BY APPOINTMENT TO
THE ROYAL DANISH COURT

HARBOE

ANNUAL REPORT
2016/2017

"We are currently investing massively in building and positioning our key brands in international markets, where we are seeing a very attractive potential for growth and increased value creation – and these activities are the drivers of growth in the financial year. At the same time, we have strengthened our skills in development and commercialisation of new value-adding malt-based ingredients, which are also expected to provide an important contribution to future earnings. Results are affected by investments – both this year and in the coming financial year – but we expect growth and improved product value to gradually increase earnings – both in relative and overall terms."

Bernhard Griese
CEO

CONTENTS

STRATEGIC MEASURES AND INVESTMENTS DRIVING ORGANIC GROWTH

Strong partnerships with customers, targeted positioning of the group's key brands and continued growth in international markets pave the way for increased revenue in the financial year. Organic growth is underpinned by significant investments in marketing and development. While these investments will impact short-term earnings, they will drive new momentum in long-term value creation and they are expected to support continued growth and higher earnings margins over the coming years.

STRONGER INTERNATIONAL POSITIONING OF KEY BRANDS

In 2016/2017, Harboe intensified its efforts in the execution of the organic growth strategy pursued by the group in recent years. We have seen that our focus on strengthening the positioning of our key brands, using marketing support and stronger communication of the history and value of individual brands, raises market interest, effectively supports sales and enables us to market our products in attractive price segments. In the past year, this prompted us to further increase our sales and marketing investments, and we are seeing a clear and positive effect with robust growth in international markets, where we are gradually consolidating our positions. This development more than offsets the impact of the fall in demand, especially for beer, seen in Northern European markets.

FOCUS ON THE VALUE OF THE PRODUCT MIX

In this area, on the other hand, through the continued close partnership with major customers in the retail sector, we are seeking to support demand through ongoing development and targeting of the product mix and launch of new speciality products and concept series. This applies, for instance, to speciality beer, but juice and energy drinks, spring and mineral water also attract interest from customers and help us retain our position and gradually increase the value of the product mix. And, make no mistake about it, this is essential in a fiercely competitive environment. Continued consolidation in the retail sector and growing international

consolidation of purchasing functions are putting a squeeze on prices – and in the past financial year, once again, we had to accept lower earnings in the renegotiation of strategically important contracts.

MORE ADVANCED PRODUCTS

In our ingredients activities, our strategic agenda is clear: in close partnership with our customers in the food and drinks industry, we develop and refine targeted malt-based ingredients, creating added value for our customers. The objective is to transform the business model from that of a classic raw materials business to a knowledge-based supplier of value-adding ingredients. This makes our products far more competitive and our earnings potential higher and more attractive. Our customers are showing a keen interest and participate in testing during which we cooperate on targeting and optimising product specifications and quality standards – and in the course of the year, we entered into several new contracts on advanced malt-based ingredients.

Therefore, we have prioritised increased investments, also in this area, in our development organisation with new competencies in, for example, bakery technology, and we invested in a high-tech process plant with the capacity for large-scale production of the new products.

RESTRUCTURING AND ENHANCED CAPACITY UTILISATION

Increased strategic investments and earnings pressure in our Northern European markets are reflected both at EBITDA level and in profit before tax, and during the year we had to adjust our outlook of net profit for the year. These adjustments were also due to the trend of our Estonian company, which was more negative than expected – despite ongoing efforts to adapt the activities to changes in market conditions. We have come a long way with the comprehensive restructuring and integration of the company. This means that we will achieve high capacity utilisation in the ongoing development of our international business.

SOLID FOUNDATION FOR STRATEGY EXECUTION

Although earnings for the year were slightly lower than last year, we still managed to strengthen our cash flows from operating activities thanks to targeted efforts to further optimise our working capital. This, in combination with a solid capital base and solid financial resources, provides for a strong foundation and flexibility to address the challenges of the coming years and the continued execution of our strategy.

As always, this is all based on the strong and value-adding relations with our customers and, not least, our competent and committed employees, who contribute on a daily basis to creating value and continuing the strong culture at the heart of Harboes Bryggeri A/S. We will continue to build on these relations in the coming year. We expect our international activities to be the primary drivers of higher revenue – not least underpinned by continued investments in marketing and strengthening of our key brands. We also maintain our strategic focus on developing and commercialising new value-adding malt extract products – and due to our overall investments, many of which are direct operating expenses, we expect slightly lower EBITDA in the region of DKK 140-150 million. In the coming year, depreciation of the new process plant and production equipment will account for approx. DKK 96 million, and, accordingly, we expect profit before tax in the region of DKK 40-50 million.

THE FINANCIAL YEAR FOR THE GROUP IN OUTLINE

SUCCESSFUL PARTNERSHIPS WITH CUSTOMERS AND CONTINUED INTERNATIONAL GROWTH

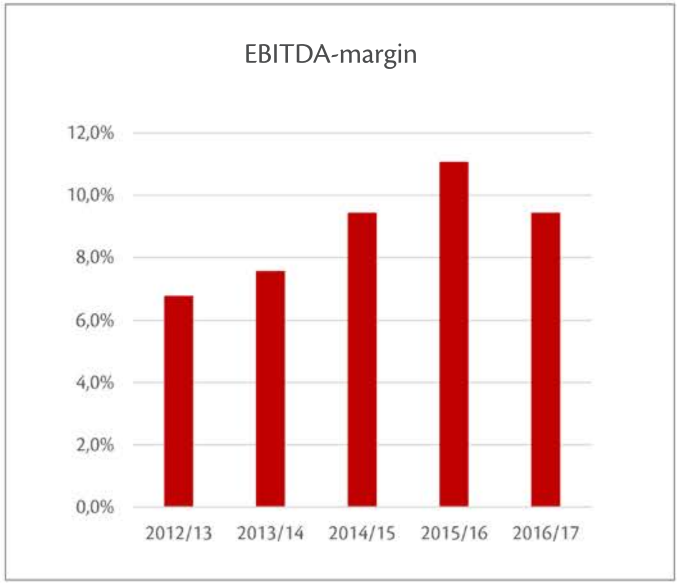
- Harboe's revenue increased by 4.0% to DKK 1,431 million. The primary drivers of organic growth are continued activity expansions and positioning of the group's key brands in international markets.
- Sales of beer and soft drinks, including malt beverages and malt wort products, rose by 1.7% to a total of 6.10 million hectolitres.

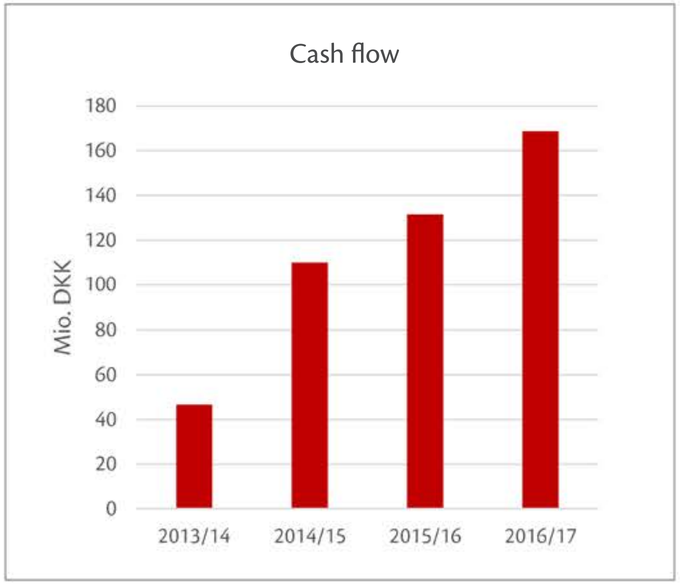
STRATEGIC INVESTMENTS IN MARKETING AND DEVELOPMENT AFFECT EARNINGS

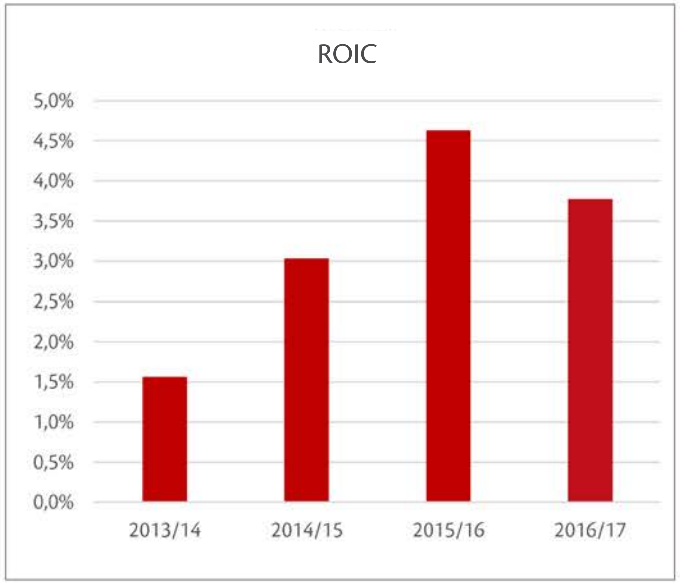
- Profit before depreciation, amortisation, net financials and tax (EBITDA) fell by 7.5% to DKK 140.9 million, corresponding to an EBITDA margin of 9.8%. This decline is due primarily to the continued strengthening of our strategic growth platform with increased investments in sales and marketing, development activities as well as quality and production management.
- Operating profit (EBIT) amounted to DKK 50.1 million against DKK 61.2 million last year.
- Consolidated profit before tax was DKK 45.4 million against DKK 51.1 million the year before.
- The group's investments in the financial year totalled DKK 110.8 million, up from DKK 76.8 million last year. The main investments are in new technical plan and optimisation of process equipment.
- Cash flows from operating activities increased to DKK 168.7 million, up from DKK 131.4 million last year. Free cash flow (changes in cash and cash equivalents) amounted to DKK -30.7 million against DKK 18.3 million last year. Investment activities had a liquidity effect corresponding to DKK -174.2 million.

OUTLOOK 2017/18

- Harboe expects organic growth to continue, driven primarily by the group's international activities.
- Harboe expects EBITDA of approx. DKK 140-150 million and profit before tax of approx. DKK 40-50 million.







FINANCIAL HIGHLIGHTS

DKKm	2016/17	2015/16	2014/15	2013/14	2012/13
KEY FIGURES					
EARNINGS					
Revenue	1,431.3	1,376.5	1,371.3	1,420.1	1,343.6
EBITDA	140.9	152.4	129.4	107.4	90.9
Operating profit/(loss) (EBIT)	50.1	61.2	38.6	16.7	9.4
Net financials	(4.7)	(10.1)	(5.3)	(6.3)	(5.3)
Profit/(loss) before tax	45.4	51.1	33.4	10.4	4.1
Net profit/(loss) for the year	31.5	34.6	24.0	10.6	3.1
BALANCE SHEET					
Total assets	1,356.7	1,298.8	1,292.2	1,383.7	1,501.4
Equity	758.7	736.9	709.9	706.6	780.6
Net interest-bearing debt	135.9	120.7	154.4	196.8	115.5
INVESTMENTS ETC.					
Investments in intangible assets	1.4	1.1	2.0	2.4	26.5
Investments in property, plant and equipment	109.4	75.7	56.2	34.1	93.2
Depreciation, amortisation, impairment losses and write-downs	90.9	91.2	90.7	90.7	81.4
CASH FLOWS					
Cash flows from operating activities	168.7	131.4	109.9	46.6	51.1
Cash flows from investing activities	(174.2)	(93.6)	(49.6)	125.4	(20.7)
Cash flows from financing activities	(25.2)	(19.5)	(33.2)	(98.9)	(6.4)
Changes in cash and cash equivalents	(30.7)	18.3	27.1	73.2	24.0
EMPLOYEES					
Average number of full-time employees	595	588	606	603	559

Growth in revenue

4.0%

EBITDA

DKK 140.9 million

Profit/(loss) before tax

DKK 45.4 million

Investments in property, plant and equipment

DKK 109.4 million

FINANCIAL HIGHLIGHTS, CONTINUED

	2016/17	2015/16	2014/15	2013/14	2012/13
RATIOS (IN %)					
Profit margin	3.5	4.4	2.8	1.2	0.7
Solvency ratio	55.9	56.7	54.9	51.1	52.0
EBITDA margin	9.8	11.1	9.4	7.5	6.8
Gearing	17.9	16.4	21.7	27.9	14.8
Acid test ratio	137.9	175.5	169.7	151.0	118.1
Return on invested capital (ROIC)	3.7	4.6	3.0	1.6	1.0
SHARE-RELATED RATIOS					
Earnings per DKK 10 share, DKK (EPS)	6.9	7.6	5.2	2.1	0.6
Cash flow per DKK 10 share, DKK (CFPS)	37.0	28.8	23.8	9.1	9.1
Equity value per DKK 10 share, DKK	126.5	122.8	118.3	117.7	130.1
Share price, end of year	132.5	114.0	105.5	93.5	77.0
Price/earnings ratio	19.2	15.0	20.3	45.2	139.7
Dividend per DKK 10 share, DKK	2.00	2.00	2.00	2.00	1.50

DEFINITIONS OF FINANCIAL HIGHLIGHTS

The financial highlights have been defined and calculated in accordance with 'Recommendations and Ratios 2015' issued by the Danish Finance Society (*Finansforeningen*), the specific definitions being:

Investments:	The year's additions of intangible assets and property, plant and equipment, excl. property, plant and equipment under construction and spare parts
Gross margin:	Gross profit/loss in per cent of revenue
Profit margin:	Operating profit/loss (EBIT) in per cent of revenue
EBITDA margin:	Earnings before interest, tax, depreciation and amortisation in per cent of revenue
Return on net assets:	Operating profit/loss (EBIT) in per cent of average operating assets
Operating assets:	Balance sheet total at the end of the year less financial assets and cash
Return on invested capital:	Operating profit/loss (EBIT) less tax thereon in per cent of average invested capital (equity + minority interests + net interest-bearing debt + provisions – financial assets)
Net interest-bearing debt:	Interest-bearing liabilities less interest-bearing assets, including cash and cash equivalents
Net interest-bearing debt:	Mortgage debt and debt to credit institutions less cash and cash equivalents
Return on equity:	Net profit/loss for the year in per cent of average equity
Solvency ratio:	Equity at the end of the year in per cent of the balance sheet total at the end of the year
Financial gearing:	Net interest-bearing debt at the end of the year in per cent of equity at the end of the year
Earnings per share (EPS):	Net profit/loss for the year in relation to the average number of shares
Cash flow per share:	Cash flows from operating activities in relation to the average number of shares
Price/earnings ratio:	Share price at the end of the year in relation to earnings per share
Current ratio:	Current assets in per cent of current liabilities
	The ratios have been calculated on the basis of the net profit or loss for the year along with the balance sheet total and equity at the end of the year.

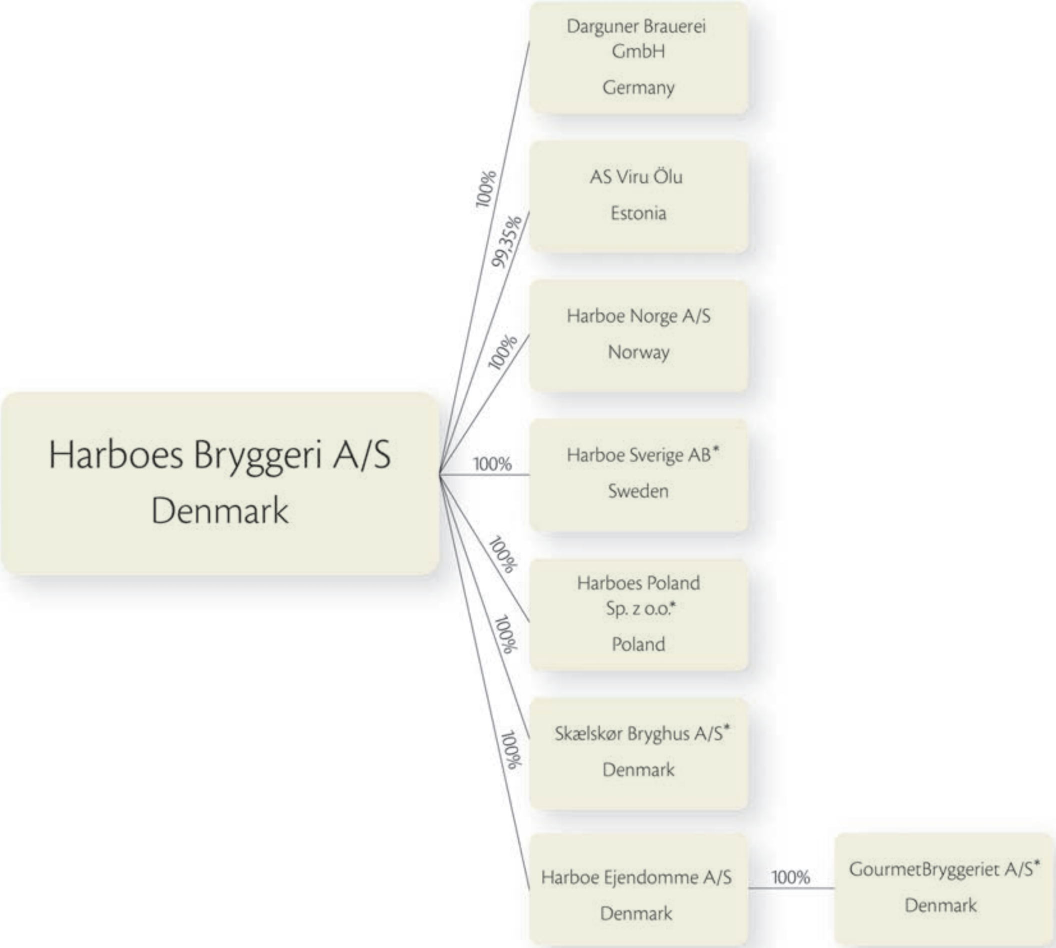
GROUP CHART

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 is brewery activities, comprising the production and sale of beer, soft drinks, malt beverages and malt wort products.

* Without activity

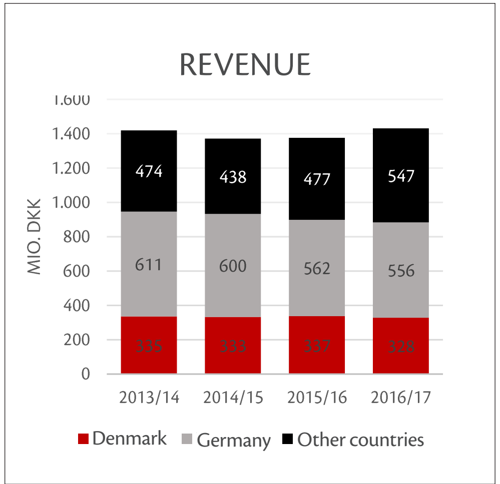


THE GROUP'S BUSINESS DEVELOPMENT

REVENUE

Consolidated revenue totalled DKK 1,431 million in the 2016/17 financial year against DKK 1,377 million the year before, representing an increase of 4.0%.

Sales of beer and soft drinks, including malt beverages and malt wort products, increased by 1.7% to 6.10 million hectolitres compared with 6.00 million hectolitres last year.



The increase in revenue reflects a maintained and continued solid position and close cooperation with the large retail customers in the Northern European markets, which are continuously being developed with new products and sales concepts to underpin demand. Speciality beer, juice and energy drinks are especially in demand, helping to enhance the value of the product mix.

However, the primary driver of revenue growth is increasing sales as part of the continued activity expansion in international markets in which strengthened positioning of the group's key brands with more intensive marketing support generates increased interest and facilitates marketing of products in attractive price segments. This is reflected in additional sales growth for 'Bear Beer', 'Hyper Malt' and 'X-Ray' and continued consolidation of the group's position.

The positive trend in sales of malt extract in Europe continues, based on successful partnerships with existing and new customers. During the financial year, new customer agreements were entered into on more advanced ingredients, making positive contributions to revenue and earnings. Marketing efforts were continued and targeted sales activities paid off, especially in the Middle East. These activities hold an attractive long-term potential, but political unrest poses substantial challenges to trade terms, and limited access to foreign currency transactions had a negative impact on both sales and earnings in the financial year.

Read more about developments in the individual business units in the relevant sections in this report.

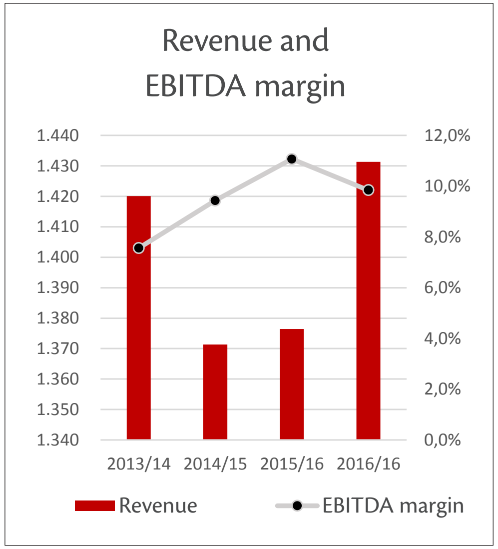
EARNINGS

Profit before depreciation, amortisation, net financials and tax (EBITDA) was down 7.5% at DKK 140.9 million compared with last year's DKK 152.4 million. Continued price pressure on Northern European markets had a negative impact on earnings in the financial year in connection with the renegotiation of large, strategically important contracts. At the same time, the group's increased investment in marketing support to promote knowledge and further boost sales of Harboe's leading key brands in international markets led to higher costs, affecting EBITDA in the financial year.

In Harboe Ingredients, resources were also invested in the expansion of the organisation, continued product development and a new high-tech production plant with the capacity for large-scale production of the new products. A number of ingredients products are ready for production following close multi-annual test procedures and proof-of-concept with customers in the food industry. Harboe expects the sales and marketing efforts with the new products to make increasingly positive contributions to the group's revenue and performance, but the impact on profit is expected to materialise only in the coming financial years.

The group's profit is also negatively affected by developments in the Estonian production unit, which has been showing declining sales in local markets for some time, driven by substantial increases in tax on beer and a generally declining population base in the entire Baltic region, among other factors. Harboe has been seeking, on an ongoing basis, to adjust its organisation and production to the changes in market conditions, but the prospects of the development potential have led to the decision to restructure the business.

Harboe wants to integrate capacity more effectively in the group's overall export production, which will benefit from increased flexibility. At the same time, Harboe still wants to take advantage of the international potential of Estonian brands, especially Puls, which has generated positive interest in other Harboe markets. The local company will continue to serve as a sales and marketing platform, adapted to the current demand and potential in the Baltics.



However, restructuring costs and the negative operating results affect the group's earnings in the current financial year.

Depreciation and amortisation of intangible assets and property, plant and equipment in the amount of DKK 90.9 million are recognised in operating profit against DKK 91.2 million in the prior-year period.

Operating profit (EBIT) amounted to DKK 50.1 million against DKK 61.2 million last year.

Net financials for the financial year were negative at DKK 4.7 million against DKK 10.1 million last year.

Profit before tax of DKK 45.4 million was posted against DKK 51.1 million the year before. This is in line with the most recently announced outlook for profit before tax of approx. DKK 45 million, announced in the company announcement of 22 May 2017. Originally, Harboe expected profit before tax in the range of DKK 65-75 million.

Net profit for 2016/2017 amounted to DKK 31.5 million compared with DKK 34.6 million the year before.

EQUITY

As at 30 April 2017, equity amounted to DKK 758.7 million against DKK 736.9 million the year before.

Equity was affected by the results for the period, foreign currency translation adjustments in respect of foreign subsidiaries, adjustment of other investments and securities and distribution of dividend.

Payment of dividend corresponding to DKK 2.00 per share or a total of DKK 12.0 million was adopted at the company's annual general meeting held on 22 August 2016.

The company's holding of Class B treasury shares totals 1,434,403 shares, corresponding to DKK 190.1 million stated at the market price as at 30 April 2017. Harboe did not acquire any treasury shares during the 2016/2017 financial year.

The shareholder information section describes Harboe's dividend policy and the authorisation granted by the general meeting to acquire treasury shares.

INVESTMENTS

Recent years' investments in energy optimisations and efficiency improvements have contributed to a significant reduction of the group's operating expenses. In the past financial year, the focus was also on continued streamlining, including new packaging solutions, optimised storage and logistics facilities as well as production technology, underpinning continuous efficiency improvements and capacity utilisation in operations. In the financial year, investments amounted to DKK 110.8 million, compared with DKK 76.6 million last year. DKK 109.4 million of the year's investments was invested in property, plant and equipment, primarily related to new technical plant and optimisation of process equipment to support capacity for the production of new malt-based ingredients.

The capital investments made in recent years have created an efficient foundation for the continued expansion of the group's activities. The investment strategy for the coming years will focus on ongoing maintenance, energy optimisation and efficiency improvement as well as investments supporting the strategic group development.

LIQUIDITY AND NET INTEREST-BEARING DEBT

Working capital decreased by DKK 48.9 million in the financial year. Harboe keeps an ongoing focus on the continued optimisation of its working capital through procurement and trade payables management etc., and has, for instance, entered into supply chain finance agreements with major customers. Despite the negative earnings performance, these efforts have resulted in a positive development in cash flows from operating activities, which amounted to DKK 168.7 million in the year compared with DKK 131.4 million in the same period last year.

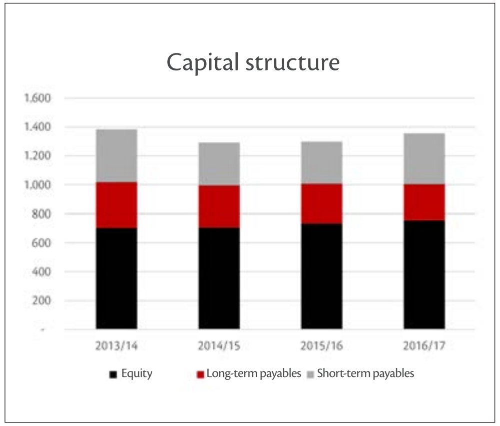
Free cash flow (changes in cash and cash equivalents) amounted to DKK -30.7 million against DKK 18.3 million in the prior-year period. The liquidity effect of investment activities reduced the group's free cash flow by a total of DKK -174.2 million.

CASH RESOURCES

The group's cash resources are composed of cash and credit facilities granted but not yet activated and amounted to DKK 231.4 million as at 30 April 2017. To this should be added the holding of Class B treasury shares amounting to DKK 190.1 million stated at the market price as at 30 April 2017.

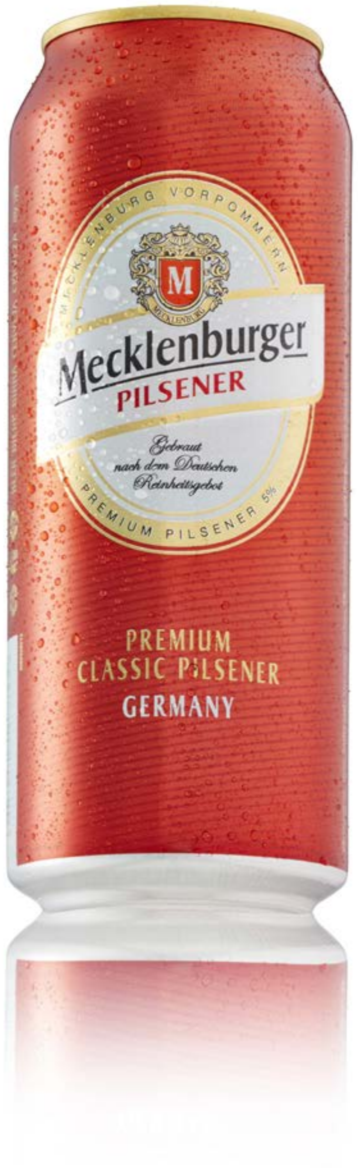
As at 30 April 2017, the group's interest-bearing debt amounted to DKK 172.3 million against DKK 189.2 million at the end of the previous year.

