



KONGELIG HOFLEVERANDØR

**HARBOE**

HARBOES BRYGGERI A/S



# ANNUAL REPORT 2020-2021

“ *This has been a year of high activity on all fronts in order to ensure the turnaround we launched last year. Our primary goal has been to create increased robustness and efficiency at the core of our business while strengthening overall commercial performance.*

*And although we have had to contend with the challenges posed by COVID-19, we are pleased to be able to deliver a markedly improved result, strong liquidity and a stronger business overall. This is a good starting point for our continued journey – and over the coming year, we will build purposefully on the results and expect a further improvement in earnings.*

*Søren Malling*  
CEO

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# CLEAR COMMERCIAL, STRATEGIC AGENDA

**B**In the past year, the Board has focused on setting the framework for Harboe's further journey and formulating the strategic priorities that will ensure a restoration of growth and markedly improved earnings over the coming years. We have had a very close and constructive collaboration with the Executive Board, where we analysed challenges and opportunities and created a clear and common understanding of the strategic potential. We want to develop Harboe into a new and strengthened version of itself – where we create increased resilience at the core and are driven by a clear commercial focus on creating profitable growth.

## MANAGEMENT OF RESOURCES AND PROCESSES

Significant work has been done to identify opportunities for improvement across the value chain. Many initiatives have been launched already, and this contributes to the improved earnings in the financial year. But we continue to see opportunities for optimisation, and effective management of resources and processes will continue to be a high priority in the coming years. This must form the basis for our primary focus – namely to raise our commercial performance and create profitable growth.

## INTERNATIONAL GROWTH

We see attractive growth opportunities in the international markets, where our products are gaining recognition and can be marketed at prices that better reflect their quality. Our new, focused sales strategy has already shown promising results in the past year, and we expect to see a significant increase in activities over the coming years.

International growth must also help reduce sensitivity to individual markets and individual customers in our Northern European markets. At the same time, we are working to strengthen the commercial platform so that we make better use of the value of our brands and strengthen our competitiveness, allowing us to raise earnings for the significant business we have here.

## FLEXIBILITY AND INDEPENDENCE

We will invest in growth over the coming years – but we will do so based on clear strategic goals and with full focus on strengthening the commercial agenda. Investments presuppose that we have flexible liquidity – and our efforts to ensure efficient balancing of working capital and liquidity are prioritised highly and on an ongoing basis. Financial independence will continue to be crucial for us in the future – and we are pleased that we have a solid capital structure that



gives us the best possible foundation for realising our strategic goals. Over the next 4–5 years, our ambition is to raise our EBITDA margin to a stable level of over 10% and achieve a return on invested capital of over 6%.

## COMMERCIAL COMPETENCES

We also have a clear awareness that the realisation of our strategic goals requires solid commercial competences – both in day-to-day management and at the board level. We have put together a strong management team, which has managed and executed the important strategic priorities that have secured the significant profit growth we are delivering this year. And that work continues – effectively backed by a very dedicated organisation that has been adjusted and strengthened to support the strategy. But at the board level, we also need specific competences

that can inspire and help set the right direction for further development. Therefore, in the nomination committee we have worked intensively to clarify our future competence needs and identify new commercial profiles to strengthen the Board. Therefore, we are pleased that, at the next general meeting, we will be able to propose the election of two new candidates, who, among other things, will contribute to Harboe's Board of Directors' broad international experience from sales and marketing of FMCG, in-depth knowledge of the German food and beverage market and solid financial skills. Both candidates are to be regarded as independent. We are confident that this will give Harboe another valuable boost to its further work.

## STABLY RISING EARNINGS

In light of the circumstances, the results for the year are satisfactory, but it is clear that we must go further from here. In the coming year, we will continue our efforts to strengthen the business and create growth, and we expect a further improvement in the results. We look forward to taking the next important steps on the journey, which will secure the positive development and steadily increasing earnings which the company, our employees and shareholders deserve.

