harboe group staff culture**

#### **Organisation**

For four generations and more than 125 years, Harboe has based its business on fundamental values such as accountability, cooperation, quality and performance. These values form the basis of Harboe's management philosophy and are at the same time cornerstones of the corporate culture which the group's 520 executives and employees leave their mark on every day. As Harboe has continued its expansion, it has been an important strategic priority to maintain and pursue these values across national borders and organisational units.

Harboe's organisational strategy is based on the group's focus on ensuring a large, safe and increasingly efficient production of quality products combined with dynamic innovation that enables Harboe to create new growth and attractive value. It is therefore vital that Harboe is able to recruit managers and employees with the right qualifications for production units as well as development functions, sales and marketing etc. Harboe seeks to ensure competitive salary and employment conditions as well as ongoing training and continued improvement of employee skills. The objective is also to retain talented employees and ensure a high degree of employee satisfaction.

#### **Recruitment of competencies**

Recruitment of staff for management and development functions is a special focus area, and during the year Harboe brought in fresh talent to strengthen these areas. Staff has also been recruited for other parts of the organisation on an ongoing basis.

In recent years, highly qualified staff has been recruited for key operating functions in the group's new production facilities. This proved to be a success, for example in connection with the installation and validation of new facilities where operations managers and team leaders have contributed actively, thereby gaining deep insight into technology and functionality, which ensures a subsequent high level of operating reliability.

All new employees undergo introduction programmes focusing on production and safety, among other things, and the new employees have settled in well in the organisation.

#### **Focus on training**

Harboe's organisation is based on each employee assuming responsibility and having an active attitude to how this responsibility is best fulfilled – individually or with others. Recent years' streamlining and technological developments in production place increasing demands on each employee's competencies and ability to handle quality assurance and problem solving. Harboe is therefore committed to ongoing employee development and training at all levels of the organisation.

## **Management's review**

Again this year, Harboe conducted a management seminar for the group's key managers, and work went into the continued roll-out and implementation of the group strategy in the individual units and the sales organisation as a whole.

To ensure the presence of qualified managers and specialists in the organisation also in the long term, Harboe conducted trainee programmes in Germany and Estonia where future managers are trained to fulfil a number of specialist functions in the organisation. The programme is a success, and new managers have completed the programme this year, too.

In addition to the strategic projects implemented, managers and employees from across the organisation have participated in both internal and external training programmes.

### **Employee satisfaction**

As part of the competency development of each employee, Harboe conducts annual performance interviews which follow up on goals and results, and performance plans are defined for the coming year. The performance interviews also provide an opportunity to follow up on employee satisfaction, which is largely supported by a strong corporate culture. In this connection, Harboe is pleased that its staff turnover is low and that seniority for both production workers and specialists is at a level which ensures continuity and maintains the valuable knowledge gathered in the company.

## **Management's review**

### **Corporate responsibility**

It is a central element in Harboe's strategy that the group's continued growth and development should be sustainable. The efficient utilisation of resources is of decisive importance to the group's financial results and continued value creation. At the same time, being conscious of its responsibilities as an integrated part of society is a key element in Harboe's values.

Sustainable development therefore plays a central role in Harboe's development activities, and all investments in new production technology, optimisations of existing production facilities and all product and packaging development take account of the resources involved and the general impact of activities on the environment. Moreover, Harboe is constantly investing in training and development activities to ensure that the group's employees are optimally geared to carrying out their duties in a safe and efficient manner.

It is generally Harboe's ambition to ensure the continued reduction in resources consumed and in environmental impact relative to the total production volume. At the same time, the aim is for the number of accidents at work and absence due to illness to be maintained at the current very low level.

Harboe has for a number of years prepared green accounts for the group's factory in Skælskør and is working to implement common reporting standards within the area of sustainability for the whole group. As part of this project, Harboe has been making preparations during the year for the group units to be certified in accordance with international occupational health and safety standards. This is in addition to the existing quality and environmental certifications.

### **Sustainable growth**

Harboe is pleased to see that continuous investments in increased efficiency and optimisation of the group's production facilities are having a positive effect on both resource consumption and emissions relative to the concurrent development in production volume.

One of the initiatives in this context is the switch to natural gas at the group's German production facility, which, combined with a number of other energy-saving investments, has generated satisfactory results.

Harboe's focus on energy utilisation has also resulted in continuous optimisations at the factory in Skælskør. The establishment of the new evaporation plant for the production of malt extract is an example of how efficiency and environmental optimisation can be equal factors in the group's investment strategy.

Harboe also conducts analyses of material consumption in connection with the production of packaging at regular intervals, and, in the course of the year, a number of adjustments have been made in production which have further optimised the utilisation of resources.

## **Management's review**

Harboe has invested a total of DKK 118.9 million in 2008/09, which includes investments in the optimisation of the group's production facilities.

