



BY APPOINTMENT TO  
THE ROYAL DANISH COURT

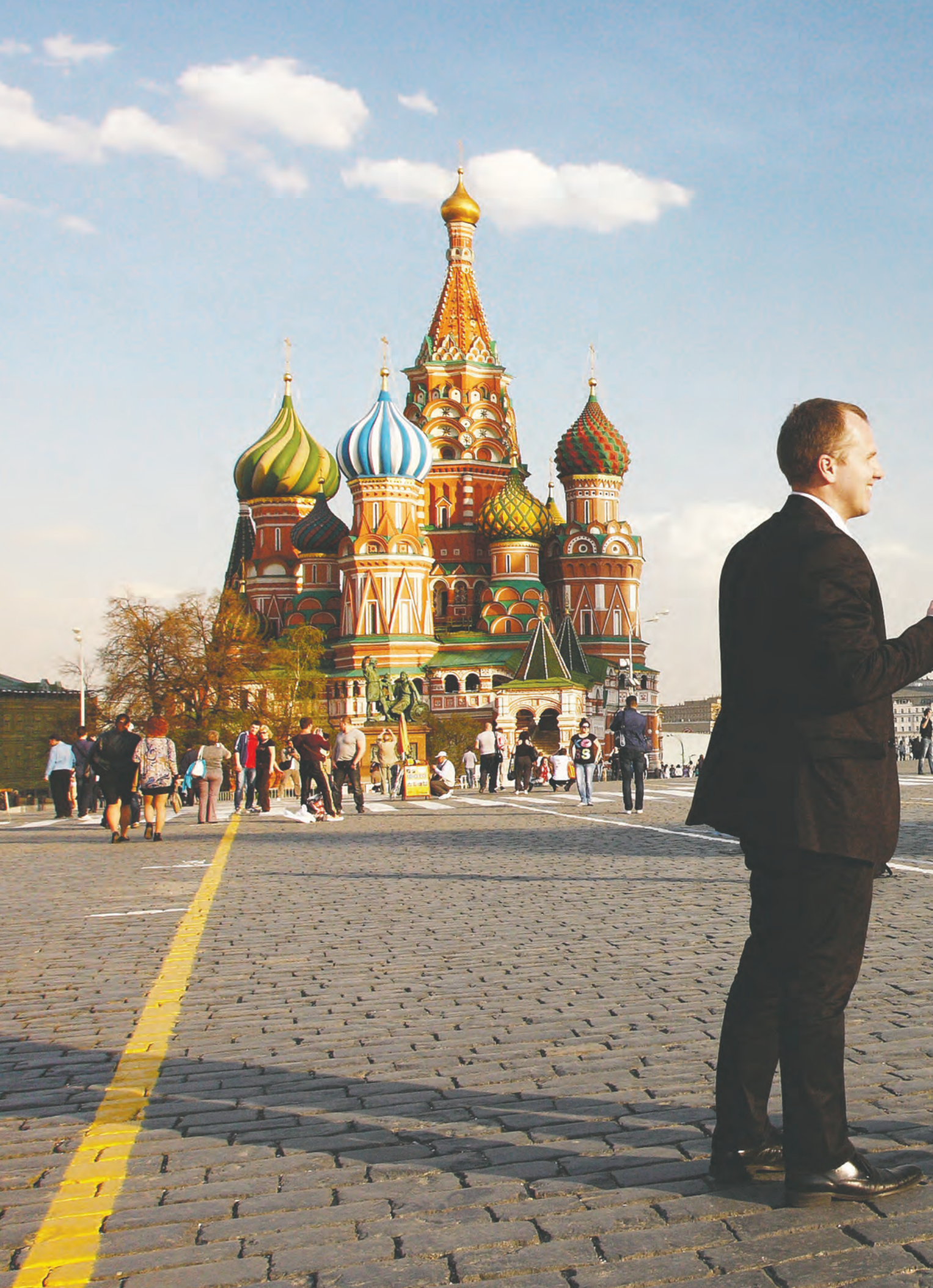
**HARBOE**

HARBOES BREWERY A/S

ANNUAL REPORT  
2011/2012

“We are convinced that Harboe’s long-term value creation depends first and foremost on our customers’ trust in us and our products. We endeavour to live up to this trust in everything we do, which is earning us recognition and generating results – both in new and existing markets.”

*Bernhard Griese*  
CEO









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# AN INTERNATIONAL FOCUS DELIVERS RESULTS

“All companies have as their objective to deliver results. For Harboe, this also means that we want to create a fantastic company that we can be proud of. We want to be a good business partner, an attractive workplace and a responsible player in the societies in which we operate”



In the past year, we have managed to maintain our solid position in the important markets in Northern Europe and been able to deliver increased volumes despite challenging market conditions, fierce competition and the significant seasonal impact of the bleak summer weather in all of Northern Europe. This development is the result of targeted sales efforts and continuous optimisation of the product range in close cooperation with our major retail customers, just as sales activities within the restaurant and convenience segment generated positive results. Increased focus on new European markets and improved sales of less seasonally dependent products also contribute to the positive development. The development essentially reflects our good and trustful relations with our customers, for whom cooperating with Harboe means up-to-date and high-quality products and stable deliveries to meet demand at all times.

## INCREASED EXPOSURE TO GROWTH MARKETS

This very simple approach also forms the basis of Harboe's strategy for further international expansion. In the course of the year, we have continued the strategic work on marketing Harboe's products and own brands in an increased number of international markets, and everywhere, we are greeted with strong interest and recognition from new customers and partners. During the year, this resulted in important new agreements, increased sales and continued expansion of our position in the regions we are targeting. This continuously contributes to increasing our relative exposure to growth markets, where we are able to position ourselves even better through own brands and within product categories which may be marketed with more attractive earnings margins.

The results achieved during the year underline Harboe's current sensitivity to fluctuations in raw material costs, higher taxes and other market risks on which we have limited influence. This is the sensitivity that we wish to reduce. The progress achieved during the year in international markets confirms our belief that the strategic initiatives are leading us in the right direction and that our business model is viable and capable of providing the long-term value creation that we wish to achieve for our shareholders, customers and employees.

## POTENTIAL FOR NON-ALCOHOLIC DRINKS

In the Middle East, where we market drinks and new, unique malt extract products, we have maintained our activities despite political turmoil and market challenges, although sales grew a little slower than expected at the beginning of the year. However, we will continue to target this region, where the total consumption of drinks is continuing to increase – and where Harboe sees a great long-term potential for its attractive range of, among others, non-alcoholic products.

## POSITIONING OF OWN BRANDS

In Africa, Harboe has marketed its products in selected markets for a



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number of years. In cooperation with experienced distributors, we are gaining ground in more and more markets where demand is growing fast, and Harboe's brands are increasingly being recognised. We will continue to develop our sales organisation and expect to expand further on the African continent in coming years.

In Asia, we have also managed to open doors with our products and brands, which have achieved strong positions and are marketed by nationwide retail chains and restaurants in several countries. Economic growth and increased purchasing power among consumers contribute to driving an increasing consumption of quality drinks in the Asian markets. We are in the course of establishing our own sales office in the region, and in the years to come, we will systematically expand our activities further.

#### **CONTINUED GEOGRAPHICAL EXPANSION**

The ongoing expansion in the international markets is based on market analyses, risk assessments and strategic cooperation with partners and distributors with a thorough knowledge of the market opportunities and market conditions. This will also be the approach for the next step of the growth strategy, which will be directed at selected markets in South and Latin America, which represents a new and interesting growth region.

We expect the strategic development of our international activities to have an increasingly positive impact on the group's revenue and results. In the course of the past year, we invested in the development of efficient and

modern production facilities capable of delivering higher volumes of targeted products in specially designed packaging, which we will sell in the international markets in the years to come. At the same time, we have strengthened the organisation through continued training and recruitment of new, skilled employees to ensure that we may continue to develop products, packaging and production technologies and maintain the great momentum we have achieved.

#### **STRONGER FOUNDATION FOR VALUE CREATION**

We expect the results for the coming year to be affected by the continued pressure on earnings margins and the very challenging market conditions in the main markets in Northern Europe. However, we also expect the continued strategic initiatives to pave the way for new positive results and an increasing international recognition of Harboe's products, brands and value as a partner, which we are already starting to enjoy.

This will be the target of our work, and with the unique support and dedication shown every day by the managers and employees of the entire group, I am convinced that we will add new and important building blocks to the foundation for continued value creation in the year to come.

**BERNHARD GRIESE**  
CEO



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# HARBOE

HARBOE'S BREWERY A/S



ENERGETIC MOMENTS

**X**  
**RAY**

**ENERGY**  
**DRINK**

SERVE CHILLED

SERVE CHILLED



# THE FINANCIAL YEAR FOR THE GROUP IN OUTLINE

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- **HARBOE'S GROSS REVENUE** amounted to DKK 1,677 million against DKK 1,584 million last year.
- **REVENUE** increased by 6.8% to DKK 1,410 million. This increase is the result of a positive development in the main markets in Northern Europe and continuously increasing activity in the international markets. More than 70% of total revenue is, thus, generated outside of Denmark.
- **SALES OF BEER AND SOFT DRINKS**, including malt beverages and malt wort products, totalled 6.52 million hectolitres compared with 5.94 million hectolitres last year, up 9.8%. More than 75% of total sales are now effected outside of Denmark.
- **OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)** was DKK 141.0 million against DKK 217.7 million last year.
- **OPERATING PROFIT (EBIT)** amounted to DKK 59.5 million compared with last year's 74.2 million. This was primarily due to higher raw material costs and continued investments in the development and expansion of the international sales organisation.
- **THE CONSOLIDATED PROFIT BEFORE TAX** was DKK 51.1 million and in line with the outlook of a profit in the range of DKK 50-60 million announced most recently in connection with the interim report for the third quarter of 2011/12. The profit before tax thus declined by 25.2% relative to the year before when it reached DKK 68.3 million.
- **DURING THE FINANCIAL YEAR, THE GROUP** made investments of DKK 95.0 million. The return on invested capital is 6.0%.
- **CASH FLOWS** from operating activities and free cash flows (changes in cash and cash equivalents) amounted to DKK 91.3 million and DKK 49.6 million, respectively.

## OUTLOOK 2012/13

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- In 2012/13, Harboe expects a total revenue growth similar to that in 2011/12. In addition, the group expects to generate a profit before depreciation, amortisation, net financials and tax (EBITDA) and a profit before tax on a par with 2011/12.
- Investments planned for 2012/13 are in the order of DKK 50-80 million. The investments will primarily be focused on ongoing maintenance and efficiency improvements.

# FINANCIAL HIGHLIGHTS<sup>3</sup>

	2011/12 DKKm	2010/11 DKKm	2009/10* DKKm	2008/09* DKKm	2007/08* DKKm
<b>KEY FIGURES</b>					
<b>EARNINGS</b>					
Gross revenue	1,677.4	1,584.1	1,804.0	1,806.4	1,607.4
Taxes on beer and soft drinks	(267.0)	(263.5)	(279.3)	(261.8)	(236.5)
Revenue	1,410.5	1,320.6	1,524.7	1,544.6	1,370.9
EBITDA	141.0	217.7	188.9	162.9	130.6
Operating profit/(loss) (EBIT)	59.5	74.2	64.3	40.9	21.6
Net financials	(8.4)	(5.9)	(6.2)	(5.8)	(5.3)
Profit/(loss) before tax	51.1	68.3	58.1	35.1	16.3
Net profit/(loss) for the year	38.7	51.1	43.0	25.6	20.1
<b>BALANCE SHEET</b>					
Total assets	1,575.9	1,685.5	1,645.6	1,606.4	1,199.3
Equity	790.0	753.4	730.3	664.5	696.9
Net interest-bearing debt	146.6	140.6	152.3	119.6	80.0
<b>INVESTMENTS ETC.</b>					
Investments in intangible assets	1.9	5.7	8.2	3.0	6.1
Investments in property, plant and equipment	60.1	141.8	166.0	115.9	180.3
Depreciation, amortisation, impairment losses and write-downs	81.5	130.7	124.6	121.9	109.0
<b>CASH FLOWS</b>					
Cash flows from operating activities	91.3	192.2	94.2	148.6	56.9
Cash flows from investing activities	6.8	(148.4)	(152.7)	(438.9)	(97.5)
Cash flows from financing activities	(48.6)	(63.8)	22.9	259.2	(9.6)
Changes in cash and cash equivalents	49.5	(20.0)	(35.7)	(31.1)	(50.2)

\*Comparative figures for these periods have not been restated to reflect the discontinued activities.

<sup>3</sup>The financial highlights have been prepared in accordance with the 'Recommendations and Financial Ratios' issued by the Danish Society of Financial Analysts, cf. the description in note 1.



	2011/12 DKKm	2010/11 DKKm	2009/10* DKKm	2008/09* DKKm	2007/08* DKKm
<b>RATIOS IN %</b>					
Profit margin	4.2	5.6	4.3	2.6	1.6
Solvency ratio	50.1	44.7	44.4	41.4	58.2
EBITDA margin	10.1	14.0	12.4	10.5	9.5
Gearing	18.6	18.7	20.9	18.0	11.5
Acid test ratio	107.1	85.5	91.4	95.5	99.0
Return on invested capital (ROIC)	6.0	10.2	8.2	6.2	2.0
<b>SHARE-RELATED RATIOS</b>					
Earnings per DKK 10 share, DKK (EPS)	6.9	10.6	7.3	4.4	3.4
Cash flow per DKK 10 share, DKK (CFPS)	13.1	33.7	16.1	25.5	9.6
Equity value per DKK 10 share, DKK	131.6	125.6	123.8	114.0	117.1
Share price, end of year	89.5	127.0	112.0	112.0	137.0
Price/earnings ratio	13.0	12.0	15.4	25.4	40.4
Dividend per DKK 10 share, DKK	1.5	1.5	1.5	1.5	1.5
<b>EMPLOYEES</b>					
Average number of full-time employees	562	572	543	520	483

\*Comparative figures for these periods have not been restated to reflect the discontinued activities.





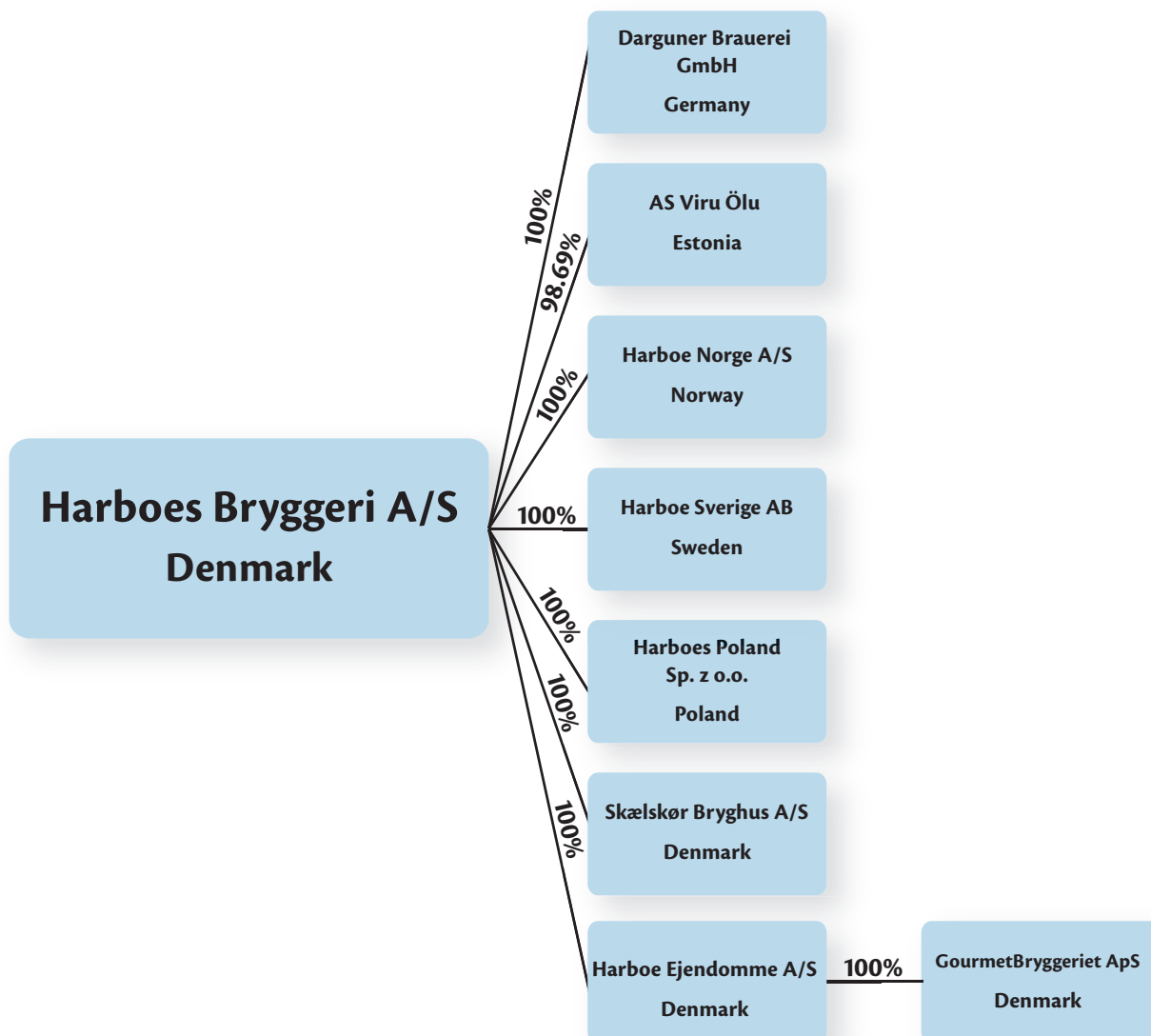
# MANAGEMENT'S REVIEW

## CORE BUSINESS

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

The group's core business is the production and sale of beer, soft drinks, malt beverages and malt wort products.

## GROUP CHART



# MANAGEMENT'S REVIEW

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## THE GROUP'S BUSINESS DEVELOPMENT – FINANCIAL REPORT

### REVENUE

Consolidated revenue totalled DKK 1,410 million in the 2011/12 financial year against DKK 1,321 million the year before. This corresponds to an increase of 6.8%.

The development is described in further detail under the review of the group's markets.

### EARNINGS

EBITDA totalled DKK 141.0 million.

Operating profit (EBIT) amounted to DKK 59.5 million against DKK 74.2 million last year. This equates to a fall of 19.8%. This was primarily due to higher raw material costs and continued investments in development and expansion of the international sales organisation.

Depreciation and amortisation of intangible assets and property, plant and equipment are included in the operating profit with DKK 81.5 million against DKK 130.7 million the year before.

The reduction in the group's depreciation and amortisation is due to cessation of depreciation in Harboe Ejendomme A/S (formerly Harboefarm A/S and GourmetBryggeriet A/S) after the sale of non-current assets (production equipment).

In addition, the group's depreciation and amortisation were affected by the reassessment of remaining lives for plant. The group's total depreciation and amortisation fell by DKK 31.0 million in the 2011/12 financial year as a result of the changed estimates.

Profit before tax was DKK 51.1 million against DKK 68.3 million the year before, down 25.3%.

The profit before tax was in line with the outlook of a profit in the range of

DKK 50-60 million announced in the interim report for the third quarter of 2011/12.

Net profit for 2011/12 amounted to DKK 38.4 million compared to DKK 51.1 million the year before.

### EQUITY

As at 30 April 2012, equity amounted to DKK 790.0 million against DKK 753.4 million the year before.

Equity is affected by the results for the period, foreign currency translation adjustments in respect of foreign subsidiaries, acquisition of treasury shares and adjustments of the reserve for adjustment to fair value of financial assets available for sale as well as the distribution of dividend.

### INVESTMENTS

Total investments for the year amounted to DKK 95.0 million. The investments primarily comprise new facilities and optimisation projects and the continuous expansion and coordination of capacity between the group's production units.

The purpose of the group's investment strategy is to ensure continued expansion of the group's position in both new and existing main markets. Furthermore, the investments are to contribute to optimising the group's utilisation of resources and ensuring that the efficiency improvements in the group's production facilities have a positive effect on the consumption of resources and emissions in relation to the development in production volume.

### LIQUIDITY AND NET INTEREST-BEARING DEBT

Cash flows from operating activities amounted to DKK 91.3 million in 2011/12 against DKK 192.2 million the year before.

Harboe is continuously working to strengthen cash flows, including maintaining a strong focus on managing inventories, trade receivables and trade payables. Harboe will continue its strategic focus on strengthening cash flows from operating activities in the coming year as well.



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Cash flows from investing activities totalled DKK 6.8 million, and cash flows from financing activities amounted to DKK -48.6 million. The negative cash flow from financing activities covers repayment of mortgage debt and purchase of treasury shares. Purchase of treasury shares amounted to DKK 3.7 million.

Free cash flow – changes in cash and cash equivalents – amounted to DKK 49.6 million against DKK -20.0 million the year before.

### CASH RESOURCES

The group's cash resources, which are composed of cash and credit facilities granted but not yet activated, amounted to DKK 120.4 million as at 30 April 2012.

Added to this is the holding of 393,882 treasury shares amounting to DKK 35.3 million stated at share market value as at 30 April 2012.

Moreover, the fair value of the portfolio of bonds is added, amounting to DKK 183.1 million as at 30 April 2012.

The portfolio of bonds represents strategic cash resources established with a view to guaranteeing the necessary manoeuvrability for Harboe to make interesting acquisitions, engage in strategic partnerships and realise similar investments underpinning the group's strategy.

As at 30 April 2012, the group's net interest-bearing debt amounted to DKK 353.8 million against DKK 462.2 million the year before. Adjusted for the portfolio of bonds and cash deposits of DKK 207.2 million, the group's net interest-bearing debt amounted to DKK 146.6 million as at 30 April 2012 against DKK 140.6 million the year before.

### EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

From the balance sheet date to this date, no events have occurred which change the evaluation of the annual report.







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**HARBOE**  
HARBOES BREWERY A/S

BEAR BEER  
BEAR BEER



# MANAGEMENT'S REVIEW

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## OUTLOOK 2012/13

In the coming year, Harboe intends to focus on maintaining its solid position in the main markets in Northern Europe and continuing the international expansion of its activities. The expansion of the activities within beer, soft drinks, energy drinks and non-alcoholic malt beverages is expected to drive the group's development in the coming year. The markets outside of Northern Europe are especially expected to develop positively with increased demand, and Harboe intends to continue investing in the geographical expansion of its international activities. This is expected to establish a basis for improved sales, driven in particular by activities in Africa and in the Asian markets.

Harboe also expects the European markets for traditional malt extract to develop positively, and continued product development within this segment will contribute to maintaining Harboe's position in this market. Continued investments in the development and marketing of new malt extract products are also expected to strengthen Harboe's positioning as an innovative partner to customers in the drinks industry in the coming year. Harboe thus expects the launch of new product variants and new collaboration agreements to contribute positively to sales.

However, investments in the continued development of the company, high raw material costs and limited scope for adding these to the sales prices will continue to put the earnings margins under pressure in the coming financial year. The company's sensitivity to seasonal fluctuations may also affect the consolidated results for the group in 2012/13. However, Harboe expects its ongoing strategic investments and the further exploitation of the international market potential to create the basis for an attractive long-term value creation for the benefit of the company's shareholders, while at the same time consolidating Harboe as a dynamic international company which makes a positive difference for its customers, employees and the societies in which we operate.