*Bernhard Griese, Chairman of the Board*

# TURNAROUND AND STRENGTHENED FOUNDATION FOR THE FUTURE

**D** It has been a year of high levels of activity on all fronts, with full focus on securing the turnaround we launched last year. At the same time, we have had to contend with the additional challenges posed by COVID-19 – and this has affected our business in various ways. In Denmark, we have benefited from our primary focus on the off-trade segment, where sales have generally increased following the closure of cross-border shopping and the restaurant sector, and the results from our Northern European main markets are, overall, satisfactory. In the international markets, however, we have been challenged by restrictions, reduced capacity for freight and rising freight rates, which have delayed the effect of our sales efforts and increased the pressure on our earnings. However, even though we did not get quite as far commercially as we wanted, we are still pleased to be able to deliver a markedly improved result, strong liquidity and a strengthened business overall, compared to last year.

## FOCUS ON INTERNATIONAL SALES

The results are driven by the wide range of initiatives that we have been working on this year, with two primary focus areas: Increased robustness and efficiency at the core of our business and strengthened overall commercial execution.

In the commercial area, the construction of a new international sales organisation with a clear and focused approach to the development of customer relationships and markets has shown positive results, and the changed approach has also saved significant marketing costs. We have succeeded in establishing new significant customer agreements in a number of markets, and we have positive expectations for the continued development – not least when we begin to see a gradual normalisation of market conditions over the coming year as the pandemic becomes more controlled. Our approach to international markets is based on our portfolio of products, which we have streamlined and strengthened based on the consumer trends we can see around the world,



*From the left: Michael Møller Jensen CFO, Søren Malling CEO, Martin Schade COO*

with increasing demand for specialty beers, non-alcoholic beers, sugar-free beverages and organics.

## STRENGTHENED COMMERCIAL PLATFORM

In Denmark, we are in the process of strengthening the commercial platform based on our Harboe brand. We benefit from having a very high level of

“ We have strengthened our commercial platform and made efficiency improvements across our activities, which contribute to the improved results

awareness among Danish consumers, and we will use this to raise the value of our products further and create an even broader recognition of the quality and range of products we supply to the market.

In Germany, we are also in the process of expanding our sales channels and strengthening the positioning of our Darguner brand in selected regional markets in order to lift both sales and earnings in Germany, thereby reducing our dependence on individual customers.



#### **INCREASED PRODUCTIVITY AND OPTIMISATION**

Internally, we have worked to adapt the organisation so that it best supports our strategic priorities. We have analysed our general performance across the group and implemented a number of efficiency measures to strengthen productivity. Among other things, we have focused on our internal logistics, and a number of initiatives are underway to further streamline and optimise our quality assurance.

We can see that the initiatives are creating positive results and cost savings – and we have decided to investigate the possibilities of implementing a new, group-wide ERP system

that can support our work to ensure continued efficiency improvements and optimise our business platform and resource utilisation.

#### **SAFETY AND SECURITY FOR EMPLOYEES**

Sustainability is an integral part of our business model, and we continue to work purposefully to ensure that our societal contribution is as positive as possible.

This applies in relation to the climate, people and societies with which we interact, consumers and good ethics in the way we do business. The outbreak of COVID-19 has meant that many of our employees have had to work from home, but in production it was necessary to appear physically as usual.

Therefore, it has been very important for us to create the optimal safety and security for our employees, so in addition to applying the general restrictions, we decided to offer employees a weekly corona test at the brewery. We are very pleased that we have only seen a single case of infection in this regard, and that we have therefore never been forced to stop production.

#### **FOUNDATION FOR FURTHER DEVELOPMENT**

In the past year, we have strengthened the foundation for our continued

journey – and in the coming year, we will build purposefully on the results and expect a further improvement in earnings. We would like to thank our employees, who delivered a fantastic effort and team spirit in a year of change and many new initiatives. Thanks also go to our customers and

partners, with whom we look forward to creating new positive results and momentum in the coming year.