Due to the energy-optimising effect of the investments and the use of new technology for further processing of primary agricultural produce, the group is eligible for EU funding, and, after the end of the financial year, Harboe received investment grants of DKK 5.6 million.

Harboe will continue to analyse the possibilities of optimising the group's utilisation of resources and production activities, and several concrete projects are in the pipeline. This strategic work will also be a priority in the group's investment plans for the coming year.

### **Responsibility**

Harboe's strategic focus on sustainability is also reflected in its fundamental business ethics and the principles according to which Harboe operates.

Harboe believes that it is important for the group's staff and employment policy to reflect this through terms of employment which mirror good practice and national standards. Furthermore, the company is committed to the health and safety of its employees by offering training and staff benefits, including attractive canteen arrangements etc.

In relationships with suppliers and other collaboration partners, Harboe attaches importance to agreements and contracts being prepared in accordance with international standards and that the ongoing dialogue is based on mutual professionalism, openness and respect.

Harboe also seeks to assume an active role in the communities in which the group operates, and Harboe regularly participates in activities benefiting economic and social growth, locally as well as internationally. In the past year, Harboe has thus been actively involved in research projects, among other things. The group's establishment of the 'IceBeer Climate Fund', the purpose of which is to fund research and initiatives for the benefit of the climate is yet another testament to Harboe's active involvement in sustainability.

Harboes Bryggeri A/S

Annual report for the period 1 May 2008 – 30 April 2009

## **Management's statement**

Today, we have reviewed and approved the annual report of Harboes Bryggeri A/S for the financial year 1 May 2008 to 30 April 2009.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, including those of the NASDAQ OMX Copenhagen concerning the presentation of financial statements.

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the group's and the parent's assets and liabilities and financial position as at 30 April 2009 as well as of the results of their operations and cash flows for the financial year 1 May 2008 to 30 April 2009.

We also believe that the management's statement gives a true and fair view of the development in the group's and the parent's activities and financial affairs, their results for the year and general financial position as well as a description of the most important risks and uncertainty factors, to which the group and the parent are exposed.

The annual report is submitted for adoption by the annual general meeting.

Skælskør, 29 June 2009

## **Board of Executives**

Bernhard Griese  
CEO

## **Board of Directors**

Anders Nielsen  
Chairman

Bernhard Griese

Mads O. Krage

Mette Kirstine Agger

Thøger Thøgersen

Carl Erik Kjærsgaard

Jens Bjarne Jensen \*

\* Staff representative

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Harboes Bryggeri A/S

Annual report for the period 1 May 2008 – 30 April 2009

## **Independent auditor's report**

### **To the shareholders of Harboes Bryggeri A/S**

We have audited the annual report of Harboes Bryggeri A/S for the financial year 1 May 2008 to 30 April 2009, which comprises the statement of the Board of Directors and Board of Executives on the annual report, management's review, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies applied, for the group as well as for the parent. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

### **The Board of Directors and Board of Executives' responsibility for the annual report**

The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

### **Auditor's responsibility and basis of opinion**

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish and International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the enterprise's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the enterprise's internal control. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the Board of Directors and Board of Executives, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit did not give rise to any qualifications.

### **Opinion**

In our opinion, the annual report gives a true and fair view of the group's and the parent's assets and liabilities and financial position as at 30 April 2009 as well as of the results of their activities and cash flows for the financial year 1 May 2008 to 30 April 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Slagelse, 29 June 2009

### **Deloitte**

Statsautoriseret Revisionsaktieselskab

**Jens Jørgen Simonsen**

State-authorised Public Accountant

**Freddi Nielsen**

State-authorised Public Accountant

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**Income statement for 2008/09**

	<b>Group</b>	
	<b>2008/09</b>	<b>2007/08</b>
	<b>DKK '000</b>	<b>DKK '000</b>
Gross revenue	1,806,440	1,607,373
Taxes on beer and soft drinks	(261,834)	(236,475)
<b>Revenue</b>	<b>1,544,606</b>	<b>1,370,898</b>
Production costs	(1,299,143)	(1,159,156)
<b>Gross profit/(loss)</b>	<b>245,463</b>	<b>211,742</b>
Other operating income	22,369	14,768
Distribution costs	(173,455)	(155,389)
Administrative expenses	(42,841)	(38,059)
Other operating expenses	(10,632)	(11,467)
<b>Operating profit/(loss) (EBIT)</b>	<b>40,904</b>	<b>21,595</b>
Income from investments in associates	1,493	1,298
Financial income	18,285	861
Financial expenses	(25,553)	(7,444)
<b>Profit/(loss) before tax</b>	<b>35,129</b>	<b>16,310</b>
Tax on profit/(loss) for the year	(9,443)	(4,637)
Adjustment of tax regarding previous years	(65)	8,435
<b>Net profit/(loss) for the year</b>	<b>25,621</b>	<b>20,108</b>
<b>Distribution of net profit/(loss) for the year</b>		
Shareholders of parent	25,673	20,153
Minority interests	(52)	(45)
	<b>25,621</b>	<b>20,108</b>
Earnings per share and diluted earnings per share (DKK per share of DKK 10)	<b>4.4</b>	<b>3.4</b>