In 2012/13, Harboe expects a total revenue growth similar to that in 2011/12. In addition, the group expects to generate a profit before depreciation, amortisation, net financials and tax (EBITDA) and a profit before tax on a par with 2011/12.

Investments planned for 2012/13 are in the order of DKK 50-80 million. The investments will primarily be focused on ongoing maintenance and efficiency improvements.



# MANAGEMENT'S REVIEW

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## STRATEGY AND FINANCIAL TARGETS

**“We see exciting opportunities for expanding our position in a number of growth markets in Africa, Asia and the Middle East, where economic growth and increasing purchasing power are important market forces working in our favour”**

### INTERNATIONAL PRODUCT STRATEGY

Harboe produces and sells a wide range of products on more than 90 markets worldwide. The product portfolio is designed to meet the demand and market potential of the individual markets and comprises three main categories:

- Beer, soft drinks, energy drinks and non-alcoholic malt beverages, which are marketed to retail customers and via distributors in more than 70 markets worldwide. Particularly the markets outside Europe are seeing growing demand. Harboe pursues a strategy of continued expansion of the international activities aimed at regions where the economic and demographic development supports increasing purchasing power and a demand for quality products.
- Traditional malt extract marketed to the food industry in a number of European markets. The market is growing, and Harboe seeks to drive growth further through continued product development.
- New unique malt extract products developed by Harboe and marketed to customers in the drinks industry – local drinks manufacturers in the Middle East and Central Asia and other countries as well as major international players. Harboe is working hard to further cultivate this market and has concluded strategic collaboration agreements with several international drinks manufacturers on the further development and use of the new products.

### HIGH VOLUME AND STABLE POSITION IN THE MAIN MARKETS IN NORTHERN EUROPE

In the main markets in Northern Europe, Harboe's products are primarily sold to the major retail chains and have historically been marketed at attractive prices that were able to compete with the international brands.

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

At the same time, Harboe strives to ensure optimum utilisation of the group's production capacity and competencies through strategic collaboration agreements with other drinks manufacturers on contract manufacturing,

packaging and product development within product segments that do not cannibalise on Harboe's own business.

### CONTINUED INTERNATIONALISATION

The international markets hold attractive potential due to increasing demand, which offers the opportunity to realise higher earnings margins than in the markets in Northern Europe within a number of product categories and geographical segments. Harboe pursues a diversified growth strategy based on regional and cultural demand patterns and individual market opportunities in terms of product range, packaging types and sales and distribution models. In the international markets, the products are extensively marketed under the company's own brands supplemented by private-label products whenever this is deemed commercially attractive.

The expansion of Harboe's international activities is focused on the continued development of its activities in the Middle East, Africa, Asia and a number of other markets, including South and Latin America. The international activities are expected to make an increasing contribution to the group's revenue and EBITDA over the coming years.

### UNIQUE MARKET POTENTIAL FOR MALT EXTRACT

Over a period of several years, Harboe has established a solid platform for the sales of traditional malt extract to customers in the food industry, primarily in Europe. The business is developing particularly positively and still holds an attractive growth potential in the region, which the group wants to exploit through a further expansion of the sales organisation. Harboe also invests continuously in development activities which can strengthen the business' continued development and competitiveness.

The strategic objective of driving the development of new products has also resulted in a unique clear malt extract with wide applications within drinks production. Compared with competing products, the clear malt extract has been processed even further and can thus eliminate several steps in the usual manufacturing process for the drinks manufacturer.

Harboe's clear malt extract thus has an attractive marketing profile vis-à-vis large drinks manufacturers which show considerable interest in the product. In the past year, this has resulted in new strategic collaboration agreements and orders. The area continues to hold considerable potential which Harboe wants to make the most of. Further marketing of the clear malt extract will thus be a central element in the strategic development for the coming years.

The clear malt extract will also form part of the further development of Harboe's own products, including in particular the non-alcoholic malt beverages marketed by the group in a growing number of export markets.

### INVESTING IN LONG-TERM VALUE CREATION

Efficient and flexible production facilities capable of supplying high quality and handling the expected growth in volume are a prerequisite for





# MANAGEMENT'S REVIEW

maintaining the group's market position in Northern Europe, while at the same time realising the international growth strategy. In addition to common maintenance and constant efficiency improvements, Harboe will continuously assess the need for investments in new production capacity and technology.

## FINANCIAL OBJECTIVES OF THE GROUP

Harboe expects the intensive competition to continue in the main markets in Northern Europe. At the same time, regular fluctuations in prices of Harboe's core raw materials will continue to be a risk factor and limit the opportunities for permanently raising the earnings margin for this part of the business. However, it is expected that the continued realisation of the group's growth strategy will contribute to overall more robust earnings – both relatively and in absolute terms. Harboe aims to achieve annual revenue growth for the continuing business activities of 5-10% and a long-term profit margin of more than 6-8%. This is to contribute to maintaining a return on the invested capital of an attractive 8-10%. Furthermore, Harboe will continually focus on maintaining a strong cash flow from the group's 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 at all times. This will enable the investments in continued organic growth and value creation which are necessary for the group to anticipate market trends and customer requirements.

Furthermore, the group aims for its financial resources to be made up of its own funds and for them to be flexible enough to allow for growth through acquisitions or participation in strategic partnerships. At the same time, the group aims 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. The aim is for this to be

supplemented by continuous returns through the continued distribution of dividend or share buy-back programmes.

## THE GROUP'S MARKETS

**“We are pleased with the recognition enjoyed by our products and brands in the international markets. This fuels our ambitions to strive for continued geographical expansion”**

Harboe markets its products in more than 90 countries worldwide. Based on its solid position in Northern Europe, Harboe has in recent years pursued a targeted strategy of continued international expansion, primarily focusing on four geographical regions: Africa, the Middle East, Asia and most recently also South and Latin America where a sales organisation is currently being set up.

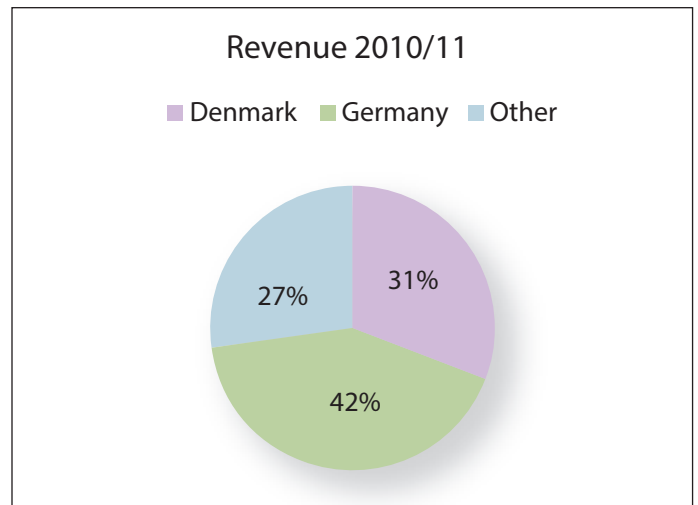
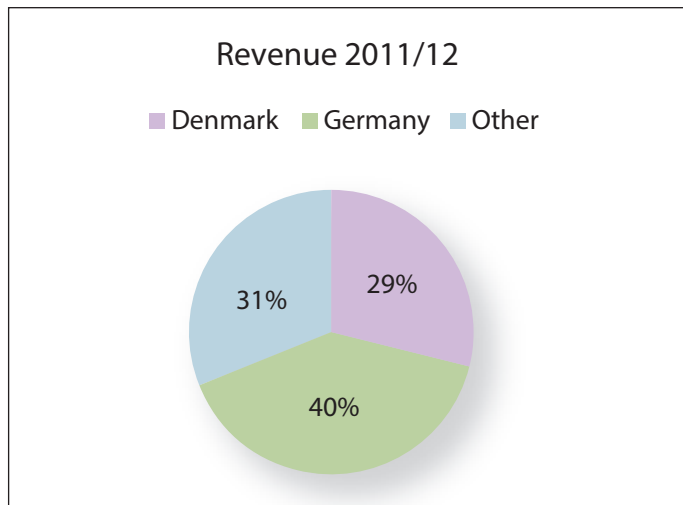
More than 70% of total revenue is thus generated outside of Denmark, just as more than 75% of sales are now effected outside of Denmark.

## NORTHERN EUROPE

Northern Europe is the group's largest market and includes Denmark, Norway, Sweden, the Baltic states and Germany as well as the Danish-German border area, which represents a special market for the group's drinks products. In addition, the company markets a targeted range of products in other selected European markets.

## DRINKS

In Northern Europe, Harboe primarily sells its products to the retail sector, which has seen ongoing consolidation in recent years, especially among the discount chains which continue to increase their relative





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share of the total retail trade. Ongoing consolidation has also taken place among Harboe's competitors, which has further increased competition in these markets. Harboe's drinks product range in Northern Europe is targeted at the private-label segment and is also marketed under Harboe's own brands through the major supermarket chains at attractive prices, typically lower than the prices of the international brands within the same categories. In most of Europe, this segment is increasing its relative share of the traditional beer and soft drinks market. Competition is fierce in all 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 periodically marketed at discount prices.

In addition, Harboe markets a number of products under own brands, including Darguner, Bear Beer and the speciality products from Gourmet-Bryggeriet. Harboe also markets a portfolio of speciality products, including non-alcoholic malt beverages, ginger drinks etc., under own brands. These products are primarily targeted at markets where they cater for segments with a special culturally and ethnically based demand.

In the European markets, total beer sales have been falling for the past 10 years, and this general trend continued in the past financial year. Sales of soft drinks continue to grow, and particularly the sugar-free segment continues to develop positively and constitutes an ever-increasing part of the total soft drinks market. The development in sales of soft drinks is also driven by continued product development within this segment, including energy and sports drinks, which are advancing in the market. Most recently, flavoured mineral water and vitamin drinks have penetrated the market as interesting products that may drive continued growth in the segment.

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

Harboe's strategy is to focus on maintaining a high volume of the group's drinks products and protecting its well-established position in the highly competitive Northern European market. Harboe will drive the development and provide customers with a high level of quality, flexibility and reliable deliveries. At the same time, through ongoing development activities, Harboe intends to provide its customers with an attractive product range that always reflects the international trends and the demand in the drinks market.

#### **STRATEGIC MEASURES AND RESULTS**

The wet and cold summer affected sales of beer in 2011/12 and caused a slight decrease in sales.

However, the decline was offset by increased sales to new European markets, and strategic collaboration agreements with new customers are

also contributing positively to the total volume and efficiency utilisation at the group's breweries. The soft drinks and non-alcoholic drinks segments were affected by the summer weather as well, which influenced sales in all Northern European markets. However, for the period as a whole, sales grew, among other things as a result of strengthened sales and marketing activities in selected markets within less seasonally dependent product categories such as dark malt beverages. In the course of the year, Harboe has continued cooperating closely with its customers to ensure that it always offers the right product range creating added value for both customers and consumers. At the same time, Harboe has focused on the continued expansion of its position within on-trade sales to cafés, canteens etc., just as sales to the convenience segment are continuously being expanded through further strengthening of the sales organisation and a targeted product portfolio.

#### **TRADITIONAL MALT EXTRACT**

For more than 60 years, Harboe has marketed malt extract as an ingredient for the food industry in a number of targeted products. The 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 the 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 production industries, including in particular bakeries and other food producers.

The range of products within the traditional malt extract is sold to customers in the food industry with primary focus on the European market. In recent years, the business has developed particularly positively with strong growth in sales. Sales are driven by rising demand and a general recognition of Harboe's products and certified production processes in an industry where food safety and quality are paramount. This is further supported by Harboe's continued product development in this category.

The market for malt extract holds an attractive growth potential in the region which the group wants to utilise through a continued focused strengthening of the product portfolio and further expansion of the sales organisation.

#### **STRATEGIC MEASURES AND RESULTS**

Sales of traditional malt extract developed positively through a continued good collaboration with existing customers and several agreements with new customers, which were concluded at the beginning of the calendar year. In terms of product development, Harboe has continued its efforts, including the development of new variants of malt extract based on other grain types.

#### **THE MIDDLE EAST**

For a number of years, Harboe has worked systematically to expand its activities in the Middle East in close cooperation with a number of local

# MANAGEMENT'S REVIEW

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and international distributors and partners. Harboe sells a wide range of targeted drinks products, and this region offers an interesting potential for the group's new and innovative malt extract products.

## DRINKS

In the Middle East, Harboe primarily markets its drinks products under own brands which are highly recognised in the market. Harboe sells beer in selected Middle Eastern countries that allow alcohol import. The group also markets a range of non-alcoholic products, including non-alcoholic malt beverages and traditional soft drinks, which are both seeing growth. The development is driven by increasing purchasing power and an ever growing consumer segment demanding quality beverages. At the same time, Harboe pursues a product strategy where new and innovative product variants are launched, based on the existing, well-known brands, especially within the non-alcoholic drinks.

In the past four years, Harboe has pursued a focused geographical expansion strategy in the region, and the group now has a strong foothold in several markets. The activities are being expanded continuously in collaboration with customers and distributors in both existing and new markets in the region.

## STRATEGIC MEASURES AND RESULTS

However, the developments in the financial year were marked by the continued political turmoil in the region, which affected sales in several key markets and delayed supplies, causing widespread trading challenges. Demand continues to grow, however, and Harboe constantly focuses on how the group can best utilise the existing market potential while taking into account the political situation and the economic risk exposure.

## CLEAR MALT EXTRACT

In the course of the year, Harboe has continued its strategic development activities within malt extract, which Harboe sells to a number of customers in the drinks industry in the Middle East and Central Asia. The company has further expanded its sales organisation and collaboration projects with partners in the drinks industry. During the year, Harboe participated in several international food and drink shows and continues its efforts to market the product and its wide applications to customers in the region. Total sales of clear malt extract increased in the period, but the continued political turmoil causes difficult business conditions and a more moderate growth rate than expected.

## AFRICA

For a number of years, Harboe has pursued a targeted growth strategy in the African market and currently sells a wide range of beer, soft drinks, malt beverages and non-alcoholic beer in a growing number of African countries. Harboe generates the largest share of its revenue outside of Europe in this region, and it continues to grow. The products are primarily marketed under own brands, which are increasingly being recognised.

Harboe's expansion in the African countries is driven by increasing demand for strong beer and malt-based products, in particular, and the market development supports the sales with a rapidly growing middle class and the retail trade's continued development and consolidation. Focused selling and marketing activities and close and mutually beneficial collaboration with large regional distributors are catalysts for the group's continued positive development.

## STRATEGIC MEASURES AND RESULTS

The sales organisation is still being expanded, and intensive marketing activities have helped drive the extremely positive development in the African markets in the period, with volumes rising within the entire product range. The results were achieved in the existing markets, and long-term supply agreements also paved the way for new and promising growth markets on the continent.

The expansion is based on ongoing market analyses in close cooperation with distributors, and new market opportunities are assessed carefully against risk assessments of trade conditions, distribution options and other factors which may affect business in markets which are still relatively immature.

In the coming year, Harboe expects continued high growth in the activities and further strengthening of its sales activities.

## ASIA

Based on the positive results in Africa and as part of Harboe's strategy of continued international expansion of its activities, the group has launched systematic sales efforts in Asia and in selected markets in Oceania. The large Asian markets are driven by continued economic growth and generally increasing consumption, which includes quality drinks. A regional sales organisation has been established and is managed from a new local sales office. In addition, collaboration with several distributors across the region has been established.

Harboe's strong beer represents particularly interesting potential in new geographical markets in Asia, where the products have achieved a strong niche position, which has been further expanded with the introduction of more product variants and categories. The products are being marketed under Harboe's own brands and are positioned in premium segments for imported products which are growing fast in step with the economic development and stronger purchasing power among consumers in many of these markets.

## STRATEGIC MEASURES AND RESULTS

During the period, good results were achieved in collaboration with key distributors combined with a targeted sales strategy aimed at large retail chains in Hong Kong, Malaysia and Taiwan, among other places. Several of them are now carrying Harboe's products, thereby effectively showcasing them to the consumers in these markets. In several of the Asian markets,





BY APPOINTMENT TO  
THE ROYAL DANISH COURT

# HARBOE

HARBOE'S BREWERY A/S



Alcohol free malt beverage · Boisson maltée sans alcool · Bebida de malta sin alcohol  
Bebida analcolica al malto · Bebida de malte sem álcool · شراب شعير خالي من الكحول

330 ml / 33 cl / 11.6 fl oz / 330 ml / 33 cl / 11.6 fl oz

VITAMINS · PROTEINS · MINERALS · ANTIOXIDANTS

Consumeur de préférence avant le fond de la canette - Consume preferentemente antes de llegar al fondo de la lata



# MANAGEMENT'S REVIEW

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the convenience segment represents an important share of the retail trade, and Harboe has also been able to successfully position its products here. At the same time, the company works systematically on marketing in the on-trade segment, where new agreements with, among others, major national concept chains were concluded during the year.

In the years to come, Harboe will continue to target the Asian markets, focusing on continued expansion in China, South Korea, Vietnam and Japan, among other countries. The group's targeted portfolio of non-alcoholic products will also be included in the marketing in selected markets with large Muslim populations, such as Indonesia. Although still at a modest level, the systematic sales activities in Asia contribute positively to the group's overall results. In the coming year, continued high growth and further expansion of activities are expected.

## OTHER MARKETS

In addition to the four major geographical regions where Harboe is working systematically to expand its position, the group sells a targeted portfolio of products in selected markets in Eastern Europe, the Caribbean and South and Latin America.

Particularly South and Latin America is expected to become an attractive market in the years to come with increasing economic growth and consumption, and in 2012, Harboe intends to initiate the establishment of a focused sales organisation to start systematically targeting this region.

## PRODUCTION AND CAPACITY

**“High quality and efficiency in production are vital for us to achieve continued growth. Many years of targeted investments means that we now have the capacity to take the next important steps in our growth strategy”**

The group's three breweries have a total capacity of 10 million hectolitres. In 2011/12, a total of 6.52 million hectolitres of beer, soft drinks and malt wort products were sold. This corresponds to an increase of 9.8% compared to the year before and reflects the positive development in the group's sales and the ongoing investments in the continued strengthening of capacity. The capacity utilisation was also strengthened by continued collaboration with several customers concerning contract manufacturing.

In its ongoing operations and production development, Harboe focuses on achieving a high capacity and flexibility – also between the production units – in order to ensure that seasonal fluctuations and order intake are handled in the most optimal way. DKK 95.0 million was invested in the brewery sector in 2011/12.

The investments have been focused on continued strengthening of capacity, including the establishment of a new can unit at the group's German brewery. In addition, the company has invested in continued efficiency improvements, just as a number of expansion and optimisation projects to strengthen the coordination of capacity between the group's production units have been completed.

As part of Harboe's efforts to always ensure efficient and coordinated production and utilisation of resources across the group's production units, during the financial year, Harboe launched the implementation of an Enterprise Resource Planning system at the breweries in Denmark and Germany. In the year to come, the system will be fully implemented, so that in the future, resources will be managed through a joint efficient platform.

In addition to continuous investments in production facilities, Harboe has made a number of investments aimed at improving efficiency and environmental profiles. In 2008, Harboe invested in a CO2 capture system in the German production unit, which proved very successful, and in 2010 a similar investment was made in the production unit in Skælskør. The systems capture and reuse CO2 emissions generated in the production process, and the money saved has paid for the investments in less than two years.

In the past five years, Harboe has invested DKK 670.5 million in the expansion and strengthening of the brewery business' production facilities. The investments have proved decisive in the competition for large-volume contracts in the main markets in Northern Europe. 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.

Harboe will also in future assess the need for further investments in efficiency and capacity. In 2012/13, investments are expected to be targeted mainly at ongoing maintenance and efficiency improvements.

## EMPLOYEES AND ORGANISATION

**“All management in Harboe is driven by our basic values of mutual respect and responsibility. This is a powerful motivational factor creating results across all levels of our company”**

For more than 125 years, Harboe has based its business on fundamental values such as responsibility, cooperation, quality and performance. These values form the basis for Harboe's management philosophy and are at the same time pillars of the group's strong corporate culture. As Harboe has continued its expansion, it has been an important strategic priority to maintain and pursue these values across national borders and organisational units.

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

### RECRUITMENT AND TRAINING

The strategic focus of our recruitment activities has primarily been directed at the international sales organisation, which has been further strengthened with new and strong competencies during the year. With this, Harboe's international growth strategy is now further supported by dedicated sales resources directed at the geographical regions where the group expects to generate growth in the coming years. The strategy is also supported by the establishment of local sales offices and continued expansion of the sales organisation in step with the unfolding of the market opportunities.

The development of the group's employees and continued strengthening and updating of competencies are a major strategic focus area at all levels of the group, and many activities in this respect were undertaken during the financial year. Last year, Harboe launched a formalised development process for key managers in the group. The ambition is to ensure that the group's strategic management is based on a strengthened, shared reference framework. A training course has thus been initiated for approx. 15 key managers, which, considering the group's commercial challenges, focuses on relevant problems and tools within business management. During the financial year, the development process has continued with a number of activities strengthening the interdisciplinary leadership in the group. Internal management training has also been conducted in Estonia.

The operational part of the group undertook a number of training activities during the year. In order to ensure efficient and close follow-up on the quality and efficiency of the individual production processes, Harboe set up a team leader training programme a few years back, which was continued in this financial year. The programme yielded highly positive results in the form of continuous optimisation and efficiency improvements in operations. At the same time, the increased level of responsibility is a strong motivational factor for both the individual team leaders and the employees in the organisation who are now closer to where decisions are being made. Concurrently with these activities, Harboe offers specialised internal and external courses and competency development programmes for managers and employees.

In the coming financial year, there are plans for a development programme targeted at the entire organisation. This programme will contribute to further strengthening the common culture and support for the strategic priorities across the organisation.

### EMPLOYEE SATISFACTION

As part of the competency development of each employee, Harboe conducts annual performance interviews which follow up on goals and results, and performance plans are defined for the coming year. The performance interviews also provide an opportunity to follow up on employee satisfaction, which is largely supported by a strong corporate culture. Work is going into establishing an interdisciplinary system for development and follow-up on employee satisfaction in the group.

Harboe has a low staff turnover rate, and the seniority of both production staff and specialists ensures continuity and retains the valuable knowledge accumulated in the company. At the same time, it is extremely satisfactory that the number of employees with very few or no days off sick is extremely high.

## CSR – CORPORATE SOCIAL RESPONSIBILITY

### Business-driven corporate social responsibility

**“Responsibility is a core value in Harboe, and responsible management means that all decisions must be weighed against risks and consequences. This applies both internally and in relation to the world in which we operate”**

Sustainability is a central element in Harboe's strategy for the group's continued growth and development. Effective utilisation of resources and positive relations with the company's stakeholders are essential to Harboe's future value creation. Harboe's work on responsibility is rooted in a policy based on a commercial prioritisation based on value optimisation and risk mitigation. The policy has been approved by the company's Board of Directors and can be found on the group's website at [http://files.shareholder.com/downloads/AMDA-EBDFV/1941228922x0x584948/9f89ea52-5d9b-4692-9a5e-bd92891306c6/CSR\\_-\\_2012\\_UK.pdf](http://files.shareholder.com/downloads/AMDA-EBDFV/1941228922x0x584948/9f89ea52-5d9b-4692-9a5e-bd92891306c6/CSR_-_2012_UK.pdf)

The group has decided to focus on the following four focus areas within corporate social responsibility: climate and environment, employees and occupational health and safety, quality and health and community relations.