Adjusted for cash deposits etc. of DKK 35.6 million, the group's net interest-bearing debt amounted to DKK 135.9 million as at 30 April 2017 against DKK 120.7 million at the end of the previous year.



EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

From the balance sheet date to this date, no events have occurred which materially affect the assessment of the annual report.



OUTLOOK 2017/2018

Market conditions in the Northern European markets are expected to remain challenging, but Harboe will focus on maintaining its position in these markets as an attractive and flexible supplier and strategic business partner to major customers in the retail sector based on a targeted and dynamic product range that supports the value of the product mix and the perception of Harboe's brands.

A high priority will also be given in the year ahead to the expansion of the group's international activities within the drinks segment, with a continued focus on supporting the group's key brands through targeted sales and marketing activities. The strategic focus will be on consolidating Harboe's position in existing markets where demand for drinks products is growing, enabling Harboe to position its products in attractive price segments. The international activities are expected to be the main growth driver for the group in the next year.

Focus will also be on the activities within malt-based ingredients, with a continuation of the strategic development projects and the sale and continued development of customer relations in Europe and on selected international markets outside Europe.

Overall, Harboe expects all the group's business units to contribute to positive growth in group revenue and performance.

Earnings will continue to be affected by intense competition and pressure on prices, just as seasonal fluctuations and the annual renegotiation of major contracts may impact the group's total profit.

Earnings will continue to be affected by intensive competition and pressure on prices, as well as seasonal fluctuations in the group's northern European markets and annual renegotiation of major contracts may affect the group's EBITDA. However, it is expected that increased revenue and planned cost-effectiveness measures will more than offset this, and EBITDA is therefore expected to be in the range of 140-150 million. kr.

Depreciation of New process plants and production equipment that support the group's strategic capacity are expected to amount to 96 million. The group expects a profit before tax at the level of this year, equivalent to between 40-50 million. kr.


HARBOE
PURE
100% JUICE and nothing else
PURE
100% JUICE
FROM 3 KG ORANGES
and nothing else!
NOT
FROM
CONCENTRATE
HARBOE
PURE
100% JUICE
FROM 0,8 KG ORANGES
NOT
HARBOE

FOCUS ON VALUE CREATION AND CONSOLIDATION OF THE INTERNATIONAL PLATFORM

Harboe manufactures and sells beverages as well as ingredients and malt extract products targeted at demand and market potential in the geographical regions where the group has chosen to target its efforts. Historically, Harboe has marketed some of its products in the private-label segment, in particular the Northern European markets, and this segment continues to account for a significant share of total volume, providing a valuable contribution to efficient capacity utilisation. In recent years, Harboe has also focused on building and positioning its products and key brands in international markets outside Northern Europe, where its products can be marketed in attractive price segments. The group's activities in international markets account for an increasing share of revenue and will be the driving force behind continued growth and value creation.

Harboe's activities are rooted in three strategic business units: Harboe Nordic, Harboe International and Harboe Ingredients.

STRATEGIC CUSTOMER RELATIONS AND FOCUS ON INCREASED VALUE CREATION IN HARBOE NORDIC

Harboe Nordic is the group's core business where long-term, well-established customer relations provide the framework for its marketing of beers, soft drinks, energy drinks and non-alcoholic malt beverages in Scandinavia, the Baltic States, Germany as well as the Danish-German border area. Harboe's strategy is to focus on maintaining a high volume and protecting its well-established position in these markets by providing customers with a high level of quality, flexibility and reliable deliveries and an attractive product range in tune with the times.

Its in-depth market knowledge and close partnership with its customers are utilised in a targeted effort to continuously develop and test new products, packaging solutions and sales concepts, contributing to continuous quality development and enhanced product value creation. Furthermore, experience and results from this work are utilised as important inputs for realising further sales synergies in the group's other international markets.

CREATING A POSITION FOR THE GROUP'S KEY BRANDS IN HARBOE INTERNATIONAL

Harboe International markets beers, soft drinks, energy drinks and non-alcoholic malt beverages in markets in the Middle East, Africa, Asia, the Americas as well as in selected European markets outside Northern Europe. Harboe's strategy is to increase the relative share of Harboe International of the group revenue and EBITDA through the positioning of the group's key brands and a mix of products designed to meet demand and market potential. Growth is to be driven by markets where the group has already gained a foothold and formed a basis of continued expansion of the distribution platform and increased volumes.

DEVELOPMENT CREATES VALUE FOR CUSTOMERS IN HARBOE INGREDIENTS

Harboe Ingredients provides the framework for Harboe's sales and development activities within malt-based food ingredients. The main activity is a portfolio of targeted malt extract products marketed to customers in the European food industry, and in particular to bakeries and confectionary businesses. Development activities and close partnerships with customers in recent years are continuously identifying new malt-based food ingredients, creating added value for customers. Continued development activities in partnership with both existing and new customers in the food and drinks industry are to pave the way for further expansion of the business volume to create attractive growth and continued strengthening of the group's earnings basis.

The business model, strategy and objectives of the individual business units are described in further detail in the respective sections.

STRATEGY IMPLEMENTATION AND INVESTMENTS

In recent years, Harboe has invested substantial resources in the establishment of efficient and flexible production facilities readying the group to meet the increased complexity and expected growth in volume. Harboe's continued growth will be rooted in clear strategic prioritisation of the total group capacity utilisation to create the best possible earnings on the volume manufactured and the return on invested capital.

Investments in production facilities for the coming years will focus on ongoing maintenance, energy optimisation and efficiency improvement as well as selected individual investments supporting the strategic group development.

Over the past two years, in line with the strategy of continuous building of international presence and positioning of the group's products and key brands, Harboe has been making substantial investments in the development of the organisation with additional and new skills with a view to accelerating development activities and further supporting international sales and marketing activities. These investments are affecting operating expenses in the current financial year, but are expected to provide the basis for attractive organic growth and an enhanced earnings potential within the next two or three years.

GRADUAL REALISATION OF FINANCIAL TARGETS
Harboe expects fierce competition to continue in the main markets in Northern Europe. Growth in the private-label segment is expected to remain unchanged, but the group will maintain a targeted focus on continuous optimisation of the product mix to increase value creation. Fluctuations in prices of Harboe's core raw materials will continue to be a significant risk factor and limit the opportunities for raising earnings margins for this part of the business. However, these activities are expected to continue providing the primary contribution to the group's results. However, it is also expected that the group's international growth strategy within drinks and malt extract products will drive the group's growth and contribute to more robust earnings overall – both in relative and absolute terms – in the coming years.

Harboe expects short-term growth to be moderate, whereas the development of the group's position in international markets will gradually increase the growth potential. The aim is to be able to raise EBITDA margins to a more stable level of between 12% and 14%. Continued investment in organic growth means that the realisation of the financial objectives will be a gradual development over the next two to five years. In step with the earnings optimisation, the aim is to raise the return on invested capital to exceed 6%. Harboe is continuously focusing on further optimising its cash flow and ensuring an effective balance between working capital and liquidity that ensures the necessary flexibility in operations.

The group's objectives as regards its capital structure have been determined based on a desire to maintain a high level of financial resources and flexible liquidity at all times to enable investments in continued organic growth supplemented by any acquisitions and/or conclusion of strategic partnerships.

Harboe wants its financial resources to be made up of its own funds to a high degree, including a substantial holding of treasury shares. At the same time, it is one of its clear priorities to ensure long-term value creation for its shareholders by gradually strengthening the company's market value in step with the planned development of the group's activities. According to Harboe's dividend policy, the aim is for this to be supplemented by regular distribution of attractive dividends and possibly further share buy-backs, taking into account the group's liquidity and financial targets.

FOCUS ON PRODUCT RANGE QUALITY AND VALUE

- Successful partnerships with customers secure contracts with new and existing customers
- The focus of the product range is increasingly on speciality products and key brands such as 'GB', 'Ølfabrikken' and 'Pure'
- Earnings are still under pressure from competition and focus on prices

MARKET CONDITIONS AND COMPETITION

Harboe Nordic comprises the group's main markets where it sells a wide range of drinks products in Scandinavia, the Baltic States, Germany as well as the Danish-German border area.

Harboe Nordic primarily sells its products to customers in the retail sector, which has seen ongoing consolidation in recent years, especially among the discount chains which continue to increase their relative share of the total retail trade. Concurrently, consolidation has also taken place in the brewery sector, which has contributed to further intensifying competition in the Northern European markets.
Harboe Nordic's product range is targeted at the private-label segment, among others, but is also marketed under Harboe's own key brands through major supermarket chains – and to an increasing degree to customers in the on-trade segment. This applies, for instance, to the group's 'Ølfabrikken' and 'GB' brands, which like 'Bear Beer', 'X-Ray' and 'Pure' are at the heart of the continued positioning of the group's products. Marketing takes place in close partnership with customers. In most of Europe, the discount price segment is increasing its relative share of the traditional beer and soft drinks market. Competition is fierce in all of the Northern European markets.

The competitors in the drinks market in Northern Europe are both local and regional players, and the segment is regularly challenged by the more expensive branded products, which are increasingly marketed at discount prices during campaigns.

Total beer sales have been falling in the past ten years in the Northern European markets. On the other hand, over recent years, there has been a gradual increase in value in the beer market driven by increased sales of speciality beer. Sales of soft drinks continue to grow, but at moderate growth rates. Growth in sales of soft drinks is driven primarily by continued product development within this segment, including energy and sports drinks, and the demand for juices and cordials is still increasing. Sparkling water, flavoured mineral water and vitamin drinks also contribute to the growth in this segment.

The Northern European drinks market is affected by seasonal fluctuations, and the summer weather in particular has a significant impact on total demand.

STRATEGY AND BUSINESS MODEL

The business model for Harboe Nordic is based on the supply of high volumes of an attractive range of drinks products to the major retail chains in Northern Europe, where Harboe has established a strong position. Harboe maintains this position by providing customers with high-quality products, reliable deliveries and a flexible response to fluctuations in demand. Furthermore, Harboe markets its products in attractive packaging ready for sale, promoting the positioning and sale of Harboe's products in the retail sector. Business activities are based on close, often long-term collaboration and partnership with customers, continuously expanded through dialogue on continued development of the product range, packaging solutions and sales concepts, which may contribute to the quality and value development of this segment, strengthen sales and further drive demand among the Northern European consumers.

The fierce competition puts the earnings margins under pressure as regards the Harboe Nordic activities. This limits the opportunities for effectively implementing price increases in step with prices of raw materials and consumables etc. impacting production costs. Harboe therefore constantly focuses on increasing the product value and prioritising the product mix and contract portfolio to ensure the optimum balance between earnings and capacity utilisation – also as regards the other business activities of the group.

The activities in Harboe Nordic continue to account for a substantial portion of the group's activities – both financially and as a platform for continued dynamic development and market testing of new products and concepts, which may drive sales and further strengthen earnings in the Northern European markets. Furthermore, the documented results of this are systematically applied in the continued strategic development of the group, where tried and tested products and sales concepts are brought into play in the new international markets.

STRATEGIC MEASURES AND RESULTS IN 2016/2017

During the financial year, Harboe Nordic continued its successful partnership with existing and new customers in the retail sector and entered into new distribution agreements, thereby ensuring a good sales platform for the group's products. Thus, several of the group's large strategic partnership agreements with customers were extended in H2, but keen competition and an intensified focus on prices mean that future earnings of some of the contracts will be negatively affected. Harboe retains its focus on developing the product mix, in close partnership with customers, to create added product value and strengthen sales of own key brands and speciality products for higher price segments. In addition to its regular product ranges, Harboe has marketed a number of concept ranges, seasonal and speciality products.

The beer market in general continues to decrease, but the speciality beer segment sees increased demand across the Northern European markets. In Denmark, speciality beers under the Harboe key brands of 'Ølfabrikken' and 'GB' are performing especially well. The demand is growing for speciality beer in other Northern European markets as well, and several types of beer using their own brand names were launched, e.g. Darguner, Puls and Harboe.

The soft drinks market is developing positively and is driven, in particular, by juices and energy drinks, but demand for spring and mineral water is also rising. The marketing campaign of juice products marketed under the group's own key brand 'Pure' also continued, using supporting marketing materials, which is now being implemented across Harboe's geographical markets.

Activities in the on-trade segment, where Harboe markets mainly its GB-branded draught beer to cafés, restaurants, cafeterias and festivals etc., are developing positively, and cooperation with customers about marketing activities and events drives continued growth.

During the year, sales activity in the Danish-German border area was robust, underpinned by ongoing positioning of Harboe's key brands and the introduction of speciality products.

SPECIAL RISKS AND PRIORITIES IN 2016/2017

During the financial year, Harboe Nordic had a particular focus on the risk exposure of the sales of the group's products due to increasing competition from both national drinks manufacturers and regional and international competitors. This competition, in combination with continued consolidation of the retail sector and growing international centralisation of purchasing functions, is continuously challenging value creation in Northern European markets. Harboe is working hard to adapt its product mix and introduce new, innovative products that are designed to accommodate market trends and drive new demand, ensuring that Harboe may maintain its position in these markets.

Harboe continuously seeks to optimise the use of capital in the group, for example by negotiating terms in contracts concluded with partners at all levels of the value chain. Generally, there is increasing pressure for extended credits, especially from large customers in the retail sector. To counter the risk of increased tie-up of capital, Harboe's strategic focus is on optimising group cash flows, including by entering supply chain finance agreements and securing current liquidity by credit facilities and own flexible financial resources.

OUTLOOK 2017/2018

In line with the strategy, Harboe Nordic will focus on maintaining its solid position in the Northern European markets in the coming year. The decline in demand for beer is expected to continue, but the category of speciality beer, soft drinks and other non-alcoholic beverages is expected to develop positively. As usual, however, the weather during the high season across the first two quarters of the financial year will have an impact on total demand and sales. We still expect the fierce competition to continue putting pressure on the earnings potential, and the price sensitivity as regards the core raw materials of the group may affect results. However, Harboe's strategic focus will be consistently on maintaining its strong foothold through the development of existing and new customer relations and through continued value development of product range and packaging solutions to stimulate sales and help increase earnings. Accordingly, the activities in Harboe Nordic are expected to contribute positively to the group's results in the coming year.

HARBOE INTERNATIONAL PURSUES A FOCUSED STRATEGY, BASED ON GROWTH MARKETS

PRIORITISATION OF BRANDS AND TARGETED MARKET POSITION STRENGTHENS THE GROUP'S POSITION:

- Continued consolidation of international activities, primarily driven by Northeast Asia and South America
- Targeted marketing to support the positioning of the group's international key brands such as 'Bear Beer', 'X-Ray' and 'Hyper Malt'
- These activities account for a growing share of the group's revenue and earnings

MARKET CONDITIONS AND COMPETITION

Harboe International provides the framework for the group's activities in markets outside the core Northern European markets. Activities are focused on selected markets in the Middle East, Africa, Asia and the Americas as well as in a number of European markets outside Northern Europe.

In the international markets, Harboe's products are extensively marketed under the group's own key brands supplemented by selected large private-label agreements. 'Bear Beer' is the leading brand of the beer category, but Darguner, Harboe, Puls and speciality products under the 'GB' brand also feature in marketing.

Harboe also markets a range of soft drinks and energy drinks, for instance under the group's key brand of 'X-Ray', along with a series of non-alcoholic products and malt beverages, marketed e.g. as 'Hyper Malt'. The mix of product categories and brands is tailored to demand and market potential in the individual regions and markets, and Harboe's products are extensively marketed in collaboration with local and international partners and distributors.

Competition in international markets is strong, but economic growth and increasing purchasing power also drive an increasing demand for drinks products. General market growth and maturation are seen in both the retail sector and the on-trade segment, supporting rapidly rising demand. The competitors are both local, regional and international breweries.

STRATEGY AND BUSINESS MODEL

Harboe International pursues a focused strategy based on growth markets in which economic and demographic developments support increasing purchasing power and demand for quality products – and where the potential within product categories and geographical segments offers the opportunity to realise attractive earnings margins. Harboe's strategy is to increase the relative share of Harboe International of the group revenue and EBITDA. Harboe International's growth will also contribute to even out some of the effects of seasonal fluctuations.

This strategy builds on a market-for-market approach, enabling Harboe to use its existing product range and establish a presence with a solid position. It is a strategic objective to ensure that new markets are able to achieve critical mass in three to five years' time and contribute positively to the group's EBITDA.

Harboe's products are typically marketed in a higher price segment targeted at a rapidly growing segment of middle-class consumers who are increasingly demanding imported brands at attractive prices. The group's international quality certifications, Nordic tradition and history are key elements in the creation of brand value.

HARBOE INTERNATIONAL

The international sales organisation is being expanded further, and customer relations are based on close ongoing dialogue on the targeting of brands and product range, the aim being to expand and consolidate the group's position in existing markets and generate further growth. Harboe supports marketing efforts through targeted marketing support and brand manuals for the group's key brands.

The international activities are expected to make an increasing contribution to the group's revenue and EBITDA over the coming years.

STRATEGIC MEASURES AND RESULTS IN 2016/2017

During the financial year, Harboe International has seen a continued positive trend in sales and the positioning of the group's key brands. Posting attractive growth rates, activities in Northeast Asia and South America are key drivers of growth.

The focus remains on ensuring commercial prioritisation and targeting of individual brands and product ranges to expand and consolidate the market position in existing markets. Partnerships with customers and distributors are continually being expanded, and growth is driven, among other things, by product launches under brands already introduced. As is the case in Northern Europe, Harboe is also experiencing increased interest in speciality products across the international markets, and Harboe's product launches are generally received favourably.

Especially products such as 'Bear Beer' with different alcohol content attract substantial interest.

During the year, Harboe participated at international beverages trade fairs, and, also in H1, marketing was supported by selected sponsorships, events, activities on social media and advertising spots on both radio and television. These activities reflect the general increase in our marketing efforts focusing on the development of efficient sales and marketing materials, sales tools and promotional initiatives supporting the positioning of Harboe's brands. We are working on our design and communication about the history, quality and values of the individual products. Our marketing efforts, conducted in close partnership with customers and distributors, show good results and support growth.

THE MIDDLE EAST

In the markets in the Middle East and North Africa, Harboe markets mainly non-alcoholic beverages, including non-alcoholic malt beverages and traditional soft drinks, which are both growth categories. Activities are run in partnership with local and regional distributors and customers. Harboe continued to build its position in the stable markets of the region, and formed partnerships with new local distributors on the marketing of selected 'Bear Beer' products during the financial year.

AFRICA

Harboe sells a targeted range of beers, soft drinks, malt beverages and non-alcoholic malt beverages to a number of selected African countries, primarily under own key brands such as 'Bear Beer', 'X-Ray' and 'Hyper Malt', but also through selected private-label agreements with major international players. Developments are driven by increasing demand for both beer and malt-based products, but the energy drinks segment is also large and growing. Sales are driven by demographic and economic developments, with a fast-growing middle class and increasing purchasing power and demand – something that Harboe seeks to exploit through continued intensified sales efforts made by our local sales organisations and in collaboration with distributors contributing solid knowledge of demand, market conditions and methods of distribution. However, market conditions are challenged by trade and foreign exchange restrictions, customs duties and new taxes, putting a damper on the growth momentum.

Overall, activities in Africa developed positively, however, and the market is still being cultivated through targeted sales efforts via our own local sales organisations and in collaboration with distributors. Harboe still sees Africa as offering an attractive potential and expects continued commercial prioritisation and positioning of the group's brands to support further strengthening of its market position on the African continent.

ASIA

The Asian markets are continuing their positive growth trend, and Harboe continued to strengthen its position in existing markets in the region in the financial year.

The individual markets are targeted with selected key brands and products in close collaboration with local


ORIGINAL
X
RAY
ENERGY
DRINK
TASTE OF POWER

and regional distributors. Growth is driven by positive developments in all product categories, but in China, in particular, Harboe is seeing increasing interest in the group's beer products, marketed under the group's 'Bear Beer' brand.

Activities in Asia make a positive contribution to the group's total sales, and the strategic development of the focus markets in the region is expected to support continued growth and a strengthened market position in the coming year.

AMERICAS

Activities in the Americas are aimed especially at selected markets in Central and South America, where activities are developing positively. Growth is driven, especially, by beer marketed under the 'Bear Beer' and 'Puls' brands, but the group also markets soft drinks and energy drinks as well as non-alcoholic malt beverages such as Harboe's 'Hyper Malt'. The group is dedicated to further expanding the position established, and activities are driven in close collaboration with local and regional distributors and direct cooperation with large retail chains.
Sales in the Americas are expected to continue their positive trend, and Harboe expects these activities to make increasingly positive contributions to the group's results.

EUROPE

Harboe markets a wide range of products in selected European markets outside Northern Europe. Products are marketed both under own key brands and as private-label products through international partners. Like the core markets in Northern Europe, these markets are characterised by negative or low growth within beer and soft drinks. However, the positive trend of Harboe's Hyper Malt products continues. These products are dark, non-alcoholic malt beverages, marketed especially to ethnic groups in and around cities in a number of European markets.

Harboe focuses on retaining its position in these markets, based on continued positioning of selected brands.

SPECIAL RISKS AND PRIORITIES IN 2016/2017

Harboe's international activities outside Northern Europe are particularly exposed to risks in markets where political regimes are less stable and where general business conditions may be affected by various forms of political turmoil and lack of public control. In the course of the year, focus was on further developing contract formats and updating policies and processes relating to the handling of international customer relations.

During the financial year, Harboe therefore ensured close follow-up and continuously adjusted its efforts in the areas in the Middle East and Africa, among other places, which have been affected by unrest and/or political interventions having an impact on the market situation. Assessments of the development in specific operating and debtor risks and the management of these risks are reported regularly to the Board of Directors, and Harboe seeks to safeguard the company against bad debts through ongoing assessment of the need to take out credit insurance and open letters of credit where appropriate and possible.
The production, distribution and delivery of agreed deliveries on time and good customer service in general are critical factors for customer satisfaction and for maintaining long-term customer relations. Harboe is therefore constantly focusing on ensuring optimum efficiency in the value chain in step with the increasing sales to the international markets and the growing complexity of the business activities. During the financial year, Harboe continued working to strengthen the management coordination of the operating processes between the individual links in the entire delivery system.

Harboe's currency risk is increasing gradually in step with the continued internationalisation to new markets outside Europe. Most of the group's sales and purchases are settled in EUR. A small but growing share is settled in USD. Harboe will continuously assess the development in the group's exposure to currency risks, and the need for increased currency hedging may be revised.

OUTLOOK 2017/2018

Harboe's international activities are expected to contribute increasingly to the group's revenue and earnings. The targeted market approach with selected brands supported by marketing activities and cultivation and expansion of the position in existing markets is expected to provide the basis for further growth and earnings in the coming financial year.

Focus will be on the development and implementation of effective sales tools and further marketing support to the group's primary brands.

Harboe expects marketing conditions to remain challenging, but also expects that for the coming year the group's offering to customers and business partners of quality, reliability of deliveries and strong value and history of its brands will gain market share and contribute to maintaining the positive business momentum. ■

INTERNATIONAL SEALS OF APPROVAL OPEN DOORS WITH CUSTOMERS

Food safety, quality, occupational health and safety, reliability and trustworthiness are increasingly important in international competition, and if you want to be a supplier to leading retail chains and distributors, you need to provide documentation to support your merits. To this end, Harboe has been keeping a keen focus on being able to meet the highest of international standards through the years – and these efforts have paid off, as evidenced by a comprehensive list of certifications, which are subject to ongoing external audits, unannounced inspections initiated by customers and annual updates. Thus, all of Harboe's production units are certified in accordance with ISO 9001-2008, and occupational health and safety and food safety certifications are in place, as are organic, halal and kosher certifications – all in line with the best international standards.

X-RAY SPONSORSHIP BRINGS NEW HOPE TO SIERRA LEONE

X-RAY SPONSORSHIP
As an integral part of the group's CSR policy, Harboe is dedicated to supporting initiatives which can make a real difference in the group's areas of operation. For instance in Africa, where poverty and limited opportunities for children and young people may detract focus from growth and development.

Through a multi-annual sponsorship agreement with the humanitarian organisation FANT – Football for A New Tomorrow – Harboe sponsors the FC Lions Pride football team in Sierra Leone. X-RAY Arena has become the go-to venue for fans of all ages for regular tournament matches, and the sponsorship also supports the ongoing social work of FANT.

FANT, managed by former Danish professional footballer and coach of the AGF football team Erik Rasmussen, aims to create development and change for the youth of Sierra Leone through the formation of positive sporting communities. The football team has visited Denmark on several occasions to play football and visit the brewery in Skælskør, Denmark.

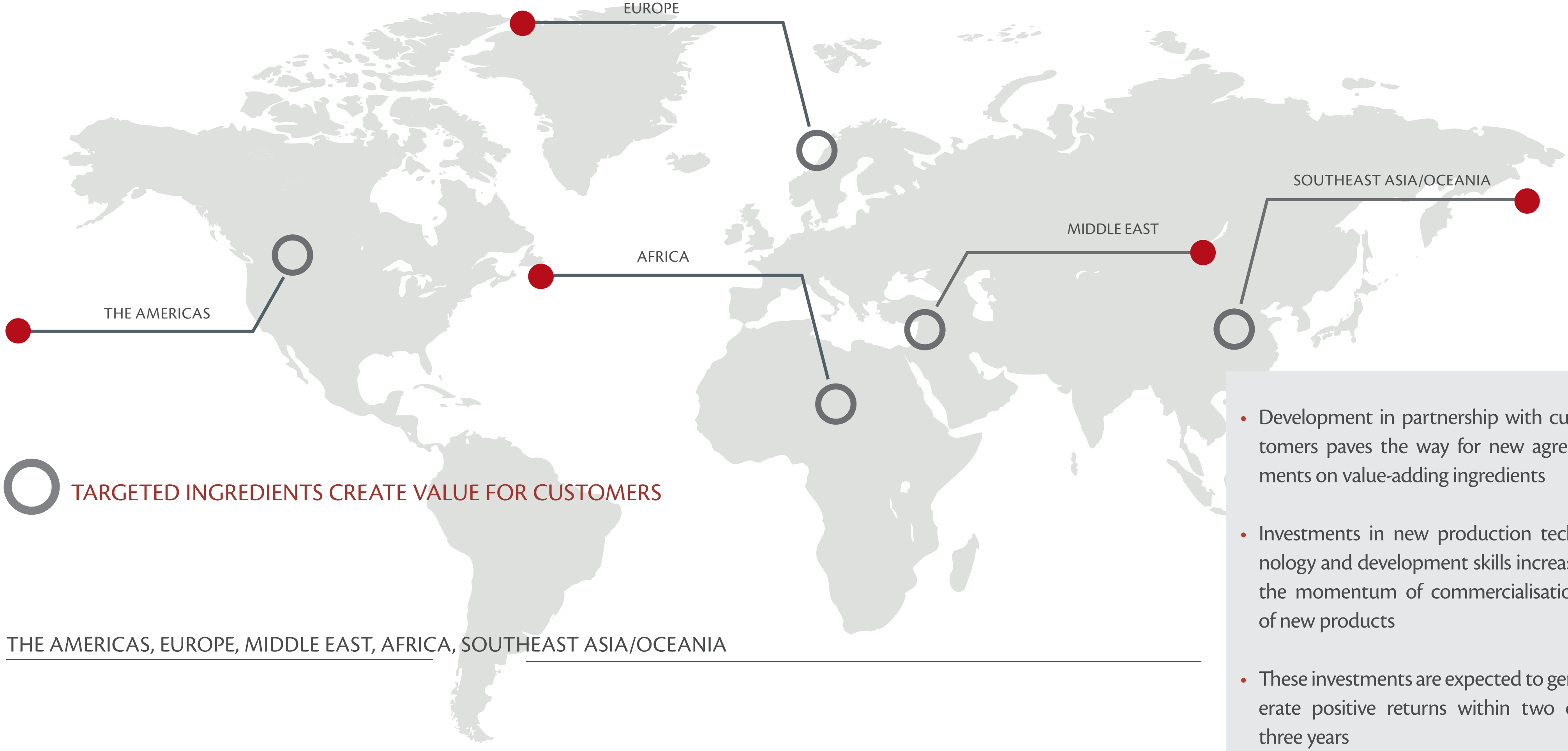
HARBOE AT THE OLYMPICS IN RIO

RIO OLYMPICS
While Danish athletes achieved impressive results at the Rio Olympics in the summer of 2016, Harboe was on the sidelines as a co-sponsor of the Danish Pavilion in partnership with VisitDenmark. Enjoying prominent exposure in the 300 m2 pavilion on the Ipanema Beach in Rio, Harboe was part of the Danish

export campaign to showcase the best of what Denmark has to offer in terms of business, culture, sports and tourism. The pavilion had 10,000 daily visitors from all over the world who were treated to cold Bear Beer, Pure Juice etc.