**Balance sheet as at 30 April 2009**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>DKK '000</b>	<b>DKK '000</b>
Development projects	2,274	-
Rights	5,712	5,723
Software	1,332	320
Intangible assets under construction	2,068	289
<b>Intangible assets</b>	<b>11,386</b>	<b>6,332</b>
Land and buildings	319,406	329,773
Plant and machinery	405,989	401,417
Other plant, fixtures and fittings, tools and equipment	36,246	44,096
Spare parts for own machinery	4,210	4,707
Property, plant and equipment under construction	35,338	13,216
<b>Property, plant and equipment</b>	<b>801,189</b>	<b>793,209</b>
Investments in associates	4,609	3,490
Financial assets available for sale	288,768	2,461
Deposits, leases	2,186	2,148
<b>Financial assets</b>	<b>295,563</b>	<b>8,099</b>
<b>Deferred tax assets</b>	<b>1,575</b>	<b>2,093</b>
<b>Non-current assets</b>	<b>1,109,713</b>	<b>809,733</b>

**Balance sheet as at 30 April 2009**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>DKK '000</b>	<b>DKK '000</b>
<b>Inventories</b>	<b><u>118,468</u></b>	<b><u>114,645</u></b>
Trade receivables	267,427	237,393
Receivables from associates	4,377	5,053
Other receivables	34,929	10,853
Prepayments	<u>8,393</u>	<u>9,274</u>
<b>Receivables</b>	<b><u>315,126</u></b>	<b><u>262,573</u></b>
<b>Cash</b>	<b><u>59,864</u></b>	<b><u>12,310</u></b>
<b>Assets held for sale</b>	<b><u>3,242</u></b>	<b><u>0</u></b>
<b>Current assets</b>	<b><u>496,700</u></b>	<b><u>389,528</u></b>
<b>Assets</b>	<b><u>1,606,413</u></b>	<b><u>1,199,261</u></b>

**Balance sheet as at 30 April 2009**

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>DKK '000</b>	<b>DKK '000</b>
Share capital	60,000	60,000
Share premium	51,000	51,000
Reserves	(18,886)	3,125
Retained earnings	<u>572,159</u>	<u>582,580</u>
<b>Equity owned by the shareholders of parent</b>	<b>664,273</b>	<b>696,705</b>
<b>Equity owned by minority interests</b>	<b><u>190</u></b>	<b><u>242</u></b>
<b>Equity</b>	<b><u>664,463</u></b>	<b><u>696,947</u></b>
Mortgage debt	317,441	23,112
Other credit institutions	1,185	3,439
Deferred tax liabilities	39,580	37,776
Deferred income	<u>63,627</u>	<u>44,335</u>
<b>Non-current liabilities</b>	<b><u>421,833</u></b>	<b><u>108,662</u></b>
Mortgage debt	5,682	5,559
Other credit institutions	135,436	60,196
Trade payables	200,136	186,087
Repurchase obligation, returnable packaging	35,637	36,298
Payables to associates	11,377	6,473
Other payables	105,678	71,913
Deferred income	8,654	10,066
Income tax	<u>14,530</u>	<u>17,060</u>
<b>Current liabilities</b>	<b><u>517,130</u></b>	<b><u>393,652</u></b>
<b>Liabilities in respect of assets held for sale</b>	<b><u>2,987</u></b>	<b><u>0</u></b>
<b>Liabilities</b>	<b><u>941,950</u></b>	<b><u>502,314</u></b>
<b>Equity and liabilities</b>	<b><u>1,606,413</u></b>	<b><u>1,199,261</u></b>