As a member of the Danish Brewers' Association, Harboe supports the industry's responsibility initiatives and participates in the ongoing reporting within the industry's focus areas.

### CLIMATE AND ENVIRONMENT

Harboe's objective is to minimise the resources used in the production process as much as possible relative to the overall production volume, thereby reducing the environmental impact of its activities.

Harboe's production facilities are optimised at regular intervals to ensure







# MANAGEMENT'S REVIEW

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an up-to-date, efficient and flexible production process. All investments in new production technology, optimisation of existing production facilities and all product and packaging development take into account resource use and general environmental impact.

All the group's units are certified according to international quality and environmental standards. Harboe prepares green accounts for its production unit in Skælskør containing information about raw material, water and energy consumption as well as emissions, waste water discharge and waste disposal.

Investments were also made in the past financial year to maintain and optimise the group's production facilities. The experience gathered from the past years' investments in new evaporation plants and a CO<sub>2</sub> capture system is also positive. CO<sub>2</sub> is now systematically captured and reused in Denmark and Germany, and the energy savings can pay for the investment in the plants in just two years.

Optimisation efforts also continued in the logistics area, and last year's changes in the warehouse facilities' infrastructure led to permanently improved efficiency and significant reductions in internal warehouse transport.

In 2011/12, the implementation of the Enterprise Resource Planning (ERP) system at the group's production units in Denmark and Germany was initiated as planned. In the coming financial year, the system will be fully implemented with the result that the entire group's production may be managed and coordinated on the same IT platform.

The system will be the starting point for Harboe's efforts to control and monitor quality standards, output rates, energy consumption etc. across group units and will form the basis for forward-looking, specific objectives and reporting with a view to further optimisation of production.

## EMPLOYEES AND OCCUPATIONAL HEALTH AND SAFETY

Harboe wants to be an attractive workplace that is able to attract, retain and develop the talents necessary to ensure the group's continued development.

Harboe's corporate culture is based on responsibility, cooperation, quality and results. Harboe's employees are offered competitive pay and employment conditions in accordance with applicable collective agreements, good practice and relevant international standards. Furthermore, the employees are offered regular training to ensure the continued upgrading of skills and qualifications.

The health and well-being of its employees is important to Harboe. In addition to an attractive canteen option, the group offers its employees personal advice and activities relating to weight loss, smoking cessation etc. Harboe is dedicated to ensuring a safe working environment that seeks to prevent absence due to illness and injury. Harboe is constantly investing in

training and development activities to ensure that its employees are optimally geared to carrying out their duties in a safe and efficient manner. Further training programmes for employees were also completed this year.

In accordance with the strategy, the group's production unit in Skælskør received occupational health and safety certification in the financial year. Several processes were optimised in connection with the certification, and in future the certification will enable a more structured, ongoing follow-up in this area. Preparations for a similar certification of the group's other two production units in Germany and Estonia have started, and this is expected to be completed in the course of 2013.

## QUALITY AND HEALTH

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's requirements for the quality of the raw materials purchased from suppliers follow this ambition and are evaluated systematically.

Investments in quality improvements and optimisation of production facilities are made to ensure that Harboe meets new requirements and expectations for quality and hygiene at all times. All the group's production units are certified in accordance with international quality standards, and systematic follow-up and control are carried out.

The market is seeing a growing consumer demand for healthier products. Harboe continues to focus intensively on innovation in order to meet this demand, and product development within malt extract is one of the efforts that support this strategy.

Finally, Harboe supports the industry's standards for responsible marketing of alcohol and the information activities carried out under the auspices of the Danish Brewers' Association.

Harboe will continue to focus on quality and health in the coming year as well. In this context, the implementation of the ERP system is expected to contribute to optimised control of the quality standards. At the same time, the further development activities within malt extract and the development of own drinks products will focus on meeting the demand for more natural and nutritious products.

## EXTERNAL RELATIONS

It is an integral part of Harboe's management philosophy and fundamental values that the company has a good and constructive relationship with its stakeholders, based on professionalism, open dialogue and mutual respect. The group's business-ethical policies regulate the relations with its business partners.





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THE ROYAL DANISH COURT

# HARBOE

HARBOE'S BREWERY A/S



BREWED IN GERMANY  
EXTRA STRONG



# MANAGEMENT'S REVIEW

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Harboe's relations with its suppliers and other partners are also based on agreements and contracts being drafted in accordance with international standards, and the group has developed a number of standard requirements regarding quality, the reliability of deliveries and CSR which are incorporated into the supplier agreements.

Harboe is strongly rooted in the local community, and being aware of the responsibility that naturally comes from being an integral part of the communities in which the company operates is a key element of the group's values. This year, Harboe thus again supported many relevant local sports activities, cultural events and charities, and these activities have a positive impact on the group's relations with the surrounding world, just as they contribute to strengthening the culture and cohesion internally in the company.

In the coming year, Harboe will work on further strengthening and expanding the professional and mutually value creating collaboration with suppliers and other partners. The process will focus particularly on the continued internationalisation of the business and provision of the formal framework for the relations and business activities established in new markets where social conditions, regulation and business practice deviate from EU standards.

## CORPORATE GOVERNANCE

**"In a growth company, it is necessary to have the freedom to seize new opportunities when they arise. In Harboe, we continuously strive to strengthen and develop the professional and managerial frameworks and systems that make this possible"**

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 issued by the Committee for Corporate Governance, as most recently updated in August 2011.

The full review of the individual recommendations is available at the group's website: [http://files.shareholder.com/downloads/AMDA-EBDFV/1941228922x0x584949/6f84d2a4-99a5-416e-a025-0b8cfc0418d2/Corporate\\_Governance\\_-\\_2011-12\\_UK.pdf](http://files.shareholder.com/downloads/AMDA-EBDFV/1941228922x0x584949/6f84d2a4-99a5-416e-a025-0b8cfc0418d2/Corporate_Governance_-_2011-12_UK.pdf)

## THE ROLE OF THE SHAREHOLDERS AND THEIR INTERACTION WITH THE MANAGEMENT OF THE COMPANY

Harboe places considerable emphasis on the company's shareholders being able to monitor the company's development. The group's management maintains an active dialogue with the share market, holding a number of meetings with potential and existing investors and analysts in the course of the year. Harboe wishes to promote active ownership, and the company's general meeting is held in accordance with the recommendations.

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

## ROLE OF STAKEHOLDERS AND IMPORTANCE TO THE COMPANY AS WELL AS CORPORATE SOCIAL RESPONSIBILITY

It is an integral part of Harboe's management philosophy and fundamental values that the company has a good and constructive relationship with its stakeholders, based on open dialogue and mutual respect. Harboe has laid down a policy for the relations with the company's investors, which is included in the shareholder information section of the annual report.

Harboe has also laid down a corporate social responsibility policy and reports on developments in the prioritised focus areas in the annual report.

## OPENNESS AND TRANSPARENCY

Harboe has adopted a policy for the company's communication with the outside world, and the management follows established procedures for the publication of essential information according to the recommendations.

## THE TASKS AND RESPONSIBILITIES OF THE SUPREME AND THE CENTRAL GOVERNING BODIES

Once a year, the Board of Directors of Harboe lays down and updates the company's strategy. The Board of Directors follows up on the strategic initiatives and the realisation of the targets set at appropriate intervals and assesses the company's management competencies and financial resources with a view to ensuring a strong business development, both in the short term and in the long term. The Board of Directors' tasks and responsibilities have also been determined in accordance with the recommendations. In the opinion of the Board of Directors, Harboe's organisation and management follow the recommendation on diversity and equal opportunities for both sexes. These considerations are addressed in the company's HR strategy, which, however, primarily aims at ensuring that the relevant competencies are in place in the organisation. Consequently, the Board of Directors does not consider it necessary to set special objectives in this area. In the opinion of the Board of Directors, there is no need for a deputy 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.

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## COMPOSITION AND ORGANISATION OF THE SUPREME GOVERNING BODY

The members of the Board of Directors and their individual competencies and other memberships of boards of executives, boards of directors, supervisory boards etc. are described in more detail in the annual report. The Board of Directors finds it important that the Board be 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. Harboe has not defined an upper age limit for members of the Board of Directors, as the Board of Directors believes that the ongoing assessment of the individual members' work and 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 a term of four years, and at least one member is up for election every year. The Board of Directors believes that a term of service of four years contributes positively to ensuring continuity in the company's management and that the shareholders' influence on the composition of the Board of Directors is ensured by an annual election. The time of each individual board member joining the Board of Directors and of the possible re-election of the member is stated in the annual report.

The Board of Directors has not set up a nomination or remuneration committee, but assesses the need for this at regular intervals. Important contracts are approved by the Chairman of the Board of Directors.

The Board of Directors has not established 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 Board of Directors regularly assesses the work and results of the management in connection with the financial and business reporting.

The composition and organisation of the Board of Directors are also determined in accordance with the recommendations.

In 2011/12, the Board of Directors held a total of four meetings.

## REMUNERATION TO THE 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, for the time being, decided not to introduce share-related incentive schemes. 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 remuneration paid to the Board of Executives and the Board of Directors is specified in the annual report. The Board of Directors does not find it relevant to specify the remuneration granted to each member. The Board of Directors is not comprised by any defined-benefit schemes. The Board of Directors does not find it relevant to specify the pension scheme of the Board of Executives or the value thereof. Other particulars of the remuneration paid to the Board of Directors and Board of Executives are reconciled with the recommendations.

## PRESENTATION OF THE ANNUAL REPORT (FINANCIAL REPORTING)

Harboe's annual report is presented in accordance with IFRS and the recommendations.

## RISK MANAGEMENT AND INTERNAL CONTROLS

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 Board of Executives reports to the Board of Directors on developments in the main risk areas on an ongoing basis.

The Board of Directors will consider whether a whistle-blower scheme should be established.

Harboe's risk management and internal controls are described in more detail in the relevant section of the annual report.

## AUDIT

The Board of Directors and the audit committee of Harboe have an ongoing dialogue with the company auditors. Every year, the audit committee submits a proposal for an audit engagement letter and for the auditors' remuneration to the Board of Directors. The audit committee meets with the auditors in connection with the presentation of the annual report. The auditors also attend the board meeting at which the annual report is considered.

## RISKS, FINANCIAL REPORTING AND CONTROLS

**"In step with continued growth and geographical expansion, we are increasingly being exposed to risks that may affect our results. For this reason, risk management is a systematic process integrated in all parts of the value chain"**

Harboe is constantly analysing and considering the business and financial risks affecting the company's development and results. The Board of Directors and the Board of Executives are generally responsible for the risk assessment, risk management and internal controls of the group in connection with the financial reporting. The Board of Directors of Harboe has set up an audit committee consisting of the externally elected, independent members of







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the Board of Directors. The audit committee is responsible for laying down policies and procedures and for the continuous monitoring of the internal control systems. The annual tasks and areas of responsibility of the committee have been defined in close collaboration with the company's external auditors. Prior to the adoption of the annual report, the committee considers the reporting with the company's external auditors and subsequently reports to the Board of Directors on accounting policies, significant accounting estimates, transactions with related parties, uncertainties and risks.

The framework for the ongoing risk assessment is laid down by the Board of Directors. A standardised programme with minimum requirements for documentation and follow-up has been established with a view to reducing recorded reporting risks. Reporting and follow-up for the individual units form part of the reporting to the Board of Directors. The ongoing monitoring and controls are carried out both in the individual units of specialised control functions and at group level.

## IMPORTANT BUSINESS RISKS

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

### PRODUCTION AND QUALITY

Harboe's production of beverages is exposed to a risk of errors or accidents happening which may affect the quality of the end product. This can result in losses because products must be rejected or recalled from the market, which, in the long term, may undermine consumer confidence in the group's products. To minimise the risk of this happening, Harboe is very focused on the quality assurance of its production processes. Consequently, all the group's production facilities are certified in accordance with international quality standards and apply established operating and maintenance procedures. An ERP system which will strengthen the efficiency, coordination of production and utilisation of resources across the group's production units is being implemented at the group's production units.

In addition, Harboe invests in quality improvements and optimisation of its production facilities on an ongoing basis with a view to complying with new requirements and living up to expectations for quality and hygiene at all times.

### SUPPLIERS

It is decisive that the quality of the raw materials which Harboe uses for its products meets the highest food safety standards. At the same time, Harboe is dependent on the raw materials being delivered on time and in the agreed quantities. The majority of Harboe's sub-suppliers are based in the EU. The collaboration with suppliers is often based on long-term relations and agreements which are adjusted and renegotiated for one to

two years at a time. Harboe evaluates the quality and reliability of deliveries of its suppliers at regular intervals, and, for all primary raw materials, Harboe has two suppliers to ensure the highest possible reliability of delivery.

### COMPETITION, PRICES AND TAXES

In all the group's main markets, the beer and soft drinks segments are characterised by intense competition, leading to a constant pressure on prices. Harboe is therefore very sensitive to market fluctuations in the prices of raw materials and consumables, as increasing production costs cannot simply be added to the sales prices. This is true, in particular, of the group's main markets in Northern Europe. To counter such fluctuations as much as possible, Harboe is systematically seeking to conclude long-term contracts with sub-suppliers and regularly analyses the scope for additional efficiency improvements in production. Moreover, Harboe focuses on strengthening sales of its own brands and new products within malt extract in the growth markets outside of Europe, which offer higher earnings margins and, thus, less sensitivity.

Harboe's beer and soft drinks are, to a varying extent, subject to sales taxes in the group's markets, and marked changes in these taxes may affect Harboe's earnings and, ultimately, the sales of the group's products. Consequently, it is assessed regularly how the brewery sector can counter this risk in the best possible way through diversification of the group's product strategy and development activities.

### MARKET CONDITIONS AND REGULATION

In step with the group's continued geographical expansion outside of the EU-regulated markets in Europe, the group is increasingly being exposed to risks related to new and changing political and regulatory regimes and business practices, which may affect trading conditions and approvals, import regulation, financial transactions, logistics etc. For this reason, Harboe continuously weighs these risks against the concrete market opportunities and will generally start cultivating new geographical markets in cooperation with experienced and local distributors and partners. Harboe is also working to strengthen its internal communication and business processes in relation to the handling of the group's business practices and ethical standards to ensure that the employees involved in business relations within sales, marketing, purchasing etc. are given the best possible guidance and support on how to handle any situations that deviate from normal standards.

### SEASON AND CAPACITY

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



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efficiency improvements and investments in expanding capacity, just as systematic coordination of production between the group's production units is a strategic focus area under constant development.

#### **CUSTOMERS AND AGREEMENTS**

Harboe's sales are to a large extent effected through agreements with major retail-sector customers. Harboe's revenue is thus dependent on these agreements being renewed, and the company is therefore focusing on cultivating and further developing its collaboration with customers and on ensuring that product offerings, prices and capacity are in line with customer demand and expectations at all times, based on fundamental principles of competition. All deliveries entail a debtor risk, which increases concurrently with the continued internationalisation of the group and the establishment of new customer relations. 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.

#### **PRODUCT DEVELOPMENT AND SALES**

The successful introduction of new products is an important precondition

for Harboe's continued growth. It is therefore decisive that the market comes to accept the new products and that the products meet or can help drive demand in the markets. Harboe's product development strategy is therefore based on a close and ongoing dialogue with customers, detailed market analyses combined with the targeted exploitation of new production technologies and innovative product and packaging design.

#### **FINANCIAL RISKS**

Harboe's solid capital structure limits the risk associated with the developments in market interest rates. At the end of the financial year, the company's net interest-bearing debt amounted to DKK 146 million.

As Harboe's sales and purchases in foreign currencies in respect of most of the group's activities are still denominated in EUR, currency risks for the group are considered limited. Harboe will in future assess the need for currency hedging in step with the development in the group's activities.

The financial risks to which Harboe is exposed are described in more detail in the notes to the consolidated financial statements, which also include sensitivity analyses in connection with such financial risks.







BY APPOINTMENT TO  
THE ROYAL DANISH COURT

# HARBOE

HARBOE'S BREWERY A/S





# MANAGEMENT'S REVIEW

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## SHAREHOLDER INFORMATION

**“To us, ideal value creation is a combination of the ongoing realisation of results and targets and a more long-term development of the company which will also benefit employees, customers and shareholders”**

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

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

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

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

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

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

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

## IR CONTACT:

Ruth Schade, President

Tel.: +45 58 16 88 88

Email: [rs@harboes.dk](mailto:rs@harboes.dk)

## STATUTORY REPORT ON CORPORATE GOVERNANCE

Harboe has chosen to publish its statutory report on corporate governance, cf. Section 107 b of the Danish Financial Statements Act, on the company's website.

## OWNERSHIP

At the end of the financial year, Harboes Bryggeri A/S had 5,236 registered shareholders. The registered shareholders represent DKK 55.1 million of the total share capital, corresponding to 91.84%.

As at 30 April 2012, 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: 15.2%, voting share: 53.2%

Lønmodtagernes Dyrtdisfond  
Vendersgade 28, 1363 Copenhagen K, Denmark  
Equity investment: 20%, voting share: 10.2%

As at 30 April 2012, members of the Board of Directors and the Board of Executives held a total of 937,290 shares. Of these, 908,820 shares were owned by the Board of Executives.

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

# MANAGEMENT'S REVIEW

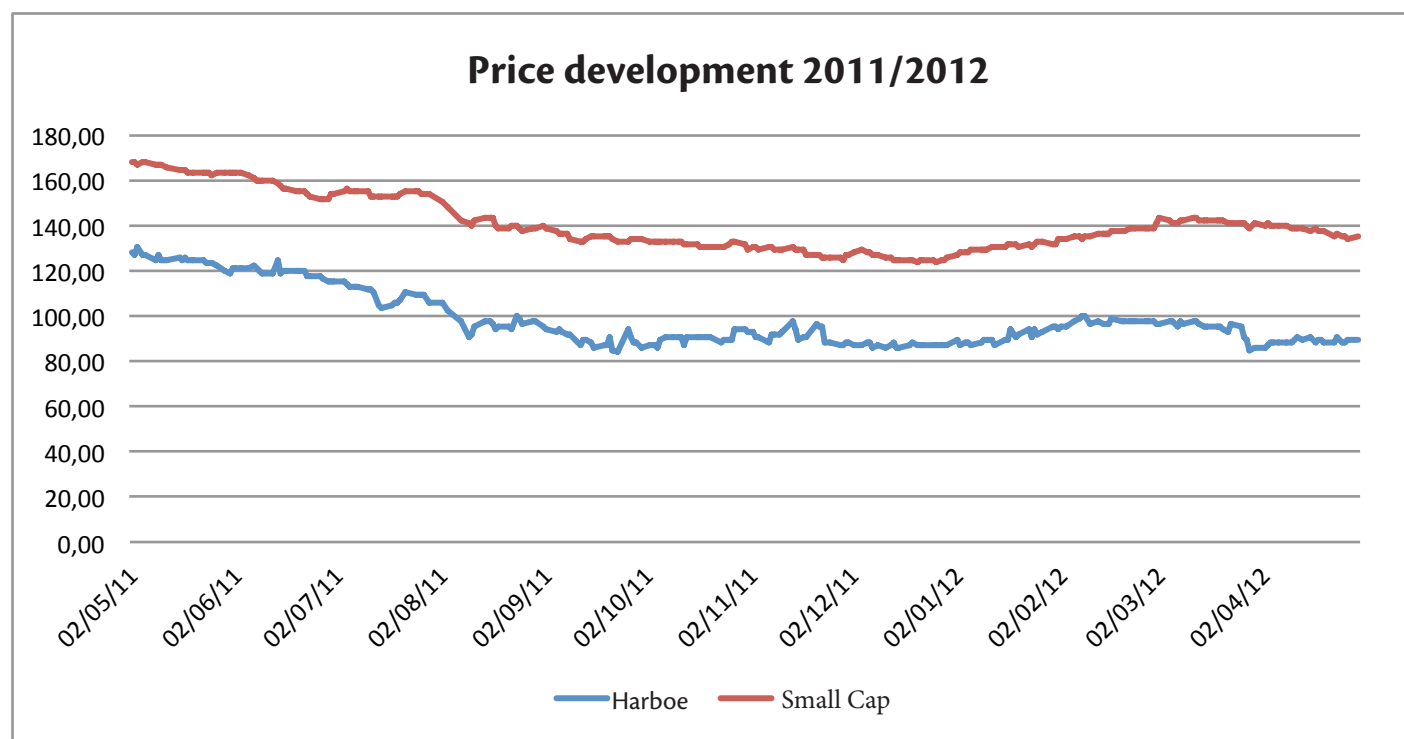
## THE SHARE

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

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

Only the company's Class B shares are listed on NASDAQ OMX Copenhagen. Trading for the period amounted to DKK 76.0 million, corresponding to average trading per day of DKK 305,000.

The Harboe share went down 29.5% in the course of the year, closing at a price of 89.5 against a price of 127 at the end of the last financial year. The price development should be seen in light of the development in the small cap index, which fell by 19.1%.





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## ANALYSTS

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

Danske Bank: Kristian Godiksen

SEB Enskilda: Søren Samsøe

## AUTHORISATION TO ACQUIRE TREASURY SHARES

At the extraordinary general meeting held on 5 November 2010, 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 listed price plus/minus 10%. This authorisation is valid until the company's annual general meeting in 2015.

As at 30 April 2012, the company had a holding of own shares of 393,882 Class B shares.

During the financial year, the company acquired 43,297 Class B shares at a total value of DKK 3.7 million. As at today, the company has a holding of 399,109 Class B shares.

## 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.

Termination benefits of a maximum of two years' remuneration have been agreed for key management employees in the event of dismissal in connection with a change in the control in the company.

## DIVIDEND

The Board of Directors recommends to the annual general meeting on 22 August 2012 that a dividend be paid in the amount of DKK 1.50 per share, corresponding to a total of DKK 9.0 million.

## FINANCIAL CALENDAR

Harboes Bryggeri A/S expects to publish preliminary announcements of financial statements as follows:

Annual report 2011/12	26 June 2012
Annual general meeting	22 August 2012
Interim report, Q1 2012/13	18 September 2012
Interim report, H1 2012/13	13 December 2012
Interim report, Q3 2012/13	20 March 2013

# MANAGEMENT'S REVIEW

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## COMPANY ANNOUNCEMENTS

Company announcements issued in the period 1 May 2011 to 30 April 2012:

<b>DATE</b>	<b>ANNOUNCEMENT</b>
16 May 2011	Financial calendar 2011/12
28 June 2011	Preliminary announcement of financial statements 2010/11
30 June 2011	Announcement of annual general meeting
22 July 2011	Notice of annual general meeting
3 August 2011	Annual report 2010/11
24 August 2011	Minutes of annual general meeting
7 September 2011	Interim report, Q1 2011/12
19 September 2011	Reporting in accordance with Section 28a of the Danish Securities Trading Act
12 December 2011	Interim report 2011/12
27 March 2012	Interim report, Q3 2011/12
26 April 2012	Reporting of insider trading





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THE ROYAL DANISH COURT

# HARBOE

HARBOE'S BREWERY A/S



# MANAGEMENT'S STATEMENT

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Today, the Board of Directors and Board of Executives have reviewed and approved the annual report of Harboes Bryggeri A/S for the financial year 1 May 2011 – 30 April 2012.