*Søren Malling CEO  
Martin Schade COO  
Michael Møller Jensen CFO*

## **CORONAVIRUS TESTING CREATES A SENSE OF SECURITY**

Limiting infection with COVID-19 has been a high priority for Harboe over the recent year, and teleworking has been introduced where possible. But in production, employees have continued their work and observed all applicable safety rules. To ensure the health and safety of employees, Harboe has therefore offered weekly coronavirus testing at the brewery. The test has been approved by the health authorities, so the result can also appear in the public coronavirus passport. The ongoing testing of employees has made it possible to nip and isolate the affected employees. Therefore, Harboe has at no point been forced to stop production, and the employees have felt safe and, at the same time, avoided having to stand in line at public test centres.

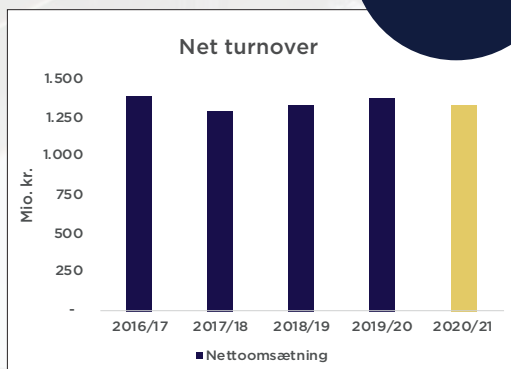


# FINANCIAL RESULTS

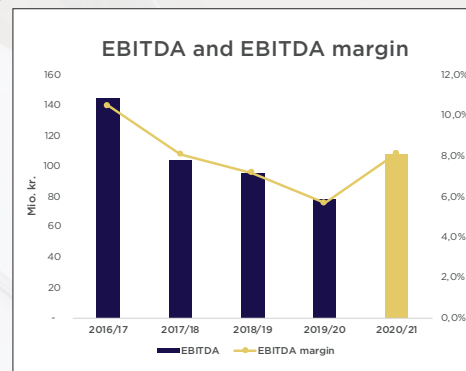
-4%

## HIGHLIGHTS OF THE YEAR

Harboe's results for 2020/2021 were in line with expectations, although COVID-19 affected activities in a number of markets. In export markets in particular, it limited the opportunities to realise the desired sales results. However, significant cost savings, efficiency measures and restructuring of the sales and marketing activities mean that EBITDA and profits before tax have significantly improved compared to last year.

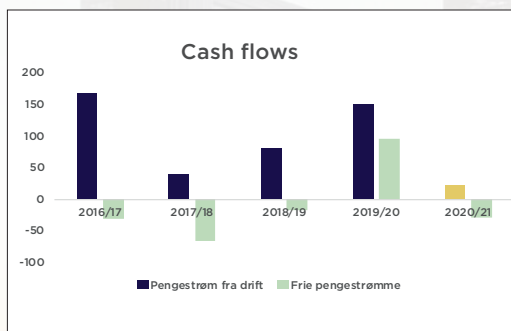
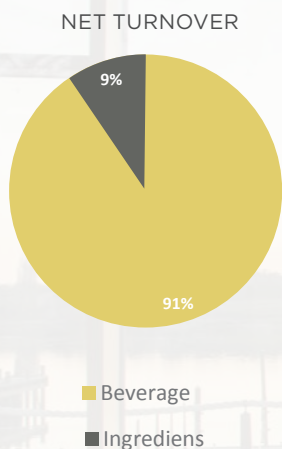


- Net turnover in 2020/2021 was DKK 1,328m. This corresponds to a decrease of 4%.
- Turnover in Beverages decreased by 3%, primarily due to lower turnover in the export markets, while turnover in Ingredients decreased by 7%.