The visitors included buyers from local and international wholesalers and supermarket chains, bloggers and journalists who dropped by to attend a series of VIP events and other functions.

DENMARK
Rio2016



TARGETED INGREDIENTS CREATE VALUE FOR CUSTOMERS

THE AMERICAS, EUROPE, MIDDLE EAST, AFRICA, SOUTHEAST ASIA/OCEANIA

- Development in partnership with customers paves the way for new agreements on value-adding ingredients
- Investments in new production technology and development skills increase the momentum of commercialisation of new products
- These investments are expected to generate positive returns within two or three years

MARKET CONDITIONS AND COMPETITION

Harboe Ingredients provides the framework for Harboe's activities within malt extracts and malt-based ingredients, marketed to the food and drinks industry. For more than 60 years, Harboe has marketed malt extract for the European food industry and is currently a leading Nordic manufacturer.

Malt extract is used as a natural alternative to sugars, flavourings and colourings used in the production of many different foods, including bread, cereal and chocolate. In addition to natural colourings and sweeteners, malt extract has a number of good properties in terms of nutrition and quality, and the attractive product profile is an important asset when marketing the product to selected food producers, including i.a. bakeries and other confectionary businesses.

Activities are driven by stable demand and a general recognition of Harboe's products and certified production processes in an industry where food safety and quality are paramount. At the same time, interest in better, healthier and competitive food ingredients is growing, and this trend is supported by the ever-stricter international regulation of the food industry.

The competitors are both local and international raw material and ingredients enterprises. Harboe's industry-specific product range, reliability of deliveries and close dialogue with our customers form the basis of our strong competitive position. By further processing and adapting its products and applications, Harboe seeks to maintain and strengthen its market position with targeted solutions that create added value for customers.

STRATEGY AND BUSINESS MODEL

It is the primary objective of Harboe Ingredients' business model to ensure optimum utilisation of the group's technology and competencies when utilising the market opportunities within malt extract. There is still potential for growth within the business unit.

Based on its in-depth knowledge of customers in the international food industry, their needs and production processes, Harboe is systematically developing its business activities and individual customer relations through sales and advice on the implementation of targeted product applications adding value to the production of food and drinks.

Recent years' product development activities have resulted in the development of a number of new ingredients, including a clear malt extract with excellent applications within drinks production. Compared with the existing products in the market, the clear malt extract has been processed even further and is marketed as part of a compound which can eliminate several steps in the usual manufacturing process for drinks manufacturers. The clear malt extract also forms part of several of Harboe's own drinks products, including non-alcoholic malt beverages.

In recent years, Harboe also invested significant resources in the development and process optimisation as regards malt extract and currently offers an efficient range of ingredients standardised for and targeted at bakeries. As regards the drinks industry, Harboe is working on creating an efficient range with more new products in the pipeline. Development activities take place in close collaboration with existing and new customers and include development workshops, test cycles and concept development.

The development activities are based on the qualification of the potential value creation, efficient utilisation of existing technology and competencies and current demand as well as on analysing the market potential.

A dedicated international sales organisation markets and advises on the use of Harboe's portfolio of malt-based ingredients to existing and new customers – primarily in the European neighbouring markets – but also in selected markets outside Europe where interesting business opportunities have been identified.

Development and marketing of malt-based ingredients remains a strategic priority. The ambition is for Harboe Ingredients to make an increasingly positive contribution to the group's growth and earnings over the next one or two years.

STRATEGIC MEASURES AND RESULTS IN 2016/2017

Sales of malt extract are seeing stable development and are based on successful partnerships with existing customers, with ongoing advice on product qualifications and production processes contributing directly to the development of customers' value chains while at the same time supporting marketing and sales of Harboe's ingredients. This is in line with Harboe's strategic

objective of transforming its business model from that of a classic raw materials manufacturer to a knowledge-based supplier of value-adding ingredients, and during the financial year, new customer agreements were entered into on more advanced ingredients, making positive contributions to revenue and earnings. Harboe works with several customers in the food industry on the use of Harboe's ingredients as alternatives to existing flavouring and colouring ingredients in, for example, bread, biscuits, waffles, chocolate and other confectionery products. The market-ready concepts can be marketed at attractive prices, and Harboe expects an increasing earnings contribution from these activities.

Marketing efforts continued with participation at international food fairs, and targeted sales activities delivered positive results. Harboe's clear malt extract is attracting particular interest among customers in the drinks industry, and we have won several new customers in the period. High quality and food safety are important competition parameters, and Harboe has positive expectations for its continued sales and marketing activities.

During the year, the development organisation was further strengthened to include dedicated competencies in, for example, bakery technology, which will help to accelerate ongoing development activities towards commercialisation. In other words, development activities and optimisation of quality standards continued during the period, and Harboe invested in a new high-tech production plant with the capacity for large-scale production of the new products. Investments in development, test procedures with customers and the new production plant affected earnings in the financial year, but are expected to make positive contributions to earnings in one or two years.

SPECIAL RISKS AND PRIORITIES IN 2016/2017

Harboe's malt extract activities are exposed to the usual market risks of competition, development in raw material prices etc.; in addition, market developments in markets prone to volatility in, for instance, the Middle East may affect expected sales. The group's ingredients activities are also exposed to a number of special risks associated with new product development and the subsequent commercialisation of these products.

It is crucial to ensure that new products comply with the specific functionality requirements in order to be included in the customers' production process. Harboe therefore focuses strongly on ensuring quality, progress and ongoing control in the test procedures carried out in collaboration with the customers. In the past year, Harboe strengthened the process organisation and optimised the quality standards and concepts even further. Harboe's clear malt extract has already been incorporated in some of the group's own products, and current test productions involving external partners are showing a positive trend. New ingredients and concepts are developed according to the same quality control procedures, and investments are made on the basis of preceding market and profitability analyses.

Harboe Ingredients is also exposed to the risk that the market acceptance and breakthrough for the group's new ingredients products cannot be realised to the extent expected or within the estimated time frame. As part of the management of this risk, Harboe has prioritised additional resources for development, customer advice, sales and marketing. Internally, there is also close collaboration between sales and development teams to ensure that the ongoing market intelligence is integrated optimally in the development activities.

Collaboration with established international ingredients distributors also contributes to targeting the products at the current and expected future demand.

OUTLOOK 2017/2018

The activities in Harboe Ingredients are expected to develop positively in the coming financial year.

Harboe expects to see modest growth in sales of malt extract, driven in particular by the focus on the development of our existing customer relations with a view to increasing our business through the sales of more and new applications. In the coming financial year, the focus of development activities will be on readying more products and applications for commercialisation.

CORPORATE SOCIAL RESPONSIBILITY

Report in accordance with Sections 99a and 99b of the Danish Financial Statements Act (Årsregnskabsloven)

"Positive relations with the company's stakeholders are essential to Harboe's future growth and value creation."

FOCUS AND FOCUS AREAS:
Sustainability is a key element in Harboe's strategy for the group's continued growth and development.

In addition to its Danish brewery, Harboes Bryggeri A/S has a brewery in Germany and a brewery in Estonia. For all three companies, efficient resource utilisation throughout the value chain are at the centre of operations, the focus being on:

- Sustainable raw materials.
- High quality standards for all production units, based on state-of-the-art technology and with consideration for environmentally-friendly solutions.
- Continuous development of more sustainable types of packaging.
- Optimisation and streamlining of transport, internally and externally.
- Employees and health, underpinned by responsible occupational health and safety programmes.

Harboe's corporate social responsibility activities are rooted in policies on corporate social responsibility and diversity with such policies being based on commercial prioritisation of value creation and risk mitigation. Moreover, a number of guidelines have been formulated for Harboe's corporate social responsibility in our policies on quality, food safety and environment.

The group has selected the following CSR focus areas, which can be summarised under these headings:

- Code of Conduct
- Human rights
- HR
- Climate and environment
- Consumer issues
- Local community development

KEY PERFORMANCE INDICATORS (KPIS)
In recent years, Harboe has been working on the individual KPIs in the HR area. We will carry on this work, which is very valuable when it comes to assessing performance throughout the year.

In 2017/2018, in addition to continuing the good work in this area, we will also extend our efforts to other areas – especially climate and environmental issues. In the area of climate and environment, we want to establish KPIs and procedures and processes for measurement of performance during the 2017/2018 financial year, with reporting based on this performance measurement in 2018/2019. ■

POLICY

The Harboe group's organisation is constantly evolving to always be able to meet demand and requirements of customers, markets, employees, authorities and other stakeholders and to execute the group's international growth strategy.

The composition of the management is a key priority to Harboe, being the prerequisite for the correct implementation and execution of overall strategies and for ensuring that the day-to-day work of the group's production units is completed.

RISK

By developing the organisation for the performance of day-to-day tasks and realisation of policies and strategies, Harboe avoids exposure to unnecessary risks, loss of business and absent growth.

ACTIVITIES AND RESULTS

COMPOSITION OF MANAGEMENT

In the selection process for hiring new staff, the skills of the candidates are essential. Therefore, all candidates are screened and assessed by an external recruitment consultant. Another key parameter is diversity in gender, nationality and age. Harboe aims for an even ratio between women and men at the top management level (the Board of Executives and the management group directly below the Board of Executives). Harboe aims to have both genders represented in the final rounds of the recruitment process where their skills are assessed in individual interviews with the members of the top management. Moreover, the group's values and management practice integrate the fact that everyone, regardless of gender and background, with relevant management skills and development ambitions is invited to participate in training and to apply for management positions. As a result, two women have been employed in management positions over the last two years. The target, set to be achieved by 2020, is for each gender to be represented by at least 40%.

At the end of the financial year, the ratio between men and women is 29% women (27% 2015/16) and 71% men (73% 2015/16).

TARGET FOR WOMEN ON THE BOARD OF DIRECTORS

With a view to ensuring a more equal distribution of men and women on Harboe's supreme governing body, Harboe's Board of Directors has fixed a target for one-third of the members of the Board of Directors to be women. The aim is for this target to be realised in connection with the company's annual general meeting in 2017.

As part of the process of identifying new potential board members, Harboe makes a point of adding competencies relevant to fulfil the group's strategy. Emphasis is also placed on the Board of Directors being composed such that its members match each other in the best possible way in terms of experience, age, gender etc. in order to ensure a competent and versatile contribution to Harboe's management. This is an ongoing process, and in the past year, we also discussed the future composition of the Board of Directors.

On the current Board of Directors, the board members elected by the general meeting consist of four men and one woman. The overall best qualified candidates when new members were to be appointed to the Board during the financial year were men; consequently, the target has yet to be met. In the period up to the annual general meeting in August 2017, the Board of Directors will continue its discussions on its composition and decide how best to meet the target for the proportion of women.

RISK MANAGEMENT

The ongoing development of the organisation is to help strengthen the group's risk management. Risks are regularly mapped and subsequently the necessary precautions are taken to address these risks and ensure that sufficient processes are in place in the event of increased risk exposure and non-compliance.

DIALOGUE WITH THE OUTSIDE WORLD

At Harboe, internal dialogue is an important part of our everyday working lives, but dialogue with customers, suppliers, the local community, authorities, shareholders and other stakeholders is equally important.

Depending on the stakeholders, we employ various means of communication to ensure that the right information reaches the right recipient at the right time.

Harboe wants to engage in dialogue with our stakeholders and with the opening of our new visitors' centre, we hope to reach an even wider audience than we currently do. At present, communication with stakeholders tends to be one-way-communication through our website and publications.

POLICY

Over the past year, Harboe has been working on a Code of Conduct, the primary focus of which is compliance with anti-corruption legislation and promotion of social responsibility in the value chain. This resulted in a separate section on anti-corruption in the Code of Conduct and the staff manual, including specification of Harboe's policy of compliance with legislation and industry standards for anti-corruption towards employees.

RISK

Given that Harboe's production units are all based in the EU with a continued expansion of our international activities, we must constantly increase our awareness of anti-corruption issues. With a presence in 115 countries, Harboe is exposed to potential complicity to violation of applicable anti-corruption legislation through the actions of employees and business partners.

ACTIVITIES

- Drafting of Code of Conduct, setting out the company's policy of ethical standards

With the implementation of the group's Code of Conduct, the management wants to introduce a set of rules that is shared with employees and business partners and opens up dialogue on social responsibility with the group's stakeholders. By simultaneously setting out Harboe's position to all employees and implementing policies for gifts, use of company funds and consequences for violation of these guidelines, the group seeks to minimise, or preferably eliminate, its exposure.

The management is aware of the risk of violation of anti-corruption legislation through the expansion of the group's activities to countries with business cultures and ethics that are different from those known from our neighbouring markets. Through reporting, the company's management ensures that requirements on the provision of necessary information on trading relationships, also in terms of ethical standards, are observed.

- Ensure a high level of information about customer contact and negotiations through employee reporting

The group's policy is that business must always be conducted with respect for and in compliance with national and international competition laws.

We operate in a highly competitive market with a wide range of products in each category. Negotiations with both new and existing customers are based on offers made in accordance with good business conduct and the group's overall strategy.

Through reporting procedures, the management actively participates in negotiations with and offers to major customers to reduce the risk of establishment of partnerships based on actions that expose the company to potential competition law violations.

- Focus on compliance with tax law

Harboe is subject to national tax regulations, primarily in Denmark, Germany and Estonia. Harboe always seeks to comply with the tax laws of the individual countries and engages in ongoing dialogue with the authorities to always ensure such compliance.

PERFORMANCE

ANTI-CORRUPTION

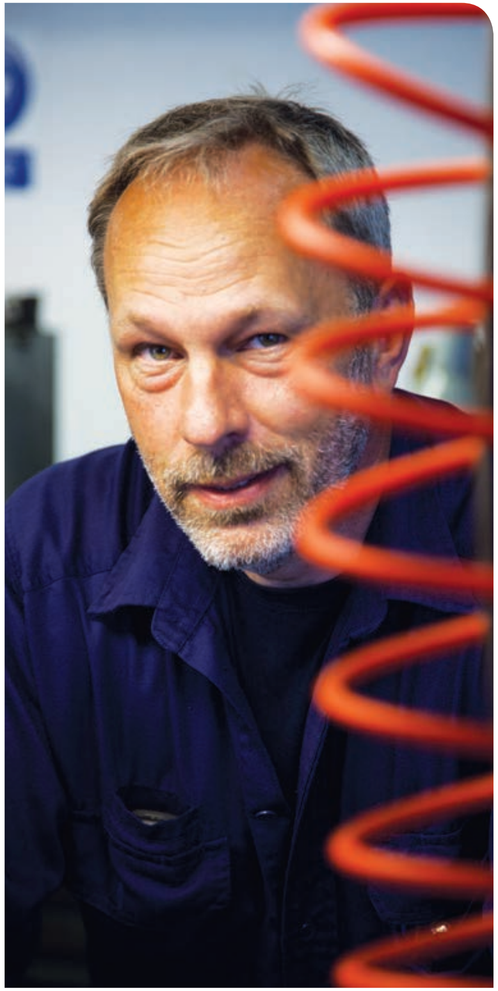
The management is not aware of any instances of non-compliance with the company's anti-corruption policy in the past financial year.

COMPETITION

Based on the activities for the year, it is assessed that, once again, Harboe was not involved in any cases of non-compliance with competition laws during the past financial year.

TAX PAYMENTS

The management believes that, once again, Harboe complied with the tax laws of Denmark, Germany and Estonia in the financial year, establishing a high level of credibility in this area.



HUMAN RIGHTS

POLICY

Harboe complies with applicable rules and agreements in the area of labour and human rights. In this connection, it is important for us to ensure that employees are employed under decent conditions and ensure that there is no discrimination or differential treatment. This is an integral part of our HR policy and is described in detail in our staff manual.

In the 2016/2017 financial year, a Code of Conduct was developed. Based on the UN Global Compact, the Code of Conduct sets out Harboe's ethical standards on human rights, among other things, as also described above.

Our primary suppliers are based in the EU and, accordingly, are subject to the same basic obligations in terms of employee rights and opportunities. In addition, it is important to Harboe to visit all suppliers and major customers regularly to eliminate obvious risks of non-compliance with our ethical standards.

RISK

As Harboe conducts business activities spanning across the world, the risk exists that Harboe's business partners do not meet the same ethical standards as Harboe.

Digitisation exposes our employees to potential violation of their personal data which Harboe needs to possess to comply with Harboe's obligations under the employment relationship.

ACTIVITIES

DRAFTING OF THE CODE OF CONDUCT

Brewery operations are human resource-intensive, which makes the observance of human rights a key issue for Harboe. Employee wellbeing is highly prioritised and vital to the work done. The new Code of Conduct will help communicate Harboe's ethical standards to stakeholders and business partners and help ensure their compliance with these standards.

BACKING TO LOCAL TRADE UNIONS

Harboe recognises and supports employees' rights to join or not join trade unions. For a number of years, Harboe has had good and constructive relations with local trade union departments. Unless an employee wants us to keep his or her trade union informed of special circumstances, employees are not expected to disclose when employed their trade union affiliation or non-affiliation.

OPEN DIALOGUE BETWEEN EMPLOYEES AND MANAGEMENT

To ensure the group's constant optimisation of routines and processes, all employees must be able physically, mentally and in terms of skills to perform the tasks that are part of the individual employee's responsibilities. The management focuses on correct and timely training of new employees and on correct use of the skills and competencies available for the benefit of the employee and the company alike. In the event of a shortage of skills in parts of the organisation, Harboe will look into the possibilities of skills development of existing employees before hiring new ones.

Employee input is essential to the company's operations and employees should feel that there is room for them to voice their views and feel that their opinion is valued. To this end, we seek to create open dialogue between management and employees through daily presence in offices and production facilities and through regular information meetings. Moreover, employees are offered performance interviews to provide a confidential room where the focus is on the individual employee's development.

AWARENESS OF DISCRIMINATION

Harboe's policy on bullying and discrimination in the workplace was included in the latest update of the staff manual. Harboe disapproves of bullying in all its forms and has a policy of zero-tolerance of bullying and discrimination, whatever the reason.

PREPARATION OF PERSONAL DATA PROTECTION POLICY

Harboe is aware of the responsibility undertaken when storing potentially sensitive information about employees and business partners.

In general, we only request the information about our employees that is required to enable us to meet our obligations towards the employee. Should we obtain information beyond this scope, we will keep this information only by agreement with the employee.

☑ PERFORMANCE

CODE OF CONDUCT

It is still too early to assess the impact of the recently developed Code of Conduct. We hope our business partners will welcome the Code of Conduct in the coming financial year and trust it will help to create dialogue.

TRADE UNION AFFILIATION OR NON-AFFILIATION

During the past year, we have not been involved in any industrial disputes and we have not been in contact with trade unions over workplace issues.

EMPLOYEE PARTICIPATION AND INFLUENCE

We still find that our employees are interested in the company and in engaging in dialogue with the management about day-to-day work. This creates a strong foundation for a successful company in which dialogue makes employees feel that they are appreciated and contribute to growing the business. At the same time, employees are keen to develop their skills and actively participate in courses and training programmes. This again helped to improve the quality of the work performed at our three breweries.

DISCRIMINATION AND VULNERABLE GROUPS

We have never been confronted with a situation involving bullying or discrimination, but we feel it necessary to make our position clear to let our employees know that situations of that nature will be addressed. In the past financial year, once again, we were not approached by employees who had been exposed to bullying or discrimination.

PROTECTION OF PERSONAL DATA

The protection of personal data is part of the group's IT policy. All systems are updated regularly to ensure optimum protection.

In the past financial year, the group's personal data protection policy was incorporated into the staff manual and our employees were notified that they are entitled to insight into this data and to have incorrect and obsolete data deleted.

We have not experienced any breaches of the systems to expose our employees to unauthorised access to their personal data.

POLICY

Through regular information and dialogue with employees, Harboe seeks to ensure a safe and healthy working environment for all its employees. Management values and HR strategy are based on the group's strategy of realising value-adding business results, while at the same time wanting to run an attractive business that fosters pride and employee satisfaction. Therefore, and in order to underpin this strategy, it is important for Harboe to be able to recruit motivated managers and employees with the skills needed to implement the strategy in practice.

Harboes Bryggeri A/S is certified in accordance with the OHSAS 18000:2008 standard for occupational health and safety. This standards prescribes requirements for the management of occupational health and safety and ongoing structured follow-up, which has generated positive results. As Harboe wishes to achieve the same positive effects in Germany and Estonia, work is ongoing to implement similar standards and processes in these countries. Previously, the objective was to achieve certification in both Germany and Estonia in 2017/2018. While this remains the objective for Germany, it is not expected to be achieved until 2018/2019. The management has decided to postpone implementation and certification in Estonia due to the ongoing restructuring of the company.

RISK

For many employees, the operation of the company's core production activities involves manual labour and handling of hazardous equipment and machinery. Accordingly, occupational injuries constitute a significant risk to employees if they are not properly instructed in how to perform each task or if they fail to comply with the instructions given. These are high-priority areas for the management.

ACTIVITIES

The overall strategy for ensuring employee conditions across production sites is defined at group level. This strategy will apply to all employees and we must ensure that all employees are given the same opportunities and safe working conditions.

FOCUS ON SKILLS, TRAINING AND RETENTION

The development of each employee's skills and the knowledge that employees accumulate are of considerable value to the company. Therefore, the ability to retain employees is important. Through performance interviews, we seek to identify each employee's skills and ambitions and to define development plans to form the basis of training and skills development.

As an integral part of the group's HR policy, we seek to create an environment that makes allowance for particularly vulnerable persons. We want to integrate all employees in the organisation.

PRIORITISATION OF DIVERSITY

In the recruitment of new employees, the primary focus is on professional and personal skills, but another priority is to focus on creating a diversified workplace with equal conditions and opportunities for all employees, regardless of gender, nationality, religion or age. This provides for a dynamic environment with professionally founded discussions and sharing of experience.

REDUCTION OF ABSENCE DUE TO ILLNESS AND INJURY

Harboe is dedicated to ensuring a safe working environment that seeks to minimise absence due to illness

and injury. Work is currently ongoing to analyse risks and prioritise and address these risks in accordance with the risk posed to employees by each factor. Through ongoing implementation of safety measures and follow-up on near-misses, we seek to minimise occupational injuries.

FOCUS ON GENERAL HEALTH AMONG EMPLOYEES

Harboe emphasises general employee health and well-being, as this helps to create a good environment for each employee. For a number of years, many employees have taken up the offer of health checks and advice on lifestyle changes. It is very positive that new employees are taking up the offer. This initiative is underpinned by the continued prioritisation by the group's employee restaurants in both Denmark and Germany to provide healthy, balanced and nutritious food. The employee restaurants also enable employees to meet and form relations across departments. This helps to promote an informal atmosphere and close dialogue in everyday working life.

In Skælskør, Denmark, a number of employees work three shifts and also work nights. This may place a strain on the health of the individual employee. In partnership with the local occupational health service, all employees in this group are offered a health check. This is to ensure that their health is not affected by their work, no matter how often they work nights. This health check may also identify other factors that may help to improve the general health of our employees.

IMPROVING OCCUPATIONAL HEALTH AND SAFETY AT INDIVIDUAL PRODUCTION UNITS

In order to underpin the overall strategy for the group, individual production units evaluate and implement local initiatives that are to help improve employee conditions at the various locations. In the past year, noise screening was performed, along with optimisation of indoor climate/ventilation systems etc. and identification of heavy lifting.

Skælskør's certification in accordance with the OHSAS 18000:2008 standard for occupational health and safety ensures structured and documented occupational health and safety work and helps to promote open dialogue on occupational health and safety and, by extension, a higher degree of implementation in the company. The initiatives implemented will help us, once again, to excel in the upcoming audit at the beginning of the 2017/2018 financial year.

A workplace assessment has been initiated to identify daily lifting by employees and required guidance and aids for heavy lifting. This especially applies to the production facilities, but also to offices and processing facilities. The assessment is expected to be completed at the beginning of the 2017/2018 financial year. Following the completion, the necessary measures will be initiated.

✓ PERFORMANCE

QUALIFIED LABOUR AND DIVERSITY

Most of Harboe's employees are employed in production, process, service and inventory, which are traditionally predominated by men. This affects the gender composition of the applications received and is also still reflected in the overall gender balance in the group, with between 70% and 82% men at the three production sites. In other group functions, the gender balance is still more even. In these functions, women make up between 44% and 59% of the employees at the three production sites.

Harboe's policy on the underrepresented gender at other management levels is an integral part of Harboe's recruitment and diversity policy. With the growing internationalisation of the company and strengthening of development, sales and marketing functions, Harboe has focused on further increasing diversity.

EMPLOYEE DEVELOPMENT AND RETENTION

As part of the establishment of an administrative structure to facilitate the conduction of quality performance interviews and follow-up for the benefit of both the company and the employees in compliance with the policy in this area, a target was set of annual interviews with at least 50% of the employees employed in production, process, service and inventory and 80% in administration, development, sales and marketing, despite higher ambitions.

In 2016/2017, all team leaders at Harboes Bryggeri A/S completed follow-up training for their team leader training to equip them to communicate principles and procedures to the other employees of the individual teams. In addition, the team leader training programme in the process area was adapted and all process employees completed the training in the spring of 2017. The purpose is to provide a common professional language and equip and motivate employees to share the responsibility for the performance of the work. A similar training programme is regularly conducted in Germany and with the programme we seek to recruit the necessary labour for the company.

At the beginning of the financial year, we launched a mentoring programme for a Syrian refugee to assess the refugee's skills in relation to what we had to offer the employee. It soon became clear that the employee was highly qualified, and the programme led to a permanent position. We are keen to expand this mentoring programme, and are currently looking into how best to do this. Germany has a statutory requirement for a scheme for particularly vulnerable employees in the company or financial support for a general scheme. We believe that both the employee and the company will benefit the most if these persons are offered a job that considers their needs and integrates them into the company's daily work.

In our capacity as an employer, we are delighted that employees demonstrate their satisfaction with working for our companies through long service. In 2016/2017, we celebrated the 25-year anniversaries of 12 employees as part of Darguner Brauerei GmbH's 25-year anniversary. Two employees celebrated their 25-year anniversaries with Harboes Bryggeri A/S.