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 the 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 2012 as well as of the results of their operations and cash flows for the financial year 1 May 2011 to 30 April 2012.

We believe that the management's review gives a fair account 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 for 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, 26 June 2012

## **BOARD OF EXECUTIVES**

Bernhard Griese  
CEO

## **BOARD OF DIRECTORS**

Anders Nielsen, Chairman  
Bernhard Griese  
Mads O. Krage  
Mette Kirstine Agger  
Thøger Thøgersen  
Carl Erik Kjærsgaard  
Jens Bjarne Jensen \*

\* Staff representative





HARBOE  
PREMIUM LAGER DENMARK

BEAR BEER  
PREMIUM LAGER DENMARK

LA VALLEDON



# INDEPENDENT AUDITOR'S REPORT

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## TO THE SHAREHOLDERS OF HARBOES BRYGGERI A/S

### AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

We have audited the consolidated financial statements and financial statements of Harboes Bryggeri A/S for the financial year 1 May 2011 to 30 April 2012, 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 Danish disclosure requirements for listed companies.

### THE BOARD OF DIRECTORS AND BOARD OF EXECUTIVES' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

The Board of Directors and the 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 Danish disclosure requirements for listed companies. In addition, the Board of Directors and the Board of Executives are responsible for the internal control which they consider as being necessary to prepare consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

### THE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and financial statements based on our audit. We conducted our audit in accordance with international auditing standards and other requirements set out in Danish audit provisions. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements and financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the consolidated financial statements and financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the enterprise's preparation and fair presentation of the consolidated financial statements and financial statements. The purpose is to design audit procedures that are appropriate under the circumstances, but not to express an opinion on the effectiveness of the enterprise's internal control. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the Board of Directors and Board of Executives, as well as the overall presentation of the consolidated financial statements and financial statements.

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

Our audit did not give rise to any qualifications.

### OPINION

In our opinion, the 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 2012 as well as of the results of their activities and cash flows for the financial year 1 May 2011 to 30 April 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

### STATEMENT ON THE MANAGEMENT'S REVIEW

We have read the management's review in accordance with the Danish Financial Statements Act. We have not performed any services other than the audit of the consolidated financial statements and financial statements.

Against this background, we believe that the information contained in the management's review is in accordance with the consolidated financial statements and financial statements.

Slagelse, 26 June 2012

## Deloitte

Statsautoriseret Revisionspartnerselskab

**Jens Jørgen Simonsen**

State-Authorised  
Public Accountant

**Jørgen Holm Andersen**

State-Authorised  
Public Accountant





# MEMBERS OF THE BOARD OF DIRECTORS



## **AGGER, METTE KIRSTINE**

Managing Partner (1964)

Member of the audit committee.

Independent member of the Board of Directors since 2008.

Term of service expires in 2012.

Mette Kirstine Agger is a qualified biologist from the University of Copenhagen and holds an MBA. Since 1996, Mette has held several executive positions and directorships in a number of biotech companies. In 2000, Mette Kirstine Agger co-founded 7TM Pharma. Mette Kirstine Agger's considerable and combined technical and business experience constitutes a valuable strategic contribution to the continued development of Harboe's products and production technology.

## **DIRECTORSHIPS**

Allocure

Klifo A/S (Chairman)

EpiTherapeutics ApS

Institutrådet, Statens Serum Institut

Psi Oxus Ltd.

Veloxis Pharmaceuticals A/S

## **SHAREHOLDING**

<b>2011/12</b>	<b>2010/11</b>
400 shares	400 shares



## **NIELSEN, ANDERS**

Lawyer, Chairman (1950)

Chairman of the audit committee.

Independent member of the Board of Directors since 2001.

Re-elected in 2005 and 2009. Term of service expires in 2013.

Anders Nielsen is a qualified supreme-court lawyer and has been a partner in Lett Advokatfirma since 2006. In the course of his career, Anders Nielsen has gained solid experience within business and company law, including negotiations and preparation of contracts in connection with the acquisition and divestment of enterprises. As the Chairman of Harboe's Board of Directors, Anders Nielsen also draws on his experience from his directorships in other companies.

## **DIRECTORSHIPS**

Directorships

Privathospitalet Sorana A/S (Chairman)

Sorana Invest A/S (Chairman)

Danfrugt Invest A/S (Chairman)

Budde Schou A/S (Chairman)

Budde Schou Int. A/S (Chairman)

Harboe Ejendomme A/S (Chairman)

Skælskør Bryghus A/S

Copenhagen DesignByg A/S (Chairman)

Ejendomsselskabet

Holger Danskes Vej ApS (Chairman)

Holger Danskes Vej Holding ApS

Trijac Invest ApS

EDC Poul Erik Bech Allerød A/S

## **EXECUTIVE POSTS**

Holger D. Invest ApS

Advokatanpartsselskabet Troelsen & Nielsen

Trijac Invest ApS

Trijac Holding ApS

## **SHAREHOLDING**

<b>2011/12</b>	<b>2010/11</b>
18,270 shares	18,270 shares





### **GRIESE, BERNHARD**

CEO (1941)

Member of the Board of Directors since 1968. Re-elected in 2010.

Term of service expires in 2014.

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 1984. 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 15.2% of the share capital and 53.2% of the votes in Harboes Bryggeri A/S.

### **DIRECTORSHIPS**

Harboe Ejendomme A/S  
Skælskør Bryghus A/S  
Copenhagen DesignByg A/S  
FCS 2008 A/S  
Danfrugt Invest A/S  
Visbjerggården A/S (Chairman)  
Keldernæs A/S (Chairman)  
Lundegård A/S (Chairman)  
Buskysminde A/S (Chairman)  
Rugbjerggård A/S (Chairman)  
Danfrugt Skælskør A/S (Chairman)  
Bernd Griese Holding ApS  
Vejrmøllegården ApS

### **EXECUTIVE POSTS**

Harboe Ejendomme A/S  
Skælskør Bryghus A/S  
Danfrugt Invest A/S  
Copenhagen DesignByg A/S  
Vejrmøllegården II af 1. oktober 2005 ApS  
Bernd Griese Holding ApS  
Agrar Niendorf GmbH, Germany

### **SHAREHOLDING**

2011/12	2010/11
908,820 shares	786,820 shares



### **KJÆRSGAARD, CARL ERIK**

CEO (1958)

Member of the audit committee.

Independent member of the Board of Directors since 2008.

Term of service expires in 2012.

Since 1985, Carl Erik Kjærsgaard has primarily worked in the advertising industry. Carl Erik Kjærsgaard's extensive marketing experience and talent constitute a valuable contribution to the implementation of Harboe's marketing strategy and continued strategic growth.

### **DIRECTORSHIPS**

Trunk Images A/S (Chairman)  
Cohn & Wolfe A/S (Chairman)  
Computer Camp A/S  
Møller & Rothe A/S  
Happy Kebab Danmark A/S  
Anycopy A/S (Chairman)  
Anymac A/S (Chairman)  
Moving Food A/S  
Preview Networks ApS (Chairman)

### **EXECUTIVE POSTS**

Carl Erik Kjærsgaard Consulting ApS

### **SHAREHOLDING**

2011/12	2010/11
1,410 shares	1,410 shares

# MEDLEMMER AF BESTYRELSEN

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## **KRAGE, MADS O.**

Executive Officer (1944)

Member of the audit committee.  
Independent member of the Board of Directors since 2007.  
Term of service expires in 2011.

Mads O. 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 O. 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 O. Krage's vast experience within the strategic development of markets, sales and marketing.

## **DIRECTORSHIPS**

IMERCO A/S  
IMERCO Holding A/S  
F.A. Thiele A/S  
Thiele Partner A/S  
Hans Just A/S  
Toms Gruppen A/S  
Holdingselskabet af 17. december 2004 A/S  
Plast Team A/S  
Holberg Fenger Holding A/S  
K/S Kristensen Partners I (Chairman)  
Investeringsforeningen Maj Invest (Chairman)  
Fair Trade Mærket Danmark Fonden (Chairman)  
Tulip Food Company A/S  
Indertoften ApS  
Gruppen Service A/S  
Holberg Fenger Administration A/S  
Holberg Fenger Gruppen A/S  
Holberg Fenger Invest A/S  
Emmerys ApS (Chairman)

## **SHAREHOLDING**

2011/12	2010/11
7,499 shares	7,499 shares



## **THØGERSEN, THØGER**

CEO (1953)

Member of the audit committee.  
Independent member of the Board of Directors since 2008.  
Term of service expires in 2012.

Thøger Thøgersen holds an MSc in Business Administration (marketing/finance) and has, in the course of his career, 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.

## **MANAGERIAL POST**

Active Sportswear International Holding A/S  
Active Sportswear International A/S  
Forza Active Sportswear International A/S (Chairman)  
Holmsland Klit Golf A/S

## **SHAREHOLDING**

2011/12	2010/11
800 shares	800 shares





**JENSEN, JENS BJARNE SØNDERGAARD**

Staff representative (1955)

Member of the Board of Directors since 1997.

Re-elected in 2008.

Term of service expires in 2012.

**SHAREHOLDING**

<b>2011/12</b>	<b>2010/11</b>
91 shares	60 shares

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**HARBOE'S AUDIT COMMITTEE**

Harboe's audit committee was set up in 2009. During the past financial year, the committee held two meetings at which the committee's responsibilities and future work were defined and initiated. The committee's work and areas of responsibility are described in more detail in the section on risks in the annual report.



BY APPOINTMENT TO  
THE ROYAL DANISH COURT

# HARBOE

HARBOE'S BREWERY A/S





# INCOME STATEMENT FOR 2011/12

GROUP DKK '000	Note	2011/12	2010/11
<b>Continuing activities</b>			
Gross revenue		1,677,438	1,584,149
Taxes on beer and soft drinks		(266,958)	(263,495)
<b>Revenue</b>		<b>1,410,480</b>	<b>1,320,654</b>
Production costs	5, 6, 7, 8	(1,122,185)	(1,024,287)
<b>Gross profit/(loss)</b>		<b>288,295</b>	<b>296,367</b>
Other operating income	9	23,116	18,281
Distribution costs		(186,750)	(179,346)
Administrative expenses		(49,313)	(49,600)
Other operating expenses		(15,838)	(13,101)
<b>Operating profit/(loss) (EBIT)</b>		<b>59,510</b>	<b>72,602</b>
Financial income	10	5,728	4,488
Financial expenses	11	(14,163)	(9,910)
<b>Profit/(loss) before tax from continuing activities</b>		<b>51,075</b>	<b>67,180</b>
Tax on profit/(loss) for the year from continuing activities	12	(12,565)	(16,931)
Adjustment of tax regarding previous years	12	(141)	(45)
<b>Profit/(loss) for the year from continuing activities</b>		<b>38,369</b>	<b>50,204</b>
<b>Discontinued activities</b>			
Profit/(loss) for the year from discontinued activities	4	303	10,449
<b>Net profit/(loss) for the year</b>		<b>38,672</b>	<b>60,653</b>
<b>Distribution of net profit/(loss) for the year</b>			
Shareholders of parent		38,666	60,635
Minority interests		6	18
		38,672	60,653
Earnings per share (DKK per DKK 10 share)	13		
Continuing and discontinued activities (DKK)		6.87	10.64
Continuing activities (DKK)		6.81	8.96

# STATEMENT OF COMPREHENSIVE INCOME FOR 2011/12

GROUP DKK '000	Note	2011/12	2010/11
<b>Net profit/(loss) for the year</b>		<b>38,672</b>	<b>60,653</b>
Foreign currency translation adjustment regarding foreign enterprises		(1,276)	487
Adjustment to fair value of financial assets available for sale		495	4,748
Adjustment to fair value of financial assets available for sale, recirculation upon disposal		14,609	263
Adjustment to fair value of financial instruments entered into for hedging future cash flows		0	838
Tax on other comprehensive income	12	(3,751)	(1,989)
<b>Other comprehensive income</b>		<b>10,077</b>	<b>4,347</b>
<b>Comprehensive income</b>		<b>48,749</b>	<b>65,000</b>
Distribution of comprehensive income for the year			
Shareholders of parent		48,743	64,982
Minority interests		6	18
		<b>48,749</b>	<b>65,000</b>



# BALANCE SHEET AS AT 30 APRIL 2012

GROUP DKK '000	Note	2012	2011
Goodwill		3,573	3,573
Development projects		0	433
Rights		5,705	5,719
Software		6,383	7,920
Intangible assets under construction		20,502	5,764
<b>Intangible assets</b>	<b>15</b>	<b>36,163</b>	<b>23,409</b>
Land and buildings		255,166	337,159
Plant and machinery		445,680	456,073
Other plant		31,856	38,665
Spare parts for own machinery		5,297	3,993
Property, plant and equipment under construction		64,872	36,083
<b>Property, plant and equipment</b>	<b>16</b>	<b>802,871</b>	<b>871,973</b>
<b>Investment properties</b>	<b>17</b>	<b>72,919</b>	<b>0</b>
Financial assets available for sale	18	190,961	285,782
Deposits, leases		2,367	2,303
<b>Financial assets</b>		<b>193,328</b>	<b>288,085</b>
<b>Deferred tax assets</b>	<b>28</b>	<b>3,275</b>	<b>886</b>
<b>Non-current assets</b>		<b>1,108,556</b>	<b>1,184,353</b>
<b>Inventories</b>	<b>19</b>	<b>136,878</b>	<b>138,250</b>
Trade receivables	20	277,803	301,676
Other receivables	21	20,947	10,306
Deferred income		5,199	7,977
<b>Receivables</b>		<b>303,949</b>	<b>319,959</b>
<b>Cash</b>	<b>23</b>	<b>24,140</b>	<b>39,913</b>
<b>Assets held for sale</b>	<b>22</b>	<b>2,400</b>	<b>2,992</b>
<b>Current assets</b>		<b>467,367</b>	<b>501,114</b>
<b>Assets</b>		<b>1,575,923</b>	<b>1,685,497</b>

# BALANCE SHEET AS AT 30 APRIL 2012

GROUP DKK '000	Note	2012	2011
Share capital	24	60,000	60,000
Share premium		51,000	51,000
Other reserves	27	(5,612)	(15,689)
Retained earnings		684,376	657,918
<b>Equity owned by shareholders of the parent</b>		<b>789,764</b>	<b>753,229</b>
<b>Equity owned by minority interests</b>	<b>26</b>	<b>215</b>	<b>209</b>
<b>Equity</b>		<b>789,979</b>	<b>753,438</b>
Mortgage debt	30	231,941	253,402
Deferred tax liabilities	28	52,780	37,861
Deferred recognition of income	33	65,283	54,832
<b>Non-current liabilities</b>		<b>350,004</b>	<b>346,095</b>
Mortgage debt	30	14,844	36,656
Other credit institutions	31	103,780	169,124
Trade payables	32	189,625	216,388
Repurchase obligation, returnable packaging	29	13,928	27,958
Other payables	34	94,786	102,641
Deferred recognition of income	33	9,133	9,579
Income tax		6,635	20,609
<b>Current liabilities</b>		<b>432,731</b>	<b>582,955</b>
<b>Liabilities in respect of assets held for sale</b>	<b>22</b>	<b>3,209</b>	<b>2,979</b>
<b>Liabilities</b>		<b>785,944</b>	<b>932,029</b>
<b>Equity and liabilities</b>		<b>1,575,923</b>	<b>1,685,467</b>



# CASH FLOW STATEMENT FOR 2011/12

GROUP DKK '000	Note	2011/12	2010/11
Operating profit/(loss) (EBIT) from continuing activities		59,510	72,602
Operating profit/(loss) (EBIT) from discontinued activities	4	404	14,357
<b>Operating profit/(loss) (EBIT)</b>		<b>59,914</b>	<b>86,959</b>
Depreciation, amortisation, impairment losses and write-downs etc.	8	79,881	130,183
Grants recognised as income	9	(7,968)	(12,657)
Changes in net working capital	37	(14,263)	1,103
<b>Cash flows from primary operating activities</b>		<b>117,564</b>	<b>205,588</b>
Financial income received		5,728	4,888
Financial expenses paid		(13,863)	(10,007)
Income tax paid		(18,085)	(8,256)
<b>Cash flows from operating activities</b>		<b>91,344</b>	<b>192,213</b>
Purchase of intangible assets		(16,606)	(10,788)
Purchase of property, plant and equipment		(89,810)	(142,865)
Disposal of property, plant and equipment		11,409	2,653
Purchase of financial assets		(186,346)	(1,130)
Disposal of financial assets		288,146	3,720
<b>Cash flows from investing activities</b>		<b>6,793</b>	<b>(148,410)</b>
Dividend paid to shareholders of the parent		(8,474)	(8,474)
Repayment of mortgage debt		(218,999)	(31,669)
Raising of mortgage debt		182,658	2,126
Investment grant received		0	7,579
Purchase of treasury shares		(3,734)	(33,338)
<b>Cash flows from financing activities</b>		<b>(48,549)</b>	<b>(63,776)</b>
<b>Changes in cash and cash equivalents</b>		<b>49,588</b>	<b>(19,973)</b>
Cash and cash equivalents as at 1 May		(129,211)	(109,382)
Translation adjustment, beginning of year		(17)	144
<b>Cash and cash equivalents as at 30 April</b>	<b>38</b>	<b>(79,640)</b>	<b>(129,211)</b>

# STATEMENT OF CHANGES IN EQUITY

## GROUP DKK '000

	Share capital	Share premium	Other reserves	Retained earnings	Equity owned by shareholders of the parent	Equity owned by minority interests	Total equity
<b>Equity as at 1 May 2010</b>	<b>60,000</b>	<b>51,000</b>	<b>(20,036)</b>	<b>639,095</b>	<b>730,059</b>	<b>191</b>	<b>730,250</b>
<b>Changes in equity 2010/11</b>							
Net profit/(loss) for the year	0	0	0	60,635	60,635	18	60,635
Other comprehensive income after tax for the financial year	0	0	4,347	0	4,347	0	4,347
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>4,347</b>	<b>60,635</b>	<b>64,982</b>	<b>18</b>	<b>65,000</b>
Distributed dividend, cf. note 13	0	0	0	(9,000)	(9,000)	0	(9,000)
Dividend from treasury shares	0	0	0	526	526	0	526
Purchase of treasury shares	0	0	0	(33,338)	(33,338)	0	(33,338)
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>4,347</b>	<b>18,823</b>	<b>23,170</b>	<b>18</b>	<b>23,188</b>
<b>Equity as at 30 April 2011</b>	<b>60,000</b>	<b>51,000</b>	<b>(15,689)</b>	<b>657,918</b>	<b>753,229</b>	<b>209</b>	<b>753,438</b>
<b>Equity as at 1 May 2011</b>	<b>60,000</b>	<b>51,000</b>	<b>(15,689)</b>	<b>657,918</b>	<b>753,229</b>	<b>209</b>	<b>753,438</b>
<b>Changes in equity 2011/12</b>							
Net profit/(loss) for the year	0	0	0	38,666	38,666	6	38,672
Other comprehensive income after tax for the financial year	0	0	10,077	0	10,077	0	10,077
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>10,077</b>	<b>38,666</b>	<b>48,743</b>	<b>6</b>	<b>48,749</b>
Distributed dividend, cf. note 13	0	0	0	(9,000)	(9,000)	0	(9,000)
Dividend from treasury shares	0	0	0	526	526	0	526
Purchase of treasury shares	0	0	0	(3,734)	(3,734)	0	(3,734)
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>10,077</b>	<b>26,458</b>	<b>36,535</b>	<b>6</b>	<b>37,541</b>
<b>Equity as at 30 April 2012</b>	<b>60,000</b>	<b>51,000</b>	<b>(5,612)</b>	<b>684,376</b>	<b>789,764</b>	<b>215</b>	<b>789,979</b>



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# 1. ACCOUNTING POLICIES

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The 2011/12 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), cf. the IFRS Executive Order issued in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*). Harboes Bryggeri A/S is a public limited company domiciled in Denmark.

Furthermore, the consolidated financial statements and the parent's financial statements comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements and the parent's 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 the parent's 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 2011/12 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 January 2011 or later.

The implementation of the new or revised standards and interpretations which have become effective in the 2011/12 annual report 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, of which the following are relevant to the group: IFRS 9, Financial Instruments: classification and measurement, IFRS 10-12 A5 27 and 28: accounting treatment, consolidation, joint ventures etc. (consolidation project). The standards come into effect for the financial year beginning on 1 January 2013 or later. The standards have not yet been approved for use in the EU.

The management estimates that the implementation of new and revised

standards and interpretations which have not yet become effective will not have any significant impact on the consolidated financial statements and the financial statements for the coming financial years.

## 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 parent, 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 are 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.

## MINORITY INTERESTS

On initial recognition, minority interests are measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the enterprise acquired. The method applied depends on the individual transaction. Subsequently, minority interests are adjusted for their proportionate share of changes in the equity of the subsidiaries. The comprehensive income is allocated to the minority interests, irrespective of such minority interests thereby becoming negative.

The acquisition of minority interests in a subsidiary and the divestment of minority interests in a subsidiary which does not result in a discontinuation of control are treated as equity transactions in the consolidated financial statements, and the difference between the consideration and the carrying amount is allocated to the parent's share of equity.



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## **BUSINESS COMBINATIONS**

Newly acquired or newly formed enterprises are recognised in the consolidated financial statements from the date of acquisition and the date of formation, respectively. The date of acquisition is the date on which the buyer actually takes control of the enterprise. Enterprises divested or wound up are recognised in the consolidated income statement up until the date of divestment or winding-up. The date of divestment is the date on which control of the enterprise actually passes to a third party.

The acquisition method is used in connection with the acquisition of new enterprises after which the newly acquired enterprises' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition.

Non-current assets which are acquired with the intention of selling them are, however, measured at fair value less expected selling costs. The restructuring costs are recognised in the pre-acquisition balance sheet only if they constitute an obligation to the enterprise acquired. The tax effect of the revaluations has been taken into account.

The acquisition price of an enterprise consists of the fair value of the consideration paid for such enterprise. If the final determination of the fee is conditional upon one or more future events, these adjustments are recognised in the cost only if the event in question is likely to occur and the effect on the cost can be measured reliably. Costs which are directly attributable to the acquisition are recognised directly in the net profit or loss upon payment.

Positive differences (goodwill) between the cost of the acquired enterprise and the fair value of the assets, liabilities and contingent liabilities taken over are recognised as an asset under intangible assets and tested at least once a year for impairment. If the carrying amount of the asset exceeds its recoverable amount, impairment is made to the lower recoverable amount.

If there are negative differences (negative goodwill), the calculated fair values and the calculated cost of the enterprise are revalued. If the fair value of the assets, liabilities and contingent liabilities taken over continues to exceed the cost after the revaluation, the difference is recognised as income in the income statement.