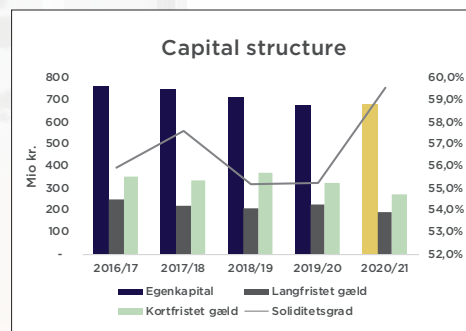


- EBITDA amounts to DKK 107.8m for 2020/2021 compared to DKK 78.2m in 2019/2020. The earnings growth has been driven by cost reduction. EBITDA margin was 8.1%.
- EBITDA in Beverages increased from DKK 116.5m to DKK 124.9m in 2020/2021. In Ingredients, EBITDA increased from DKK 6.7m to DKK 11.2m.

38%



- Cash flows from operations were positive, amounting to DKK 21.4m compared to DKK 151.5m in 2019/2020.
- Working capital management and supply chain agreements with customers are used in liquidity planning. There is a focus on ensuring the best possible return on free liquidity, and supply chain agreements have been used to a lesser extent in 2020/2021.



- As of 30 April 2021, the Group's net interest-bearing debt amounts to DKK 135.8m. The solvency ratio increased from 55.2% as of 30 April 2020 to 59.6% as of 30 April 2021.
- The Group's capital structure target has been established with a view to maintaining a high level of financial preparedness and flexible liquidity, which enables investments in continued growth.

# FINANCIAL RESULTS AND EXPECTATIONS

## FOLLOW-UP ON EXPECTATIONS FOR 2020/2021

	Expectations for 2020/2021	Update of expectations October 2020	Clarification of expectations December 2020	Update of expectations May 2021	Realised achievements 2020/2021
<b>EBITDA</b>	DKK 105-120m	DKK 105-120m	DKK 105-110m	DKK 105-110m	DKK 107.8m
<b>Profits before taxes from continued activities</b>	DKK 0-15m	DKK 0-15m	DKK 0-5m	DKK 0-5m	DKK 3.2m
<b>Profits from discontinued activities</b>		DKK 7-9m, conditional on the implementation of an agreement on the sale of discontinued operations in Estonia.	DKK 7-9m, conditional on the implementation of an agreement on the sale of discontinued operations in Estonia.	DKK 4m, conditional on the implementation of an agreement on the partial sale of discontinued operations in Estonia.	DKK 3.6m, of which DKK 4.3m comes from realised partial sales of fixed assets from discontinued operations in Estonia.

### AS EXPECTED

- Restructuring of the commercial organisation and changes in approach to sales and marketing activities in the export markets.
- Initial effect of initiated efficiency measures in the Group's supply chain
- A stable development in costs
- Profit growth in both business segments
- Overall positive impact on earnings from discontinuation of Estonian activities

### NOT AS EXPECTED

- Long-term challenges with sales in the Group's international markets outside Europe as a result of COVID-19.
- Global challenges regarding container and freight capacity have a negative effect on the end of the year
- Intensified competition in the domestic retail trade as a result of COVID-19.

## EXPECTATIONS FOR 2021/2022

- EBITDA in the range of DKK 115-125m
- Profit before tax in the range of DKK 10-20m

## PREREQUISITES

- Continued intense competition and pressure on prices, especially in Danish and German retail
- Uncertainty about the continued effect of COVID-19 and current challenges with a lack of shipping capacity and scarcity of raw materials.
- Rising turnover driven by export markets.
- Investments in strengthened supply chain and efficiency improvements.
- In addition to the expected profit before tax, the divestment of the last part of the activities in Estonia is expected to have a positive effect of DKK 3-5m, as a result of discontinuing operations.