HEALTH, SAFETY, ABSENCE DUE TO ILLNESS AND INJURY

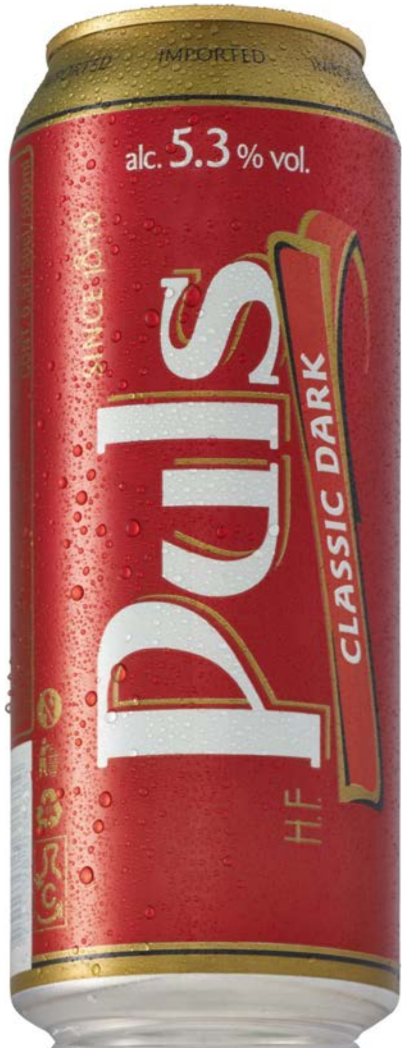
In Denmark, once again, absence was low this past year, at just 2.84%. In Germany, the employee absence rate was 6.7% and in Estonia it was 5%. For the latter two, this represented a slight improvement on the previous financial year, but not sufficient to meet the target of a maximum employee absence rate of 3%. For the coming financial year, funds have been earmarked for examining how to further reduce the absence rate. In 2016/2017, only Denmark met the target of a maximum of four annual occupational injuries for Denmark and Germany and two for Estonia. Following each injury, an event assessment was initiated and corrective actions were implemented to prevent recurrence. None of the recorded injuries were of a serious nature.

The continuous health-focus offers have clearly raised the level of health awareness among the employees. This is seen, for instance, in an increase in the number of employees taking up the offer of lifestyle counselling.

The noise screening conducted in Skælskør identified some issues that will result in treatment and improvement. This work is ongoing and will be completed ahead of the auditing and renewal of the occupational health and safety certification at the beginning of the 2017/2018 financial year.

Manual labour involving heavy lifting has put a strain on employees at various places in production. The past year's focus on this area resulted in investments both in the brewhouse and at the bottling lines, significantly reducing the volume of heavy lifting, or eliminating heavy lifting altogether. This provides for less strenuous work for the employees, and also enables efficiency enhancement of processes and equipment utilisation.

Safety equipment and aids are replaced regularly, but everything is also checked at regular intervals to ensure that the employees always have the equipment required for them to carry out their job in the safest possible manner.



CLIMATE AND ENVIRONMENT

The group's three breweries have a total capacity of 10 million hectolitres. In 2016/17, a total of 6.1 million hectolitres of beer, soft drinks and malt extract were produced, which was in line with the previous year (6.0 million hectolitres). Changes are regularly made to the product mix, for instance towards increased production of ingredients, which are more energy-intensive products.

POLICY

Harboe complies with current environmental legislation and constantly focuses on streamlining and implementing initiatives to reduce the company's environmental footprint. The group's objective is to minimise the resources used in the production process relative to the overall production volume.

In the new Code of Conduct, environment is a priority area.

RISK

The greatest environmental risks involved in the operation of the group's activities are CO_2 emissions, water consumption and emission of polluted wastewater or chemicals.

ACTIVITIES

The group's production facilities are maintained and continually optimised to ensure that production processes are up-to-date, efficient, flexible and as environmentally-friendly as possible. Investments consider resource consumption and environmental impact. At the same time, the aim is for investments to generate positive returns within a short number of years.

In the past five years, Harboe has invested DKK 368 million in the expansion and strengthening of the brewery sector's production facilities. These investments have proved decisive in the competition for large-volume contracts in the main markets in Northern Europe, but also in markets that are new to Harboe. At the same time, the capacity of our modern and efficient production facilities forms a solid basis for realising the group's strategy and further value creation within the strategic development areas and the continued geographical expansion of the activities. Thanks to our investments, we qualify for investment and energy subsidies from the EU and national subsidy schemes.

THE COMPANY HAS SPECIAL FOCUS ON:

REDUCTION OF ENERGY CONSUMPTION

When investing in new plant or optimising or streamlining existing plant, Harboe focuses on using the best materials to future-proof the plant, reduce wastage in process and production and keep the energy consumption as low as possible. These considerations were key focus areas in connection with the investments made during the financial year.

The group's German company is energy-certified (ISO 50001). This places demands on the company's structured and documented work in this area and ensures a daily focus. At the end of the financial year, preparations were initiated for an energy inspection in Skælskør to be conducted at the beginning of the 2017/2018 financial year. This energy inspection is to form the basis for the future work towards energy certification in Skælskør, expected to be implemented in the 2018/2019 financial year.

REDUCTION OF WATER CONSUMPTION AND WASTEWATER EMISSIONS

Harboe prioritises developing new products in disposable packaging (aluminium cans and PET bottles). This reduces water and energy consumption in the production process in connection with cleaning of packaging and transport units. Moreover, disposable packaging offers a greater opportunity for recycling of resources, resulting in low wastage. In large parts of the world, recycling systems have been put in place, entailing that disposable packaging is included in a circular economy with a high recycling rate.

By engaging in close dialogue with its suppliers, Harboe also seeks to participate in eco-innovation in packaging, thereby ensuring reduction of the environmental impact. This applies both in relation to weight and material consumption — factors of key importance to degradability.

Through targeted investments in the parts of the process requiring the use of large volumes of water, focus is on the reduction of water consumption.

REDUCTION OF RAW MATERIAL WASTAGE

The group's ERP system for planning and management of production processes across all production units is constantly optimised. This enables better planning and calculation of the consumption of raw materials and semi-manufactures.

RECYCLING AND REDUCTION OF RESOURCE CONSUMPTION

During the financial year, no additional investments were made in recycling and reduction of the resource consumption. Instead, the investments made in previous years were monitored closely to assess whether additional investments could make a difference.

REDUCTION OF CO_2 EMISSIONS

During the financial year, we made only minor investments in initiatives for the reduction of CO_2 emissions, but we monitored previous investments closely and are working on a plan for additional investments.

PERFORMANCE

REDUCTION OF ENERGY CONSUMPTION

As the group has concurrently been developing the product mix, the investments made in recent years to reduce the energy consumption have yet to pay off through lower consumption. Energy-intensive products make up a large part of the production and have partly offset the effects of investments. In this context, it is positive that the energy consumption is constant. Tangible results with indications of future developments are expected to be seen in the course of 2017/2018 and 2018/2019.

REDUCTION OF WATER CONSUMPTION AND WASTEWATER EMISSIONS

A comprehensive technology update of Harboe's water treatment plant in Skælskør has optimised the energy consumption for the water treatment process, reduced the risk of wastewater emissions containing chemicals and ensured compliance with the threshold values for wastewater. The risk of human error has been reduced through automation and alarm systems.

Optimisation of the CIP plant, which improves the cleaning process and reduces the consumption of energy, water and chemicals, has reduced both wastewater emissions and the amount of chemicals for the local water treatment plant to handle.

REDUCTION OF RAW MATERIAL AND SEMI-MANUFACTURE WASTAGE
A group-integrated ERP system, underpinned by new and automated plant, has helped ensure optimum utilisation of raw materials and semi-manufactures, leading to reduced wastage.

RECYCLING AND REDUCTION OF RESOURCE CONSUMPTION
The results of previous years' work to optimise the brewing process by reducing and recycling resources have prompted a decision for future investments to reduce the consumption of raw materials, water and energy even further.

REDUCTION OF CO_2 EMISSIONS
The group's investments in energy-saving measures and recycling of resources have led to a reduction of the company's CO_2 emissions.

Moreover, at the breweries in Skælskør og Dargun investments have been made in CO_2 collection plant, which, in addition to reducing costs, also help reduce the companies' overall CO_2 footprint.

Starting in 2017, jumbo trailers can be used for transport to and from the brewery in Skælskør. Over the coming years, this is also expected to make a positive contribution to the overall environmental accounts.

FUTURE ACTIVITIES
In the coming year, Harboe will continue to assess the need for further investments in efficient utilisation of resources and capacity. The planned investments for 2017/2018 are focused on process and production equipment, energy optimisation and efficiency improvement as well as investments supporting the strategic group development.

Continued focus on additional energy optimisation, possible investments in alternative energy sources, demands on all links of the value chain to use sustainable raw materials, more environmentally-friendly packaging, process optimisation and streamlining of distribution are to facilitate further CO_2 reductions — also in the future.

As part of the construction of Harboe's visitors' centre, solar panels will be fitted on the storage building in Skælskør in 2017/2018. This will help further reduce the energy consumption of the production process and raise Harboe's environmental profile.

CONSUMER ISSUES

POLICY

As an international drinks manufacturer and supplier to food companies worldwide, product quality and safety are paramount. Harboe will meet the highest food safety standards by using raw materials that ensure a high and uniform quality throughout the entire value chain – from raw material to the finished product.

Harboe supports the industry's responsibility work and health authority guidelines for consumption of alcohol. In our marketing, we are aware of our responsibility to communicate correctly and ensure compliance with marketing legislation.

RISK

Harboe is aware of the risk of excessive consumption of both alcohol and soft drinks/sugary products which may have negative impacts on consumer health.

ACTIVITIES

FOCUSED WORK ON CERTIFICATIONS

To ensure the highest standards, our breweries are certified according to internationally recognised standards. This ensures focus, structure and documentation of significant processes and results. These standards also impose stringent requirements for handling of errors and deviations to prevent a recurrence of errors. The work on structured and documented corrective and preventive actions was prioritised further in 2016/2017.

Based on a requirement in the latest version of the BRC standard, a vulnerability analysis was conducted on all raw materials suppliers. The vulnerability analysis was based on information about the supplier's certification, geographical location, history and the price level of the raw material. The group's primary suppliers are all based in the EU and thus subject to uniform regulatory requirements, helping to ensure quality.

QUALITY CONTROL OF SUPPLIERS

In 2016, Harboes Bryggeri A/S introduced a new supplier approval procedure under which raw materials suppliers without a quality certification recognised by Global Food Safety Initiative (IFS, BRC, ISO 22000 FSSC) were audited by trained auditors from Harboes Bryggeri A/S. These audits included quality, environment, occupational health and safety and CSR issues.

UNIFORM QUALITY STANDARDS AND PROCEDURES

In 2017, the quality department in Skælskør started work on implementing an IT system for document and deviation management. This will enhance user-friendliness and transparency across the group's companies and help disseminate knowledge of the quality standards. The system will initially be implemented in Skælskør and subsequently in Estonia and Dargun. The system will underpin the increased prioritisation of collaboration between the three breweries and the implementation of selected group procedures.

DEVELOPMENT OF MORE NATURAL AND NUTRITIOUS PRODUCTS

Our development department is dedicated to developing existing products and creating new ones to meet market demand for more natural and nutritious products. This has resulted in close collaboration with malt extract customers, in particular.

PERFORMANCE

Our focused certification work has paid off. In early 2017, in connection with the latest audit, Harboes Bryggeri A/S was awarded the IFS higher level certificate and the BRC AA grade certification – both the highest level of the certification standard in question and an improvement on the previous year. Harboe is also certified in accordance with OHSAS 18001:2005, GMP + B2 Production of Feed Ingredients, Halal, Kosher, Organic products and the straw shortener concept.

Darguner Brauerei GmbH is certified in accordance with ISO 9001:2008, International Food Standard – issue 6 (higher level), HACCP and feed certification. The brewery's beer and juice products are also certified in accordance with kosher standards.

Viru Õlu AS is certified in accordance with ISO 22000.

Implementation of a common emergency response plan started in 2016/2017. In 2016, as part of our insurance programme, the companies in Skælskør and Dargun performed an audited Recall Challenge, designed to emulate a real recall, based on this procedure. Both companies completed the challenge without significant comments.

Based on inquiries from customers and consumers, the breweries are dedicated to initiating corrective and preventive actions immediately, where needed, to minimise the risk of a recurrence of such incidents that may lead to complaints at a later point in time. Through close dialogue with customers and consumers, we are able to ensure and improve the quality of our products.

In the ingredients area, we can offer alternatives to additives and preservatives to make products more natural. Moreover, in 2016/2017, we were able to relaunch EGO, a range of organic soft drinks, offering exciting new flavours.

POLICY

The Harboe group is firmly rooted in the local community and aware of its social responsibility to help develop the community. Moreover, the ability to attract qualified labour also depends on being able to offer employees wishing to settle down close to the company an attractive local community with good sports, cultural and job opportunities.

RISK

If local companies do not support sports and cultural activities, small towns and cities could miss out on opportunities for taking initiatives that benefit the inhabitants personally and the town or city economically. If the local community is not attractive to existing and potential employees, Harboe may face problems attracting and retaining talented and competent employees.

ACTIVITIES

- Support and sponsorships for local associations and events
- Focus on job creation

PERFORMANCE

COMMUNITY INVOLVEMENT

Harboe continues to prioritise community initiatives and this year, once again, sponsored a number of sports activities, cultural events and charities, the purpose being to support the business, generate positive mention of the company and the local community and make a difference to our employees and their families.

EDUCATION AND CULTURE

Each year, Skælskør hosts a number of recurring cultural events, but the town is also known for Guldagergaard – International Ceramic Research Center, which attracts both national and international attention and artists. In the past financial year, Harboe established a partnership with Guldagergaard on the vintage brews 'Årgangsbryg 2017' and 'Årgangsbryg 2018'. 'Årgangsbryg 2017' features one of the artworks exhibited in Guldagergaard. The purpose of this partnership is to promote and raise awareness of community activities that may benefit the town in multiple ways.

Harboe prioritises making its knowledge available to citizens, students and schools through various activities. This helps create dialogue about education and business opportunities in the local community. Regrettably, due to the extensive work involved in the construction of our new visitors' centre, we did not have much opportunity to invite the public into the brewery during the past financial year. The visitors' centre is scheduled to be completed in late summer 2017, and we are really looking forward to welcoming the group's stakeholders and to presenting Harboe's history, products and brands in a dynamic environment.

Each year, the group's companies take on a number of trainees and interns — both students from primary and secondary school and students in higher education programmes – for shorter or longer periods of time. This gives the young trainees and interns insight into the job opportunities in a manufacturing company and gives the students the opportunity to test theory in practice and inspire their colleagues through the sharing of new knowledge.

JOB CREATION

The group's production units are all located in small towns and many of the employees live in or around these towns. Thus, local job creation is a priority for the group – not just at individual production sites, but also with the group's subsuppliers. ■

SUSTAINABLE MANAGEMENT AND VALUES

Harboe's Board of Directors 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 in the best possible way with efficient and dynamic business management, the primary objective being to create value for the company's shareholders, employees and customers. The Board of Directors and the Board of Executives are working hard to ensure that the management and control systems of the group are efficient and in line with relevant standards.

Most of Harboe's management is thus carried out in accordance with the current recommendations on corporate governance.

The full review of the individual recommendations can be seen at the group's website:
http://files.shareholder.com/downloads/AMDA-EBDFV/5055358192x0x847636/E3B46015-4DB4-4E1F-A6D2-45E05BB0A579/Corporate_Governance_2015-16_UK.pdf

COMMUNICATION AND INTERACTION BY THE COMPANY WITH ITS INVESTORS AND OTHER STAKEHOLDERS

Harboe places emphasis on the company's shareholders being able to monitor the company's development. The group's website provides easy access to current information about the company's strategy, policies, business and results. The group management wants to maintain open communications with the share market and communicates regularly about the company's developments.

Harboe has laid down a policy for the relations with the company's investors, and, as part of the company's general corporate social responsibility activities, Harboe also seeks to maintain a good relationship with other key stakeholders.

Harboe only publishes interim reports and annual reports as enabled by virtue of the latest amendments to the Danish Securities Trading Act (*Værdipapirhandelsloven*) and the Danish Executive Order on Issuers' Disclosure Obligations (*Udstederbekendtgørelsen*) dated 26 November 2015. Harboe places emphasis on investors and other stakeholders being well informed of the group's development and results and therefore wishes to keep the market up-to-date on significant events whenever relevant in between the formal interim and annual reporting.

In the planning of its general meetings, Harboe seeks to promote active ownership, and shareholders may consider each individual item on the agenda. Harboe has formulated formal contingency procedures which ensure that the shareholders get the opportunity to decide on a potential takeover bid at a general meeting. In the event of a takeover bid, Harboe's Board of Directors will endeavour to assess the significance of the bid for all the company's shareholders and for the company in general.

TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors organises its tasks in accordance with the recommendations and updates the company's strategy once a year as well as evaluates the company's capital and share structures. These considerations and evaluations are described in the group's annual report.

As part of the continued growth and internationalisation of the group's activities, the Board of Directors focuses on the continued adaptation of the management organisation within the strategic focus areas – also with a view to the more long-term management of the group.

In the opinion of the Board of Directors, Harboe's organisation and management follow the recommendation on diversity and equal opportunities for both genders. These considerations are addressed in the company's HR strategy and in the company's policy on ensuring diversity at all levels.

Harboe has a policy on corporate social responsibility. In its annual report, Harboe reports on corporate social responsibility and diversity in accordance with Sections 99a and 99b of the Danish Financial Statements Act.

In the opinion of the Board of Directors, there is no need for a vice-chairman at present, but the Board of Directors considers the need at appropriate intervals and in step with developments in the company's strategic challenges.

COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS

In the process of identifying new candidates for the Board of Directors, emphasis is placed on adding relevant competencies within international strategic management, product innovation and sales and financial and accounting insights to Harboe's management. The members of the Board of Directors and their competencies are described in more detail in the company's annual report and on the website.

The Chairman of the Board of Directors and the company's principal shareholder are in charge of selecting and nominating new candidates for the Board of Directors and subsequently recommending candidates for the approval of the entire Board of Directors. In this process, emphasis is placed on the Board of Directors being composed of members who complement each other in the best possible way in terms of experience, age and gender etc. in order to ensure a competent and versatile contribution to Harboe's management. The description of members of the Board of Directors who are up for election is enclosed with the notice convening the general meeting.

The Board of Directors does not find that it is necessary to have a retirement age for members of the Board of Directors. In the opinion of the Board of Directors, the ongoing assessment of the individual members' contribution to the work of the Board forms a sufficient basis for assessing whether the individual member should continue to sit on the Board of Directors. Members of the Board of Directors are elected for one-year terms.

Harboe otherwise complies with the recommendations concerning the composition and independence of the Board of Directors, the number of other executive functions and the information provided thereon.

On the group's website, Harboe has posted information about the audit committee set up by the Board of Directors in accordance with the recommendations.

An audit committee has been set up by the Board of Directors. However, the Board of Directors finds it natural that the Chairman of the Board of Directors, who has extensive experience from other executive functions and directorships in the management of financial and accounting issues, is also the chairman of the audit committee. Moreover, the work on the audit committee takes place in close collaboration between the members of the committee and the company's external auditors and thus draws on a broad mix of financial and accounting competencies. The audit committee has otherwise planned its work in accordance with the recommendations.

The Board of Directors has not set up a nomination committee, but assesses the need for this at regular intervals. The company's management competencies and resources and the need for these in the short and longer term are regularly discussed by the Chairman of the Board of Directors and the company's principal shareholder, who submit proposals for changes and new candidates for approval by the entire Board of Directors.

A remuneration committee has not been established, but the need for one will be assessed on a regular basis. Important contracts are approved by the Chairman of the Board of Directors.

In the opinion of the Board of Directors, there is no need for a formal evaluation procedure for the Board of Directors and the Board of Executives. 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. Furthermore, the Chairman of the Board of Directors and the company's principal shareholder evaluate annually the Board of Directors' work and the individual members' contribution to this work.

Once a year, Harboe's Board of Directors evaluates its composition going forward, based on the company's strategic objectives and current position. At regular intervals, the Board of Directors also evaluates the Board of Executives' work and performance in connection with financial and business reporting, based on the objectives and expectations formulated at the beginning of the year.

In the opinion of the Board of Directors, there is no need for a formal procedure for the evaluation of the cooperation between the Chairman of the Board of Directors and the CEO. The Chairman of the Board of Directors and the CEO have an ongoing dialogue, the results of which form part of the reporting at the board meetings.

REMUNERATION OF MANAGEMENT

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 decided not to introduce share-related incentive schemes for the time being. The group's key managers are covered by a performance-related bonus programme.

The remuneration policy is described in detail in the Chairman's report and approved at the annual general meeting.

The total remuneration for the Board of Directors and the Executive Board is specified in the annual report. The Board of Directors does not find it relevant to specify the remuneration granted to each member of the Board of Directors. The most important elements of severance programmes for the Executive Board are described in the annual report. Other particulars of the remuneration paid to the Board of Directors and the Board of Executives are in accordance with the recommendations.

FINANCIAL REPORTING, RISK MANAGEMENT AND AUDITS

Harboe analyses and considers the business and financial risks affecting the company's development and results at regular intervals and at least once a year. The risks and the handling thereof are described in the company's annual report.

Harboe strives to create as much transparency as possible in all management and decision-making processes across the group through its reporting and control systems. No whistleblower scheme has been established at present, but the Board of Directors assesses the need for this at regular intervals.

Harboe's Board of Directors and audit committee have an ongoing dialogue with the company auditors, and the relations have been structured in accordance with the recommendations. However, the company's CEO is also a member of the Board of Directors and therefore participates in all meetings with the auditors.

IR POLICY

With its IR policy, Harboes Bryggeri A/S aims to communicate effectively and openly with the company's shareholders and other stakeholders 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 annual report in Danish and English, presentations and meetings with stakeholders as well as the company website at www.harboes.com.

Harboe communicates its shareholder information electronically via the InvestorPortal, which offers shareholders quick and easy access to relevant information about the company.

Harboes Bryggeri A/S attends investor and analyst meetings in Denmark on relevant occasions. The management will continue to allocate resources to this activity in future with a view to maintaining a dialogue with existing and potential investors.

Shareholders, analysts and other stakeholders 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.

IR contact:
Ruth Schade, President
Tel.: +45 58 16 88 88
Email: rs@harboes.dk

VALUE CREATION FOR THE SHAREHOLDERS

Harboe's dividend policy is based on a desire to create sustainable and long-term value for its shareholders. The policy has resulted in ongoing and attractive dividend payments, which – when viewed over the past five years – amounted to total dividends to the shareholders of DKK 57 million. The company has a portfolio of 1,434,403 Class B treasury shares, corresponding to DKK 190.1 million stated at the market price as at 30 April 2017. Harboe did not acquire any treasury shares during the 2016/2017 financial year.

The share buy-back is in accordance with an authorisation granted by the general meeting, most recently renewed on 27 August 2015. The Board of Directors was authorised to acquire treasury shares with a nominal value of up to 50% of the share capital at a price corresponding to the market price plus/minus 10%. This authorisation is valid until the company's annual general meeting in 2020.

The Board of Directors calls for the purchase of treasury shares to continue to be a central element of the group's dividend policy, as the holding of treasury shares increases the cash capacity for further attractive dividend payments on the remaining share capital. At the same time, the portfolio strengthens the group's capital base and ensures flexibility in the strategic planning should Harboe want to enter into strategic partnerships or make acquisitions as part of the continued development of its activities.

The Board of Directors recommends to the annual general meeting on 28 August 2017 that a dividend be paid for the 2016/2017 financial year in the amount of DKK 2.00 per share, corresponding to a total of DKK 12.0 million.

OWNERSHIP

At the end of the financial year, Harboes Bryggeri A/S had 4,414 registered shareholders. The registered shareholders represent DKK 57.9 million of the total share capital, corresponding to 96.4%.

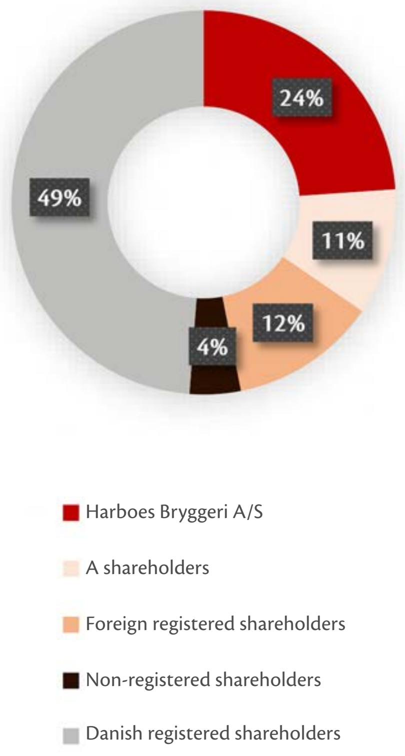
As at 30 April 2017, the following shareholders have registered a shareholding exceeding 5% of the share capital in accordance with Section 29 of the Danish Securities Trading Act:

Kirsten and Bernhard Griese
Spegerborgvej 4, 4230 Skælskør, Denmark
Equity investment: 15.5%, voting share: 53.3%

As at 30 April 2017, members of the Board of Directors and the Board of Executives held a total of 975,420 shares. The Board of Executives' shareholding accounted for 920,120 shares.

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 may only trade in the company's shares for a period of six weeks after the publication of preliminary announcements of financial statements.

SHAREHOLDER STRUCTURE



SHAREHOLDER INFORMATION

THE SHARE

Harboes Bryggeri A/S has a share capital of DKK 60,000,000, corresponding to 6,000,000 shares of DKK 10 each. The shares are 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 on NASDAQ OMX Copenhagen. Trading for the period amounted to DKK 173,4 million, corresponding to average trading per day of DKK 0.7 million.

The Harboe share developed positively in the course of the financial year with increasing share trading turnover and a rise in the share price from 114.0 at the beginning of the year to 132.5 as at 30 April 2017. This corresponds to a rise in the market value of 16.2% to a total of DKK 795.0 million.

ANALYST COVERAGE

The Harboes Bryggeri A/S share is followed by Tobias Cornelius Björklund, analyst with Danske Equities.

Important 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 some 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.

A longer period of notice of maximum three years has been agreed for key staff members in the event of dismissal in connection with a change in the control in the company.

FINANCIAL CALENDAR 2017/2018

28 August 2017	Annual general meeting
13 December 2017	Interim report, H1 2017/18
26 June 2018	Annual report 2017/2018

SHARE-RELATED RATIOS

Per share – DKK	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Share price, end of year	132.50	114.0	105.5	93.5	72.0
Market value (DKKm)	795.0	684.0	633.0	561.0	432.0
Dividend per share (DKK)	2.00*	2.00	2.00	2.00	1.50
Dividend (DKKm)	12.0	12.0	12.0	12.0	9.0
Treasury shares (no.)	1,434,403	1,434,403	1,434,403	1,311,190	451,568

*Suggested dividend

HARBOE LAURSEN, KARINA
Executive Officer (1974)

Non-independent member of the Board of Directors since 2014.

Re-elected in 2015 and 2016. Term of service expires in 2017.

Karina Harboe Laursen is a trained physiotherapist who worked as a physiotherapist in the years 2000-2005, during which time she established a private practice. From 2005-2007, Karina Harboe Laursen headed the HR function at Harboes Bryggeri A/S, where she was responsible for developing and implementing the group's HR strategy and internal communication. Since 2007, Karina Harboe Laursen has been a member of the Executive Board of STRØM ApS, of which she is a co-founder. Since its establishment, STRØM ApS has developed into a leading fashion business seeing continued growth, with sales through own shops as well as rapidly increasing online sales.

Member of the audit committee.

DIRECTORSHIPS
Danfrugt Invest A/S

EXECUTIVE POSTS
J & K STRØM Holding ApS
KHL ApS
STRØM Holding II ApS

SHAREHOLDING

2016/17	2015/16
9,157 shares	9,157 shares

CALMER MØLLER, POUL
Executive Officer (1949)

Independent member of the Board of Directors since 2016. Term of service expires in 2017.