## **PROFIT OR LOSS FROM THE DIVESTMENT OR WINDING-UP OF SUBSIDIARIES**

Profit or loss from the divestment or winding-up of subsidiaries is calculated as the difference between the selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, including goodwill, accumulated foreign currency translation adjustments recognised directly in other comprehensive income and estimated divestment or winding-up costs. The selling price is measured at fair value of the consideration received.

## **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.

Translation adjustments of receivables from or payables to subsidiaries which are considered part of the parent's overall investment in the subsidiary in question are recognised directly in other comprehensive income.

## **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.

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The tax rates and rules in force on 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 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 effectively 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.

#### **DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at fair value at the settlement date.

Subsequently, derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively. Changes in the fair value of derivative financial instruments classified as and complying with the requirements for efficient hedging of future transactions are recognised in other comprehensive income. The inefficient part is recognised immediately in the income statement. When

the hedged transactions are carried out, the accumulated changes are recognised as part of the cost of the transactions in question.

## **INCOME STATEMENT**

### **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 rate method.

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

### **PRODUCTION COSTS**

Production costs comprise costs incurred to generate revenue. In production costs, trading companies recognise the cost of sales, while production companies recognise the costs of raw materials, consumables, production staff, maintenance, depreciation and impairment losses on the property, plant and equipment used in the production process as well as returnable packaging and adjustments of the obligation to repurchase own packaging.

Production costs also include costs pertaining to research and development projects which do not meet the criteria for recognition in the balance sheet.

### **DISTRIBUTION COSTS**

Distribution costs represent costs incurred for the distribution of goods sold and for marketing campaigns, including pay for sales and distribution staff, advertising expenses and depreciation and impairment of the property, plant and equipment used in the distribution process.

### **ADMINISTRATIVE EXPENSES**

Administrative expenses include expenses incurred to manage and administer the group, including administrative staff costs, management costs and office expenses as well as depreciation and impairment of the property, plant and equipment used to administer the group.

### **OTHER OPERATING INCOME AND EXPENSES**

Other operating income and expenses include income and expenses of a secondary nature in relation to the group's main activities, including grants for plants and rental income as well as gains and losses from the sale of non-current assets (property, plant and equipment) if the selling price of the assets exceeds the original cost.



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## GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the conditions for receiving the grant have been met and that the grant will be received.

Grants for covering costs incurred are recognised in the income statement proportionately over the periods in which the associated costs are recognised in the income statement. The grants are recognised under the item Other operating income.

Government grants which are linked to an asset are recognised as deferred income under non-current and current liabilities, respectively, and amortised over the amortisation period.

## NET FINANCIALS

Net financials include interest income and interest expenses, 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. However, in the consolidated financial statements, this does not apply to equity investments in associates which are measured according to the equity method, cf. below.

## BALANCE SHEET

### INTANGIBLE ASSETS

#### *Goodwill*

On initial recognition, goodwill is recognised and measured at cost as described under 'Business combinations'.

On the recognition of goodwill, the goodwill amount is distributed on the independent cash-generating units of the group. The identification of cash-generating units follows the management structure, internal financial management and reporting of the group.

Goodwill is not amortised, but is tested at least once a year for impairment.

### OTHER INTANGIBLE ASSETS

Intellectual property rights acquired in the form of software are measured

at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the expected useful life, which is usually 3-5 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 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.

Completed 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, cf. the section on impairment below. Development projects in progress are tested for impairment at least once a year.

### INTANGIBLE ASSETS

Intangible assets with indefinable 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.

### 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. For own-manufactured assets, cost includes costs which can be related directly to the production of the asset, including materials, components, subsuppliers, wages and salaries.

Interest expenses which have arisen in connection with the construction of asset are recognised in the cost of the asset. Other borrowing costs are recognised in the income statement.

If the acquisition or use of the asset obliges the group to incur costs for the demolition or re-establishment of the asset, the estimated costs for such

demolition or re-establishment are recognised as a provision and a part of the cost of the asset in question, respectively. If the obligation occurred in connection with the production of inventories, the obligation is recognised as a part of the cost of the goods in question, cf. below.

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 .....	10-50 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, cf. below.

#### **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:

Investment properties.....	10-50 years
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#### **IMPAIRMENT AND DEPRECIATION 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 and associates 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.

For intangible assets with indefinable useful lives, the recoverable amount is calculated once a year regardless of whether there are indications of 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. For cash-generating units, the impairment is distributed so that goodwill is impaired first, then any remaining need for impairment is distributed on the other assets in the unit, the individual asset, however, not being impaired to a value which is lower than its fair value less estimated selling costs.

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.

#### **EQUITY INVESTMENTS IN SUBSIDIARIES IN THE FINANCIAL STATEMENTS OF THE PARENT**

Equity investments in subsidiaries are measured at cost in the parent's financial statements.

If the cost exceeds the recoverable amount of the 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, cf. the section on impairment above.



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## **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. This includes costs for the demolition or re-establishment of property, plant and equipment if such costs have occurred due to the production of goods.

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 production facilities.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sales.

## **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. Write-downs are made on an individual level.

## **PREPAYMENTS**

Prepayments recognised under assets comprise costs incurred in respect of the coming financial year. Prepayments are measured at cost.

## **FINANCIAL ASSETS AVAILABLE FOR SALE**

Securities recognised under non-current assets comprise listed securities and equity interests available for sale in enterprises that are not subsidiaries or associates.

On initial recognition, securities are measured at fair value on the trading day 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 is determined at the share price of listed securities and at an estimated fair value determined on the basis of market information.

## **NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets and groups of assets held for sale are presented separately

in the balance sheet as current assets. Liabilities directly related to the assets in question are presented as current liabilities in the balance sheet.

Non-current assets held for sale are not depreciated, but impaired to the lower of fair value less expected selling costs and the carrying amount.

## **DIVIDEND**

Dividend is recognised as a payable at the time of adoption by the general meeting.

## **TREASURY SHARES**

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

## **PENSION OBLIGATIONS ETC.**

The group has entered into defined-contribution plan agreements with a significant number of the group's employees. Except for a pension plan created for a single employee, which is insignificant in relation to the group's total obligations, the group has not entered into any defined-benefit plans.

For defined-contribution plans, the group pays regular, fixed contributions to independent pension providers and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as liabilities.

## **PROVISIONS**

Provisions are recognised when the group has a legal or actual obligation as a result of events occurring in the financial year or previous years, and when it is likely that the fulfilment of this obligation will impact the company's financial resources.

Provisions are measured as the best possible estimate of the costs required to settle the obligation at the balance sheet date. Provisions expected to fall due more than one year after the balance sheet date are measured at present value.

The obligation to repurchase own packaging in circulation is measured at the deposit price on the basis of the estimated volume of circulating bottles, cans, crates and trays and is recognised as a repurchase obligation under current liabilities.

## **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.

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#### **LEASE COMMITMENTS**

Lease payments in respect of operating leases are recognised according to the straight-line method in the income statement over the term of the lease.

#### **OTHER FINANCIAL LIABILITIES**

On initial recognition, other financial liabilities, including bank debt and trade payables, are measured at fair value less transaction costs incurred. Subsequently, such liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal value is recognised as a financial expense in the income statement over the term of the loan.

#### **DEFERRED INCOME**

Deferred income recognised under liabilities comprises income received in respect of subsequent financial years as well as asset-related government grants. Deferred income is measured at cost.

#### **CASH FLOW STATEMENT**

The cash flow statement is presented using the indirect method, showing cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are determined as the operating profit/loss, adjusted for non-cash operating items and changes in working capital less income tax paid in the financial year which is attributable to the operating activities.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises and financial assets as well as the purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment. Furthermore, cash flows from assets held under finance leases are recognised in the form of lease payments.

Cash flows from financing activities comprise changes in the share capital of the parent and costs incidental thereto as well as the raising and repayment of loans, repayment of interest-bearing debt, purchase of treasury shares and distribution of dividend.

Cash flows denominated in currencies other than the functional currency are recognised in the cash flow statement by applying average exchange rates unless such rates deviate materially from the actual exchange rates applicable at the time of transaction. In the latter case, the exchange rates applicable at the individual dates are used.

Cash and cash equivalents comprise cash and short-term securities involving insignificant price risks less any overdraft facilities and intercompany balances which are an integrated part of the cash management.

#### **SEGMENT INFORMATION**

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

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## FINANCIAL HIGHLIGHTS

The financial highlights have been defined and calculated in accordance with 'Recommendations and Ratios 2010' issued by the Danish Society of Financial Analysts, 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.
Interest-bearing debt, net:	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/loss for the year along with the balance sheet total and equity at the end of the year.

The calculation of earnings per share and diluted earnings per share is specified in note 13.



## 2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

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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, 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 2011/12 annual report, special attention should be drawn to assumptions and uncertainties which are associated with accounting estimates on impairment tests of property, plant and equipment and financial assets, specification of repurchase obligation concerning returnable packaging, assessment of the value of the assets and liabilities taken over in connection with the acquisition of an enterprise as well as an assessment of contingent liabilities as they have had a considerable impact on the assets and liabilities recognised in the annual report and may require that corrections be made in subsequent financial years provided that the anticipated events do not occur as expected.

### CHANGE IN THE USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

As from 1 May 2011, the group has changed the estimated useful lives of non-current technical plant and investment properties.

The changed estimate of the useful lives of technical plant has resulted in longer depreciation periods. The changed estimate is based on experience as regards the actual useful lives of the plant in question, the depreciation periods estimated so far having proved to deviate significantly from the actual useful lives of the individual facilities.

The changed useful lives of investment properties should be seen in light of changes in use and improvements implemented.

In total, the group's depreciation has decreased by approx. DKK 31 million in 2011/12 due to changed useful lives.

The reassessed useful lives have reduced and will, for the next three years, continue to reduce the group's production costs in the form of reduced depreciation as stated below, provided that the assets are held until the end of their useful lives:

	DKK million
FY 2011/12	31
FY 2012/13	30
FY 2013/14	29
FY 2014/15	27

### 3. SEGMENT INFORMATION FOR THE GROUP

Based on the internal reporting, which is used 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 activities are mainly distributed on Denmark, Germany and other geographical areas.

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

DKK '000	Revenue from external customers		Non-current assets	
	2011/12	2010/11	2011/12	2010/11
Denmark	405,346	411,505	394,687	421,680
Germany	572,207	553,023	411,795	373,070
Other countries	432,927	356,121	26,057	22,443
	<b>1,410,480</b>	<b>1,320,649</b>	<b>832,539</b>	<b>817,193</b>

#### INFORMATION ABOUT IMPORTANT CUSTOMERS

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

## 4. DISCONTINUED ACTIVITIES

At the end of 2010/11, Harboe decided to initiate a shutdown of its foodstuff sector. Harboe has assessed the continued strategic potential of this segment, which was experiencing fierce competition and heavy price pressure. As a result of this assessment, Harboe has decided to focus solely on its main activities in the brewery sector where the future potential is more attractive.

GROUP DKK '000	2011/12	2010/11
Revenue	2,535	237,120
Production costs	(1,812)	(216,777)
<b>Gross profit/(loss)</b>	<b>723</b>	<b>20,343</b>
Distribution costs	(225)	(4,014)
Administrative expenses	(94)	(1,972)
<b>Operating profit/(loss) (EBIT)</b>	<b>404</b>	<b>14,357</b>
Financial income	0	494
Financial expenses	0	(919)
<b>Profit/(loss) before tax</b>	<b>404</b>	<b>13,932</b>
Tax on profit/(loss) for the period	(101)	(3,483)
<b>Net profit/(loss) for the period</b>	<b>303</b>	<b>10,449</b>
The discontinued activity has impacted the cash flow statement for the period as follows:		
Cash flows from operating activities	10,828	19,903
Cash flows from investing activities	5,055	(2,736)
Cash flows from financing activities	0	(221)
The divestment of the discontinued activity can be specified as follows:		
Carrying amount of net assets	4,488	0
Goodwill attributed to the activity	0	0
	4,488	0
Proceeds from the divestment	582	0
<b>Selling price</b>	<b>5,070</b>	<b>0</b>



## 5. PRODUCTION COSTS

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GROUP DKK '000	2011/12	2010/11
Cost of sales	996,797	862,189
Write-down of inventories	0	0
Research and development costs, cf. note 6	116	401
Depreciation, amortisation, impairment losses and write-downs, cf. note 8	61,473	100,705
Other production costs	63,799	60,992
	<b>1,122,185</b>	<b>1,024,287</b>

## 6. RESEARCH AND DEVELOPMENT COSTS

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Research and development costs incurred	5,202	3,970
Development costs recognised as intangible assets, note 15	(5,086)	(3,569)
	<b>116</b>	<b>401</b>

## 7. STAFF COSTS

GROUP DKK '000	2011/12	2010/11
Remuneration for the Board of Directors	788	895
Wages and salaries	165,299	172,187
Defined-contribution plans	10,232	9,958
Other social security costs	21,264	20,162
Other staff costs	7,630	8,083
Refunds from public authorities	(573)	(1,458)
	<b>204,640</b>	<b>209,827</b>
Staff expenses comprise:		
Production costs	131,655	136,439
Distribution costs	41,862	41,404
Administrative expenses	26,037	28,415
Included in cost of development projects	5,086	3,569
	<b>206,640</b>	<b>209,827</b>
<b>Average number of employees</b>	<b>562</b>	<b>572</b>

	BOARD OF DIRECTORS		BOARD OF EXECUTIVES		OTHER KEY STAFF MEMBERS	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Remuneration paid to members of the management</b>						
Remuneration for the Board of Directors	788	895	0	0	0	0
Wages and salaries etc.	0	0	5,177	5,992	11,496	14,121
Pension	0	0	450	240	810	662
	<b>788</b>	<b>895</b>	<b>5,627</b>	<b>6,232</b>	<b>12,306</b>	<b>14,783</b>

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.

### 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 when the time comes.

Except for one pension plan concerning a single employee, the group has not entered into any defined-benefit plan agreements. The pension obligation, against which insurance has been taken out, has been recognised on a gross basis at DKK 963k under other receivables and at DKK 1,963k under payables, respectively, in the balance sheet.

## 8. DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES AND WRITE-DOWNS

GROUP DKK '000	2011/12	2010/11
Intangible assets, cf. note 15	3,825	3,869
Buildings, cf. note 16	13,683	24,110
Plant and machinery, cf. note 16	46,026	86,896
Other plant etc., cf. note 16	13,599	15,765
Investment properties, cf. note 17	3,824	0
Impairment of assets held for sale	592	0
Gains/losses from the disposal of property, plant and equipment	(1,668)	(452)
	<b>79,881</b>	<b>130,188</b>
Depreciation, amortisation, impairment losses and write-downs comprise:		
Production costs	61,472	100,815
Distribution costs	7,319	7,917
Administrative expenses	6,878	4,941
Other operating income	0	0
Other operating expenses	4,794	3,448
	<b>80,463</b>	<b>117,121</b>
Discontinued activities	(582)	13,067
	<b>79,881</b>	<b>130,188</b>



## 9. OTHER OPERATING INCOME

GROUP DKK '000	2011/12	2010/11
Government grants	7,968	12,657
Rental income	7,751	5,624
Other operating income	7,397	0
	<b>23,116</b>	<b>18,281</b>

## 10. FINANCIAL INCOME

Interest on bank deposits etc.	5,347	4,286
Interest on investment – assets available for sale	50	0
<b>Interest income from financial assets not measured at fair value via the net profit/(loss) for the year</b>	<b>5,397</b>	<b>4,286</b>
Dividend from financial assets available for sale	70	127
Adjustment to fair value of liabilities in respect of assets held for sale	0	8
Net foreign exchange gains and losses	261	67
	<b>5,728</b>	<b>4,488</b>

## 11. FINANCIAL EXPENSES

Interest on mortgage debt	7,960	4,662
Interest on bank debt etc.	5,903	5,248
<b>Financial expenses of financial liabilities not measured at fair value via the net profit/(loss) for the year</b>	<b>13,863</b>	<b>9,910</b>
Translation adjustment of liabilities in respect of assets held for sale	300	0
	<b>14,163</b>	<b>9,910</b>

## 12. TAX ON PROFIT/(LOSS) FOR THE YEAR

GROUP DKK '000	2011/12	2010/11
Current tax	8,725	17,651
Change in deferred tax	3,840	(430)
	<b>12,565</b>	<b>17,221</b>
Adjustment of deferred tax, previous years	(1,411)	45
Adjustment of current tax, previous years	1,552	0
	<b>141</b>	<b>45</b>
	<b>12,706</b>	<b>17,266</b>

The current income tax for the financial year for the Danish consolidated enterprises has been calculated on the basis of a tax rate of 25% (2010/11: 25%). For foreign consolidated enterprises, the tax rate applicable to the country in question has been used.

	2011/12 DKK '000	2011/12 %	2010/11 DKK '000	2010/11 %
<b>Profit before tax</b>	<b>51,075</b>		<b>68,342</b>	
Calculated tax thereon	12,769	25.0	17,086	25.0
Non-deductible income and expenses	(736)	(1.4)	420	0.6
Effect of differences in the tax rates of foreign subsidiaries	532	1.0	(285)	(0.3)
Effect of adjustments, previous years	141	0.3	45	0.0
	<b>12,706</b>		<b>17,266</b>	
<b>Effective tax rate</b>		<b>24.9</b>		<b>25.3</b>

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 financial instruments entered into for hedging future cash flows	0	(210)
Changes in deferred tax on adjustment to fair value of financial assets available for sale	(3,751)	(1,779)
	<b>(3,751)</b>	<b>(1,989)</b>

# 13. EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

GROUP DKK '000	2011/12	2010/11
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Earnings per share and diluted earnings per share are identical as the company has not issued equity instruments with dilution effect.

Earnings per share from continuing and discontinued activities (DKK)	6.87	10.6
Earnings per share of continuing activities (DKK)	6.81	8.8
Earnings per share of discontinued activities (DKK)	0.06	1.8

The basis of calculation of earnings per share of continuing and discontinued activities is as follows:

Net profit/(loss) distributed to the shareholders of the parent	38,666	60,653
Net profit/(loss) from discontinued activities	(303)	(10,449)

<b>Profit/(loss) distributed to the shareholders of the parent used in connection with the calculation of earnings per share</b>	<b>38,363</b>	<b>50,204</b>
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	2010/11 NO. OF SHARES OF DKK 10	2009/10 NO. OF SHARES OF DKK 10
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Average number of shares	6,000,000	6,000,000
Average number of treasury shares	(370,424)	(299,381)

<b>Number of shares used to calculate diluted earnings per share (no.)</b>	<b>5,629,576</b>	<b>5,700,619</b>
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# 14. DIVIDEND

On 24 August 2011, the company distributed ordinary dividend of DKK 9,000k to its shareholders, corresponding to DKK 1.50 per DKK 10 share (2010/11: DKK 9,000k, corresponding to DKK 1.50 per DKK 10 share).

For FY 2011/12, the Board of Directors recommends to the annual general meeting that dividend in the amount of DKK 1.50 per share be paid, corresponding to a total of DKK 9,000k.



# 15. INTANGIBLE ASSETS

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## **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 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 uncertainty in this context is 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 7% before tax.

No amortisation of goodwill has been made as at 30 April 2012.

## **RIGHTS (BRANDS)**

Rights which have an indefinable useful life and therefore cannot be amortised are recognised as at 30 April 2012 by DKK 5,705k (2011: DKK 5,719k).

The recoverable amount is calculated on the basis of calculations of the value in use. The most material uncertainty in this context is 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% before tax.

No amortisation of rights has been made as at 30 April 2012.

## **DEVELOPMENT PROJECTS AND SOFTWARE**

Development projects and software are considered to have definable useful lives, over which the assets are amortised, cf. the description of accounting policies in note 1.

# 15. INTANGIBLE ASSETS

## GROUP

DKK '000

	GOOD- GOODWILL	DEVELOPMENT PROJECTS	RIGHTS	SOFTWARE	INTANGIBLE ASSETS UNDER CONSTRUCTION
Cost as at 1 May 2011	3,573	3,628	5,719	12,724	5,764
Foreign currency translation adjustment	0	0	(14)	(12)	0
Transferred from property, plant and equipment	0	0	0	4,431	0
Other additions	0	0	0	1,869	14,738
Disposals	0	0	0	0	0
<b>Cost as at 30 April 2012</b>	<b>3,573</b>	<b>3,628</b>	<b>5,705</b>	<b>19,012</b>	<b>20,502</b>
Amortisation and impairment losses as at 1 May 2011	0	3,195	0	4,804	0
Foreign currency translation adjustment	0	0	0	2	0
Transferred from property, plant and equipment	0	0	0	4,431	0
Amortisation for the year	0	433	0	3,392	0
Reversal in connection with disposals	0	0	0	0	0
<b>Amortisation and impairment losses as at 30 April 2012</b>	<b>0</b>	<b>3,628</b>	<b>0</b>	<b>12,629</b>	<b>0</b>
<b>Carrying amount as at 30 April 2012</b>	<b>3,573</b>	<b>0</b>	<b>5,705</b>	<b>6,383</b>	<b>20,502</b>
Cost as at 1 May 2010	3,573	3,628	5,707	6,514	688
Foreign currency translation adjustment	0	0	12	0	0
Transferred from property, plant and equipment	0	0	0	483	0
Other additions	0	0	0	5,727	5,695
Disposals	0	0	0	0	(619)
<b>Cost as at 30 April 2011</b>	<b>3,573</b>	<b>3,628</b>	<b>5,719</b>	<b>12,724</b>	<b>5,764</b>
Amortisation and impairment losses as at 1 May 2010	0	2,056	0	1,641	0
Foreign currency translation adjustment	0	0	0	0	0
Amortisation for the year	0	1,139	0	3,163	0
Reversal in connection with disposals	0	0	0	0	0
<b>Amortisation and impairment losses as at 30 April 2011</b>	<b>0</b>	<b>3,195</b>	<b>0</b>	<b>4,804</b>	<b>0</b>
<b>Carrying amount as at 30 April 2011</b>	<b>3,573</b>	<b>433</b>	<b>5,719</b>	<b>7,920</b>	<b>5,764</b>

# 16. PROPERTY, PLANT AND EQUIPMENT

## GROUP DKK '000

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER PLANT ETC.	SPARE PARTS FOR OWN MACHINERY	PLANT UNDER CONSTRUCTION
Cost as at 1 May 2011	638,143	1,370,240	198,376	3,993	36,083
Foreign currency translation adjustment	(522)	(1,532)	(108)	0	(40)
Transferred to intangible assets	0	0	(4,431)	0	0
Reclassification	3,249	(3,379)	60	0	70
Transfers	126	27,226	372	0	(27,724)
Other additions	5,580	16,257	8,001	1,559	58,244
Transferred to investment property	(186,276)	(48,984)	0	0	(1,761)
Disposals	0	(95,968)	(75,936)	(255)	0
<b>Cost as at 30 April 2012</b>	<b>460,300</b>	<b>1,263,860</b>	<b>126,334</b>	<b>5,297</b>	<b>64,872</b>
Depreciation and impairment losses as at 1 May 2011	300,984	914,167	159,711	0	0
Foreign currency translation adjustment	(155)	(961)	(99)	0	0
Transferred to intangible assets	0	0	(4,431)	0	0
Reclassification	2,680	(2,740)	60	0	0
Depreciation for the year	13,683	46,026	13,599	0	0
Transferred to investment property	(112,058)	(48,983)	0	0	0
Reversal in connection with disposals	0	(89,329)	(74,362)	0	0
<b>Depreciation and impairment losses as at 30 April 2012</b>	<b>205,134</b>	<b>818,180</b>	<b>94,478</b>	<b>0</b>	<b>0</b>
<b>Carrying amount as at 30 April 2012</b>	<b>255,166</b>	<b>445,680</b>	<b>31,856</b>	<b>5,297</b>	<b>64,872</b>
Cost as at 1 May 2010	608,944	1,299,769	189,620	3,887	33,247
Foreign currency translation adjustment	413	1,252	90	0	8
Transferred to intangible assets	0	0	(483)	0	0
Additions	30,216	97,306	14,309	375	31,531
Disposals	(1,429)	(28,086)	(5,160)	(269)	(28,703)
<b>Cost as at 30 April 2011</b>	<b>638,143</b>	<b>1,370,240</b>	<b>198,376</b>	<b>3,993</b>	<b>36,083</b>
Depreciation and impairment losses as at 1 May 2010	277,094	852,198	148,580	0	0
Foreign currency translation adjustment	106	730	76	0	0
Depreciation for the year	20,118	84,184	15,323	0	0
Impairment losses for the year	4,000	2,695	0	0	0
Reversal in connection with disposals	(334)	(25,640)	(4,268)	0	0
<b>Depreciation and impairment losses as at 30 April 2011</b>	<b>300,984</b>	<b>914,167</b>	<b>159,711</b>	<b>0</b>	<b>0</b>
<b>Carrying amount as at 30 April 2011</b>	<b>337,159</b>	<b>456,073</b>	<b>38,665</b>	<b>3,993</b>	<b>36,083</b>



# 17. INVESTMENT PROPERTIES

GROUP DKK '000	2012	2011
Cost as at 1 May 2011	0	0
Transferred from property, plant and equipment	237,021	0
Additions in the period	763	0
<b>Cost as at 30 April 2012</b>	<b>237,784</b>	<b>0</b>
Depreciation and impairment losses as at 1 May 2011	0	0
Transferred from property, plant and equipment	161,041	0
Depreciation for the period	3,824	0
<b>Depreciation and impairment losses as at 30 April 2012</b>	<b>164,865</b>	<b>0</b>
<b>Carrying amount as at 30 April 2012</b>	<b>72,919</b>	<b>0</b>

The fair values are determined on the basis of the value in use of the assets based on future letting 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% before tax. At the balance sheet date, the fair value amounted to DKK 105.2 million.