*Harboe's soft drinks have a new design and new 0% sugar varieties with a fantastic taste experience*





# KEY FIGURES AND RATIOS

## FIVE-YEAR OVERVIEW

DKK thousands	2020/21	2019/20	2018/19	2017/18	2016/17		2020/21	2019/20	2018/19	2017/18	2016/17
<b>Shareholdings (DKK thousands)</b>						<b>Income statement (DKK thousands)</b>					
Net turnover	1,328,184	1,379,873	1,323,659	1,288,318	1,387,671	Profit per share	1.23	(7.35)	(2.87)	0.06	6.91
EBITDA	107,786	78,193	96,207	104,767	144,871	Cash flow per share	5.07	34.98	17.83	8.67	36.96
Primary operations/EBIT	10,026	(26,663)	(2,231)	13,409	58,685	Book value per share	160.98	159.56	167.60	164.46	166.17
Financial items, net	(6,783)	(5,429)	(5,313)	(5,633)	(4,681)	Price/earning per share	59.98	-	-	1,508.79	19.19
Result before tax	3,243	(32,092)	(7,544)	7,776	54,004	Stock price, end of year	74.00	51.00	86.60	84.60	132.50
Profit for the year						Dividend per share	0.00	0.00	0.00	1.00	2.00
from continuing activities	1,659	(23,068)	(10,121)	3,505	40,088						
Profits from discontinued operations	3,573	(9,591)	(2,796)	(3,271)	(8,621)						
<b>Result for the year</b>	<b>5,232</b>	<b>(32,659)</b>	<b>(12,917)</b>	<b>234</b>	<b>31,467</b>						
<b>Balance sheet (DKK thousands)</b>						<b>Non-financial ratios</b>					
Total assets	1,141,069	1,219,805	1,283,456	1,304,309	1,356,748	Employees					
Equity	679,792	673,760	707,784	750,908	758,671	Number of full-time employees	517	560	538	526	533
Net interest-bearing debt	135,761	120,414	211,629	185,211	135,861	Women in management %	19	27	36	23	
<b>Cash flows (DKK thousands)</b>						<b>Climate and environment</b>					
Cash flows from operations	21,402	151,452	80,260	39,572	168,744	Total energy consumption GWh	91.7	96.8	95.5		
Cash flows from investment	(36,256)	(60,379)	(40,136)	(79,585)	(174,198)	CO2 from production Million kg	18.8	20.0	19.7		
Cash flows from financing	(14,179)	5,329	(56,895)	(25,430)	(25,192)	Total water consumption Million litres	1,421	1,448	1,418		
Change in cash and cash equivalents	(29,033)	96,402	(16,771)	(65,443)	(30,646)						
<b>Investments (DKK thousands)</b>						<b>Relative production figures</b>					
Intangible assets	756	5,311	3,805	2,161	1,394	Energy consumption kWh/hl	16.3	16.7	16.5		
Tangible assets	35,997	65,283	47,656	160,797	174,258	CO2 from production Kh/hl	3.3	3.4	3.4		
Depreciation and write-downs	97,760	104,856	98,438	91,358	86,186	Water consumption hl/hl	2.5	2.5	2.4		
<b>Key ratios (%)</b>											
EBITDA margin	8.1	5.7	7.3	8.1	10.4						
Operating margin	0.8	-1.9	-0.2	1.0	4.2						
Solvency ratio	59.6	55.2	55.1	57.6	55.9						
Financial gearing	20.0	17.9	29.9	24.7	17.9						
Classification in order of liquidity	161.0	141.1	128.3	134.0	137.9						
ROIC	1.9	-2.3	-0.3	0.1	4.4						

The five-year overview has been adjusted backwards for discontinued operations.

Key figures and ratios are defined and calculated in accordance with CFA Society Denmark's (Finansforeningen) current version of "Recommendations & Key ratios".

# OUR BUSINESS MODEL

## RESOURCES

### People and knowledge

Harboe's development is driven by skilled, committed and loyal employees who translate their experience and knowledge into high-quality products. Harboe's values and history are an important part of the company's culture and create a strong foundation for continued development.

### Innovation and technology

Innovation and efficient utilisation of new technologies are essential elements in Harboe's business model and a crucial factor for continued growth and value creation.

### Financial capacity

Harboe is well consolidated and continuously generates a positive cash flow from operations. This results in high flexibility regarding financing the continued development and strategic initiatives.