Poul Calmer Møller has long-term experience from industrial companies and, in 1983-2002, acted as sales and marketing manager and CEO, respectively, of the Basta locks company in Denmark and Germany.

During this period, Poul Calmer Møller was also part of this company's international management team. In addition, Poul Calmer Møller has served on the Boards of a number of companies and, from 2005-2008, was the Chairman of Erhvervs- og Videncenter Vestsjælland (trade promotion board) and, from 2007-2013, was the Chairman of Vestsjællands Erhvervsråd (trade council). With his extensive knowledge and experience from international industrial business, Poul Calmer Møller will be able to help facilitate the continued strategic development of Harboes Bryggeri A/S.

Moreover, with his trade council experience, Poul Calmer Møller will be able to assist in the positive development of the local community.

Member of the audit committee.

DIRECTORSHIPS
KNA Ejendomme A/S

OTHER EXECUTIVE FUNCTIONS
Owner and manager of Poul Calmer Møller Markeds Consult
Udlejningsejendommen Nygade 4 I/S (rental property)

SHAREHOLDING

2016/17	2015/16
0 shares	0 shares

SHAREHOLDING

2016/17	2015/16
929,120 shares	929,120 shares

DIRECTORSHIPS

Harboe Ejendomme A/S
Skælskør Bryghus A/S
BG af 31. december 2010 A/S
Danfrugt Invest A/S
Visbjerggården A/S (Chairman)
Keldernæs A/S
Lundegård A/S
Buskysminde A/S
Rugbjerggård A/S
Danfrugt Skælskør A/S (Chairman)
Bernd Griese Holding ApS
Vejrmøllegård ApS

GRIESE, BERNHARD

CEO (1941)

Non-independent member of the Board of Directors since 1986.

Re-elected in 2010, 2014, 2015 and 2016. Term of service expires in 2017.

Bernhard Griese is a qualified electrical engineer, and, prior to being employed with Harboes Bryggeri, he was in charge of the construction of a number of major projects, including a power plant in Jamaica. Bernhard Griese joined Harboes Bryggeri in 1973, where he came into contact with all parts of the company during the following years. He was appointed manager in 1981 and CEO in 1986. Bernhard Griese's broad experience within production and management combined with strong innovative and entrepreneurial skills makes him a valuable asset to the group.

Bernhard Griese personally holds 15.5% of the share capital and 53.3% of the votes in Harboes Bryggeri A/S.

EXECUTIVE POSTS

Harboes Bryggeri A/S
Harboe Ejendomme A/S
Skælskør Bryghus A/S
Vejrmøllegård ApS
Danfrugt Invest A/S
Buskysminde A/S
BG af 31. december 2010 A/S
Keldernæs A/S
Lundegård A/S
Bernd Griese Holding ApS
Rugbjerggård A/S
Agrar Niendorf GmbH, Germany

SHAREHOLDING

2016/17	2015/16
7,499 shares	7,499 shares

DIRECTORSHIPS

IMERCO A/S
IMERCO Holding A/S
F.A. Thiele A/S
Thiele Partner A/S
Hans Just A/S
Holdingselskabet af 17. december 2004 A/S
Emmerys ApS
Investeringsforeningen Maj Invest
Harboe Ejendomme A/S (Chairman)
Skælskør Bryghus A/S (Chairman)

KRAGE, MADS OLE

Chairman of the Board of Directors (1944)

Independent member of the Board of Directors since 2007.

Re-elected in 2011, 2014, 2015 and 2016. Term of service expires in 2017.

Mads Ole Krage has long-term experience within the retail sector, e.g. as CEO of the retail chain Netto from 1980 to 2005, during which time the company implemented an ambitious growth strategy. Mads Ole Krage provides valuable insight into the retail sector's development, terms and expectations for its suppliers – also seen from an international/European perspective. The Board of Directors also benefits from Mads Ole Krage's vast experience within the strategic development of markets, sales and marketing.

Member of the audit committee.

MEMBERS OF THE BOARD OF DIRECTORS

THØGERSEN, THØGER
CEO (1953)

Independent member of the Board of Directors since 2008.

Re-elected in 2012, 2014, 2015 and 2016. Term of service expires in 2017.

Thøger Thøgersen holds an MSc in Business Administration (marketing/finance) and, in the course of his career, has worked with many different aspects of the retail sector, including, among others, in Dansk Supermarked, Netto and later on Magasin du Nord/Illum, where he headed the purchasing department for seven years. Given his extensive sales knowledge and experience, Thøger Thøgersen makes a competent contribution to Harboe's continued strategic development.

Member of the audit committee.

DIRECTORSHIPS
Purchasing department Mr. – menswear
Holmsland Klit Golf A/S
Indkøbsforeningen af 1964 AMBA (Chairman)
MR WEB A/S (Chairman)
Birger Christensen A/S

SHAREHOLDING

2016/17	**2015/16**
800 shares	800 shares

JENSEN, JENS BJARNE SØNDERGAARD
Staff representative (1955)

Member of the Board of Directors since 1997.

Re-elected in 2008 and 2012. Term of service expires in 2017.

SHAREHOLDING

2016/17	**2015/16**
111 shares	111 shares

HARBOE'S AUDIT COMMITTEE
Harboe's audit committee was set up in 2009. The committee held two meetings during the past financial year. The committee's work and areas of responsibility are described in more detail in the section on risks in the annual report.

MANAGEMENT'S STATEMENT

Today, the Board of Directors and Board of Executives have considered and approved the annual report of Harboes Bryggeri A/S for the financial year 1 May 2016 to 30 April 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

We believe that the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 April 2016 as well as of the results of their operations and cash flows for the financial year 1 May 2016 to 30 April 2017.

We believe that the management's review gives a fair review of the development in the group's and the company's activities and financial affairs, their results for the year and the company's financial position and the general financial position of the companies comprised by the consolidated financial statements as well as a description of the most important risks and uncertainty factors to which the group and the company are exposed.

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

Skælskør, 29 June 2017

BOARD OF EXECUTIVES

Bernhard Griese
CEO

BOARD OF DIRECTORS

Mads Ole Krage Chairman	Bernhard Griese CEO	Poul Calmer Møller
Karina Harboe Laursen	Thøger Thøgersen	Jens Bjarne Søndergaard Jensen Staff representative

TO THE SHAREHOLDERS OF HARBOES BRYGGERI A/S

OPINION

We have audited the consolidated financial statements and financial statements of Harboes Bryggeri A/S for the financial year 1 May 2016 to 30 April 2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies applied, for the group and the company, respectively. The consolidated financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 April 2017 as well as of the results of their activities and cash flows for the financial year 1 May 2016 to 30 April 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section 'Auditor's responsibilities for the audit of the consolidated financial statements and financial statements' in the auditor's report. We are independent of the group within the meaning of the international code of ethics for accountants (IESBA's Code of Ethics for Professional Accountants) and the additional requirements applicable in Denmark, and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and financial statements for the 2016/17 financial year. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements and financial statements as a whole. We do not express an opinion on these individual matters.

MEASUREMENT OF INVENTORIES

The cost of finished goods recognised significantly affects the value of the company's inventory, see note 15. The determination of cost is subject to estimates as to the production costs attributable to the cost of the finished goods, which significantly impacts the value of the group's inventories and cost of sales. Thus, estimates made in connection with the determination of cost are assessed to be a key audit matter.

Our audit procedures included assessing the controls designed and implemented by the management for the determination and recognition of cost, including the determination of indirect production costs, in inventory in accordance with the company's accounting policies. Moreover, we tested, on a sample basis, the correctness of the cost used for the finished goods inventory. These procedures included challenging the assumptions and estimates made by the management, including assessing underlying data and systems. We also checked the relationship with underlying production calculations.

STATEMENT ON THE MANAGEMENT'S REVIEW

The Board of Directors and Board of Executives are responsible for the management's review.

Our opinion on the consolidated financial statements and financial statements does not include the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated financial statements and financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or financial statements or the knowledge obtained during our audit or in any other way appears to contain material misstatement.

It is furthermore our responsibility to consider whether the management's review contains the information required pursuant to the Danish Financial Statements Act.

Based on the work performed, we believe that the management's review is consistent with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not find any material misstatement in the management's review.

THE BOARD OF DIRECTORS AND BOARD OF EXECUTIVES' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of the consolidated financial statements and financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act, and for such internal control as the Board of Directors and Board of Executives determine is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements and financial statements, the Board of Directors and Board of Executives are responsible for assessing the group's and the company's ability to continue as a going concern; for providing information on matters relating to continued operations, where relevant; as well as for preparing consolidated financial statements and financial statements based on the going concern basis of accounting, unless the Board of Directors and Board of Executives intend to either liquidate the group or the company or cease operations or has realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements and financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and in accordance with additional Danish disclosure requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of the consolidated financial statements and financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and additional Danish disclosure requirements, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements and financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Express an opinion on whether the management's preparation of the consolidated financial statements and financial statements based on the going concern basis of accounting is appropriate and on whether, based on the audit evidence obtained, material uncertainty is attached to events or conditions that may give rise to significant doubt about the group's and the company ability to continue their operations. If w express the opinion that there is material uncertainty, we must in our auditor's report draw attention to information thereon in the consolidated financial statements and financial statements or, if such information is insufficient, we must modify our opinion. Our opinions are based on the audit evidence obtained until the date of our auditor's report. Future events or conditions may, however, result in the group and the company becoming unable to continue operations.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and financial statements, including disclosures in the notes, and whether the consolidated financial statements and financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Slagelse, 29 June 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Jens Jørgen Bay Simonsen State-Authorised Public Accountant	Lars Hillebrand State-Authorised Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Note	2016/17	2015/16
Revenue	**3**	**1,431,310**	**1,376,466**
Production costs	4.5.6	(1,122,557)	(1,079,833)
Gross profit/(loss)		**308,753**	**296,633**
Other operating income	7	18,100	17,151
Distribution costs		(214,823)	(191,250)
Administrative expenses		(51,745)	(50,487)
Other operating expenses		(10,221)	(10,835)
Operating profit/(loss) (EBIT)		**50,064**	**61,212**
Financial income	8	335	685
Financial expenses	9	(5,016)	(4,650)
Fair value adjustment – other investments and securities		0	(6,147)
Profit/(loss) before tax		**45,383**	**51,100**
Tax on profit/(loss) for the year	10	(13,842)	(16,477)
Adjustment of tax, previous years	10	(74)	16
Net profit/(loss) for the year		**31,467**	**34,639**
Distribution of net profit/(loss) for the year:			
Shareholders of the parent		31,528	34,763
Minority interests		(61)	(124)
Earnings per share and diluted earnings per share (DKK)	17	6.91	7.61

STATEMENT OF COMPREHENSIVE INCOME

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Note	2016/17	2015/16
Net profit/(loss) for the year		**31,467**	**34,639**
Other comprehensive income			
Items which may be reclassified to the income statement:			
Foreign currency translation adjustment regarding foreign enterprises		(586)	(1,231)
Fair value adjustment of other investments and securities		8	56
Recirculation to the income statement of fair value adjustment upon impairment of other investments and securities		0	2,750
Tax on other comprehensive income	10	(2)	(12)
Other comprehensive income		**(580)**	**1,563**
Comprehensive income		**30,887**	**36,202**
Distribution of comprehensive income for the year:			
Shareholders of the parent		30,948	36,326
Minority interests		(61)	(124)

BALANCE SHEET

ASSETS AS AT 30 APRIL

DKK '000	Note	2017	2016
Intangible assets	11	20,740	24,679
Property, plant and equipment	12	773,790	694,530
Investment properties	13	63,206	55,802
Other investments and securities	14	5,280	5,554
Deposits, leases		2,470	2,464
Deferred tax assets	18	5,528	5,039
Non-current assets		**871,014**	**788,068**
Inventories	15	169,411	164,581
Receivables	16	269,779	269,695
Prepayments		10,955	9,191
Cash		35,589	67,262
Current assets		**485,734**	**510,729**
Assets		**1,356,748**	**1,298,797**

LIABILITIES AS AT 30 APRIL

DKK '000	Note	2017	2016
Share capital		60,000	60,000
Other reserves		(3,188)	(2,608)
Retained earnings		701,908	679,523
Equity owned by shareholders of the parent		**758,720**	**736,915**
Equity owned by minority interests		**(49)**	**6**
Equity	**17**	**758,671**	**736,921**
Mortgage debt	19	151,855	168,155
Deferred tax liabilities	18	52,158	51,331
Deferred recognition of income	21	41,749	51,350
Non-current liabilities		**245,762**	**270,836**
Bank debt and mortgage debt	19, 20	20,472	21,019
Trade payables		208,775	153,333
Other short-term payables and other liabilities	22	91,450	89,810
Deferred recognition of income	21	7,623	6,921
Income tax		23,995	19,957
Current liabilities		**352,315**	**291,040**
Liabilities		**598,077**	**561,876**
Equity and liabilities		**1,356,748**	**1,298,797**

CASH FLOW STATEMENT

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Note	2016/17	2015/16
Operating profit/(loss)		**50,064**	**61,212**
Depreciation, amortisation, impairment losses and write-downs etc.	6	90,630	90,963
Grants recognised as income	7	(8,860)	(9,393)
Other adjustments		2,240	1,676
Change in net working capital	24	48,888	(6,606)
Cash flows from primary operating activities		**182,962**	**137,852**
Financial income received		305	616
Financial expenses paid		(5,010)	(4,204)
Income tax paid		(9,513)	(2,824)
Cash flows from operating activities		**168,744**	**131,440**
Purchase of intangible assets		(1,394)	(1,057)
Purchase of property, plant and equipment		(174,258)	(92,743)
Sale of property, plant and equipment		1,157	1,246
Dividend received from financial assets available for sale		30	69
Purchase of financial assets		(7)	(1,418)
Sale of financial assets		274	275
Cash flows from investing activities		**(174,198)**	**(93,628)**
Dividend paid to shareholders of the parent		(9,131)	(9,131)
Repayment of mortgage debt		(16,061)	(16,128)
Investment grant received		0	5,740
Cash flows from financing activities		**(25,192)**	**(19,519)**
Changes in cash and cash equivalents		**(30,646)**	**18,293**
Cash and cash equivalents as at 1 May		62,436	44,664
Translation adjustment, beginning of year		(374)	(521)
Cash and cash equivalents as at 30 April	**26**	**31,416**	**62,436**

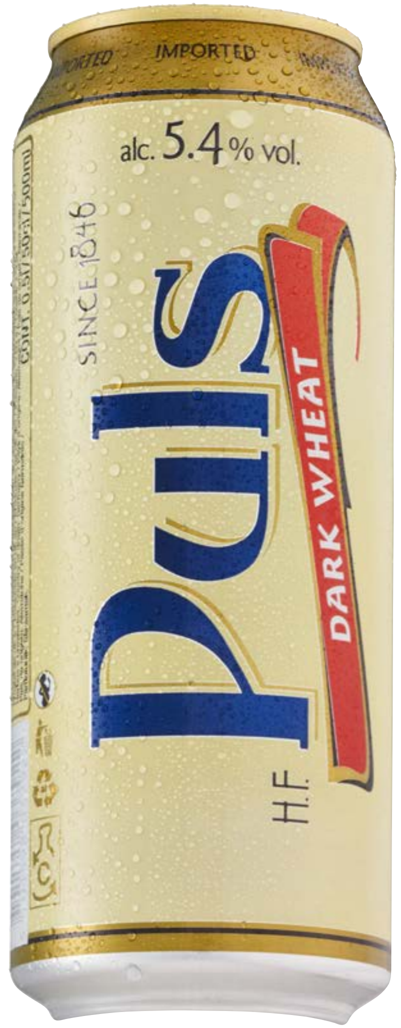
STATEMENT OF CHANGES IN EQUITY

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Share capital	Reserve for foreign currency translation adjustment	Reserve for value adjustment of other investments and securities	Other reserves Total	Retained earnings	Equity owned by shareholders of the parent	Equity owned by minority interests	Total equity
Equity as at 1 May 2016	**60,000**	**(893)**	**(1,715)**	**(2,608)**	**679,523**	**736,915**	**6**	**736,921**
Changes in equity 2016/2017								
Net profit/(loss) for the year	0	0	0	**0**	31,528	31,528	(61)	31,467
Other comprehensive income	0	(586)	6	**(580)**	0	(580)	0	(580)
Comprehensive income for the financial year	**0**	**(586)**	**6**	**(580)**	**31,528**	**30,948**	**(61)**	**30,887**
Other value adjustments	0	0	0	**0**	(12)	(12)	6	(6)
Distributed dividend	0	0	0	**0**	(12,000)	(12,000)	0	(12,000)
Dividend from treasury shares	0	0	0	**0**	2,869	2,869	0	2,869
Total changes in equity	**0**	**(586)**	**6**	**(580)**	**22,385**	**21,805**	**(55)**	**21,750**
Equity as at 30 April 2017	**60,000**	**(1,479)**	**(1,709)**	**(3,188)**	**701,908**	**758,720**	**(49)**	**758,671**
Equity as at 1 May 2015	**60,000**	**338**	**(4,509)**	**(4,171)**	**653,891**	**709,720**	**130**	**709,850**
Changes in equity 2015/16								
Net profit/(loss) for the year	0	0	0	**0**	34,763	34,763	(124)	34,639
Other comprehensive income	0	(1,231)	2,794	**1,563**	0	1,563	0	1,563
Comprehensive income for the financial year	**0**	**(1,231)**	**2,794**	**1,563**	**34,763**	**36,326**	**(124)**	**36,202**
Distributed dividend	0	0	0	**0**	(12,000)	(12,000)	0	(12,000)
Dividend from treasury shares	0	0	0	**0**	2,869	2,869	0	2,869
Total changes in equity	**0**	**(1,231)**	**2,794**	**1,563**	**25,632**	**27,195**	**(124)**	**27,071**
Equity as at 30 April 2016	**60,000**	**(893)**	**(1,715)**	**(4,171)**	**679,523**	**736,915**	**6**	**736,921**

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies
2. Significant accounting estimates, assumptions and uncertainties
3. Segment information and revenue
4. Production costs
5. Staff costs
6. Depreciation, amortisation, impairment losses and write-downs
7. Other operating income
8. Financial income
9. Financial expenses
10. Tax on profit/(loss) for the year
11. Intangible assets
12. Property, plant and equipment
13. Investment properties
14. Other investments and securities
15. Inventories
16. Receivables
17. Equity
18. Deferred tax
19. Mortgage debt
20. Other credit institutions
21. Deferred recognition of income
22. Other short-term payables and other liabilities
23. Operating lease commitments
24. Change in net working capital
25. Fee to auditors
26. Financial risks and financial instruments
27. Related parties
28. Contingent liabilities, security and contractual obligations
29. Adoption of annual report for publication



1. ACCOUNTING POLICIES

The 2016/2017 consolidated financial statements and financial statements of the parent, Harboes Bryggeri A/S, are presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for the annual reports of Class D companies (listed); see the IFRS Executive Order issued in accordance with the Danish Financial Statements Act. Harboes Bryggeri A/S is a public limited company domiciled in Denmark.

The consolidated financial statements and parent financial statements are presented in Danish kroner (DKK), which is the main currency of the group's activities and the functional currency of the parent.

The consolidated financial statements and parent financial statements have been prepared on the basis of historic cost, except for derivative financial instruments and financial assets classified as available for sale, which are measured at fair value.

IMPLEMENTATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The 2016/2017 consolidated financial statements and financial statements have been prepared in accordance with the new and revised standards (IFRS/IAS) and new interpretations (IFRIC) that apply to financial years starting on 1 April 2015 or later.

The implementation of the new or revised standards and interpretations which have become effective in the 2016/2017 financial year did not result in any changes in the accounting policies.

STANDARDS AND INTERPRETATIONS WHICH HAVE NOT YET BECOME EFFECTIVE:

At the time of publication of this annual report, a number of new or revised standards and interpretations exist, which have not yet become effective and have thus not been incorporated in the annual report.

The management estimates that the implementation of the following new and revised standards and interpretations which have not yet become effective will have an impact on the consolidated financial statements and financial statements for the coming financial years.

IFRS 9, *Financial Instruments* (July 2014)

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and outlines the accounting treatment of financial assets and liabilities in relation to classification and measurement, hedge accounting and impairment.

The Harboe group will adopt IFRS 9 in the 2018-2019 financial year without restating comparative figures for prior years in accordance with the transitional provisions of the standard.

Classification and measurement

IFRS 9 amends the classification of financial assets to the effect that the classification will depend on i) the entity's business model for holding the asset; and ii) the cash flows generated by the asset (contractual cash flows).

Following the adoption of IFRS 9, financial assets must be classified into one of the following four categories:

1. Amortised cost
2. Fair value through profit or loss (FVTPL)
3. Assets measured at fair value through other comprehensive income (FVTOCI)
4. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

The group's business model for Other investments and securities (see note 14), including the group's portfolio of mortgages, is to hold these for collection of contractual cash flows, consisting exclusively of interest payments and repayments of the principal. Accordingly, these will still be measured at amortised cost following the adoption of IFRS 9.

Impairment

Financial assets are measured at cost, including trade receivables and rent receivable from investment properties comprised by the amended provisions of IFRS 9 on impairment of financial assets. The amended rules are based on the premise of providing for expected losses as opposed to the current rules of IAS 39, which are based on a principle of actually incurred losses. The group expects to apply the simplified approach to recognition of impairment based on expected losses over the life of the asset (expected lifetime credit losses) for trade receivables and rent receivables.

For other financial assets, including the group's portfolio of mortgages, impairment will generally be recognised based on 12-month expected credit losses, unless there has been a significant increase in the credit risk of the individual receivable since initial recognition. In case of a significant increase in credit risk, impairment is recognised based on expected lifetime credit losses. The assessment of a possible increase in credit risk is initially made at the time of the group's adoption of IFRS 9.

The management generally expects IFRS 9 to lead to earlier recognition of credit losses for financial assets through an increase in write-downs for impairment.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 will be adopted in the 2018 financial year with full retrospective effect. The Harboe group has no contracts with long production or performance cycles, contracts with multiple performance obligations or contracts with variable remuneration. Accordingly, IFRS 15 is not expected to have any material impact on the consolidated financial statements for the coming financial years.

IFRS 16 *Leases* (January 2016)

IFRS 16 replaces the current standard for leases (AIS 17). Under IFSR 16, virtually all leases must be recognised in the balance sheet of the lessee's financial statements as a lease liability and as an asset, representing the lessee's right-of-use of the underlying asset. The current distinction between operating leases and finance leases will be eliminated.

The Harboe group will adopt IFRS 16 in the 2019/20 financial year, applying the transitional exemptions under which comparative figures are not restated and with the effect being recognised in retained earnings as at 1 May 2019. The group is expected to apply other recognition exemptions available to the widest possible extent, including for leases where the underlying asset has a low value and leases with a lease term on 1 May 2019 of less than 12 months.

As at 30 April 2017, the group has entered into leases classified under IAS 17 as operating leases, with total future minimum lease payments for non-terminable leases of DKK 23.4 million (see note 23), which are not recognised in the balance sheet. Liabilities account for approximately 1.7% of the balance sheet total.

A preliminary analysis indicates that these leases will also comply with the definition of leases under IFRS 16, and, accordingly, the group will recognise an asset and a corresponding liability for these leases as at 1 May 2019, unless they comply with the criteria for assets with a low value or leases with a lease term of less than 12 months.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise Harboes Bryggeri A/S (the parent) and the enterprises (subsidiaries) in which the parent has a controlling interest. Control is achieved when the parent, directly or indirectly, holds more than 50% of the voting rights or in any other way can or does exercise a controlling influence.

Enterprises in which the group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises a significant, but not controlling, influence are considered to be associates.

BASIS OF CONSOLIDATION

The consolidated financial statements have been prepared on the basis of financial statements of Harboes Bryggeri A/S and its subsidiaries. The consolidated financial statements are prepared by adding items of a similar nature. The financial statements used for the consolidation are prepared in accordance with the accounting policies of the group. The consolidation involves the elimination of intercompany income and expenses, intercompany balances, dividends as well as profits and losses on transactions between the consolidated enterprises.

The items of the subsidiaries are recognised wholly in the consolidated financial statements. The minority interests' proportionate share of the net profit or loss forms part of the consolidated net profit or loss for the year and a separate part of the consolidated equity.

TRANSLATION OF FOREIGN CURRENCY

On initial recognition, transactions in currencies other than the group's functional currency are translated at the exchange rate applicable at the date of transaction. Receivables, liabilities or other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Exchange rate differences arising between the exchange rate at the date of transaction and the exchange rate at the date of payment and the balance sheet date, respectively, are recognised in the income statement as net financials.

Property, plant and equipment, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historic cost are translated at the exchange rate applicable at the date of transaction. Non-monetary items which are reassessed at fair value are translated using the exchange rate at the time of reassessment.

When recognising enterprises that prepare their financial statements in a functional currency other than Danish kroner (DKK) in the consolidated financial statements, the income statements are translated at average exchange rates unless these deviate significantly from the actual exchange rates at the time of the transactions. In the latter case, the actual exchange rates are used. Balance sheet items are translated using the exchange rates applicable at the balance sheet date.

Exchange rate differences arising from the translation of foreign enterprises' balance sheet items at the beginning of the year using the exchange rates applicable at the balance sheet date and the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in other comprehensive income.

Similarly, exchange rate differences which have occurred as a result of changes made directly in the foreign enterprise's equity, are also recognised directly in other comprehensive income.

BALANCE SHEET

IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND EQUITY INVESTMENTS IN SUBSIDIARIES

The carrying amounts of intangible assets and property, plant and equipment with definable useful lives as well as equity investments in subsidiaries are reviewed at the balance sheet date to determine whether there are any indications of impairment. If this is the case, the recoverable amount of the asset is assessed to determine the need for impairment, if any, and the extent of such impairment.

If the asset does not generate cash flows independently of other assets, the recoverable amount of the smallest cash-generating unit of which the asset is a part is assessed.

The recoverable amount is calculated as the higher of the fair value of the asset and the cash-generating unit less selling costs and the value in use. When the value in use is calculated, estimated future cash flows are discounted to present value by using a discount rate which reflects both current market assessments of the time value of money and the special risks that are linked to the asset or the cash-generating unit, and for which there have been no adjustments in estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than the carrying amount, the carrying amount is impaired to the recoverable amount.

Impairment is recognised in the income statement. Upon any subsequent reversals of impairment due to changed preconditions for the determined recoverable amount, the carrying amount of the asset or the cash-generating unit is increased to a corrected estimate of the recoverable amount, the maximum being, however, the carrying amount which the asset or the cash-generating unit would have had if there had been no impairment.

ACCOUNTING POLICIES ARE DESCRIBED IN CONJUNCTION WITH THE FOLLOWING ITEMS:

Note

3 Segment information
3 Revenue
5 Staff costs
7 Other operating income
8 Financial income
9 Financial expenses
10 Tax on profit/(loss) for the year
11 Intangible assets
12 Property, plant and equipment
13 Investment properties
14 Financial assets available for sale
15 Inventories
16 Receivables
17 Equity
18 Deferred tax
19 Mortgage debt
21 Deferred recognition of income
22 Other short-term payables and other liabilities

EXPLANATION OF SYMBOLS

Accounting policies

Additional information

2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

Many items cannot be reliably measured, but can only be estimated. Such estimates include assessments made on the basis of the most recent information available at the time of presenting the financial statements. It may be necessary to change previously made estimates due to changes in the circumstances on which the estimate was based, or due to additional information, additional experience or subsequent events.

SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

In connection with the application of the accounting policies described in note 1 and the notes for the consolidated financial statements and parent financial statements, the management has made a number of accounting estimates on the recognition and measurement of certain assets and liabilities. The recognition and measurement of assets and liabilities often depend on future events involving a certain amount of uncertainty. In this context, a course of events or the like, reflecting the management's assessment of the most probable course of events must be assumed.

In the 2016/2017 annual report, the assumptions and uncertainties are associated with accounting estimates involved in assessing indications of impairment and any impairment test of property, plant and equipment and financial assets as well as liabilities.

These estimates are based on assumptions which are deemed reasonable by the management, but which are uncertain and unpredictable by nature and may therefore require that corrections be made in subsequent financial years if the anticipated events do not occur as expected.

These estimates are described in conjunction with the following items:

Note	
11	Intangible assets
12	Property, plant and equipment
13	Investment properties
14	Other investments and securities
15	Inventories
16	Receivables
22	Other short-term payables and other liabilities, repurchase of returnable packaging

3. SEGMENT INFORMATION AND REVENUE

SEGMENT INFORMATION

Based on the internal reporting, which is used by the management to assess results and for the allocation of profit and resources, the company has identified one operating segment, the brewery sector, which is in line with the way in which activities are organised and controlled.

REVENUE AND NON-CURRENT ASSETS DISTRIBUTED ON GEOGRAPHICAL AREAS

The group's primary basis of segmentation is geographical, with segment information being provided for Denmark, Germany and other countries (Africa, Asia, the Middle East and the rest of Europe).

The group's revenue and the distribution of non-current assets on these geographical areas are specified below, where the reporting of revenue is based on the domicile of the customers, and the reporting of non-current assets is based on their physical location.

	Revenue from external customers		Non-current assets	
DKK '000	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Denmark	327,998	337,044	377,295	335,448
Germany	556,247	562,129	390,829	356,469
Other countries	547,065	477,293	26,406	27,292
	1,431,310	**1,376,466**	**794,530**	**719,209**

REVENUE

Revenue from the sale of finished products and goods for resale is recognised in the income statement on delivery and when risk has passed to the buyer.
Revenue is measured at the fair value of the received or receivable fee. If any interest-free credit has been agreed for payment of the receivable fee that exceeds the usual credit period, the fair value of the fee is calculated by discounting future payments. The difference between the fair value and the nominal value of the fee is recognised as financial income in the income statement using the effective interest method.

Revenue is calculated exclusive of VAT, taxes on beer and soft drinks etc. levied on behalf of a third party.

INFORMATION ABOUT IMPORTANT CUSTOMERS

Out of the group's total revenue, sales to a single customer account for approx. 25% of revenue.

4. PRODUCTION COSTS

DKK '000	2016/17	2015/16
Cost of sales	910,673	869,474
Write-down of inventories	1,454	1,882
Depreciation, amortisation, impairment losses and write-downs	71,108	72,591
Other production costs	139,322	135,886
	1,122,557	**1,079,833**

5. STAFF COSTS

DKK '000	2016/17	2015/16
Remuneration to the Board of Directors	630	750
Wages and salaries	191,765	185,024
Defined-contribution plans	8,876	8,134
Other social security costs	17,232	17,066
Other staff costs	3,240	1,924
Refunds from public authorities	(592)	(417)
	221,151	**212,481**
Recognised in the income statement as follows:		
Production costs	126,769	124,896
Distribution costs	69,945	60,311
Administrative expenses	27,162	27,274
Recognised in the cost of technical plant	(2,725)	0
	221,151	**212,481**
Average number of employees	**595**	**588**

5. STAFF COSTS

DKK '000	BOARD OF DIRECTORS 2016/17	BOARD OF DIRECTORS 2015/16	BOARD OF EXECUTIVES 2016/17	BOARD OF EXECUTIVES 2015/16	OTHER KEY STAFF MEMBERS 2016/17	OTHER KEY STAFF MEMBERS 2015/16
Remuneration paid to members of the management						
Remuneration to the Board of Directors	630	750	0	0	0	0
Wages and salaries etc.	0	0	5,732	5,406	20,638	16,739
Pension	0	0	0	0	1,315	1,148
	630	**750**	**5,732**	**5,406**	**21,953**	**17,887**

PENSION OBLIGATIONS ETC.

The contributions to defined-contribution plans are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contributions. Pension contributions due are recognised in the balance sheet as liabilities.

PENSION PLANS

The group has entered into defined-contribution plan agreements with a significant number of the group's employees. For defined-contribution plans, the employer pays regular contributions to an independent pension provider, pension fund etc., but does not assume any risk in respect of future developments in interest rates, inflation, mortality, disablement etc. as concerns the amount to be disbursed to the employee upon retirement.

Except for one pension plan concerning a single employee, the group has not entered into any defined-benefit plan agreements. The pension obligation concerning this person has been actuarially determined by Longial GmbH as at 30 April 2017 and has been recognised as a liability of DKK 2,382k in the balance sheet.

BONUS PROGRAMMES AND EMPLOYMENT TERMINATION PROGRAMMES

The group's key staff are covered by a performance-related bonus programme. Termination payments for managers constitute a maximum of two years' remuneration. The programmes are unchanged relative to last year.

6. DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES AND WRITE-DOWNS

DKK '000	2016/17	2015/16
Intangible assets	5,323	5,058
Buildings	14,086	13,807
Plant and machinery	58,607	58,785
Other plant etc.	8,877	9,713
Investment properties	3,982	3,850
Profit/(loss) from the sale of property, plant and equipment	(245)	(250)
	90,630	**90,963**
Recognised in the income statement as follows:		
Production costs	71,108	72,591
Distribution costs	9,233	7,377
Administrative expenses	6,307	7,145
Other operating expenses	3,982	3,850
	90,630	**90,963**

7. OTHER OPERATING INCOME

DKK '000	2016/17	2015/16
Government grants	8,860	9,393
Rental income	7,401	7,758
Other income	1,839	0
	18,100	**17,151**

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include income and expenses which are secondary to the group's main activities.

8. FINANCIAL INCOME

Interest on bank deposits etc.	287	291
Interest on other investments and securities	18	62
Interest income from financial assets not measured at fair value via net profit/(loss) for the year	**305**	**353**
Dividend from other investments and securities	30	69
Foreign exchange gains	0	263
	335	**685**

9. FINANCIAL EXPENSES

DKK '000	2016/17	2015/16
Interest on mortgage debt	2,345	2,468
Interest on bank debt etc.	2,092	2,181
Financial expenses of financial liabilities not measured at fair value via net profit/(loss) for the year	**4,437**	**4,649**
Foreign exchange loss	579	0
	5,016	**4,64**

NET FINANCIALS

Net financials include interest income (note 8) and interest expenses (note 9), realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, amortisation premiums/deductions on mortgage debt etc., as well as supplementary payments and allowances under the Danish On-Account Tax Prepayment Scheme ('Acontoskatteordningen').

Interest income and interest expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that is to be used to discount expected future payments which are linked to the financial asset or the financial liability to make sure that their current values correspond to the carrying amount of the asset and the liability, respectively.

Dividend from equity investments is recognised when a conclusive right to the dividend has been obtained. This will typically be at the time of the general meeting's approval of the distribution from the company in question.

10. TAX ON PROFIT/(LOSS) FOR THE YEAR

DKK '000	2016/17	2015/16
Current tax	13,880	13,254
Change in deferred tax	357	3,223
	14,237	**16,477**
Adjustment of deferred tax, previous years	(17)	27
Adjustment of current tax, previous years	(304)	(43)
	(321)	**(16)**
	13,916	**16,461**

CURRENT INCOME TAX

Current income tax for the financial year for the Danish consolidated enterprises is based on a tax rate of 22.0% (2015/2016: 22.0%). For foreign consolidated enterprises, the tax rate applicable to the country in question has been used.

TAX

Tax for the year, which is made up of current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit or loss for the year, and directly in equity or in other comprehensive income with the portion attributable to amounts recognised directly in equity and in other comprehensive income, respectively. Foreign currency translation adjustments of deferred tax are recognised as part of the adjustments of deferred tax for the year.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the basis of the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules in force at the balance sheet date are used to calculate the current tax for the year.

Deferred tax is recognised according to the balance sheet liability method of all temporary differences between the carrying amount and tax base of assets and liabilities, except for deferred tax on temporary differences arising from either the first recognition of goodwill or from the first recognition of a transaction, which is not a business combination, and where the temporary difference established at the time of the first recognition neither affects the net profit or loss nor the taxable income.

Deferred tax on temporary differences associated with equity investments in subsidiaries and associates is recognised unless the parent is able to check when the deferred tax is realised, and it is likely that the deferred tax will not materialise as current tax within a foreseeable future.

Deferred tax is calculated on the basis of the planned use of the individual asset and the settlement of the individual liability, respectively.

Deferred tax is measured by using the tax rates and rules applying in the countries concerned which – based on passed or actually passed legislation at the balance sheet date – are expected to be in force when the deferred tax is expected to materialise as current tax. Changes in deferred tax due to changes in tax rates or rules are recognised in the income statement unless the deferred tax can be attributed to items that have previously been recognised in other comprehensive income. In the latter case, the changes are also recognised in other comprehensive income.

Deferred tax assets, including the tax base of tax losses to be carried forward, are recognised in the balance sheet at the expected realisable value of the asset, either by offsetting against deferred tax liabilities or as net tax assets for offsetting against future positive taxable incomes. At each balance sheet date, it is reassessed whether it is probable that enough taxable income will be generated in future to utilise the deferred tax asset.

The parent is taxed jointly with all the Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed Danish enterprises in proportion to their taxable incomes.

10. TAX ON PROFIT/(LOSS) FOR THE YEAR, CONTINUED

DKK '000	2016/17	2016/17 %	2015/16	2015/16 %
Profit/(loss) before tax			**45,383**	**51,100**
Calculated tax thereon	9,985	22.0	11,240	22.0
Non-deductible income and expenses	(364)	(0.8)	1,042	2.0
Effect of differences in the tax rates of foreign subsidiaries	4,312	9.5	4,534	8.9
Effect of adjustments and change in estimates	(17)	0.0	(355)	(0.7)
Tax for the year/effective tax rate	**13,916**	**30.7**	**16,461**	**32.2**

DKK '000	2016/17	2015/16
Tax on income and expenses recognised in other comprehensive income can be specified as follows:		
Changes in current tax on adjustment to fair value of other investments and securities	2	12
	2	**12**

11. INTANGIBLE ASSETS

GOODWILL

Goodwill which has occurred in connection with the acquisition of an enterprise is distributed at the date of acquisition to the cash-generating units which are expected to obtain economic benefits from the business combination.

Goodwill is not amortised, but is tested for impairment at least once a year or more often if indications of impairment exist. The annual impairment test is carried out on 30 April.

The recoverable amount is calculated on the basis of calculations of the value in use. The most material uncertainties in this context are related to the determination of the discount rates and growth rates as well as the expected changes in selling prices and production costs in the budget and terminal periods.

The discount rates determined reflect market assessments of the time value of money, expressed through a risk-free interest rate and the specific risks associated with the individual cash-generating units.

Estimated changes in selling prices and production costs in the budget and terminal periods are based on historical experience and expectations for future market changes.

The calculation of the recoverable amount is based on a discount rate of 10% (30 April 2016: 10%).

No amortisation has been made as at 30 April 2017.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives, including rights, are not amortised but tested at least once a year for impairment. If the carrying amount of the assets exceeds their recoverable amount, impairment is made to the lower recoverable amount.

The recoverable amount is calculated on the basis of calculations of the value in use. The most material uncertainties in this context are related to the determination of the discount rates and growth rates as well as the expected changes in selling prices and production costs in the budget and terminal periods.

The discount rates determined reflect market assessments of the time value of money, expressed through a risk-free interest rate and the specific risks associated with the individual cash-generating units.

Estimated changes in selling prices and production costs in the budget and terminal periods are based on historical experience and expectations for future market changes.

The calculation of the recoverable amount is based on a discount rate of 15% (30 April 2016: 15%).

No amortisation has been made as at 30 April 2017.

THER INTANGIBLE ASSETS

Rights acquired in the form of software are measured at cost less accumulated amortisation and impairment losses. Software is amortised according to the straight-line method over the expected useful life, which is usually 3-8 years.

Development projects in respect of clearly defined and identifiable products and processes are recognised as intangible assets if it is probable that future economic benefits will flow to the group and the development costs of the individual asset can be measured reliably. Other development costs are recognised as costs in the income statement as incurred.

On initial recognition, development projects are recognised at cost. The cost of development projects comprises costs which are directly attributable to the development projects and which are necessary to complete the project, calculated from the time when the development project meets the criteria for recognition as an asset for the first time.

Development projects are amortised on a straight-line basis over the expected useful life, which is usually 3-5 years. For development projects protected by intellectual property rights, the maximum amortisation period equals the remaining term of the rights in question.

Development projects are impaired to a lower recoverable amount, if any.

Development projects in progress are tested for impairment at least once a year.

No amortisation has been made as at 30 April 2017.

11. INTANGIBLE ASSETS, CONTINUED

DKK '000	Good-will	Development projects	Rights	Software	Intangible assets under construction	Total
Cost as at 1 May 2016	3,573	7,121	5,709	42,963	0	59,367
Foreign currency translation adjustment	0	0	(5)	(9)	0	(14)
Transfers	0	0	0	0	0	0
Other additions	0	0	0	1,351	43	1,394
Other disposals				(33)		(33)
Cost as at 30 April 2017	**3,573**	**7,121**	**5,704**	**44,295**	**43**	**60,714**
Amortisation and impairment losses as at 1 May 2016	0	4,510	0	30,177	0	34,687
Foreign currency translation adjustment	0	0	0	(9)	0	(9)
Amortisation for the year 0	1,424	0	3,899	0	5,323	
Reversal in connection with other disposals				(27)		(27)
Amortisation and impairment losses as at 30 April 2017	**0**	**5,934**	**0**	**34,062**	**0**	**39,974**
Carrying amount as at 30 April 2017	**3,573**	**1,187**	**5,704**	**10,233**	**43**	**20,740**
Cost as at 1 May 2015	3,573	7,121	5,724	41,912	26	58,356
Foreign currency translation adjustment	0	0	(15)	(31)	0	(46)
Transfers	0	0	0	26	(26)	0
Other additions	0	0	0	1,056	0	1,056
Cost as at 30 April 2016	**3,573**	**7,121**	**5,709**	**42,963**	**0**	**59,366**
Amortisation and impairment losses as at 1 May 2015	0	3,086	0	26,574	0	29,660
Foreign currency translation adjustment	0	0	0	(31)	0	(31)
Amortisation for the year	0	1,424	0	3,634	0	5,058
Amortisation and impairment losses as at 30 April 2016	**0**	**4,510**	**0**	**30,177**	**0**	**34,687**
Carrying amount as at 30 April 2016	**3,573**	**2,611**	**5,709**	**12,786**	**0**	**24,679**

12. PROPERTY, PLANT AND EQUIPMENT

DKK '000	Land and buildings	Production plant and machinery	Other plant etc.	Spare parts for own machinery	Plant under construction	Total
Cost as at 1 May 2016	511,060	1,263,640	110,563	1,939	25,070	1,912,272
Foreign currency translation adjustment	(190)	(525)	(38)	0	(4)	(757)
Transfers	1,806	14,882	55	0	(16,743)	0
Other additions	17,740	56,348	7,161	0	81,596	162,845
Disposals	0	(9,894)	(4,325)	(839)	0	(15,058)
Cost as at 30 April 2016	**530,416**	**1,324,451**	**113,416**	**1,100**	**89,919**	**2,059,302**
Depreciation and impairment losses as at 1 May 2015	258,455	868,920	90,367	0	0	1,217,742
Reclassification	0	0	0	0	0	0
Foreign currency translation adjustment	(76)	(378)	(33)	0	0	(487)
Depreciation for the year	14,086	58,607	8,877	0	0	81,570
Disposals	0	(9,284)	(4,029)	0	0	(13,313)
Depreciation and impairment losses as at 30 April 2017	**272,465**	**917,865**	**95,182**	**0**	**0**	**1,285,512**
Carrying amount as at 30 April 2017	**257,951**	**406,586**	**18,234**	**1,100**	**89,919**	**773,790**
Cost as at 1 May 2015	478,205	1,230,383	109,349	2,779	11,113	1,831,829
Foreign currency translation adjustment	(562)	(1,703)	(121)	0	(24)	(2,410)
Transfers	0	9,470	157	0	(9,627)	0
Other additions	33,417	26,798	5,859	0	23,729	89,803
Disposals	0	(1,308)	(4,681)	(840)	(121)	(6,950)
Cost as at 30 April 2015	**511,060**	**1,263,640**	**110,563**	**1,939**	**25,070**	**1,912,272**
Depreciation and impairment losses as at 1 May 2014	244,882	812,406	84,672	0	0	1,141,960
Reclassification	0	24	(24)	0	0	0
Foreign currency translation adjustment	(234)	(1,188)	(108)	0	0	(1,530)
Depreciation for the year	13,807	58,785	9,713	0	0	82,305
Reversal in connection with disposals	0	(1,107)	(3,886)	0	0	(4,993)
Depreciation and impairment losses as at 30 April 2016	**258,455**	**868,920**	**90,367**	**0**	**0**	**1,217,742**
Carrying amount as at 30 April 2016	**252,605**	**394,720**	**20,196**	**1,939**	**25,070**	**694,530**

PROPERTY, PLANT AND EQUIPMENT

Land and buildings, plant and machinery together with other plant, fixtures and fittings, tools and equipment and spare parts for own machinery are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. Cost comprises the acquisition price, costs directly related to the acquisition and costs of preparing the asset up until such time as the asset is ready for use. The cost of the asset less the residual value constitutes the basis of depreciation. The residual value is the expected amount that could be obtained by selling the asset today less selling costs if the asset had already reached the age and the condition that is to be expected at the end of its useful life.

The cost of a total asset is divided into smaller components, which are depreciated separately if they have different useful lives. Depreciation is according to the straight-line method on the basis of the following assessment of the expected useful lives of the assets:

Buildings	up to 50 years
Plant and machinery	5-25 years
Other plant, fixtures and fittings, tools and equipment	3-15 years
Returnable packaging	3-8 years

Depreciation methods, useful lives and residual values are reassessed on an annual basis.

Property, plant and equipment are impaired to the lower of recoverable amount and carrying amount; see note 1.

13. INVESTMENT PROPERTIES

DKK '000	2016/17	2015/16
Cost as at 1 May	197,822	194,945
Additions in the period	11,386	2,877
Cost as at 30 April	**209,208**	**197,822**
Depreciation and impairment losses as at 1 May	142,020	138,169
Depreciation for the period	3,982	3,851
Depreciation and impairment losses as at 30 April	**146,002**	**142,020**
Carrying amount as at 30 April	**63,206**	**55,802**

DKK '000	2016/17	2015/16
Future minimum rent for non-terminable leases		
Within one year from the balance sheet date	7,352	7,759
Between one and five years from the balance sheet date	29,408	31,03
After five years from the balance sheet date	3,203	6,549
	40,022	**45,344**

INVESTMENT PROPERTIES

Investment properties are properties owned for the purpose of receiving rent income or capital gains.

On initial recognition, investment properties are measured at cost, which comprises the purchase price of the property and any direct costs related thereto.

Subsequently, investment properties are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Depreciation is according to the straight-line method on the basis of the following assessment of the expected useful lives of the assets:

Buildings
30-50 years

ADDITIONAL INFORMATION

At the balance sheet date, the fair value (level 3) amounted to DKK 82.8 million (30 April 2016: DKK 77.3 million), exceeding the carrying amount by DKK 19.6 million.

The fair values are determined on the basis of the value in use of the assets based on future leasing of buildings and calculated using the calculated net cash flows on the basis of budgets approved by the management and an estimated market-specific discount rate of 7% (30 April 2016: 6%).

Investment properties comprise farm and storage buildings as well as production facilities with related administrative offices which the group no longer uses for its own purposes.

Rental income from the group's investment properties recognised under Other operating income amounted to DKK 7,401k (2015/2016: DKK 7,758k).

Operating expenses and depreciation on the group's investment properties recognised under Other operating expenses amounted to DKK 7,531k (2015/2016: DKK 8,707k). Profit before net financials and tax amounted to DKK 406k (2015/2016: a loss of DKK 190k).
Leases on the group's investment properties normally include non-terminable lease periods of 5-10 years with an option for further renewal.

All leases include provisions on rent adjustment.

There is no option for the lessee to buy properties at the end of the lease period.

14 . OTHER INVESTMENTS AND SECURITIES

DKK '000	2016/17	2015/16
Cost as at 1 May	14,692	13,567
Additions	0	1,400
Disposals	(282)	(275)
Cost as at 30 April	**14,410**	**14,69**
Revaluation and impairment losses as at 1 May	(9,138)	(5,071)
Adjustments for the year	8	(4,067)
Revaluation and impairment losses as at 30 April	**(9,130)**	**(9,138)**
Carrying amount as at 30 April	**5,280**	**5,554**

OTHER INVESTMENTS AND SECURITIES

Securities recognised under non-current assets comprise listed securities and equity interests available for sale in enterprises that are not subsidiaries. On initial recognition, securities are measured at fair value on the day of trading plus costs directly attributable to the purchase. Securities are subsequently measured at fair value at the balance sheet date, and any changes in the fair value are recognised in other comprehensive income. When the securities are sold or settled, the accumulated fair value adjustments are recognised in the income statement. The fair value of listed securities is determined as the market prices at the balance sheet date, and for other securities as an estimated fair value determined on the basis of market information using measurement models.

DETERMINATION OF FAIR VALUES

Methods and assumptions for the determination of fair values

Listed bonds and shares

The portfolio of listed mortgage credit bonds and shares is measured at listed prices (level 1).

Unlisted shares and securities

Unlisted shares (level 2) are measured on the basis of an active market for trade in unlisted shares. Unlisted shares and securities (level 3) comprise industry-related investments etc. where the fair value cannot be measured reliably and is therefore measured at cost less impairment if there are objective indications of impairment.

2016/17	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Listed shares	465	0	0	465
Unlisted shares and securities	0	2,400	2,415	4,815
	465	**2,400**	**2,415**	**5,280**

2015/16				
Listed shares	457	0	0	457
Unlisted shares and securities0	2,400	2,697	5,097	
	457	**2,400**	**2,697**	**5,554**

No transfers between level 1 and level 2 have occurred during the financial years.

FINANCIAL INSTRUMENTS

Financial instruments measured at fair value in the balance sheet based on methods of measurement according to which significant inputs are not based on observable market data can be specified as follows (level 3):

DKK '000	Other investments and securities
Carrying amount as at 1 May 2016	**2,697**
Gains/(losses) recognised in the income statement	0
Purchase	0
Sale	(282)
Carrying amount as at 30 April 2017	**2,415**
Carrying amount as at 1 May 2015	**5,695**
Gains/(losses) recognised in the income statement	(4,123)
Purchase	1,400
Sale	(275)
Carrying amount as at 30 April 2016	**2,697**

15. INVENTORIES

DKK '000	2016/17	2015/16
Raw materials, semi-manufactures and disposable packaging	69,221	64,600
Work in progress	14,627	12,689
Finished goods and goods for resale	85,563	87,292
	169,411	**164,581**

INVENTORIES

Inventories are measured at the lower of cost applying the FIFO method and net realisable value. The cost of goods for resale, raw materials and consumables comprises the acquisition price plus landing costs. The cost of manufactured goods and work in progress includes costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads. Variable production overheads include indirect materials and pay and are distributed on the basis of precalculations for the produced goods. Fixed production overheads include costs for maintaining and depreciating machinery, factory buildings and equipment used in the production process and general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the plant. The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sales.

16. RECEIVABLES

DKK '000	2016/17	2015/16
Trade receivables	260,565	261,445
Other receivables	9,215	8,250
Receivables	**269,780**	**269,695**
Write-downs for expected losses	**950**	**4,308**
Provisions account as at 1 May	4,308	2,435
Foreign currency translation adjustment	(3)	(9)
Ascertained losses and payments received concerning claims previously written off for the year	(3,319)	(186)
Reversed write-downs	(36)	(109)
Write-downs for bad debts for the year	0	2,177
Provisions account as at 30 April	**950**	**4,308**
Write-downs for the year recognised in the income statement	**3,355**	**1,881**

PROVISIONS ACCOUNT

A provisions account is used to reduce the carrying amount of trade receivables which have been written down due to a loss risk. Direct write-downs of receivables are made if the value, based on an individual assessment of the individual debtors' ability to pay, is reduced, e.g. as a result of a suspension of payments etc. Write-downs are made to the calculated net realisable value. All major overdue receivables have been written off as at the balance sheet date.

DKK '000	2016/17	2015/16
Overdue receivables not written off:		
Overdue by up to one month	28,765	32,718
Overdue by between one and three months	2,729	9,167
Overdue by between three and six months	2,609	4,616
Overdue by more than six months	12,037	14,965
	46,140	**61,466**

RECEIVABLES

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-downs for expected losses.

17. EQUITY

EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

DKK '000	2016/17	2015/16
Earnings per share (DKK)	**6.91**	**7.61**

The basis of calculation of earnings per share is as follows:

Profit distributed to shareholders of the parent used in connection with the calculation of earnings per share	**31,528**	**34,763**

NO. OF SHARES OF DKK 10	2016/17	2015/16
Average number of shares	6,000,000	6,000,000
Average number of treasury shares	(1,434,403)	(1,434,403)
Number of shares used to calculate earnings per share (no.)/diluted	**4,565,597**	**4,565,597**

EARNINGS PER SHARE

Earnings per share and diluted earnings per share are identical as the company has not issued equity instruments with dilution effect.

SHARE CAPITAL

The share capital amounts to DKK 60.0 million, divided into Class A shares with a nominal value of DKK 6.4 million and Class B shares with a nominal value of DKK 53.6 million. Each Class A share of DKK 10 carries 10 votes, and each Class B share of DKK 10 carries 1 vote. The Class B shares are listed on NASDAQ OMX Copenhagen.

The past four years have not seen any changes to the share capital.

17. EQUITY, CONTINUED

HOLDING OF TREASURY SHARES

DKK '000	No. of shares of DKK 10	Nominal value	% of capital
Holding as at 1 May 2016	1,434,403	14,344	23.9%
Holding as at 30 April 2017	**1,434,403**	**14,344**	**23.9%**
Holding as at 1 May 2015	1,434,403	14,344	23.9%
Holding as at 30 April 2016	**1,434,403**	**14,344**	**23.9%**

TREASURY SHARES

Acquisition and selling prices of treasury shares and dividend obtained from them are recognised directly in equity under 'Retained earnings'.

DIVIDEND

On 22 August 2016, the company distributed ordinary dividend of DKK 12.0 million to its shareholders, corresponding to DKK 2.00 per DKK 10 share (2015/16: DKK 12.0 million, corresponding to DKK 2.00 per DKK 10 share).

For the 2016/2017 financial year, the Board of Directors recommends to the annual general meeting that dividend in the amount of DKK 2.00 per share be paid, corresponding to a total of DKK 12.0 million. As the dividend payment is conditional upon the approval of the general meeting, it is not recognised in the balance sheet as of 30 April 2017 as a liability.

18. DEFERRED TAX

DKK '000	Deferred tax assets	Deferred tax liabilities
Deferred tax liabilities and tax assets as at 1 May 2016	5,039	51,331
Change in deferred tax recognised in the income statement	489	825
Change in deferred tax recognised in other comprehensive income	0	2
Change in deferred tax offset against current tax	0	0
Deferred tax assets and tax liabilities as at 30 April 2017	**5,528**	**52,158**
Deferred tax liabilities and tax assets as at 1 May 2015	4,512	47,608
Change in deferred tax recognised in the income statement	527	3,723
Change in deferred tax recognised in other comprehensive income	0	0
Change in deferred tax offset against current tax	0	0
Deferred tax assets and tax liabilities as at 30 April 2016	**5,039**	**51,331**

DKK '000	2017	2016
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	(5,528)	(5,039)
Deferred tax liabilities	52,158	51,331
Deferred tax liabilities and tax assets as at 30 April	**46,630**	**46,292**

DEFERRED TAX

Reference is made to note 10.