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.

Rent income from the group's investment properties recognised under Other operating income amounted to DKK 7,751k.

Operating expenses and depreciation on the group's investment properties recognised under Other operating expenses amounted to DKK 13,856k.

A loss before net financials and tax of DKK 6,105k was returned.

Leases on the group's investment properties normally include interminable 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.

## Future minimum rent for interminable leases

Within one year from the balance sheet date	7,426	0
Between one and five years from the balance sheet date	25,304	0
After five years from the balance sheet date	0	0
	<b>32,730</b>	<b>0</b>

## 18. FINANCIAL ASSETS AVAILABLE FOR SALE

GROUP DKK '000	2012	2011
Cost as at 1 May	305,339	308,306
Adjustment, beginning of year	(379)	0
Additions	186,544	1,130
Disposals	(296,050)	(4,097)
<b>Cost as at 30 April</b>	<b>195,454</b>	<b>305,339</b>
Revaluation and impairment losses as at 1 May	(19,557)	(24,568)
Adjustment, beginning of year	308	0
Adjustments for the year	14,756	5,011
<b>Revaluation and impairment losses as at 30 April</b>	<b>(4,493)</b>	<b>(19,557)</b>
<b>Carrying amount as at 30 April</b>	<b>190,961</b>	<b>285,782</b>
Financial assets available for sale comprise:		
Listed shares	145	157
Listed bonds	183,059	281,797
Unlisted shares	7,757	3,828
	<b>190,961</b>	<b>285,782</b>

Financial assets available for sale are measured at fair value at the balance sheet date.

## 19. INVENTORIES

GROUP DKK '000	2012	2011
Raw materials, intermediates and non-returnable packaging	68,009	76,488
Finished goods and goods for resale	68,869	61,761
	<b>136,878</b>	<b>138,250</b>

## 20. TRADE RECEIVABLES

<b>Trade receivables</b>	<b>277,803</b>	<b>301,676</b>
<b>Write-downs made for expected losses</b>	<b>1,585</b>	<b>1,585</b>
Provisions account as at 1 May	1,585	1,235
Foreign currency translation adjustment	0	0
Addition in connection with acquisition of enterprise	0	0
Ascertained losses and payments received concerning claims previously written off for the year	237	165
Reversed write-downs	(216)	0
Write-downs for bad debts for the year	(237)	185
<b>Provisions account as at 30 April</b>	<b>1,369</b>	<b>1,585</b>
<b>Write-downs for the year recognised in the income statement</b>	<b>21</b>	<b>350</b>

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



## 21. OTHER RECEIVABLES

GROUP DKK '000	2012	2011
Other receivables	20,947	10,306
	<b>20,947</b>	<b>10,306</b>

Other receivables are not associated with any special credit risks and like last year, no write-downs of these are included. None of the receivables are overdue.

## 22. ASSETS HELD FOR SALE

The Board of Directors of Harboes Bryggeri A/S has decided to sell one of its residential properties. The property is expected to sell within 12 months. Proceeds from the sale are expected to correspond to the carrying amount of assets and liabilities.

Property, plant and equipment	2,992	2,992
Impairment losses for the year	(592)	0
<b>Assets held for sale</b>	<b>2,400</b>	<b>2,992</b>
Payables in respect of assets held for sale	(3,209)	(2,979)
<b>Net assets held for sale</b>	<b>(809)</b>	<b>13</b>

## 23. CASH

<b>Cash and bank deposits</b>	<b>24,140</b>	<b>39,913</b>
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Please refer to note 38 for further information about the group's undrawn credit facilities.

## 24. SHARE CAPITAL

The share capital amounts to DKK 60.0 million, distributed on DKK 6.4 million of Class A shares and DKK 53.6 million of Class B shares.

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 movements in the share capital.

## 25. TREASURY SHARES

	2012		2011		SHARE OF SHARE CAPITAL	
	NO. OF SHARES OF DKK 10	NO. OF SHARES OF DKK 10	NOMINAL VALUE 2012 DKK '000	NOMINAL VALUE 2011 DKK '000	2012 %	2011 %
Treasury shares as at 1 May	350,585	64,945	3,506	650	5.8	1.1
Purchase of treasury shares	43,297	285,640	433	2,856	0.7	4.7
Sale of treasury shares	0	0	0	0	0	0
<b>Treasury shares as at 30 April</b>	<b>393,882</b>	<b>350,585</b>	<b>3,939</b>	<b>3,506</b>	<b>6.5</b>	<b>5.8</b>

Harboes Bryggeri A/S holds Class B treasury shares which have been purchased to ensure optimal investment of cash funds.

According to a decision made by the general meeting on 5 November 2011, the company can acquire up to 50% of the share capital until the company's annual general meeting in 2015.

In 2011/12, the company acquired treasury shares with a nominal value of DKK 433k at an average price of 86.2, corresponding to DKK 3.7 million (2010/11: acquisition of treasury shares with a nominal value of DKK 2,856k and an average price of 116.71).

In 2011/12, the company has not sold any treasury shares (2010/11: no sale).

## 26. EQUITY OWNED BY MINORITY INTERESTS

GROUP DKK '000	2012	2011
Minority interests as at 1 May 2011	209	191
Share of net profit/(loss) for the year	6	18
Share of other comprehensive income	0	0
<b>Minority interests as at 30 April 2012</b>	<b>215</b>	<b>209</b>

## 27. OTHER RESERVES

GROUP DKK '000			2011/12	2010/11
Reserve for foreign currency translation adjustments			(1,031)	16
Reserve for adjustment to fair value of financial assets available for sale			(4,581)	(15,705)
Reserve for value adjustment of hedging instruments			0	0
			<b>(5,612)</b>	<b>(15,689)</b>
	Reserve for foreign currency translation adjustments	Reserve for value adjustment of hedging instruments	Reserve for value adjustment of financial assets available for sale	Total
Other reserves as at 1 May 2011	16	0	(15,705)	(15,689)
Reclassification	229	0	(229)	0
Foreign currency translation adjustment regarding foreign enterprises	(1,276)	0	0	(1,276)
Adjustment to fair value of financial assets available for sale	0	0	495	495
Adjustment to fair value of financial assets available for sale, recirculation to income statement upon disposal	0	0	14,609	14,609
Tax on income and expenses recognised in other comprehensive income	0		(3,751)	(3,751)
<b>Other reserves as at 30 April 2012</b>	<b>(1,031)</b>	<b>0</b>	<b>(4,581)</b>	<b>(5,612)</b>
Other reserves as at 1 May 2010	(471)	(628)	(18,937)	(20,036)
Foreign currency translation adjustment regarding foreign enterprises	487	0	0	487
Adjustment to fair value of financial instruments entered into for hedging future cash flows, reversals on repayment	0	838	0	838
Adjustment to fair value of financial assets available for sale	0	0	4,748	4,748
Adjustment to fair value of financial assets available for sale, recirculation to income statement upon disposal	0	0	263	263
Tax on income and expenses recognised in other comprehensive income	0	(210)	(1,779)	(1,989)
<b>Other reserves as at 30 April 2011</b>	<b>16</b>	<b>0</b>	<b>(15,705)</b>	<b>(15,689)</b>



## 28. DEFERRED TAX LIABILITIES

GROUP DKK '000	Deferred tax assets	Deferred tax liabilities
Deferred tax liabilities and tax assets as at 1 May 2010	1,299	33,555
Changes in deferred tax recognised in the income statement	(424)	2,144
Change in deferred tax recognised in other comprehensive income	0	1,873
Change in deferred tax offset against tax receivable	11	289
<b>Deferred tax liabilities and tax assets as at 30 April 2011</b>	<b>886</b>	<b>37,861</b>
Deferred tax liabilities and tax assets as at 1 May 2011	886	37,861
Changes in deferred tax recognised in the income statement	2,389	4,919
Change in deferred tax recognised in other comprehensive income	0	3,751
Change in deferred tax offset against current tax	0	6,249
<b>Deferred tax liabilities and tax assets as at 30 April 2012</b>	<b>3,275</b>	<b>52,780</b>
<b>Deferred tax is recognised in the balance sheet as follows:</b>	<b>2012</b>	<b>2011</b>
Deferred tax assets	(3,275)	(886)
Deferred tax liabilities	52,780	37,861
<b>Deferred tax liabilities and tax assets as at 30 April</b>	<b>49,505</b>	<b>36,975</b>
Distribution of the distributable reserves of AS Viru Õlu, Haljala,		
<b>Estonia will trigger tax not provided for of</b>	<b>700</b>	<b>608</b>

<b>GROUP</b> DKK '000	1 May	Recognised in the income statement	Recognised in other comprehensive income	Transferred to current tax	30 April
Non-current assets	36,362	2,146	0	(241)	38,267
Current assets	(4,078)	668	1,989	(116)	(1,537)
Liabilities	129	(122)	0	0	7
Tax losses carried forward	1,142	(18)	0	0	1,124
<b>Temporary differences</b>	<b>33,555</b>	<b>2,674</b>	<b>1,989</b>	<b>(357)</b>	<b>37,861</b>
Unutilised tax losses	(1,299)	424	0	(11)	(886)
<b>Unutilised tax losses</b>	<b>(1,299)</b>	<b>424</b>	<b>0</b>	<b>(11)</b>	<b>(886)</b>
<b>Deferred tax liabilities 2011</b>	<b>32,256</b>	<b>3,098</b>	<b>1,989</b>	<b>(368)</b>	<b>36,975</b>
Non-current assets	38,267	6,206	0	9,148	53,621
Current assets	(1,537)	3,392	3,751	(3,751)	1,855
Liabilities	7	(3,767)	0	0	(3,760)
Tax losses carried forward	1,124	(2,875)	0	0	(1,751)
<b>Temporary differences</b>	<b>37,861</b>	<b>2,956</b>	<b>3,751</b>	<b>5,397</b>	<b>49,965</b>
Unutilised tax losses	(886)	(426)	0	852	(460)
<b>Unutilised tax losses</b>	<b>(886)</b>	<b>(426)</b>	<b>0</b>	<b>852</b>	<b>(460)</b>
<b>Deferred tax liabilities 2012</b>	<b>36,975</b>	<b>2,530</b>	<b>3,751</b>	<b>6,249</b>	<b>49,505</b>

## 29. REPURCHASE OBLIGATION, RETURNABLE PACKAGING

GROUP DKK '000	2012	2011
Repurchase obligation as at 1 May	27,958	33,350
Applied and reversed during the financial year, net	(14,030)	(5,392)
<b>Repurchase obligation as at 30 April</b>	<b>13,928</b>	<b>27,958</b>
Provisions are recognised in the balance sheet as follows:		
Current liabilities	13,928	27,958
Non-current liabilities	0	0
	<b>13,928</b>	<b>27,958</b>

The repurchase obligation has been adjusted on the basis of the net sale of returnable packaging for the year less an estimated wastage in the volume of returnable packaging in circulation.

As a consequence of Harboes Bryggeri A/S phasing out the 50 cl. REF PET bottle, large quantities of that bottle type have been recalled, thereby reducing the liability.



## 30. MORTGAGE DEBT

GROUP DKK '000			2012	2011			
<b>Mortgage debt secured upon real property and securities</b>			<b>246,785</b>	<b>290,058</b>			
Mortgage debt falls due as follows:							
On demand within one year from the balance sheet date			14,844	36,656			
Between two and five years from the balance sheet date			61,302	132,356			
After five years from the balance sheet date			170,639	121,046			
			<b>246,785</b>	<b>290,058</b>			
Mortgage debt is recognised in the balance sheet as follows:							
Current liabilities			14,844	36,656			
Non-current liabilities			231,941	253,402			
			<b>246,785</b>	<b>290,058</b>			
	CURRENCY	EXPIRY	FIXED/ FLOATING	EFFECTIVE INTEREST RATE %	AMORT- ISED COST DKK '000	NOMINAL VALUE DKK '000	FAIR VALUE DKK '000
Mortgage debt	DKK	2028	Floating	2.5-3.0	2,369	2,456	2,535
Mortgage debt	DKK	2038	Floating	1.8-2.2	2,708	2,708	2,706
Mortgage debt	DKK	2027	Floating	1.1-1.4	182,898	182,765	183,064
Mortgage debt	DKK	2028	Floating	1.1-1.4	58,810	58,810	58,851
<b>30/04/2012</b>					<b>246,785</b>	<b>246,739</b>	<b>247,156</b>
Mortgage debt	DKK	2012	Floating	4.5	4,717	6,595	6,701
Mortgage debt	DKK	2028	Floating	2.3-2.5	2,509	2,694	2,602
Mortgage debt	DKK	2038	Floating	1.7-1.8	2,708	2,708	2,647
Mortgage debt	DKK	2019	Floating	1.1-1.4	216,199	216,199	205,713
Mortgage debt	DKK	2029	Floating	1.1-1.4	63,925	63,925	60,825
<b>30 April 2011</b>					<b>290,058</b>	<b>292,121</b>	<b>278,488</b>

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

## 31. OTHER CREDIT INSTITUTIONS

GROUP DKK '000	2012	2011
Loans	103,780	169,124
Mortgage debt falls due as follows:		
On demand within one year from the balance sheet date	103,780	169,124
Between two and five years from the balance sheet date	0	0
After five years from the balance sheet date	0	0
	103,780	169,124
Other credit institutions are recognised in the balance sheet as follows:		
Current liabilities	103,780	169,124
Non-current liabilities	0	0
	103,780	169,124

	CURRENCY	EXPIRY	FIXED/ FLOATING	EFFECTIVE INTEREST RATE %	AMORT- ISED COST DKK '000	NOMINAL VALUE DKK '000	FAIR VALUE DKK '000
Overdraft facility	DKK	2012	Floating	2.2-3.3	2,163	2,162	2,162
Overdraft facility	EUR	2012	Floating	2.1-3.3	101,618	101,618	101,618
<b>30 April 2012</b>					<b>103,780</b>	<b>103,780</b>	<b>103,780</b>
Overdraft facility	DKK	2011	Floating	2.4-2.7	787	787	787
Overdraft facility	DKK	2011	Floating	2.4-2.7	20,648	20,648	20,648
Overdraft facility	EUR	2011	Floating	2.2-2.8	147,689	147,689	147,689
<b>30 April 2011</b>					<b>169,124</b>	<b>169,124</b>	<b>169,124</b>

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

## 32. TRADE PAYABLES

GROUP DKK '000	2012	2011
Trade payables	189,625	216,338
	<b>189,625</b>	<b>216,388</b>

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

## 33. DEFERRED RECOGNITION OF INCOME

<b>Deferred recognition of investment grant as income</b>	<b>74,416</b>	<b>64,411</b>
Deferred recognition of income has been recognised in the balance sheet as follows:		
Long-term deferral of recognition of income	65,283	54,832
Short-term deferral of recognition of income	9,133	9,579
	<b>74,416</b>	<b>64,411</b>

## 34. OTHER PAYABLES

Wages and salaries, holiday pay, income tax deducted at source, social contributions etc. payable	7,971	9,619
Holiday pay obligations etc.	10,815	6,065
VAT and taxes payable	26,870	34,567
Other costs payable	49,130	52,410
<b>Short-term other payables</b>	<b>94,786</b>	<b>102,641</b>

Holiday pay obligations etc. cover obligations to pay wages and salaries during holidays, to which employees, as at the balance sheet date, have earned a right to take in the following financial year.

The carrying amount of payables concerning wages and salaries, income tax deducted at source, social contributions, holiday pay etc., derivative financial instruments, VAT and taxes as well as other costs payable corresponds to the fair value of such liabilities.



## 35. OPERATING LEASE COMMITMENTS

GROUP DKK '000	2012	2011
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For the years 2012-2017, 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 are interminable within the period stated, after which they may be renewed for periods of five years.

Minimum lease payments recognised in the income statement	9,760	10,728
The minimum lease payments comprise:		
Production	2,529	3,331
Distribution	589	783
Administration	288	450
Other operating expenses	6,354	6,164
	<b>9,760</b>	<b>10,728</b>

The total future minimum lease payments for interminable leases fall due for payment as follows:

Within one year from the balance sheet date	9,059	7,921
Between two and five years from the balance sheet date	21,069	22,038
After five years from the balance sheet date	0	2,816
	<b>30,128</b>	<b>32,775</b>

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) are interminable until 2017 on the part of the lessor and the lessee. The annual rent amounts to DKK 6,720k (2010/11 DKK 6,623k). The total future minimum lease payments in the period of interminability amount to DKK 24,776k. The amount is contained in the figures above.

### Sublease

Effective from 1 May 2007, the group has concluded an agreement on the sublease of buildings for a period of ten years. The agreement is interminable on the part of both parties for the term of the lease.

The total future minimum lease payments for interminable subleases fall due as follows:

Within one year from the balance sheet date	5,734	5,530
Between two and five years from the balance sheet date	22,936	22,120
After five years from the balance sheet date	0	5,530
	<b>28,670</b>	<b>33,180</b>

## 36. CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

GROUP	2012	2011
DKK '000		

### Security

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

Carrying amount of mortgaged properties, including assets held for sale	143,260	212,010
Carrying amount of pledged mortgage credit bonds	183,059	281,797

Mortgage deed registered to the owner with a nominal value of DKK 750k over Danish properties is kept in own depository.

As security for mortgage debt, a mortgage deed registered to the owner with a nominal value of EUR 16,362k or DKK 121,709k over foreign properties and production facilities has been deposited.

Carrying amount of mortgaged properties and production facilities	358,583	430,773
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### Contingent liabilities

Government grants received have been used to purchase property, plant and equipment. Some 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.

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

## 37. CHANGES IN NET WORKING CAPITAL

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GROUP DKK '000	2012	2011
Change in inventories	1,159	(16,016)
Change in trade receivables	21,945	2,773
Change in other receivables	3,554	(6,735)
Change in trade payables etc.	(26,430)	28,547
Change in other payables	(14,491)	(7,466)
	<b>(14,263)</b>	<b>(1,103)</b>

## 38. CASH AND CASH EQUIVALENTS

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Cash and bank deposits	24,140	39,913
Overdraft facilities	(103,780)	(169,124)
	<b>(79,640)</b>	<b>(129,211)</b>

The carrying amount of cash and cash equivalents corresponds to the fair value of such cash and cash equivalents. The group has undrawn credit facilities totalling DKK 96.2 million as at 30 April 2012 (2010/11: DKK 5.9 million).

Mortgage debt has been repaid in 2011/12 by returning the listed bonds on which the loan is based, totalling DKK 277 million.

## 39. FEE TO THE AUDITORS OF THE PARENT APPOINTED BY THE GENERAL MEETING

GROUP	2011/12	2010/11
DKK '000		
<b>Deloitte</b>		
Statutory audit	1,730	1,527
Other assurance engagements	175	105
Tax advice	348	7
Other services	325	508
	<b>2,578</b>	<b>2,147</b>
<b>Other</b>		
Statutory audit	275	373
Other assurance engagements	409	228
Tax advice	121	63
Other services	275	283
	<b>1,080</b>	<b>947</b>



# 40. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

GROUP	2012	2011
DKK '000		
<b>Categories of financial instruments</b>		
Trade receivables	277,803	301,676
Other receivables	20,947	10,306
Cash	24,140	39,913
<b>Loans and receivables</b>	<b>322,890</b>	<b>351,895</b>
<b>Financial assets available for sale</b>	<b>190,961</b>	<b>285,782</b>
Mortgage debt	246,785	290,058
Other credit institutions	103,780	169,124
Trade payables	189,625	216,388
Other payables	94,786	102,641
Financial liabilities in respect of assets held for sale	3,209	2,979
<b>Financial liabilities measured at amortised cost</b>	<b>638,185</b>	<b>781,190</b>

## 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 framework.

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 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 2010/11.

## 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, CHF, USD, NOK and PLN. No forward exchange contracts or similar 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:

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## GROUP

DKK '000

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	CASH AND CASH EQUIVALENTS	RECEIVABLES	PAYABLES	NET POSITION
EUR	17,797	187,575	(262,847)	(57,475)
CHF	0	0	(191)	(191)
SEK	3,168	6,136	(782)	8,522
PLN	351	751	(159)	943
NOK	980	1,289	(11)	2,258
<b>30 April 2012</b>	<b>22,296</b>	<b>195,751</b>	<b>(263,990)</b>	<b>(45,943)</b>
EUR	37,222	168,276	(363,063)	(157,565)
USD	684	2,041	(6)	2,719
SEK	358	6,317	(774)	5,901
PLN	339	1,167	(68)	1.43
NOK	518	3,106	(469)	3,155
<b>30 April 2011</b>	<b>39,121</b>	<b>180,907</b>	<b>(364,380)</b>	<b>(144,352)</b>

# 40. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

## Sensitivity analysis in relation to currency

The table below shows the effect it would have had on equity and the net profit/loss for the year, respectively, if the exchange rate had been 1% and 5% lower than the actual exchange rate applied. If the exchange rate had been higher, it would have had a similar positive effect on equity and the net profit/loss for the year, respectively.