## RAW MATERIALS AND SUPPLIERS

We source our raw materials through local and international suppliers who can meet our requirements for quality, reliability of supply and competitive terms. Our co-operation with suppliers is often long-standing and based on mutual value and development.

We ensure responsible procurement through continuous development of our procurement procedures, careful selection, close co-operation and ongoing supervision. Our suppliers must comply with our Code of Conduct and ethical guidelines.



## BREWERIES

Our breweries in Denmark and Germany produce beverages and ingredients for all our markets. We continuously invest in the development and application of new technology that can ensure continued high quality, efficient production and a flexible capacity that supports our business development.

We take a focused approach to our work with quality and energy management and set goals for the efficient use of raw materials and other resources. We focus on minimising waste and emissions. We work systematically with work environment management, focusing on safety, health, job satisfaction and skills development.



## CUSTOMERS

Our customers are supermarket chains and other companies in the retail trade, as well as food and beverage companies. Internationally, we also work with local and international distributors. We focus on developing our co-operation with customers in order to meet the ongoing development in consumer demand and expectations.

We work to develop sustainable products that are in line with demand trends. We focus on food safety and compliance with current regulations and standards through systematic supplier and quality management.



## CONSUMERS

Our products are consumed by millions of consumers in all our markets. We emphasise giving consumers a positive experience and enjoyment from our products and continuously invest in development that meets the demands for quality, functionality, content and values.

We emphasise the health of consumers and the impact of products on the surrounding environment. We focus on the development of increasingly sustainable products and packaging and, through effective labelling, want to give consumers the best possible conditions for making an informed choice regarding products.



## VALUE CREATION

### Employees

As a company, Harboe creates jobs, a high level of employee satisfaction and the development of talent across the group's activities.

### Shareholders

It is Harboe's ambition to create a long-term, stable and positive return for its shareholders.

### Community

Harboe wants to make a positive contribution to the sustainable development of society and plays an active role in creating dynamism and activity in the local communities in which the group operates.



# FOLLOW-UP ON STRATEGY

Harboe's overall strategy is to create growth and steadily increase earnings through close collaboration with customers and based on consumer demand and needs. In the past year, Harboe's Board of Directors has conducted several strategy seminars with a view to determining the direction, strategic focus areas and goals for the individual business areas.

In recent years, the strategic initiatives have particularly focused on creating increased resilience in the core, reducing the geographical and customer-related risk exposure and strengthening the overall EBITDA margin.

## STRATEGIC PRIORITIES AND GOALS

## EFFORTS AND RESULTS IN 2020/2021

## FOCUS IN 2021/2022

### CUSTOMERS AND MARKETS



Increase earnings and reduce dependence on individual customers in the Northern European core markets

Grow and increase earnings through focusing and strengthening efforts in selected international markets

Expand customer relationships with a focus on existing malt-based ingredients

Strengthen sales organisation and streamline sales strategy to create a basis for new international growth potential

Conclusion of new, significant agreements with distributors and customers in the international markets

Significantly reduced marketing costs strengthen earnings

Consumer analysis of the Harboe brand in Denmark shows a high level of brand awareness and potential for value addition

Intensify and focus sales efforts on the international markets with a view to concluding new attractive customer and distributor agreements

Strengthen the brand story about Harboe in Denmark

Meet continued consumer demand for healthier and more sustainable foods with continued optimisation of malt-based ingredients

### TALENT



Development of talent and diversity in the organisation and at management levels

Continuously high employee satisfaction

Low sickness absence and number of occupational injuries

Upgrading of internal communication and digitisation within HR. High employee satisfaction in this year's analysis

Continued initiatives to reduce sick leave. Absence decreased from 7.1% to 5.7% in 2020/2021

Implement efficiency measures and strengthen the operating organisation with a focus on the entire value chain

Continued development of talent and strengthening of the organisation

Expansion of the work with the job satisfaction survey and resulting optimisation projects

### INNOVATION AND DEVELOPMENT



Expand collaboration with customers on development and adaptation of products, concepts and packaging