18. DEFERRED TAX, CONTINUED

DKK '000	1 May	Recognised in the income statement	Recognised in other compre-hensive income	Transferred to current tax	30 April
Non-current assets	48,766	2,412	2	0	51,180
Current assets	2,670	(103)	0	0	2,567
Liabilities	(5,370)	(311)	0	0	(5,681)
Tax losses carried forward	321	(1,647)	0	0	(1,326)
Temporary differences	**46,387**	**351**	**2**	**0**	**46,740**
Unutilised tax losses	(95)	(15)	0	0	(110)
Unutilised tax losses	**(95)**	**(15)**	**0**	**0**	**(110)**
Deferred tax liabilities 2017	**46,292**	**336**	**2**	**0**	**46,630**
Non-current assets	47,497	1,323	0	(54)	48,766
Current assets	2,254	416	0	0	2,67
Liabilities	(5,212)	(158)	0	0	(5,370)
Tax losses carried forward	(1,358)	1,679	0	0	321
Temporary differences	**43,181**	**3,260**	**0**	**(54)**	**46,387**
Unutilised tax losses	(85)	(10)	0	0	(95)
Unutilised tax losses	**(85)**	**(10)**	**0**	**0**	**(95)**
Deferred tax liabilities 2016	**43,096**	**3,250**	**0**	**(54)**	**46,292**

19. MORTGAGE DEBT

DKK '000	2017	2016
Mortgage debt secured on real property and securities	**168,154**	**184,348**
Mortgage debt falls due as follows:		
On demand within one year from the balance sheet date	16,299	16,193
Between two and five years from the balance sheet date	66,349	65,944
After five years from the balance sheet date	85,506	102,211
Mortgage debt is recognised in the balance sheet as follows:		
Current liabilities	16,299	16,193
Non-current liabilities	151,855	168,155
Carrying amount of mortgaged properties and plant	**397,154**	**363,031**

	Currency	Expiry	Fixed/ Floating	Amortised cost DKK '000	Nominal value DKK '000	Fair value DKK '000
Mortgage debt	DKK	2026	Floating	1,573	1,626	1,705
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,724
Mortgage debt	DKK	2027	Floating	123,041	123,041	127,512
Mortgage debt	DKK	2028	Floating	40,832	40,832	42,223
30,04,2017				**168,154**	**168,207**	**174,163**
Mortgage debt	DKK	2026	Floating	1,740	1,800	1,884
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,720
Mortgage debt	DKK	2027	Floating	135,367	135,367	139,139
Mortgage debt	DKK	2028	Floating	44,533	44,533	45,694
30,04,2016				**184,348**	**184,408**	**189,437**

The fair value (level 2) has been determined at the present value of expected future instalments and interest payments using the current market interest rate as the discount rate.

Security

Mortgage debt has been secured by way of a mortgage over properties with associated plant and machinery (mortgaged fixtures and fittings (*tilbehørspant*)).

As security for mortgage debt, a mortgage deed registered to the owner with a nominal value of EUR 16.4 million or DKK 122.0 million over foreign properties and plant has been deposited.

MORTGAGE DEBT

Mortgage debt is measured at cost at the time of borrowing, corresponding to the fair value of the proceeds received less transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the amount to be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

20. OTHER CREDIT INSTITUTIONS

DKK '000	2016/17	2015/16
Overdraft facility	**4,173**	**4,826**
Bank debt recognised in the balance sheet as follows:		
Current liability	**4,173**	**4,826**
The bank debt falls due as follows:		
On demand within one year from the balance sheet date	**4,173**	**4,826**

DKK '000	Currency	Expiry	Fixed/ Floating	Amor- tised cost DKK '000	Nominal value DKK '000	Fair value DKK '000.
Overdraft facility	DKK	2018	Floating	4,173	4,173	4,173
30 April 2017				**4,173**	4,173	**4,173**
Overdraft facility	DKK	2017	Floating	4,826	4,826	4,826
30 April 2016				**4,826**	**4,826**	**4,826**

The fair value (level 2) has been determined at the present value of expected future instalments and interest payments using the current market interest rate as the discount rate.

21. DEFERRED RECOGNITION OF INCOME

DKK '000	2016/17	2015/16
Deferred recognition of income from investment grants	**49,372**	**58,271**
Deferred recognition of income is recognised in the balance sheet as follows:		
Long-term deferral of recognition of income	41,749	51,350
Short-term deferral of recognition of income	7,623	6,921

Government grants – repayment obligation

Government grants received have been used to purchase property, plant and equipment. The grants are subject to certain conditions being fulfilled, and repayment of the grants may be requested within a period of five years if the assets are disposed of or production is discontinued. No current repayment obligation exists.

22. OTHER SHORT-TERM PAYABLES AND OTHER LIABILITIES

DKK '000	2017	2016
Other public debt	14,914	13,588
Staff costs payable	28,221	27,098
Other short-term payables	38,305	40,214
Repurchase of returnable packaging	9,459	8,594
Deferred income	551	316
	91,450	**89,810**

The carrying amount of other short-term payables and other liabilities corresponds to the fair value of the liabilities.

REPURCHASE OF RETURNABLE PACKAGING

The obligation to repurchase own packaging in circulation is measured at the deposit price on the basis of the estimated volume of circulating bottles, crates and trays and is recognised as a repurchase obligation under current liabilities. The repurchase obligation has been adjusted on the basis of the net sale of returnable packaging for the year less estimated wastage in the volume of returnable packaging in circulation.

PREPAYMENTS

Deferred income comprises income received in respect of subsequent financial years.

23. OPERATING LEASE COMMITMENTS

For the years 2017-2022, operating leases concerning the lease of properties, machinery and other plant have been entered into. The leases have been concluded for a minimum of 3-10 years with fixed lease payments to be indexed annually. The leases cannot be terminated within the period stated, after which they may be renewed for periods of five years.

DKK '000	2017	2016
Minimum lease payments recognised in the income statement	**9,882**	**7,674**
Minimum lease payments are recognised in the income statement as follows:		
Production	1,905	593
Distribution	3,560	3,396
Administration	1,636	724
Other operating expenses	2,781	2,961
	9,882	**7,674**
The total future minimum lease payments for non-terminable leases fall due for payment as follows:		
Within one year from the balance sheet date	7,783	3,854
Between two and five years from the balance sheet date	15,612	12,998
After five years from the balance sheet date	0	5,924
	23,394	**22,776**

Related parties

The group has entered into leases in respect of land and buildings. The leases have been entered into with companies having Bernhard Griese, CEO, and his close relatives as main shareholders. The leases (registered on the individual properties) cannot be terminated by the lessor or the lessee until 2022. The annual rent amounts to DKK 2,781k (2015/2016 DKK 2,989k). The total future minimum lease payments in the period of non-terminability amount to DKK 16,513k. The amount is contained in the figures above.

Lease and sublease

Effective from 1 May 2012, the group has entered into agreements on the lease and sublease of properties for a period of five to seven years, covering both investment properties and leased properties. The agreement cannot be terminated by any of the parties for the term of the lease.

24. CHANGES IN NET WORKING CAPITAL

DKK '000	2017	2016
Change in inventories	(4,830)	(25,688
Change in trade receivables	881	4,615
Change in other receivables	(965)	(6,429)
Change in trade payables etc.	55,442	25,601
Change in other payables	(1,640)	(4,705)
	48,888	(6,606)

25. FEE TO AUDITORS

DKK '000	2016/17	2015/16
Deloitte		
Statutory audit	1,337	1,439
Other assurance engagements	8	16
Tax advice	203	122
Other services	49	88
	1,597	**1,665**
Other		
Statutory audit	563	589
Other assurance engagements	46	0
Tax advice	39	0
Other services	0	0
	648	**589**

26. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

DKK '000	2017	2016
Categories of financial instruments		
Receivables	269,779	269,695
Deposits, leases	2,470	2,464
Cash	35,589	67,26
Loans and receivables	**307,838**	**339,421**
Other investments and securities	5,280	5,554
Financial assets available for sale	**5,280**	**5,554**
Mortgage debt	151,855	184,348
Other credit institutions	4,173	4,826
Trade payables	208,775	153,333
Other short-term payables and other liabilities	91,450	89,810
Financial liabilities measured at amortised cost	**456,253**	**432,317**

26. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED

Risk policy of the group

Due to its operations, investments and financing, the group is exposed to a number of financial risks, including market risks (currency, interest rate and raw material risks), credit risks and liquidity risks.

The financial risks of the group are managed centrally. The general framework for the financial risk management is defined in the group's financial policy. The financial policy comprises the group's currency policy, investment policy, financing policy and policy on credit risks in relation to financial counterparties and includes a description of approved financial instruments and risk frameworks.

It is group policy not to engage in active financial risk speculation. The financial management of the group is thus only aimed at managing and reducing the financial risks that are a direct consequence of the group's operations, investments and financing.

The group uses a fully integrated financial management system for managing financial positions related to financial instruments. The management monitors the group's risk concentration in areas such as customers, geographical areas and currency etc. on a monthly basis. In addition, the management monitors changes in the group's risk concentration.

No changes were seen in the group's risk exposure and risk management relative to 2015/2016.

Currency risks concerning recognised assets and liabilities

The group's sale and purchase of goods in foreign currencies primarily takes place in EUR and, to a lesser extent, SEK, USD and NOK. No forward exchange contracts or similar contracts have been concluded as at the balance sheet date as the management estimates that the group's currency risk is limited. The company's unhedged currency positions as at the balance sheet date can be specified as follows:

DKK '000	Cash and cash equivalents	Receivables	Liabilities	Net position
EUR	3,524	210,164	(442,337)	(228,649)
SEK	5,687	2,813	(575)	7,925
NOK	1	0	(9)	(8)
Other currencies	804	24	(3,080)	(2,252)
30 April 2017	**10,016**	**224,101**	**(446,001)**	**(222,984)**
EUR	64,473	209,057	(291,980)	(18,450)
SEK	1,476	3,546	(991)	4,031
NOK	13	0	(9)	4
Other currencies	1,032	23	(3,047)	(1,992)
30,04,2016	**66,994**	**212,626**	**(296,027)**	**(16,407)**

Sensitivity analysis concerning foreign exchange
The table below shows the effect it would have had on equity and the net profit or loss for the year, respectively, if the average exchange rate had been 1% (EUR) and 5% (other) lower than the actual average exchange rate applied. If the average exchange rate had been higher, it would have had a similar opposite effect on equity and the net profit or loss for the year, respectively.

DKK '000	2017	2016
Equity's sensitivity to exchange rate fluctuations		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	983	3,271
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(35)	(36)
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(782)	(867)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	1	2
Effect if other exchange rates were 5% lower than the actual exchange rate	(108)	(92)
	59	**2,27**
Sensitivity of net profit or loss to exchange rate fluctuations		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	(800)	(2,770)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(4)	4
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(473)	(710
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	1	3
Effect if other exchange rates were 5% lower than the actual exchange rate	10	25
	(1,266)	**(3,448)**

Currency risks concerning future cash flows
The group's most significant currency exposure is also expected to concern transactions in the above-mentioned currencies in future. The transactions are expected to be at the level realised in 2015/2016.
No financial contracts in the form of forward exchange contracts or similar have been concluded as at the balance sheet date as the management estimates that there are no significant risks associated with future cash flows in foreign currencies.

Interest rate risks
Due to the Harboe group's capital structure, the risk relating to fluctuations in market rates is limited. The group's net interest-bearing debt as at 30 April 2017 was DKK 135.9 million (2016: DKK 120.7 million). The debt carries a floating rate of interest.

An increase in the market interest rate of 1% would affect the profit or loss for the year before tax negatively by approx. DKK 1.4 million (2015/2016: approx. DKK 1.2 million).

Liquidity risks
The due dates of financial liabilities exclusive of interest payments are specified in the notes for the individual categories of liabilities. The group and the parent's liquidity reserve consists of cash and undrawn credit facilities.

DKK '000	2017	2016
The liquidity reserve comprises:		
Cash	35,589	67,262
Undrawn credit facilities	195,827	195,174
Liquidity reserves	**231,416**	**262,436**
Cash and cash equivalents in the cash flow statement comprise:		
Cash	35,589	67,262
Bank debt	(4,173)	(4,826)
Cash and cash equivalents	**31,416**	**62,436**

Credit risks
The group's primary credit risk concerns non-prepaid trade receivables. The group's customers are mainly large retail chains in Scandinavia, Germany and Estonia. The group has no significant credit risks relating to a single customer or business partner.

The group is seeking to limit risks related to customers outside these countries by hedging receivables through letters of credit, bank guarantees, insurance and similar arrangements, which are included in the assessment of the necessary write-down for bad debts.

In the event that such hedging is not made or is exceeded, the group has laid down procedures for the approval of such risks.

The maximum credit risk associated with trade receivables corresponds to the carrying amount of such receivables.

Capital structure
The company's management estimates, on a regular basis, whether the group's capital structure matches the interests of the company and its shareholders. The group's overall objective is to ensure a capital structure that maintains 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.

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. The group's general strategy is consistent with previous years.

See also the section in the management's review on financial objectives, page 14.

The group's financial gearing appears from the financial highlights on page 9.

Breach of loan agreements
During the financial year and the year of comparison, the group has not acted negligently in respect of or failed to observe loan agreements.

27. RELATED PARTIES

Related parties with a controlling influence
The following parties have a controlling influence in the parent and the group:

Name	**Domicile**	**Basis of control**
Kirsten and Bernhard Griese	Spegerborgvej 4, 4230 Skælskør, Denmark	Shareholder with the majority of the voting rights

TRANSACTIONS WITH RELATED PARTIES
During the financial year, the group has engaged in the following transactions with its related parties:

2016/17 DKK '000	**Owners with a controlling influence in Harboes Bryggeri A/S***	**Members of the Board of Directors, Board of Executives and other key staff members**	**Other related parties**	**Total**
Sale of goods	967	0	0	967
Purchase of goods	8,973	0	0	8,973
Sale of services	2,373	0	0	2,373
Purchase of services	1,579	87	339	2,005
Sale of property, plant and equipment	0	0	0	0
Purchase of property, plant and equipment	206	0	0	206
Sale of leases	1,567	0	0	1,567
Purchase of leases	2,928	0	0	2,928
Fees etc.	6,391	22,643	712	29,746
Deposits, leases	0	0	0	0
Trade receivables etc.	352	0	0	352
Trade payables etc.	402	0	0	402
Distribution of dividend	1,858	53	43	1,954

27. RELATED PARTIES, CONTINUED

2015/16 DKK '000	Owners with a controlling influence in Harboes Bryggeri A/S*	Members of the Board of Directors, Board of Executives and other key staff members	Other related parties	Total
Sale of goods	2,914	0	0	2,914
Purchase of goods	8,385	12	0	8,397
Sale of services	1,064	0	0	1,064
Purchase of services	1,608	180	336	2,124
Sale of property, plant and equipment	655	0	0	655
Purchase of property, plant and equipment	9,581	0	0	9,581
Sale of leases	1,992	0	0	1,992
Purchase of leases	3,227	0	0	3,227
Fees etc.	5,833	18,547	572	24,952
Deposits, leases	2,464	0	0	2,464
Trade receivables etc.	273	0	0	273
Trade payables etc.	548	0	0	548
Distribution of dividend	1,858	93	42	1,993

*) Including transactions with other companies having Bernhard Griese, CEO, as the main shareholder.

Additional information (Note 27)
The purchase and sale of goods to related parties have been conducted at the normal selling prices of the group.

No security was provided and no guarantees were given in respect of outstanding balances as at the balance sheet date. Both receivables and payables will be settled in cash. During the financial year, no bad debts in respect of related parties were realised and no write-downs were made for probable losses.

The group has entered into leases in respect of land and buildings. The leases have been entered into with companies having Bernhard Griese, CEO, and his close relatives as main shareholders.

The leases (registered on the individual properties) cannot be terminated until 2022. The annual rent amounts to DKK 2,781k (2015/2016 DKK 2,989k). The total future minimum lease payments in the period of non-terminability amount to DKK 16,513k.

Remuneration etc. to the Board of Directors, the Board of Executives and other key staff members (Note 27)
Please refer to note 5 for information on remuneration paid to the Board of Directors, the Board of Executives and other key staff members. The remuneration is included in the above.

28. CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

Pending cases
The group has one pending case as at 30 April 2017, which is expected to be concluded during 2017. The financial impact of the dispute has been calculated at DKK 7,297k, DKK 4,526k of which has been reserved. The reserved amount is based on an assessment of the most likely outcome of the pending case when considering i.a. the assessments of external advisors. The management believes that the reserved amount is adequate. This case also existed in 2015/2016.

Contractual obligations
As at 30 April 2017, the group has a large construction project in progress. The residual commitment under the contract amounts to DKK 10.8 million.

29. ADOPTION OF ANNUAL REPORT FOR PUBLICATION

At the board meeting on 29 June 2017, the Board of Directors adopted the present annual report for publication. The annual report is presented to the shareholders of Harboes Bryggeri A/S for adoption at the annual general meeting on 28 August 2017.

PARENT FINANCIAL STATEMENTS

INCOME STATEMENT

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Note	2016/17	2015/16
Revenue		**632,391**	**599,459**
Production costs	1. 2. 3	(523,833)	(484,486)
Gross profit/(loss)		**108,558**	**114,973**
Other operating income		2,743	994
Distribution costs		(70,394)	(67,853)
Administrative expenses		(37,449	(35,893)
Operating profit/(loss) (EBIT)		**3,458**	**12,221**
Income from equity investments in subsidiaries		(14,230)	(13,187)
Financial income	4	2,257	3,257
Financial expenses	5	(1,790)	(7,811)
Profit/(loss) before tax		**(10,305)**	**(5,520)**
Tax on profit/(loss) for the year	6	(1,113)	(3,227)
Net profit/(loss) for the year		**(11,418)**	**(8,747)**

STATEMENT OF COMPREHENSIVE INCOME

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Note	2016/17	2015/16
Net profit/(loss) for the year		**(11,418)**	**(8,747)**
Other comprehensive income:			
Items which may be reclassified to the income statement:			
Fair value adjustment of other investments and securities		8	56
Fair value adjustment of financial assets available for sale, recirculation upon disposal		0	2,750
Tax on other comprehensive income	6	(2)	(12)
Other comprehensive income		**6**	**2,794**
Total comprehensive income		**(11,412)**	**(5,953)**

BALANCE SHEET

ASSETS AS AT 30 APRIL

DKK '000	Note	2017	2016
ASSETS			
Intangible assets	7	17,908	21,892
Property, plant and equipment	8	365,997	320,166
Equity investments in subsidiaries	9	87,255	95,784
Other investments and securities	10	5,175	5,449
Receivable from subsidiary	10	23,024	29,291
Non-current assets		**499,359**	**472,582**
Inventories	11	65,552	64,853
Receivables	12	71,619	85,829
Receivables from subsidiaries		1,044	0
Prepayments		5,391	3,837
Cash		31,347	1,826
Current assets		**174,953**	**156,345**
Assets		**674,312**	**628,927**

LIABILITIES AS AT 30 APRIL

DKK '000	Note	2017	2016
EQUITY AND LIABILITIES			
Share capital		60,000	60,000
Other reserves		(1,709)	(1,715)
Retained earnings		100,586	121,135
Equity	**13**	**158,877**	**179,420**
Mortgage debt	15	4,079	4,282
Deferred tax liabilities	14	24,788	23,362
Deferred recognition of income	17	1,056	1,960
Non-current liabilities		**29,923**	**29,604**
Deferred recognition of income	17	904	904
Bank debt and mortgage debt	15. 16	4,375	4,992
Trade payables		92,502	59,070
Payables to subsidiaries		327,535	299,057
Prepayments received from customers		0	3,365
Other short-term payables and other liabilities	18	57,096	52,178
Provisions	19	3,100	0
Income tax, joint taxation contribution		0	337
Current liabilities		**485,512**	**419,903**
Liabilities		**515,435**	**449,507**
Equity and liabilities		**674,312**	**628,927**

CASH FLOW STATEMENT

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Note	2016/17	2015/16
Operating profit/(loss) (EBIT)		3,458	12,221
Depreciation, amortisation, impairment losses and write-downs		42,789	42,343
Grants recognised as income		(904)	(994)
Other adjustments		839	1,674
Change in net working capital	22	46,952	(25,259)
Cash flows from primary operating activities		**93,134**	**29,985**
Financial income received		2,227	3,188
Financial expenses paid		(1,784)	(1,664)
Income tax paid		(28)	(554)
Cash flows from operating activities		**93,549**	**30,955**

DKK '000	Note	2016/17	2015/16
Purchase of intangible assets		(1,292)	(7,616)
Purchase of property, plant and equipment		(84,971)	(36,085)
Sale of property, plant and equipment		788	908
Purchase of financial assets		0	(1,400)
Sale of financial assets		274	275
Dividend received from other investments and securities		10,000	0
Dividend received from other investments		30	69
Change in loan to subsidiary		(4,833)	(5,049)
Capital contribution, subsidiary		(1,501)	0
Cash flows from investing activities		**(81,505)**	**(48,898)**
Dividend paid to shareholders of the parent		(9,131)	(9,131)
Repayment of mortgage debt		(173)	(171)
Cash flows from financing activities		**(9,304)**	**(9,302)**
Changes in cash and cash equivalents		**2,740**	**(27,245)**
Cash and cash equivalents as at 1 May		(302,057)	(274,812)
Cash and cash equivalents as at 30 April	**24**	**(299,317)**	**(302,057)**

STATEMENT OF CHANGES IN EQUITY

1 MAY 2016 TO 30 APRIL 2017

DKK '000	Share capital	Fair value adjustment of other investments and securities	Retained earnings	Total equity
Equity as at 30 April 2016	**60,000**	**(1,715)**	**121,135**	**179,420**
Changes in equity 2016/2017				
Net profit/(loss) for the year	0	0	(11,418)	(11,418)
Other comprehensive income after tax	0	6	0	6
Comprehensive income for the financial year	**0**	**6**	**(11,418)**	**(11,412)**
Distributed dividend	0	0	(12,000)	(12,000)
Dividend from treasury shares	0	0	2,869	2,869
Total changes in equity	**0**	**6**	**(20,549)**	**(20,543)**
Equity as at 30 April 2017	**60,000**	**(1,709)**	**100,586**	**158,877**
Equity as at 30 April 2015	**60,000**	**(4,509)**	**139,013**	**194,504**
Changes in equity 2015/16				
Net profit/(loss) for the year	0	0	(8,747)	(8,747)
Other comprehensive income after tax	0	2,794	0	2,794
Comprehensive income for the financial year	**0**	**2,794**	**(8,747)**	**(5,953)**
Distributed dividend	0	0	(12,000)	(12,000)
Dividend from treasury shares	0	0	2,869	2,869
Total changes in equity	**0**	**2,794**	**(17,878)**	**(15,084)**
Equity as at 30 April 2016	**60,000**	**(1,715)**	**121,135**	**179,420**

NOTES FOR THE PARENT FINANCIAL STATEMENTS

EXPLANATION OF SYMBOLS

Accounting policies

Additional information

1. PRODUCTION COSTS

DKK '000	2016/17	2015/16
Cost of sales	446,671	417,868
Depreciation, amortisation, impairment losses and write-downs; see note 3	34,445	33,130
Other production costs	42,717	33,488
	523,833	**484,486**

2. STAFF COSTS

Remuneration to the Board of Directors	630	750
Wages and salaries	98,614	95,106
Defined-contribution plans	8,876	8,134
Other social security costs	1,382	1,455
Other staff costs	3,240	1,924
Refunds from public authorities	(592)	(338)
	112,150	**107,031**
Staff costs comprise:		
Production costs	61,221	56,643
Distribution costs	33,499	31,672
Administrative expenses	20,155	18,716
Recognised in the cost of technical plant	(2,725)	0
	112,150	**107,031**
Average number of employees	**226**	**212**

2. STAFF COSTS, CONTINUED

DKK '000	Board of Directors		Board of Executives		Other key staff members	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Remuneration paid to members of the management						
Remuneration to the Board of Directors	630	750	0	0		0
Wages and salaries etc.	0	0	5,129	4,806	15,280	13,249
Pension	0	0	0	0	1,315	1,148
Total remuneration	**630**	**750**	**5,129**	**4,806**	**16,595**	**14,397**

BONUS PROGRAMMES AND EMPLOYMENT TERMINATION PROGRAMMES

The company's key staff members are covered by a performance-related bonus programme. Termination payments for managers constitute a maximum of two years' remuneration. The programmes are unchanged relative to last year.

PENSION PLANS

The company has entered into defined-contribution plan agreements with a significant part of the company's employees. For defined-contribution plans, the employer pays regular contributions to an independent pension provider, pension fund etc., but does not assume any risk in respect of future developments in interest rates, inflation, mortality, disablement etc. as concerns the amount to be disbursed to the employee upon retirement.

3. DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES AND WRITE-DOWNS

DKK '000	2016/17	2015/16
Intangible assets	5,276	5,010
Land and buildings	6,114	6,626
Plant and machinery	27,058	25,837
Other plant etc.	4,835	5,241
Profit/(loss) from the sale of property, plant and equipment	(494)	(371)
	42,789	**42,343**
Depreciation, amortisation, impairment losses and write-downs comprise:		
Production costs	34,445	33,130
Distribution costs	2,750	2,736
Administrative expenses	5,594	6,477
	42,789	**42,343**

4. FINANCIAL INCOME

Interest on bank deposits etc.	10	119
Financial income from subsidiaries	2,199	2,151
Interest on investment – other securities	18	62
Income from financial assets not measured at fair value via net profit/(loss) for the year	**2,227**	**2,332**
Dividend from other investments	30	69
Foreign exchange gain	0	856
	2,257	**3,257**

5. FINANCIAL EXPENSES

DKK '000	2016/17	2015/16
Interest on mortgage debt	44	52
Interest on bank debt etc.	1,574	1,612
Financial expenses of financial liabilities not measured at fair value via net profit/(loss) for the year	**1,618**	**1,664**
Net foreign exchange gains and losses	172	0
Fair value adjustment – other investments and securities	0	3,397
Fair value adjustment transferred from equity via other comprehensive income from other investments	0	2,750
	1,790	**7,811**

6. TAX ON PROFIT/(LOSS) FOR THE YEAR

DKK '000	2016/17	2015/16
Current tax	0	349
Adjustments, previous years	(313)	(31)
Adjustment of deferred tax	1,426	2,909
	1,113	**3,227**
Comprise:		
Tax on profit/(loss) for the year	1,111	3,215
Tax on other comprehensive income	2	12
	1,113	**3,227**

DKK '000	2016/17	2016/17 %	2015/16	2015/16 %
Profit/(loss) before tax	**(10,305)**		**(5,520)**	
Calculated tax thereon	(2,267)	22.0	(1,215)	22.0
Non-deductible income and expenses as well as depreciation, amortisation, impairment losses and write-downs	3,389	(32.9)	4,451	(80.7)
Effect of adjustments, previous years	(9)	0.1	(9)	0.2
Tax for the year/effective tax rate	**1,113**	**(10.8)**	**3,227**	**(58.5)**

TAX FOR THE YEAR/EFFECTIVE TAX RATE

The effective tax rate is extraordinarily affected by a write-down of the use of capital in subsidiaries and of other investments and securities.