GROUP DKK '000	2012	2011
<b>Equity's sensitivity to exchange rate fluctuations</b>		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	575	1,576
Effect if the USD exchange rate was 5% lower than the actual exchange rate	0	(136)
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(426)	(295)
Effect if the PLN exchange rate was 5% lower than the actual exchange rate	(47)	(69)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	(113)	(158)
	<b>(11)</b>	<b>918</b>
<b>Net profit/loss's sensitivity to exchange rate fluctuations</b>		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	(637)	360
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(7)	(145)
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(1,181)	(1,502)
Effect if the PLN exchange rate was 5% lower than the actual exchange rate	14	(12)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	(935)	(1,050)
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	(11)	0
	<b>(2,757)</b>	<b>(2,348)</b>

## 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 2011/12.

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 2012 was DKK 146.6 million (2011: DKK 140.6 million). The debt carries a floating rate of interest.

An increase in the market interest rate of 1% would affect the profit/loss for the year before tax negatively by approx. DKK 1.4 million (2010/11: approx. DKK 1.4 million).

## 40. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

### Liquidity risks

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

<b>GROUP</b> DKK '000	<b>2012</b>	<b>2011</b>
<b>The liquidity reserve comprises:</b>		
Cash	24,140	39,913
Unutilised credit facilities	96,220	5,876
Bond portfolio	183,059	281,797
	<b>303,419</b>	<b>327,586</b>
In addition, the company has treasury shares with a fair value of	<b>35,252</b>	<b>44,524</b>

### 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 partner.

The group is seeking to limit risks related to customers outside these countries by hedging receivables through letters of credit, bank guarantees and similar, 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.



# 40. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

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## **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 8.

## **Breach of loan agreement terms**

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

## **Methods and assumptions for the determination of fair values**

### **Listed bonds**

The portfolio of listed mortgage credit bonds is measured at listed prices.

### **Listed shares**

The portfolio of listed shares is measured at listed prices.

### **Unlisted shares**

Unlisted shares are measured on the basis of observable information or at cost.

## 40. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Fair value hierarchy for financial instruments measured at fair value in the balance sheet (gøres fed)

Below is shown the classification of financial instruments measured at fair value, categorised according to the fair value hierarchy:

- Listed prices in an active market for the same type of instrument (level 1)
- Listed prices in an active market for similar assets or liabilities or other measurement methods according to which all significant inputs are based on observable market data (level 2)
- Measurement methods according to which any significant inputs are not based on observable market data (level 3)

2011/12	LEVEL 1 DKK '000	LEVEL 2 DKK '000	LEVEL 3 DKK '000	TOTAL DKK '000
Listed mortgage credit bonds	183,059	0	0	183,059
Listed shares	145	0	0	145
Unlisted shares and securities	0	2,400	5,357	7,757
<b>Financial assets available for sale</b>	<b>183,204</b>	<b>2,400</b>	<b>5,357</b>	<b>190,961</b>

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

### 2010/11

Listed mortgage credit bonds	281,797	0	0	281,797
Listed shares	157	0	0	157
Unlisted shares and securities	-	2,160	1,668	3,828
<b>Financial assets available for sale</b>	<b>281,954</b>	<b>2,160</b>	<b>1,668</b>	<b>285,782</b>
Financial liabilities used as a hedging instrument	0	838	0	838
<b>Financial liabilities measured at fair value</b>	<b>0</b>	<b>838</b>	<b>0</b>	<b>838</b>

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

## 40. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

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

DKK '000	FINANCIAL ASSETS AVAILABLE FOR SALE
<b>Carrying amount as at 1 May 2010</b>	<b>2,411</b>
Gains/losses in net profit/(loss) for the year	0
Gains/losses in other comprehensive income	(1,873)
Addition in connection with acquisition of enterprise	0
Purchase	1,130
Sale	0
<b>Carrying amount as at 30 April 2011</b>	<b>1,668</b>
Gains/losses in net profit/(loss) for the year	0
Gains/losses in other comprehensive income	0
Purchase	3,689
Sale	0
<b>Carrying amount as at 30 April 2012</b>	<b>5,357</b>

# 41. 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	Spegerborgevej 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:

2011/12 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	2,562	0	0	2,562
Purchase of goods	3,465	0	0	3,465
Sale of non-current assets	20	0	0	20
Sale of services	524	0	0	524
Purchase of services	421	649	372	1,442
Sale of leases	1,149	0	0	1,149
Purchase of leases	6,745	0	50	6,795
Fees etc.	5,994	13,026	412	19,432
Deposits, leases	2,345	0	0	2,345
Trade receivables etc.	857	0	0	857
Trade payables etc.	1,929	0	35	1,964
Distribution of dividend	1,363	66	34	1,463



# 41. RELATED PARTIES

2010/11 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	2,098	0	0	2,098
Purchase of goods	11,701	0	0	11,701
Sale of non-current assets	3,900	0	0	3,900
Sale of services	1,534	0	0	1,534
Purchase of services	1,786	1,381	0	3,167
Sale of leases	898	0	0	898
Purchase of leases	6,184	0	200	6,384
Fees etc.	6,592	15,503	408	22,503
Deposits, leases	2,281	0	0	2,281
Trade receivables etc.	3,230	0	0	3,230
Trade payables etc.	889	90	0	979
Distribution of dividend	1,180	58	19	1,199

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

The purchase and sale of goods to related parties has 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, which are registered on the individual properties, are interminable until 2020 on the part of the lessor and until 2017 on the part of the lessee. The annual rent amounts to DKK 6,720k (2010/11 DKK 6,623k). The total future minimum lease payments in the period of interminability amounts to DKK 30,128k, cf. note 35.

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

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.

## 42. ADOPTION OF ANNUAL REPORT FOR PUBLICATION

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At the board meeting on 26 June 2012, 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 22 August 2012.

# INCOME STATEMENT FOR 2011/12

PARENT DKK '000	NOTE	2011/12	2010/11
Gross revenue		842,447	756,751
Taxes on beer and soft drinks		(169,188)	(160,748)
<b>Revenue</b>		<b>673,259</b>	<b>596,003</b>
Production costs	3, 4, 5, 6	(521,726)	(449,843)
<b>Gross profit/(loss)</b>		<b>151,533</b>	<b>146,160</b>
Other operating income		576	576
Distribution costs		(95,054)	(89,363)
Administrative expenses		(32,940)	(33,106)
<b>Operating profit/(loss) (EBIT)</b>		<b>24,115</b>	<b>24,267</b>
Income from investments in subsidiaries	7	5,344	2,061
Financial income	8	1,487	1,799
Financial expenses	9	(7,277)	(6,507)
<b>Profit/(loss) before tax</b>		<b>23,669</b>	<b>21,620</b>
Tax on profit/(loss) for the year	10	(5,740)	(5,228)
<b>Net profit/(loss) for the year</b>		<b>17,929</b>	<b>16,392</b>
<b>Proposal for the distribution of net profit/(loss)</b>			
Dividend for the financial year	11	9,000	9,000
Retained earnings		8,929	7,392
		<b>17,929</b>	<b>16,392</b>

# STATEMENT OF COMPREHENSIVE INCOME FOR 2011/12

PARENT DKK '000	NOTE	2011/12	2010/11
<b>Net profit for the year</b>		<b>17,929</b>	<b>16,392</b>
<b>Other comprehensive income:</b>			
Adjustment to fair value of financial assets available for sale		271	(2,379)
Adjustment to fair value of financial assets available for sale, recirculation upon disposal		271	263
Adjustment to fair value of financial instruments entered into for hedging future cash flows		0	838
Tax on other comprehensive income	10	111	(321)
<b>Other comprehensive income</b>		<b>653</b>	<b>(1,599)</b>
<b>Total comprehensive income</b>		<b>18,582</b>	<b>14,793</b>



# BALANCE SHEET AS AT 30 APRIL 2012

PARENT DKK '000	NOTE	2012	2011
Development projects		0	433
Software		2,008	3,752
Intangible assets under construction		20,502	5,764
<b>Intangible assets</b>	<b>12</b>	<b>22,510</b>	<b>9,949</b>
Land and buildings		113,368	117,105
Plant and machinery		219,892	227,364
Other plant		21,655	32,313
Spare parts for own machinery		5,297	3,993
Property, plant and equipment under construction		11,965	18,751
<b>Property, plant and equipment</b>	<b>13</b>	<b>372,177</b>	<b>399,526</b>
Investments in subsidiaries	14	165,977	170,977
Financial assets available for sale	15	7,797	3,880
Receivable from subsidiary	15	22,960	23,434
<b>Financial assets</b>		<b>196,734</b>	<b>198,291</b>
<b>Non-current assets</b>		<b>591,421</b>	<b>607,766</b>
<b>Inventories</b>	<b>16</b>	<b>48,983</b>	<b>53,659</b>
Trade receivables	17	128,319	135,084
Receivables from subsidiaries		4,918	730
Other receivables	18	2,401	3,679
Prepayments		2,344	2,131
<b>Receivables</b>		<b>137,982</b>	<b>141,624</b>
<b>Cash</b>	<b>19</b>	<b>5,822</b>	<b>1,704</b>
<b>Assets held for sale</b>	<b>20</b>	<b>2,400</b>	<b>2,992</b>
<b>Current assets</b>		<b>195,187</b>	<b>199,979</b>
<b>Assets</b>		<b>786,608</b>	<b>807,745</b>

# BALANCE SHEET AS AT 30 APRIL 2012

PARENT DKK '000	NOTE	2012	2011
Share capital	21	60,000	60,000
Share premium		51,000	51,000
Reserves	23	(4,712)	(5,365)
Retained earnings		232,598	226,877
<b>Equity</b>		<b>338,886</b>	<b>332,512</b>
Mortgage debt	26	4,931	5,079
Deferred tax liabilities	24	35,160	36,182
Deferred recognition of income	29	3,264	3,840
<b>Non-current liabilities</b>		<b>43,355</b>	<b>45,101</b>
Deferred recognition of income	29	576	576
Mortgage debt	26	146	138
Other credit institutions	27	101,618	168,337
Trade payables	28	79,248	87,140
Repurchase obligation, returnable packaging	25	13,928	27,719
Payables to subsidiaries		135,698	76,005
Other payables	30	65,697	62,314
Income tax payable		4,247	4,924
<b>Current liabilities</b>		<b>401,158</b>	<b>427,153</b>
<b>Liabilities in respect of assets held for sale</b>		<b>3,209</b>	<b>2,979</b>
<b>Liabilities</b>		<b>447,722</b>	<b>475,233</b>
<b>Equity and liabilities</b>		<b>786,608</b>	<b>807,745</b>

# CASH FLOW STATEMENT FOR 2011/12

PARENT DKK '000	NOTE	2012	2011
Operating profit (EBIT)		24,115	24,267
Depreciation, amortisation, impairment losses and write-downs	6	44,703	55,417
Grants recognised as income		(576)	(576)
Change in net working capital	33	(10,883)	6,244
<b>Cash flows from primary operating activities</b>		<b>57,359</b>	<b>85,352</b>
Financial income received		11,896	3,860
Financial expenses paid		(6,664)	(6,241)
Income tax paid		(7,291)	(765)
<b>Cash flows from operating activities</b>		<b>55,300</b>	<b>82,206</b>
Purchase of intangible assets		(14,959)	(6,749)
Purchase of property, plant and equipment		(19,487)	(104,076)
Sale of property, plant and equipment		5,122	2,211
Purchase of financial assets		(3,688)	(1,130)
Change in loan to subsidiary/capital reduction		474	595
<b>Cash flows from investing activities</b>		<b>(32,538)</b>	<b>(109,149)</b>
Dividend paid to shareholders of parent		(8,474)	(8,474)
Purchase/sale of treasury shares		(3,734)	(33,338)
Repayment of mortgage debt		(140)	(151)
Raising of mortgage debt		0	2,708
<b>Cash flows from financing activities</b>		<b>(12,348)</b>	<b>(39,255)</b>
<b>Change in cash and cash equivalents</b>		<b>10,414</b>	<b>(66,198)</b>
Cash and cash equivalents as at 1 May		(241,908)	(175,710)
<b>Cash and cash equivalents as at 30 April</b>	<b>34</b>	<b>(231,494)</b>	<b>(241,908)</b>

# STATEMENT OF CHANGES IN EQUITY FOR 2011/12

## PARENT

DKK '000

	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
<b>Equity as at 1 May 2010</b>	<b>60,000</b>	<b>51,000</b>	<b>(3,766)</b>	<b>252,297</b>	<b>359,531</b>
Net profit/(loss) for the year	0	0	0	16,392	16,392
Other comprehensive income after tax	0	0	(1,599)	0	(1,599)
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>(1,599)</b>	<b>16,392</b>	<b>14,793</b>
Purchase of treasury shares	0	0	0	(33,338)	(33,338)
Distributed dividend	0	0	0	(9,000)	(9,000)
Dividend from treasury shares	0	0	0	526	526
	0	0	0	(41,812)	(41,812)
<b>Equity as at 30 April 2011</b>	<b>60,000</b>	<b>51,000</b>	<b>(5,365)</b>	<b>226,877</b>	<b>332,512</b>
Equity as at 1 May 2011	60,000	51,000	(5,365)	226,877	332,512
Net profit/(loss) for the year	0	0	0	17,929	17,929
Other comprehensive income after tax	0	0	653	0	653
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>653</b>	<b>17,929</b>	<b>18,582</b>
Purchase of treasury shares	0	0	0	(3,734)	(3,734)
Distributed dividend	0	0	0	(9,000)	(9,000)
Dividend from treasury shares	0	0	0	526	526
	0	0	0	(12,208)	(12,208)
<b>Equity as at 30 April 2012</b>	<b>60,000</b>	<b>51,000</b>	<b>(4,712)</b>	<b>232,598</b>	<b>338,886</b>



# NOTES OVERVIEW

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# ACCOUNTING POLICIES

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For a description of the parent's accounting policies and of the implementation of new and revised standards and interpretations, please refer to note 1 in the consolidated financial statements. 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

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For a description of significant accounting estimates, assumptions and uncertainties, please refer to note 2 in the consolidated financial statements.

### **Changes to useful lives of property, plant and equipment**

As from 1 May 2011, the parent has changed the estimated useful lives of non-current technical production facilities.

The changed estimate of the useful lives of technical production facilities has resulted in longer depreciation periods. The changed estimate is based on experience as regards the actual useful lives of the facilities in question, the useful lives estimated so far having proved to deviate significantly from the actual useful lives of the individual facilities.

The reestimated useful lives have reduced and will, over the next three years, continue to reduce the parent's production costs in the form of lower depreciation as set out below, provided that the assets are held until expiry:

	DKKm
Financial year 2011/12	11
Financial year 2012/13	9
Financial year 2013/14	9
Financial year 2014/15	6

### 3. PRODUCTION COSTS

PARENT DKK '000	2011/12	2010/11
Cost of sales	459,974	374,736
Write-down of inventories	0	0
Research and development costs, cf. note 4	116	401
Depreciation, amortisation, impairment losses and write-downs, cf. note 6	35,781	46,378
Other production costs	25,855	28,328
	<b>521,726</b>	<b>449,843</b>

### 4. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred	5,202	3,970
Development costs recognised as intangible assets, note 12	(5,086)	(3,569)
Government grants received	0	0
	<b>116</b>	<b>401</b>

### 5. STAFF COSTS

Remuneration to the Board of Directors	788	895
Wages and salaries	94,310	94,483
Defined-contribution plans	10,173	8,858
Other social security costs	6,923	6,489
Other staff costs	7,630	7,988
Refunds from public authorities	(521)	(313)
	<b>119,303</b>	<b>118,400</b>
Staff costs comprise:		
Production costs	67,621	67,495
Distribution costs	28,919	28,224
Administrative expenses	17,677	19,112
Included in cost of development projects	5,086	3,569
	<b>119,303</b>	<b>118,400</b>
<b>Average number of employees</b>	<b>208</b>	<b>204</b>

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## PARENT

DKK '000

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	BOARD OF DIRECTORS		BOARD OF EXECUTIVES		OTHER KEY STAFF MEMBERS	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Remuneration paid to members of the management</b>						
Remuneration to the Board of Directors	788	895	0	0	0	0
Wages and salaries etc.	0	0	4,575	5,221	8,612	11,101
Pension	0	0	450	240	810	662
	<b>788</b>	<b>895</b>	<b>5,025</b>	<b>5,461</b>	<b>9,422</b>	<b>11,763</b>

The company'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.

### 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.



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

PARENT DKK '000	2011/12	2010/11
Intangible assets, cf. note 12	2,398	3,709
Buildings, cf. note 13	7,074	6,958
Plant and machinery, cf. note 13	25,564	33,689
Other plant etc., cf. note 13	10,161	11,752
Profit/(loss) from the sale of property, plant and equipment	(1,086)	(691)
Impairment of assets held for sale	592	0
	<b>44,703</b>	<b>55,417</b>
Depreciation, amortisation, impairment losses and write-downs comprise:		
Production costs	35,781	46,378
Distribution costs	4,148	5,404
Administrative expenses	4,774	3,635
	<b>44,703</b>	<b>55,417</b>

## 7. INCOME FROM EQUITY INVESTMENTS IN SUBSIDIARIES

Dividend	10,344	2,061
Value adjustment	(5,000)	0
	<b>5,344</b>	<b>2,061</b>

## 8. FINANCIAL INCOME

PARENT DKK '000	2011/12	2010/11
Interest on bank deposits etc.	444	462
Interest on receivables from group enterprises	662	642
Interest on investment – assets available for sale	50	0
<b>Interest income from financial assets not measured at fair value via the net profit/(loss) for the year</b>	<b>1,156</b>	<b>1,104</b>
Dividend from financial assets available for sale	70	127
Adjustment to fair value of liabilities in respect of assets held for sale	0	8
Net foreign exchange gains and losses	261	560
	<b>1,487</b>	<b>1,799</b>

## 9. FINANCIAL EXPENSES

Interest on mortgage debt	227	214
Interest on bank debt etc.	4,755	5,140
Interest on payables to group enterprises	1,995	1,153
<b>Financial expenses of financial liabilities not measured at fair value via the net profit/(loss) for the year</b>	<b>6,977</b>	<b>6,507</b>
Adjustment, liabilities in respect of assets held for sale	300	0
Of which included in the cost of property, plant and equipment	0	0
	<b>7,277</b>	<b>6,507</b>

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

PARENT DKK '000		2011/12	2010/11
Current tax		5,075	1,976
Change in deferred tax		290	3,252
		5,365	5,228
Adjustment of deferred tax regarding previous financial years		(1,312)	0
Adjustment of current tax regarding previous financial years		1,687	0
		375	0
		5,740	5,228

	2011/12 DKK '000	2011/12 %	2010/11 DKK '000	2010/11 %
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The current income tax for the financial year has been calculated on the basis of a tax rate of 25% (2010/11: 25%).

<b>Profit/(loss) before tax</b>	<b>23,669</b>		<b>21,620</b>	
Calculated tax thereon	5,917	25.0	5,409	25.0
Non-deductible income and expenses as well as depreciation, amortisation, impairment losses and write-downs	(177)	(0.8)	(177)	(0.8)
	5,740		5,228	
<b>Effective tax rate</b>		<b>24.2</b>		<b>24.2</b>
Tax on income and expenses recognised in other comprehensive income may be specified as follows:				
Adjustment to fair value etc. of financial instruments entered into for hedging future cash flows	0			(210)
Adjustment to fair value of financial assets available for sale	111			(111)
	111			(321)

## 11. DIVIDEND

For a description of paid dividend and proposed dividend payments, please refer to note 14 of the consolidated financial statements.

## 12. INTANGIBLE ASSETS

PARENT DKK '000	DEVELOPMENT PROJECTS	SOFTWARE	PLANT UNDER CON- STRUCTION
Cost as at 1 May 2011	3,628	7,253	5,764
Transfer	0	0	0
Additions	0	221	14,738
<b>Cost as at 30 April 2012</b>	<b>3,628</b>	<b>7,474</b>	<b>20,502</b>
Amortisation and impairment losses as at 1 May 2011	3,195	3,501	0
Amortisation for the year	433	1,965	0
<b>Amortisation and impairment losses as at 30 April 2012</b>	<b>3,628</b>	<b>5,466</b>	<b>0</b>
<b>Carrying amount as at 30 April 2012</b>	<b>0</b>	<b>2,008</b>	<b>20,502</b>
Cost as at 1 May 2010	3,628	5,580	688
Transfer	0	0	0
Additions	0	1,673	5,695
Disposals	0	0	(619)
<b>Cost as at 30 April 2011</b>	<b>3,628</b>	<b>7,253</b>	<b>5,764</b>
Amortisation and impairment losses as at 1 May 2010	2,056	931	0
Amortisation for the year	1,139	2,570	0
<b>Amortisation and impairment losses as at 30 April 2011</b>	<b>3,195</b>	<b>3,501</b>	<b>0</b>
<b>Carrying amount as at 30 April 2011</b>	<b>433</b>	<b>3,752</b>	<b>5,764</b>



# 13. PROPERTY, PLANT AND EQUIPMENT

## PARENT

DKK '000

	LAND AND BUILDINGS	PRODUCTION PLANT AND MACHINERY	OTHER PLANT ETC.	SPARE PARTS FOR OWN MACHINERY	PLANT UNDER CONSTRUCTION
Cost as at 1 May 2011	248,150	691,273	148,945	3,993	18,751
Transfers	0	14,515	372		(14,887)
Other additions	3,337	6,603	1,242	1,559	8,101
Disposals	0	(49,434)	(66,068)	(255)	0
<b>Cost as at 30 April 2012</b>	<b>251,487</b>	<b>662,957</b>	<b>84,491</b>	<b>5,297</b>	<b>11,965</b>
Depreciation and impairment losses as at 1 May 2011	131,045	463,909	116,632	0	0
Depreciation for the year	7,074	25,564	10,161	0	0
Reversal in connection with disposals	0	(46,408)	(63,957)	0	0
<b>Depreciation and impairment losses as at 30 April 2012</b>	<b>138,119</b>	<b>443,065</b>	<b>62,836</b>	<b>0</b>	<b>0</b>
<b>Carrying amount as at 30 April 2012</b>	<b>113,368</b>	<b>219,892</b>	<b>21,655</b>	<b>5,297</b>	<b>11,965</b>
Cost as at 1 May 2010	232,949	612,779	138,225	3,887	22,471
Transfer	0	18,890	603	0	(19,493)
Additions	16,631	59,604	11,961	375	15,773
Disposals	(1,430)	0	(1,844)	(269)	0
<b>Cost as at 30 April 2011</b>	<b>248,150</b>	<b>691,273</b>	<b>148,945</b>	<b>3,993</b>	<b>18,751</b>
Depreciation and impairment losses as at 1 May 2010	124,421	430,220	106,300	0	0
Depreciation for the year	6,958	33,689	11,752	0	0
Reversal in connection with disposals	(334)	0	(1,420)	0	0
<b>Depreciation and impairment losses as at 30 April 2011</b>	<b>131,045</b>	<b>463,909</b>	<b>116,632</b>	<b>0</b>	<b>0</b>
<b>Carrying amount as at 30 April 2011</b>	<b>117,105</b>	<b>227,364</b>	<b>32,313</b>	<b>3,993</b>	<b>18,751</b>

# 14. EQUITY INVESTMENTS IN SUBSIDIARIES

PARENT DKK '000	2011/12	2010/11
Cost as at 1 May	375,353	375,949
Capital increase through cash contribution	0	15
Additions through the purchase of equity investments	0	0
Dividend received (capital reduction)	0	(611)
<b>Cost as at 30 April</b>	<b>375,353</b>	<b>375,353</b>
Impairment as at 1 May	(204,376)	(204,376)
Impairment for the year	(5,000)	0
<b>Impairment as at 30 April</b>	<b>(209,376)</b>	<b>(204,376)</b>
<b>Carrying amount as at 30 April</b>	<b>165,977</b>	<b>170,977</b>

#### 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, 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 subsidiaries Harboefarm A/S and GourmetBryggeriet A/S were merged on 1 May 2011, with GourmetBryggeriet A/S as the continuing company under the name of Harboe Ejendomme A/S.