Active incorporation of consumer trends in our range, including i.a. organics, sustainability and non-alcoholic beverages

Ongoing adaptation and streamlining of product portfolio

Continue to collaborate with customers and distributors regarding efficiency measures and consumer-oriented development and adaptation of product portfolios in line with demand

Launch new flavours, reduce sugar content of products and launch a new label design for soft drinks

Focus on meeting the continuing increase in demand for e.g. sustainability and clean label for ingredients in food and beverages

Continued development of product variants within e.g. organics and non-alcoholic beverages

Further development of collaboration with customers on wider use of malt-based ingredients in food and beverage production

### EFFICIENCY AND SUSTAINABILITY



Increased digitisation and optimisations in the value chain

Reduction of energy consumption and CO2 emissions and other emissions, as well as investment in efficiency

Focus on supply chain sustainability

Effective test strategy and infection prevention has ensured staff health and full production capacity under COVID-19

Management prepared for broad rollout of Code of Conduct

Adaptation of German production unit to increase export activity

Continued investments in optimisation and efficiency

Establishment of a whistleblower scheme for employees and supplier signing of Code of Conduct

### FINANCIAL INDEPENDENCE



Turnover growth and long-term EBITDA margin of +10%

Stable high conversion from EBITDA to cash flow from operations and free cash flow

Target for ROIC: + 6%

Significantly improved EBITDA and strong liquidity as a result of strategic initiatives, efficiencies and savings

0.9% ROIC

Continued focus on growth and earnings-enhancing initiatives

# STRATEGY

## CUSTOMERS AND MARKETS

Harboe produces and markets beverages in the categories of beer, soft drinks and energy drinks, as well as non-alcoholic malt beverages. The Group's primary markets are off-trade segments in Denmark and Germany. Customers are primarily major actors in the retail trade. The activities are based on often long-standing customer relationships, where Harboe is a strong partner that offers high quality, flexibility, reliability of supply and an attractive and up-to-date offering. Product mix, product introductions, sales concepts, packaging, etc. are organised in collaboration with customers based on the ongoing development in demand and consumer trends. Harboe's strategy is to increase earnings and strengthen the perception of the Group's brands and products and simultaneously reduce the relative dependence on individual customers and markets through targeted sales efforts and growth.

Internationally, Harboe markets its products in selected emerging markets and market segments in Europe, the Middle East, Asia, Africa and the Americas. The Group prioritises its efforts based on the customer relationships and markets where the earning potential is the greatest – also in relation to production efficiency and logistics. Close collaboration with customers and



distributors who know the local markets is crucial in order to establish real niche positions for Harboe's imported products, in competition with both local and international competitors. Continued growth and the establishment of long-term customer relationships also help to reduce risk exposure from the uncertainty associated with international expansion.

### *Targeted products in malt-based ingredients*

Harboe's activities in malt-based ingredients focus on selected segments in the food industry, particularly in the bakery and confectionery segments. The main product is Harboe's own malt extract, which is marketed for a number of different, targeted applications and sold to the European food industry, including the largest bakery companies in Europe.

Harboe's ingredient activities are based on close collaboration with customers on continued refinement and development of the application possibilities. Here, Harboe has a strong position among the competition. Continued growth in European food production and a growing demand for more natural and pure products hold an attractive potential. Therefore, Harboe's strategy is to maintain and further develop its market position by developing targeted solutions in close collaboration with customers.

## TALENT

It is crucial that the Group is able to

attract and retain the knowledge and skills needed to ensure the realisation of Harboe's strategy in constantly changing markets.



It is Harboe's ambition to be an attractive and dynamic employer, based on the vision and values created through six generations as a family-run business. The group wants to create a high level of motivation among its employees and focus on results, good co-operation and great job satisfaction.

Internal communication, training and a systematic exchange of experience are priority areas for action.

At the same time, Harboe focuses on maintaining and developing effective management and quality management systems in order to ensure ongoing follow-up and reporting, effective risk management and that the requirements and expectations set by customers, suppliers, employees, authorities and other significant stakeholders are met.