7. INTANGIBLE ASSETS

DKK '000	Rights	Development projects	Software	Plant under construction	Total
Cost as at 1 May 2016	6,610	7,121	30,729	0	44,460
Transfer	0	0	0	0	0
Additions	0	0	1,249	43	1,292
Cost as at 30 April 2017	**6,610**	**7,121**	**31,978**	**43**	**45,752**
Amortisation and impairment losses as at 1 May 2016	0	4,510	18,058	0	22,568
Amortisation for the year	0	1,424	3,852	0	5,276
Amortisation and impairment losses as at 30 April 2017	**0**	**5,934**	**21,910**	**0**	**27,844**
Carrying amount as at 30 April 2017	**6,610**	**1,187**	**10,068**	**43**	**17,908**
Cost as at 1 May 2015	0	7,121	29,697	26	36,844
Transfer	0	0	26	(26)	0
Additions	6,610	0	1,006	0	7,616
Cost as at 30 April 2016	**6,610**	**7,121**	**30,729**	**0**	**44,460**
Amortisation and impairment losses as at 1 May 2015	0	3,086	14,472	0	17,558
Amortisation for the year	0	1,424	3,586	0	5,010
Amortisation and impairment losses as at 30 April 2016	**0**	**4,510**	**18,058**	**0**	**22,568**
Carrying amount as at 30 April 2016	**6,610**	**2,611**	**12,671**	**0**	**21,892**

8. PROPERTY, PLANT AND EQUIPMENT

DKK '000	Land and buildings	Production plant and machinery	Other plant etc.	Spare parts for own machinery	Plant under construction	Total
Cost as at 1 May 2016	262,455	570,803	57,128	1,939	19,793	912,118
Transfers	150	12,339	0	0	(12,489)	0
Additions	13,267	42,756	3,923	0	25,025	84,971
Disposals	0	0	(3,705)	(839)	0	(4,544)
Cost as at 30 April 2017	**275,872**	**625,898**	**57,346**	**1,100**	**32,329**	**992,545**
Depreciation and impairment losses as at 1 May 2016	163,802	383,819	44,331	0	0	591,952
Depreciation for the year	6,114	27,058	4,835	0	0	38,007
Reversal in connection with disposals	0	0	(3,411)	0	0	(3,411)
Depreciation and impairment losses as at 30 April 2017	**169,916**	**410,877**	**45,755**	**0**	**0**	**626,548**
Carrying amount as at 30 April 2017	**105,956**	**215,021**	**11,591**	**1,100**	**32,329**	**365,997**
Cost as at 1 May 2015	258,670	558,311	58,464	2,779	1,727	879,951
Transfers	0	1,142	0	0	(1,142)	0
Additions	3,785	11,350	1,621	0	19,329	36,085
Disposals	0	0	(2,957)	(840)	(121)	(3,918)
Cost as at 30 April 2016	**262,455**	**570,803**	**57,128**	**1,939**	**19,793**	**912,118**
Depreciation and impairment losses as at 1 May 2015	157,176	357,982	41,511	0	0	556,669
Depreciation for the year	6,626	25,837	5,241	0	0	37,704
Reversal in connection with disposals	0	0	(2,421)	0	0	(2,421)
Depreciation and impairment losses as at 30 April 2016	**163,802**	**383,819**	**44,331**	**0**	**0**	**591,952**
Carrying amount as at 30 April 2016	**98,653**	**186,984**	**12,797**	**1,939**	**19,793**	**320,166**

9. EQUITY INVESTMENTS IN SUBSIDIARIES

DKK '000	2017	2016
Cost as at 1 May	375,419	375,419
Additions	1,471	0
Cost as at 30 April	**376,890**	**375,419**
Impairment as at 1 May	(279,635)	(266,448)
Impairment for the year	(10,000)	(13,187)
Impairment as at 30 April	**289,635**	**(279,635)**
Carrying amount as at 30 April	**87,255**	**95,784**
Impairment for the year can be specified as follows:		
Harboe Ejendomme A/S, Denmark	10,000	0
AS Viru Õlu, Estonia	0	13,187
	10,000	**13,187**

Equity investments in subsidiaries comprise:
Darguner Brauerei GmbH, Dargun, Germany, ownership interest of 100.00%, voting share of 100.00%
AS Viru Õlu, Haljala, Estonia, ownership interest of 98.69%, voting share of 98.69%
Harboe Norge AS, Moss, Norway, ownership interest of 100.00%, voting share of 100.00%
Harboe Ejendomme A/S, Slagelse, Denmark, ownership interest of 100.00%, voting share of 100.00%
Skælskør Bryghus A/S, Slagelse, Denmark, ownership interest of 100.00%, voting share of 100.00%
Harboe Sverige AB, Mölnlycke, Sweden, ownership interest of 100.00%, voting share of 100.00%
Harboe Poland sp. Z O.O., Warsaw, Poland, ownership interest of 100.00%, voting share of 100.00%

The composition of ownership interests etc. in the group enterprises is consistent with that of last year.

EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries are measured at cost in the parent's financial statements. If the cost exceeds the recoverable amount of the equity investments, it is impaired to the lower amount. If more dividend is distributed than has been earned overall by the enterprise since the acquisition, this is considered to be an indication of impairment.

ADDITIONAL INFORMATION

The carrying amounts of equity investments in subsidiaries are reviewed at the balance sheet date to determine whether there are any indications of impairment. If this is the case, the recoverable amount of the asset is assessed to determine the need for any impairment and the extent of such impairment.

As of 30 April 2017, the parent's investment in Harboe Ejendomme A/S in Denmark was impaired by DKK 10.0 million based on an individual assessment of the recoverable amount of the investment.

During the financial year, Harboe Ejendomme A/S distributed dividend of DKK 10 million to Harboes Bryggeri A/S.

Impairment for the year and dividend received for the year are recognised in the income statement under Income from equity investments in subsidiaries.

The fair values are determined on the basis of the value in use of the assets based on future earnings and calculated using the calculated net cash flows on the basis of budgets approved by the management and an estimated market-specific discount rate of 7-15% (2015/16: 6- 11%). A five-year budget period has been used.

Darguner Brauerei GmbH is audited by the audit firm AWADO Deutsche Audit GmbH, Germany.

Other subsidiaries are audited by Deloitte.

10. OTHER INVESTMENTS AND SECURITIES AND RECEIVABLES FROM SUBSIDIARIES

DKK ’000	Other investments andsecurities	Receivable from subsidiary
Cost as at 1 May 2016	14,587	29,291
Adjustment, beginning of year	0	(22)
Additions	0	4,885
Disposals	(282)	0
Cost as at 30 April 2017	**14,305**	**34,154**
Revaluation and impairment losses as at 1 May 2016	(9,138)	0
Adjustments for the year	8	(11,130)
Revaluation and impairment losses as at 30 April 2017	**(9,130)**	**(11,130)**
Carrying amount as at 30 April 2017	**5,175**	**23,024**
Cost as at 1 May 2015	13,462	24,242
Adjustment, beginning of year	0	(73)
Additions	1,400	5,122
Disposals	(275)	0
Cost as at 30 April 2016	**14,587**	**29,291**
Revaluation and impairment losses as at 1 May 2015	(5,071)	0
Adjustments for the year	(4,067)	0
Revaluation and impairment losses as at 30 April 2016	**(9,138)**	**0**
Carrying amount as at 30 April 2016	**5,449**	**29,291**

RECEIVABLE FROM SUBSIDIARY

Receivable from subsidiary is stated in EUR. No due date has been set for the receivable. The receivable carried a floating rate of interest of approx. 2.1% in 2016/2017 (2015/2016: 2.1%).

The carrying amounts of receivables from subsidiaries are reviewed at the balance sheet date to determine whether there are any indications of impairment. If this is the case, the recoverable amount of the asset is assessed to determine the need for any impairment and the extent of such impairment.

As at 30 April 2017, the parent’s receivable from AS Viru Õlu in Estonia was impaired by DKK 11.1 million based on an individual assessment of the recoverable amount of the investment. The impairment is recognised in the income statement under Income from equity investments in subsidiaries.

The recoverable amount means the asset’s value in use and is expected to cover the value of the parent’s balances with the company, as per the value of the amount receivable of DKK 22.7 million recognised in the balance as a non-current asset. See also note 1 in the consolidated financial statements.

The fair values are determined on the basis of the value in use of the assets based on future earnings and calculated using the calculated net cash flows on the basis of budgets approved by the management and an estimated market-specific discount rate of 15% (2015/16: 11%).

METHODS AND ASSUMPTIONS FOR THE DETERMINATION OF FAIR VALUES

Listed bonds

The portfolio of listed mortgage credit bonds is measured at listed prices (level 1).

Listed shares

The portfolio of listed shares is measured at listed prices (level 1).

Unlisted shares and securities

Unlisted shares (level 2) are measured on the basis of an active market for trade in unlisted shares. Unlisted shares and securities (level 3) comprise industry-related investments etc. measured at cost where the fair value is roughly considered to be identical to the carrying amounts.

10. OTHER INVESTMENTS AND SECURITIES AND RECEIVABLES FROM SUBSIDIARIES, CONTINUED

DKK '000	Level 1	Level 2	Level 3	Total
2016/17				
Listed shares	465	0	0	465
Unlisted shares and securities	0	2,400	2,310	4,710
	465	**2,400**	**2,310**	**5,175**
2015/16				
Listed shares	457	0	0	457
Unlisted shares and securities	0	2,400	2,592	4,992
	457	**2,400**	**2,592**	**5,449**

No transfers between level 1 and level 2 have occurred during the financial years.

Financial instruments measured at fair value in the balance sheet based on methods of measurement according to which significant inputs are not based on observable market data (level 3):

DKK '000	Other investments and securities
Carrying amount as at 1 May 2016	**2,592**
Sale	(282)
Carrying amount as at 30 April 2017	**2,310**
Carrying amount as at 1 May 2015	**5,590**
Gains/(losses) in net profit/(loss) for the year	(4,123)
Purchase	1,400
Sale	(275)
Carrying amount as at 30 April 2016	**2,592**

11. INVENTORIES

DKK '000	2017	2016
Raw materials, consumables and disposable packaging	21,848	20,057
Work in progress	9,529	8,487
Finished goods and goods for resale	34,175	36,309
	65,552	**64,853**

12. RECEIVABLES

DKK '000	2017	2016
Trade receivables	70,148	84,187
Other receivables	1,471	1,641
	71,619	**85,828**
Write-downs for expected losses	**272**	**309**

12. RECEIVABLES, CONTINUED

DKK '000	2017	2016
PROVISIONS ACCOUNT		
Balance as at 1 May	309	594
Ascertained losses and payments received concerning claims previously written off for the year	0	(187)
Reversed write-downs	(37)	(98)
Write-downs for bad debts for the year	0	0
Balance as at 30 April	**272**	**309**
Write-downs for the year recognised in the income statement	**37**	**103**
Overdue receivables not written off:		
Overdue by up to one month	10,829	10,465
Overdue by between one and three months	81	3,309
Overdue by between three and six months	358	2,398
Overdue by more than six months	1,722	1,753
	12,990	**17,925**

PROVISIONS ACCOUNT

A provisions account is used to reduce the carrying amount of receivables, the value of which is impaired due to a loss risk.

WRITE-DOWNS

Direct write-downs of receivables are made if the value, based on an individual assessment of the individual debtors' ability to pay, is reduced, e.g. as a result of a suspension of payments etc. Write-downs are made to the calculated net realisable value.

All major overdue receivables have been written off individually as at the balance sheet date.

13. EQUITY

Reference is made to note 17 in the consolidated financial statements.

14. DEFERRED TAX

DKK '000	Deferred tax assets	Deferred tax liabilities
Deferred tax assets and tax liabilities as at 30 April 2015	**0**	**20,453**
Change in deferred tax recognised in the income statement	0	2,909
Change in deferred tax recognised in other comprehensive income	0	0
Deferred tax assets and tax liabilities as at 30 April 2016	**0**	**23,362**
Change in deferred tax recognised in the income statement	0	1,424
Change in deferred tax recognised in other comprehensive income	0	2
Deferred tax assets and tax liabilities as at 30 April 2017	**0**	**24,788**

DKK '000	1 May	Recognised in the income statement	Recognised in other compre-hensive income	Transferred to current tax	30 April
Non-current assets	21,017	3,036	2	0	24,055
Current assets	2,516	(166)	0	0	2,350
Liability	(630)	199	0	0	(431)
Unutilised tax losses	459	(1,645)	0	0	(1,186)
Deferred tax liabilities 2017	**23,362**	**1,424**	**2**	**0**	**24,788**
Non-current assets	18,877	2,140	12	0	21,017
Current assets	1,966	550	0	0	2,516
Liability	(849)	219	0	0	(630)
Unutilised tax losses	459	0	0	0	459
Deferred tax liabilities 2016	**20,453**	**2,909**	**12**	**0**	**23,362**

DEFERRED TAX

Reference is made to accounting policies in note 10 of the consolidated financial statements.

15. MORTGAGE DEBT

DKK '000	2017	2016
Mortgage debt secured on real property	**4,281**	**4,448**
Mortgage debt falls due as follows:		
On demand within one year from the balance sheet date	202	166
Between two and five years from the balance sheet date	1,219	1,104
After five years from the balance sheet date	2,860	3,178
Mortgage debt is recognised in the balance sheet as follows:		
Current liabilities	202	166
Non-current liabilities	4,079	4,282
Carrying amount of mortgaged properties	**6,467**	**6,637**

SECURITY
Mortgage debt is secured on real property.

FAIR VALUE
The fair value has been determined at the present value of expected future instalments and interest payments using the current market interest rate as the discount rate.

DKK '000	Currency	Expiry	Fixed/ Floating	Amor-tised cost	Nominal value	Fair value
Mortgage debt	DKK	2026	Floating	1,573	1,626	1,705
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,724
30,04,2017				**4,281**	**4,334**	**4,429**
Mortgage debt	DKK	2026	Floating	1,740	1,800	1,884
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,720
30,04,2016				**4,448**	**4,508**	**4,604**

16. OTHER CREDIT INSTITUTIONS

DKK '000	2017	2016
Overdraft facility	**4,173**	**4,826**
The bank debt falls due as follows:		
On demand within one year from the balance sheet date	**4,173**	**4,826**

The carrying amount corresponds to the fair value of the liability.

17. DEFERRED RECOGNITION OF INCOME

DKK '000	2017	2016
Deferred recognition of income from investment grants	**1,960**	**2,864**
Deferred recognition of income is recognised in the balance sheet as follows:		
Long-term deferral of recognition of income	1,056	1,960
Short-term deferral of recognition of income	904	904

Government grants – repayment obligation

Government grants received have been used to purchase property, plant and equipment. The grants are subject to certain conditions being fulfilled, and repayment of the grants may be requested within a period of five years if the assets are disposed of or production is discontinued. No current repayment obligation exists.

18. OTHER SHORT-TERM PAYABLES AND OTHER LIABILITIES

DKK '000	2017	2016
Other public debt	6,283	3,018
Staff costs payable	15,399	14,074
Other short-term payables	25,955	26,492
Repurchase of returnable packaging	9,459	8,594
	57,096	**52,178**

The carrying amount of other short-term payables corresponds to the fair value of the liabilities.

REPURCHASE OF RETURNABLE PACKAGING

The obligation to repurchase own packaging in circulation is measured at the deposit price on the basis of the estimated volume of circulating bottles, crates and trays and is recognised as a repurchase obligation under current liabilities. The repurchase obligation has been adjusted on the basis of the net sale of returnable packaging for the year less estimated wastage in the volume of returnable packaging in circulation.

19. PROVISIONS

The provision covers an expected loss due to the winding-up of the Harboe Poland sp. Z O.O subsidiary.

This provision, totalling DKK 3.1 million, (2015/16: 0) is recognised in the income statement under Income from equity investments in subsidiaries.

20. OPERATING LEASE COMMITMENTS

For the years 2017-2026, operating leases concerning the lease of properties, machinery and other plant have been entered into. The leases have been concluded for a minimum of 1-10 years with fixed lease payments to be indexed annually. The leases cannot be terminated within the period stated, after which they may be renewed for periods of one year.

DKK '000	2017	2016
Minimum lease payments recognised in the income statement	**3,760**	**1,414**
The minimum lease payments comprise:		
Production costs	975	561
Distribution costs	1,475	508
Administrative expenses	1,310	345
The total future minimum lease payments for non-terminable leases fall due as follows:		
Within one year from the balance sheet date	3,206	1,457
Between two and five years from the balance sheet date	8,157	2,428
After five years from the balance sheet date	22,623	0
	33,986	**3,885**

The company leases land and buildings from companies having Bernhard Griese, CEO, and his close relatives as main shareholders.

The annual rent amounts to DKK 0k (2015/2016: DKK 63k).

21. CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

DKK '000	2017	2016
Contingent liabilities		
The parent has provided a guarantee for the mortgage debt of its subsidiaries. The guarantee has been maximised to cover the remaining debt.		
Debt of subsidiaries	**163,873**	**179,900**

Pending cases

No court cases etc. are pending which are deemed by the management to have a serious negative impact on the financial standing of the parent apart from what has already been disclosed in the annual report.

Joint taxation

The company is the administration company in a joint taxation scheme in Denmark. Pursuant to the rules on income taxes etc. set out in the Danish Corporation Tax Act (*Selskabsskatteloven*), the company is therefore liable for the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends for these companies.

Contingent liability

The parent has issued a declaration of support to the subsidiary AS Viru Õlu, Estonia, with a view to securing the subsidiary's liquidity. The declaration is effective for 12 months as from the balance sheet date.

Contractual obligations

As at 30 April 2017, the group has a large construction project in progress. The residual commitment under the contract amounts to DKK 10.8 million.

22. CHANGE IN NET WORKING CAPITAL

DKK '000	2017	2016
Change in inventories	(699)	(10,689)
Change in receivables	12,656	(19,392)
Change in trade payables etc.	30,067	14,991
Change in other payables	4,928	(10,169)
	46,952	**(25,259)**

23. FEE TO AUDITORS

DKK '000	2017	2016
Statutory audit	1,140	1,155
Other assurance services	8	16
Tax advice	188	122
Other services	19	85
	1,355	**1,378**

24. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

DKK '000	2017	2016
Categories of financial instruments		
Receivables	71,619	85,829
Receivables from subsidiaries, short-term	1,044	0
Receivables from subsidiaries, long-term	23,024	29,291
Cash	31,347	1,826
Loans and receivables	**95,687**	**116,946**
Other investments and securities	**5,175**	**5,449**
Mortgage debt	4,281	4,448
Other credit institutions	4,173	4,826
Trade payables	92,502	62,435
Payables to subsidiaries	327,535	299,057
Other payables	57,096	52,178
Financial liabilities measured at amortised cost	**485,587**	**422,944**

Financial risk management policy

Please refer to the risk section in the management's review, page 39 and note 26, in the consolidated financial statements.

DKK '000	Cash and cash equivalents	Receiv-ables	Li-abil-ities	Net position
EUR	68	59,301	(375,085)	(315,716)
SEK	5,643	2,813	(590)	7,866
NOK	0	0	(390)	(390)
Other currencies	86	0	0	86
30,04,2017	**5,797**	**62,114**	**(376,065)**	**(308,154)**
EUR	68	64,310	(299,487)	(235,109)
SEK	1,425	3,546	(1,011)	3,960
NOK	0	0	(397)	(397)
Other currencies	64	3	(1)	66
30 April 2016	**1,557**	**67,859**	**(300,896)**	**(231,480)**

Currency risks concerning recognised assets and liabilities

The parent's sale and purchase of goods in foreign currencies primarily take place in EUR and SEK. No forward exchange contracts or similar have been concluded as at the balance sheet date as the management estimates that the parent's currency risk is limited. The company's unhedged currency positions as at the balance sheet date can be specified as follows:

Currency risks concerning future cash flows

The parent's most significant currency exposure is also expected to concern transactions in the above-mentioned currencies in future.

No financial contracts in the form of forward exchange contracts or similar have been concluded as at the balance sheet date as the management estimates that there are no significant risks associated with future cash flows in foreign currencies.

Interest rate risks

Due to the Harboe group's capital structure, the risk relating to fluctuations in market rates is limited. The parent's net interest-bearing debt as at 30 April 2017 was DKK 303.8 million (2016: DKK 276.0 million). The debt carries a floating rate of interest.

An increase in the market interest rate of 1% would affect the profit or loss for the year before tax negatively by approx. DKK 3.0 million (2015/2016: approx. DKK 2.8 million).

DKK '000	2016/2017	2015/2016
Equity's sensitivity to exchange rate fluctuations		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	1,892	1,447
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(780)	(864)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	15	15
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(8)	1
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	16	23
Effect if the GBP exchange rate was 5% lower than the actual exchange rate	1	2
	1,136	**624**
Sensitivity of net profit or loss to exchange rate fluctuations		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	(484)	(387)
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(473)	(710)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	0	0
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(4)	4
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	16	23
Effect if the GBP exchange rate was 5% lower than the actual exchange rate	1	2
	(944)	**(1,068)**

Sensitivity analysis concerning foreign exchange

The parent's most significant exchange rate exposure concerns EUR, SEK and NOK. The table below shows the effect it would have had on equity and the net profit or loss for the year, respectively, if the exchange rate had been 1% (EUR) and 5% (other) lower than the actual exchange rate applied. If the exchange rate had been higher, it would have had a similar opposite effect on equity and the net profit or loss for the year, respectively.

Liquidity risks

The due dates of financial liabilities are specified in the notes for the individual categories of liabilities. The parent's liquidity reserve consists of cash and undrawn credit facilities.

DKK '000	2017	2016
The liquidity reserve comprises:		
Cash	31,347	1,826
Undrawn credit facilities (group)	195,827	195,174
Liquidity reserve	**227,174**	**197,000**
Cash and cash equivalents in the cash flow statement comprise:		
Cash	31,347	1,826
Bank debt	(4,173)	(4,826)
Intercompany balance, payables	(327,535)	(299,057)
Cash and cash equivalents	**(300,361)**	**(302,057)**

Credit risks

The group's primary credit risk in the parent concerns non-prepaid trade receivables. The parent's customers are mainly large companies in Denmark, Germany and Sweden. The parent has no significant credit risks relating to a single customer or partner.

The group is seeking to limit risks related to customers outside these countries by hedging receivables through letters of credit, bank guarantees, insurance and similar arrangements, which are included in the assessment of the necessary write-down for bad debts.

In the event that such hedging is not made or is exceeded, the company has laid down procedures for the approval of such risks.

The maximum credit risk associated with trade receivables corresponds to the carrying amount of such receivables.

Capital structure

Funds from the group cash pool scheme form part of the company credit facilities. The scheme is on demand.

Reference is made to the section on financial objectives in the management's review on page 14 and to note 26 in the consolidated financial statements.

Breach of loan agreements

The company has not failed to fulfil its loan agreements in either the financial year or the comparative year.

25. RELATED PARTIES

Related parties with a controlling influence
The following parties have a controlling interest in Harboes Bryggeri A/S:

Name	Domicile	Basis of control
Kirsten and Bernhard Griese	Spegerborgvej 4, 4230 Skælskør, Denmark	Shareholder with the majority of the voting rights

For an overview of subsidiaries, please refer to note 9.

Transactions with related parties
During the financial year, the parent has engaged in the following transactions with its related parties:

DKK '000	Subsidiaries	Owners with a controlling influence in Harboes Bryggeri A/S*	Members of the Board of Directors, Board of Executives and other key staff members	Other related parties	Total
2016/17					
Sale of goods	144,603	673	0	0	145,276
Purchase of goods	47,540	220	0	0	47,760
Purchase of non-current assets	334	206	0	0	540
Sale of services	14,375	2,373	0	0	16,748
Purchase of services	1,810	1,579	87	339	3,815
Sale of leases	607	57	0	0	664
Purchase of leases	758	161	0	0	919
Dividend received	10,000	0	0	0	10,000
Fees etc.	0	5,788	17,165	712	23,665
Trade receivables etc.	51,691	320	0	0	52,011
Trade payables etc.	345,591	359	0	0	345,949
Security; see note 20	163,873	0	0	0	163,873
Distribution of dividend	0	1,858	53	43	1,954

25. RELATED PARTIES, CONTINUED

DKK '000	Subsidiaries	Owners with a controlling influence in Harboes Bryggeri A/S*	Members of the Board of Directors, Board of Executives and other key staff members	Other related parties	Total
2015/16					
Sale of goods	128,707	2,391	0	0	131,098
Purchase of goods	42,330	4,035	12	0	46,377
Purchase of non-current assets	6,610	9,581	0	0	16,191
Sale of services	11,102	1,064	0	0	12,166
Purchase of services	999	1,608	180	336	3,123
Sale of leases	518	167	0	0	685
Purchase of leases	145	157	0	0	302
Dividend received	0	0	0	0	0
Fees etc.	0	5,230	14,390	572	20,192
Trade receivables etc.	43,241	273	0	0	43,514
Trade payables etc.	312,817	542	0	0	313,359
Security; see note 20	179,900	0	0	0	179,900
Distribution of dividend	0	1,858	93	42	1,993

*) Including transactions with other companies having Bernhard Griese, CEO, as the main shareholder.

Additional information

The purchase and sale of goods to related parties have been conducted at the normal selling prices of the parent. No security has been provided and no guarantees have been given in respect of outstanding balances as at the balance sheet date. Both receivables and trade payables will be settled in cash. During the financial year, no bad debts in respect of related parties were realised and no write-downs were made for probable losses.

Remuneration etc. to the Board of Directors, the Board of Executives and other key staff members

Please refer to note 2 for information on remuneration paid to the parent's Board of Directors, Board of Executives and other key staff members. The remuneration is included in the above.

26. ACCOUNTING POLICIES ETC.

ACCOUNTING POLICIES

For a description of the parent's accounting policies and of the implementation of new and revised standards and interpretations, please refer to the notes in the annual report. The implementation of the new and revised standards and interpretations did not result in any changes to the accounting policies.

SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

For a description of the parent's treatment of accounting estimates and uncertainties, please refer to note 2 in the consolidated financial statements.

ADDITIONAL INFORMATION

COMPANY INFORMATION

COMPANY
Harboes Bryggeri A/S
Spegerborgvej 34, 4230 Skælskør, Denmark
CVR no.: 43 91 05 15
Registered in: Municipality of Slagelse, Denmark
Financial year: 1 May to 30 April
www.harboes.dk

BOARD OF DIRECTORS
Mads Ole Krage, Chairman
Bernhard Griese, CEO
Poul Møller, Executive Officer
Karina Harboe Laursen, CEO
Thøger Thøgersen, CEO
Jens Bjarne Søndergaard Jensen, Brewery Worker*
*) Staff representative

BOARD OF EXECUTIVES
Bernhard Griese

AUDIT
Deloitte Statsautoriseret Revisionspartnerselskab

GENERAL MEETING
The annual general meeting will be held on 28 August 2017 at Harboes Bryggeri A/S, Skælskør, Denmark

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, including expectations regarding the group's future earnings performance. Such statements are based on the management's current beliefs and expectations about future events and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. The group disclaims any obligation to update or adjust any of the forward-looking statements, whether as a result of new information, future events or changes in other factors that may impact these statements, except to the extent required by applicable law.

Significant risk factors that may have a direct impact on the group's actual results include, but are not limited to, economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, developments in demand for the group's products, market reception of new products, competition in the brewery industry, prices of raw materials and packaging, energy costs, production or distribution-related issues, breach or unexpected termination of contracts or other unforeseen factors.

New risk factors can arise, and it may not be possible for the group management to predict all such risk factors, nor to assess the impact of all such risk factors on the group's business. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

BY APPOINTMENT TO
THE ROYAL DANISH COURT
HARBOE

HARBOES BRYGGERI A/S • SPEGERBORGVEJ 34 • 4230 SKÆLSKØR, DENMARK