**Cash flow statement for 2008/09**

	<b>Group</b>	
	<b>2008/09</b>	<b>2007/08</b>
	<b>DKK '000</b>	<b>DKK '000</b>
Operating profit/(loss) (EBIT)	40,904	21,595
Depreciation, amortisation, impairment losses and write-downs	118,190	109,102
Grants recognised as income	(14,042)	(9,271)
Changes in net working capital	23,416	(33,400)
<b>Cash flows from operating activities</b>	<b>168,468</b>	<b>88,026</b>
Financial income received	20,719	1,089
Financial expenses paid	(28,522)	(7,146)
Income tax paid	(12,037)	(25,025)
<b>Cash flows from operating activities</b>	<b>148,628</b>	<b>56,944</b>
Purchase of intangible assets	(4,761)	(658)
Purchase of property, plant and equipment	(134,583)	(89,536)
Sale of property, plant and equipment	8,452	322
Acquisition of enterprises	0	(6,108)
Changes in financial assets	(308,037)	(1,517)
<b>Cash flows from investing activities</b>	<b>(438,929)</b>	<b>(97,497)</b>
Dividend paid to shareholders of parent	(8,925)	(8,925)
Repayments on mortgage debt	(12,843)	(20,239)
Proceeds from creation of financial liability	303,955	3,164
Investment grant received	2,359	16,360
Purchase of treasury shares	(25,301)	0
<b>Cash flows from financing activities</b>	<b>259,245</b>	<b>(9,640)</b>
<b>Changes in cash and cash equivalents</b>	<b>(31,056)</b>	<b>(50,193)</b>
Cash and cash equivalents as at 1 May	(42,139)	8,213
Translation adjustment, beginning of year	(129)	(159)
<b>Cash and cash equivalents as at 30 April</b>	<b>(73,324)</b>	<b>(42,139)</b>

## Statement of equity for 2007/08

	<b>Group</b>								
	Share capital DKK '000	Share premium DKK '000	Reserve for translation adjustments DKK '000	Reserve for net revaluation according to the equity method DKK '000	Reserve for fair value adjustment of financial assets available for sale DKK '000	Retained earnings DKK '000	Equity owned by the share- of the parent DKK '000	Equity owned by minority interests DKK '000	Total equity DKK '000
<b>Equity as at 1 May 2007</b>	<b>60,000</b>	<b>51,000</b>	<b>470</b>	<b>254</b>	<b>845</b>	<b>572,836</b>	<b>685,405</b>	<b>414</b>	<b>685,819</b>
Foreign currency translation adjustment in respect of foreign subsidiaries	0	0	655	0	0	0	655	0	655
Adjustment to fair value of financial assets available for sale	0	0	0	0	(583)	0	(583)	0	(583)
<b>Recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>655</b>	<b>0</b>	<b>(583)</b>	<b>0</b>	<b>72</b>	<b>0</b>	<b>72</b>
Net profit/(loss) for the year	0	0	0	1,484	0	18,669	20,153	(45)	20,108
<b>Total net income</b>	<b>0</b>	<b>0</b>	<b>655</b>	<b>1,484</b>	<b>(583)</b>	<b>18,669</b>	<b>20,225</b>	<b>(45)</b>	<b>20,180</b>
Repayment of minority shareholders	0	0	0	0	0	0	0	(127)	(127)
Distributed dividend, cf. note 13	0	0	0	0	0	(9,000)	(9,000)	0	(9,000)
Dividend from treasury shares	0	0	0	0	0	75	75	0	75
<b>Equity as at 30 April 2008</b>	<b>60,000</b>	<b>51,000</b>	<b>1,125</b>	<b>1,738</b>	<b>262</b>	<b>582,580</b>	<b>696,705</b>	<b>242</b>	<b>696,947</b>

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## Statement of equity for 2008/09

## Group

	Share capital DKK '000	Share premium DKK '000	Other reserves	Retained earnings DKK '000	Equity owned by the share- holders of the parent DKK '000	Equity owned by minority interests DKK '000	Total equity DKK '000
<b>Equity as at 1 May 2008 (transferred from previous page)</b>	<b>60,000</b>	<b>51,000</b>	<b>3,125</b>	<b>582,580</b>	<b>696,705</b>	<b>242</b>	<b>696,947</b>
Foreign currency translation adjustment in respect of foreign subsidiaries	0	0	(1,153)	0	(1,153)	0	(1,153)
Adjustment to fair value of financial assets available for sale	0	0	(21,599)	0	(21,599)	0	(21,599)
Reserve for net revaluation according to the equity method	0	0	1,494	(1,494)	0	0	0
Reserve for hedging of cash flows	0	0	(1,004)	0	(1,004)	0	(1,004)
Tax on hedging instruments	0	0	251	0	251	0	251
<b>Recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>(22,011)</b>	<b>(1,494)</b>	<b>(23,505)</b>	<b>0</b>	<b>(23,505)</b>
Net profit/(loss) for the year	0	0	0	25,673	25,673	(52)	25,621
<b>Total net income</b>	<b>0</b>	<b>0</b>	<b>(22,011)</b>	<b>24,179</b>	<b>2,168</b>	<b>(52)</b>	<b>2,116</b>
Distributed dividend, cf. note 13	0	0	0	(9,000)	(9,000)	0	(9,000)
Dividend from treasury shares	0	0	0	75	75	0	75
Purchase of treasury shares	0	0	0	(25,675)	(25,675)	0	(25,675)
<b>Equity as at 30 April 2009</b>	<b>60,000</b>	<b>51,000</b>	<b>(18,886)</b>	<b>572,159</b>	<b>664,273</b>	<b>190</b>	<b>664,463</b>