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

The equity investment in Harboe Norge AS was impaired during the period. The impairment amounts to DKK 5,000k and is based on impairment testing occasioned by a marked decline in the company's cash-generating activities following changes in the underlying market conditions.

Darguner Brauerei GmbH and Harboe Poland sp. Z O.O. are audited by the audit firm AWADO Deutsche Audit GmbH, Germany.

The annual reports of the other subsidiaries are audited by Deloitte.

# 15. FINANCIAL ASSETS AVAILABLE FOR SALE AND RECEIVABLES FROM SUBSIDIARIES

PARENT DKK '000	ASSETS AVAILABLE FOR SALE	RECEIVABLES FROM SUBSID- IARIES
Cost as at 1 May 2011	9,399	23,434
Adjustment, beginning of year	(379)	0
Additions	3,688	0
Disposals	(199)	(474)
<b>Cost as at 30 April 2012</b>	<b>12,509</b>	<b>22,960</b>
Revaluation and impairment losses as at 1 May 2011	(5,519)	0
Adjustment, beginning of year	308	0
Adjustments for the year	242	0
Reversal in connection with disposals	257	0
<b>Revaluation and impairment losses as at 30 April 2012</b>	<b>(4,712)</b>	<b>0</b>
<b>Carrying amount as at 30 April 2012</b>	<b>7,797</b>	<b>22,960</b>
Cost as at 1 May 2010	8,269	23,434
Additions	1,130	0
Disposals	0	0
<b>Cost as at 30 April 2011</b>	<b>9,399</b>	<b>23,434</b>
Revaluation and impairment losses as at 1 May 2010	(3,138)	0
Adjustments for the year	(2,381)	0
<b>Revaluation and impairment losses as at 30 April 2011</b>	<b>(5,519)</b>	<b>0</b>
<b>Carrying amount as at 30 April 2011</b>	<b>3,880</b>	<b>23,434</b>
Financial assets available for sale are measured at fair value at the balance sheet date.		
Listed shares	145	157
Unlisted shares	7,652	3,723
	7,797	3,880
Receivables from subsidiaries	22,960	23,434

## 16. INVENTORIES

PARENT DKK '000	2012	2011
Raw materials, semi-manufactures and non-returnable packaging	22,977	25,887
Finished goods and goods for resale	26,006	27,772
	<b>48,983</b>	<b>53,659</b>

## 17. TRADE RECEIVABLES

Trade receivables	<b>128,319</b>	<b>135,084</b>
Write-downs for expected losses	<b>400</b>	<b>400</b>
Provisions account as at 1 May	400	400
Ascertained losses and payments received concerning claims previously written off for the year	19	4
Reversed write-downs	0	0
Write-downs for bad debts for the year	(19)	(4)
<b>Provisions account as at 30 April</b>	<b>400</b>	<b>400</b>
Write-downs for the year recognised in the income statement	(19)	(4)

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.



## 18. OTHER RECEIVABLES

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<b>PARENT</b> DKK '000	<b>2012</b>	<b>2011</b>
Other receivables	2,401	3,679

Other receivables are not associated with any special credit risks, and like last year, no write-downs of these are included. None of the receivables are overdue.

## 19. CASH

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Cash and bank deposits	5,822	1,704
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The group has undrawn credit facilities of DKK 96.2 million (2010/11: DKK 31.7 million).

## 20. ASSETS HELD FOR SALE

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<b>PARENT</b>	<b>2012</b>	<b>2011</b>
<b>DKK '000</b>		

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The Board of Directors of Harboes Bryggeri A/S has decided to sell one of its residential properties. The property is expected to sell within 12 months. Proceeds from the sale are expected to correspond to the carrying amount of assets and liabilities.

Property, plant and equipment	2,992	2,992
Impairment for the year	(592)	0
<b>Assets held for sale</b>	<b>2,400</b>	<b>2,992</b>
Payables in respect of assets held for sale	(3,209)	(2,979)
<b>Net assets held for sale</b>	<b>(809)</b>	<b>13</b>

## 21. SHARE CAPITAL

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### PARENT

DKK '000

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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.

## 22. TREASURY SHARES

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	2012	2011	NOMINAL VALUE		SHARE OF SHARE CAPITAL	
	NO. OF SHARES DKK 10	NO. OF SHARES DKK 10	2012 DKK '000	2011 DKK '000	2012 %	2011 %
Treasury shares as at 1 May	350,585	64,945	3,506	650	5.8	1.1
Purchase of treasury shares	43,297	285,640	433	2,856	0.7	4.7
Sale of treasury shares	0	0	0	0	0	0.0
<b>Treasury shares as at 30 April</b>	<b>393,882</b>	<b>350,585</b>	<b>3,939</b>	<b>3,506</b>	<b>6.5</b>	<b>5.8</b>

Harboes Bryggeri A/S holds treasury Class B shares which have been purchased to ensure optimum investment of cash funds.

According to a decision made by the general meeting on 5 November 2011, the company can acquire up to 50% of the share capital until the company's annual general meeting in 2015.

In 2011/12, the company acquired treasury shares with a nominal value of 433k at an average price of 86.2, corresponding to DKK 3.7 million (2010/11: Purchased shares with a nominal value of DKK 2,856k, average price 116.7).

In 2011/12, the company did not sell any treasury shares (2010/11: No sale of shares).

## 23. OTHER RESERVES

PARENT DKK '000	2011/12	2010/11
Reserve for adjustment to fair value of financial assets available for sale	(4,712)	(5,365)
	Reserve for value adjustment of hedging instruments	Reserve for value adjustment of financial assets available for sale
Other reserves as at 1 May 2011	0	(5,365)
Adjustment to fair value of financial assets available for sale	0	271
Adjustment to fair value of financial assets available for sale, recirculation to income statement in connection with disposal	0	271
Tax on income and expenses recognised in other comprehensive income	0	111
<b>Other reserves as at 30 April 2012</b>		<b>(4,712)</b>
Other reserves as at 1 May 2010	(628)	(3,138)
Adjustment to fair value of financial instruments entered into to hedge future cash flows, reversals on repayment	838	0
Adjustment to fair value of financial assets available for sale	0	(2,379)
Adjustment to fair value of financial assets available for sale, recirculation to income statement in connection with disposal	0	263
Tax on income and expenses recognised in other comprehensive income	(210)	(111)
<b>Other reserves as at 30 April 2011</b>	<b>0</b>	<b>(5,365)</b>
		<b>Total</b>

## 24. DEFERRED TAX LIABILITIES

### PARENT

DKK '000

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Deferred tax assets and tax liabilities as at 1 May 2010	0	32,930
Change in deferred tax recognised in the income statement	0	3,252
<b>Deferred tax assets and tax liabilities as at 30 April 2011</b>	<b>0</b>	<b>36,182</b>
Change in deferred tax recognised in the income statement	0	(1,022)
<b>Deferred tax assets and tax liabilities as at 30 April 2012</b>	<b>0</b>	<b>35,160</b>
	<b>2012</b>	<b>2011</b>

Deferred tax is recognised in the balance sheet as follows:

Deferred tax liabilities	<b>35,160</b>	<b>36,128</b>
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	1 MAY	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPREHENSIVE INCOME	TRANSFERRED TO CURRENT TAX	30 APRIL
Non-current assets	32,824	896	0	0	33,720
Current assets	2,234	(513)	0	0	1,721
Liability	0	(1,030)	0	0	(1,030)
Unutilised tax losses	1,124	(375)	0	0	749
<b>Deferred tax liabilities 2012</b>	<b>36,182</b>	<b>(1,022)</b>	<b>0</b>	<b>0</b>	<b>35,160</b>
Non-current assets	29,653	3,171	0	0	32,824
Current assets	1,773	461	0	0	2,234
Unutilised tax losses	1,504	(380)	0	0	1,124
<b>Deferred tax liabilities 2011</b>	<b>32,930</b>	<b>3,252</b>	<b>0</b>	<b>0</b>	<b>36,182</b>



## 25. REPURCHASE OBLIGATION, RETURNABLE PACKAGING

PARENT DKK '000	2012	2011
Repurchase obligation as at 1 May	27,719	33,112
Changes during the financial year, net	(13,791)	(5,393)
<b>Repurchase obligation as at 30 April</b>	<b>13,928</b>	<b>27,719</b>
Provisions are recognised in the balance sheet as follows:		
Current liabilities	13,928	27,719
Non-current liabilities	0	0
	<b>13,928</b>	<b>27,719</b>

The repurchase obligation has been adjusted on the basis of the net sale of returnable packaging for the year less an estimated wastage in the volume of returnable packaging in circulation.

In consequence of Harboes Bryggeri A/S's decision to phase out the 50 cl. REF PET bottle, large volumes of this type of bottle have been recalled, reducing the repurchase obligation.

## 26. MORTGAGE DEBT

PARENT DKK '000	2012	2011
Mortgage debt secured on real property	5,077	5,217
Mortgage debt falls due as follows:		
On demand within one year from the balance sheet date	146	138
Between two and five years from the balance sheet date	619	590
After five years from the balance sheet date	4,312	4,489
	5,077	5,217
Mortgage debt is recognised in the balance sheet as follows:		
Current liabilities	146	138
Non-current liabilities	4,931	5,079
	5,077	5,217

	CURRENCY	EXPIRY	FIXED/ FLOATING	EFFECTIVE INTEREST RATE %	AMOR- TISED COST DKK '000	NOMINAL VALUE DKK '000	FAIR VALUE DKK '000
<b>30 April 2012</b>							
Mortgage debt	DKK	2028	Floating	2.5-3.0	2,369	2,456	2,535
Mortgage debt	DKK	2038	Floating	1.8-2.2	2,708	2,708	2,706
					5,077	5,164	5,241
<b>30 April 2011</b>							
Mortgage debt	DKK	2028	Floating	2.3-2.5	2,509	2,694	2,602
Mortgage debt	DKK	2038	Floating	1.7-1.8	2,708	2,708	2,647
					5,217	5,402	5,249

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.

## 27. BANK DEBT

PARENT DKK '000	2012	2011
Overdraft facility	101,618	168,337
Bank debt recognised in the balance sheet as follows:		
Short-term payable	101,618	168,337
The bank debt falls due as follows:		
On demand within one year from the balance sheet date	101,618	168,337

	CURRENCY	EXPIRY	FIXED/ FLOATING	EFFECTIVE INTEREST RATE %	AMOR- TISED COST DKK '000	NOMINAL VALUE DKK '000	FAIR VALUE DKK '000
<b>30 April 2012</b>							
Overdraft facility	EUR	2013	Floating	2.1-3.3	101,618	101,618	101,618
Overdraft facility	DKK	2012	Floating	2.4-2.7	20,648	20,648	20,648
Overdraft facility	EUR	2012	Floating	2.2-2.8	147,689	147,689	147,689
<b>30 April 2011</b>					<b>168,337</b>	<b>168,337</b>	<b>168,337</b>

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.

## 28. TRADE PAYABLES

PARENT	2012	2011
DKK '000		
Trade payables	79,248	87,140

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

## 29. DEFERRED RECOGNITION OF INCOME

Deferred recognition of investment grants as income	3,840	4,416
Deferred recognition of income is included in the balance sheet as follows:		
Long-term deferral of recognition of income	3,264	3,840
Short-term deferral of recognition of income	576	576
	3,840	4,416

## 30. OTHER PAYABLES

Wages and salaries, holiday pay, income tax deducted at source, social contributions etc. payable	4,128	4,711
Holiday pay obligations etc.	6,352	5,449
VAT and taxes payable	16,828	16,040
Other costs payable	38,389	36,114
<b>Short-term other payables</b>	<b>65,697</b>	<b>62,314</b>

Holiday pay obligations etc. cover obligations to pay wages and salaries during holidays which employees, as at the balance sheet date, have earned a right to take in the following financial year.

The carrying amount of payables concerning wages and salaries, income tax deducted at source, social contributions, holiday pay etc., derivative financial instruments, VAT and taxes as well as other costs payable corresponds to the fair value of such liabilities.

## 31. OPERATING LEASE COMMITMENTS

PARENT DKK '000	2012	2011
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For the years 2012-2021, 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 are interminable within the period stated, after which they may be renewed for periods of one year.

Minimum lease payments recognised in the income statement	<b>3,810</b>	<b>5,131</b>
The minimum lease payments comprise:		
Production	575	1,879
Distribution	3,000	2,872
Administration	235	380
	<b>3,810</b>	<b>5,131</b>
The total future minimum lease payments for interminable leases fall due as follows:		
Within one year from the balance sheet date	2,099	3,182
Between two and five years from the balance sheet date	1,876	2,299
After five years from the balance sheet date	428	563
	<b>4,403</b>	<b>6,044</b>

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 366k (2010/11: DKK 459k).



## 32. CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

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PARENT DKK '000	2012	2011
<b>Security</b>		
Carrying amount of mortgaged properties, including assets held for sale	9,725	10,488
Mortgage deed registered to the mortgagor with a nominal value of DKK 750k over Danish properties is kept in own depository.		
The parent has provided a guarantee for the mortgage debt of its subsidiaries. The guarantee has been maximised at DKK 241.7 million. (30 April 2011: DKK 280.9 million)		
Debt of subsidiaries	241,709	280,124

### Contingent liabilities

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.

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

## 33. CHANGES IN NET WORKING CAPITAL

PARENT DKK '000	2012	2011
Changes in inventories	4,676	(3,594)
Changes in trade receivables	6,765	1,440
Changes in other receivables	(3,853)	(2,147)
Changes in trade payables etc.	(7,892)	17,723
Changes in other payables	(10,579)	(7,178)
	<b>(10,883)</b>	<b>6,244</b>

## 34. CASH AND CASH EQUIVALENTS

Cash and bank deposits	5,822	1,704
Overdraft facilities	(101,618)	(168,337)
Intercompany balance, net	(135,698)	(75,275)
	<b>(231,494)</b>	<b>(241,908)</b>

The group has undrawn credit facilities totalling DKK 96.2 million.

## 35. FEE TO THE AUDITORS APPOINTED BY THE GENERAL MEETING

Statutory audit	1,722	1,608
Other assurance engagements	125	75
Tax advice	128	0
Other services	188	0
	<b>2,163</b>	<b>1,683</b>

# 36. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

PARENT DKK '000	2012	2011
<b>Categories of financial instruments</b>		
Trade receivables	128,319	135,084
Receivables from subsidiaries (long-term)	22,960	23,434
Receivables from subsidiaries (short-term)	4,918	730
Other receivables	2,401	3,679
Cash	5,822	1,704
<b>Loans and receivables</b>	<b>164,420</b>	<b>164,631</b>
<b>Financial assets available for sale</b>	<b>7,797</b>	<b>3,880</b>
Mortgage debt	5,077	5,217
Bank debt	101,618	168,337
Trade payables	79,248	87,140
Payables to subsidiaries	135,698	76,005
Other payables	65,697	62,314
Financial liabilities in respect of assets held for sale	3,209	2,979
<b>Financial liabilities measured at amortised cost</b>	<b>390,547</b>	<b>401,992</b>

## Financial risk management policy

Please refer to the section on risks in the management's review on page 31 and in note 40 in the consolidated financial statements

## PARENT

DKK '000

### Currency risks concerning recognised assets and liabilities

The parent's sale and purchase of goods in foreign currencies primarily take place in EUR and, to a lesser extent, NOK 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:

	CASH AND CASH EQUIVALENTS	RECEIVABLES	PAYABLES	NET POSITION
EUR	0	49,911	(210,909)	(160,998)
SEK	3,106	6,136	(770)	8,472
NOK	895	1,289	(1,898)	286
CHF	0	0	(191)	(191)
Other currencies	3	0	0	3
<b>30 April 2012</b>	<b>4,004</b>	<b>57,336</b>	<b>(213,768)</b>	<b>(152,428)</b>
EUR	0	34,900	(183,556)	(148,656)
SEK	296	6,317	(767)	5,846
NOK	409	3,106	(443)	3,072
USD	684	124	(6)	802
Other currencies	66	1	0	67
<b>30 April 2011</b>	<b>1,455</b>	<b>44,448</b>	<b>(184,772)</b>	<b>(138,869)</b>

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**PARENT**  
DKK '000**2011/12****2010/11**

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**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/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/loss for the year, respectively.

**Equity's sensitivity to exchange rate fluctuations**

Effect if the EUR exchange rate was 1% lower than the actual exchange rate	1,610	1,487
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(424)	(292)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	(14)	(154)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	0	(40)
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	10	(0)

**1,182****1,001****Sensitivity of net profit/(loss) to exchange rate fluctuations**

Effect if the EUR exchange rate was 1% lower than the actual exchange rate	(250)	489
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(1,575)	(2,003)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	(1,241)	(1,324)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(10)	(40)
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	14	24

**(3,062)****(2,854)****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. The transactions are expected to be at the level realised in 2011/12.

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.



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**PARENT**  
DKK '000**2012****2011**

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**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 2012 was DKK 208.7 million (2011: DKK 247.9 million). The debt carries a floating rate of interest.

An increase in the market interest rate of 1% would affect the profit/loss for the year before tax negatively by approx. DKK 2.1 million (2010/11 approx. DKK 2.5 million).

**Liquidity risks**

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

The liquidity reserve is comprised as follows:

Cash	5,822	1,704
Unutilised credit facilities (group)	96,220	5,876
Bond portfolio	183,059	281,797

**285,101****289,377****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 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 and similar, 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

Reference is made to the section on financial objectives on page 15 of the management's review and in note 38 to the consolidated financial statements.

## Non-fulfilment of loan agreements

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

## Methods and assumptions for the determination of fair values

### Listed bonds

The portfolio of listed mortgage credit bonds is measured at listed prices.

### Listed shares

The portfolio of listed shares is measured at listed prices.

### Unlisted shares

Unlisted shares are measured on the basis of observable information or at cost.

## Fair value hierarchy of financial instruments measured at fair value in the balance sheet

Below is a classification of financial instruments measured at fair value based on the fair value hierarchy.

- Listed prices in an active market for the same type of instrument (level 1)
- Listed prices in an active market for similar assets or liabilities or other methods of measurement according to which all significant inputs are based on observable market data (level 2)
- Methods of measurement according to which significant inputs are not based on observable market data (level 3)

2011/12	LEVEL 1 DKK '000	LEVEL 2 DKK '000	LEVEL 3 DKK '000	TOTAL DKK '000
Listed shares	145	0	0	145
Unlisted shares and securities	0	2,400	5,252	7,652
<b>Financial assets available for sale</b>	<b>145</b>	<b>2,400</b>	<b>5,252</b>	<b>7,797</b>

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

2010/11	LEVEL 1 DKK '000	LEVEL 2 DKK '000	LEVEL 3 DKK '000	TOTAL DKK '000
Listed shares	157	0	0	157
Unlisted shares and securities	0	2,160	1,563	3,723
<b>Financial assets available for sale</b>	<b>157</b>	<b>2,160</b>	<b>1,563</b>	<b>3,880</b>

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

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	FINANCIAL ASSETS AVAILABLE FOR SALE
<b>Carrying amount as at 1 May 2010</b>	<b>2,306</b>
Gains/losses in net profit/(loss) for the year	0
Gains/losses in other comprehensive income	(1,873)
Purchase	1,130
Sale	0
<b>Carrying amount as at 30 April 2011</b>	<b>1,563</b>
Gains/losses in net profit/(loss) for the year	0
Gains/losses in other comprehensive income	(0)
Purchase	3,689
Sale	0
<b>Carrying amount as at 30 April 2012</b>	<b>5,252</b>

## 37. 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 12.

### 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
<b>2011/12</b>					
Sale of goods	72,831	359	0	0	73,190
Purchase of goods	29,379	248	0	0	29,627
Sale of non-current assets	1,941	0	0	0	1,941
Purchase of non-current assets	0	0	0	0	0
Sale of services	3,560	484	0	0	4,044
Purchase of services	3,876	421	459	372	5,128
Sale of leases	0	96	0	0	96
Purchase of leases	2,746	336	0	50	3,132
Dividend received	10,344	0	0	0	10,344
Fees etc.	0	5,392	10,142	412	15,946
Trade receivables etc.	28,266	330	0	0	28,596
Trade payables etc.	135,704	369	0	35	136,108
Security, cf. note 27	241,709	0	0	0	241,709
Distribution of dividend	0	1,363	66	34	1,463
<b>2010/11</b>					
Sale of goods	36,607	18	0	0	36,625
Purchase of goods	28,645	147	0	0	28,792
Sale of non-current assets	37	1,600	0	0	1,637
Purchase of non-current assets	1,978	0	0	0	1,978
Sale of services	4,242	1,038	0	0	5,280
Purchase of services	5,833	1,349	1,381	0	8,563
Sale of leases	0	96	0	0	96
Purchase of leases	1,995	236	0	200	2,431
Dividend received	2,061	0	0	0	2,061
Fees etc.	0	5,821	12,483	408	18,712
Trade receivables etc.	24,164	278	0	0	24,442
Trade payables etc.	75,927	338	90	0	76,355
Security, cf. note 27	280,882	0	0	0	280,882
Distribution of dividend	0	1,180	58	19	1,257

## 37. RELATED PARTIES

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

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.

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 366k (2010/11: DKK 459k). The total future minimum lease payments in the period of non-terminability amount to DKK 266k. The payment is included in the above.

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

Please refer to note 3 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.



# COMPANY INFORMATION

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## 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 - 30 April  
Internet: [www.harboes.dk](http://www.harboes.dk)

## BOARD OF DIRECTORS

Anders Nielsen, Chairman, Lawyer  
Bernhard Griese, CEO  
Mads O. Krage, Executive Officer  
Mette Kirstine Agger, Managing Partner  
Thøger Thøgersen, CEO  
Carl Erik Kjærsgaard, CEO  
Jens Bjarne Jensen, Brewery Worker \*  
\*) Staff representative

## BOARD OF EXECUTIVES

Bernhard Griese

## AUDIT

Deloitte Statsautoriseret Revisionspartnerselskab

## GENERAL MEETING

The annual general meeting will be held on 22 August 2012 at 10.00 at Harboes Bryggeri A/S, Skælskør, Denmark.



KONGELIG HOFLEVERANDØR  
HARBOE



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**BJØRNE  
BRYG**

LUXUSØL