## INNOVATION AND DEVELOPMENT

Innovation and development of products, packaging and production forms will be crucial factors for continued growth and value creation. Therefore, Harboe seeks to maintain close co-operation with its customers so



that the product range is in line with developments in demand, market trends and consumer preferences. Harboe's ambition is to be able to quickly and efficiently meet developments in demand with competitive products and packaging.

Harboe is in ongoing dialogue with its customers and distributors about market developments and, on this basis, future development opportunities and adjustments of brands and product range are identified. In Denmark in particular, this collaboration is a good starting point for launching new products and concepts, which can be tested and form the basis for launches in other markets.

## EFFICIENCY AND SUSTAINABILITY

Harboe works systematically to identify opportunities to increase efficiency across the company and at all levels of the value chain. At the same time, this is an opportunity to reduce the Group's environmental footprint, and consideration for the environment and the consumption of resources is included in any investment decision. Based on an ever-increasing complexity in production and increased requirements for sustainable operations, Harboe therefore continuously assesses opportunities for investing in new technologies, production equipment, IT solutions and other initiatives that can



# STRATEGY

contribute to optimisation. In the coming years, Harboe will therefore also focus on implementing investments that can ensure increasingly efficient, flexible and sustainable operations.

Harboe is a signatory to the UN Global Compact and relates with selected UN Global Goals. As part of its social responsibility efforts, Harboe also emphasises being an active part of the local communities of which the group is a part. The group therefore supports sports, culture and charitable activities that can contribute to creating an attractive local environment for living and for running a business. Harboe will continue to make knowledge and resources available to strengthen the local community.

## FINANCIAL INDEPENDENCE

The Group's growth is expected to be moderate over the coming years. The development will be based on a relatively flat development in turnover in the Northern European markets, while turnover in international markets is expected to increase. Overall, gradually increasing earnings and a reduced dependence on individual customers and markets are expected. The goal is for the EBITDA margin to be raised to a stable level of more than 10%. In line with the optimisation of earnings, the goal is for the return on invested capital to be brought up to



more than 6%. Harboe continuously focuses on optimising cash flows and ensuring that it efficiently balances working capital and liquidity, which offers the necessary flexibility in operations and ensures financial independence. The Group's capital structure targets have been determined on the basis of the desire to continuously maintain a high level of financial preparedness and flexible liquidity, enabling investments in continued growth.

Harboe wants the financial preparedness to be largely self-financed, and the holding of treasury shares is included in this preparedness. Harboe wants to ensure long-term value creation for shareholders by gradually strengthening the company's market value in line with the development of the group's activities.

In accordance with Harboe's dividend policy, this is to be supplemented with current dividends, taking into account the Group's earnings, liquidity and financial objectives.



## HARBOE'S VISION





We put our heart into our work, and we are passionate about creating the best products for our customers. With agility, innovation and responsibility, we create sustainable value.



# CSR

As an international brewing company, we are aware of the imprint our company leaves on its surroundings and the stakeholders we are in contact with. It is therefore crucial to us that Harboes' growth and development takes place on a sustainable basis and in accordance with current regulations and standards for good ethical behaviour and social responsibility. Our CSR policy is based on the principles of the UN Global Compact, and we consider selected UN Global Goals, where our activities mean that

we have a responsibility and can contribute to a positive development. Our CSR ambition is to contribute to responsible and sustainable development. Throughout the value chain, we utilise critical resources, which is why our work is focused on limiting negative impacts and maximising positive ones in order to promote sustainability. Our strategic goals for the CSR effort are based on four focus areas with associated targets towards 2022. See the full report at [www.harboe.com](http://www.harboe.com), under Investor.

Goal	Initiatives and results for 2020/2021	Focus in 2021/2022	
<b>ENVIRONMENT AND CLIMATE</b> 	<ul style="list-style-type: none"> <li>Reduction of CO2 emissions, energy consumption and water consumption</li> <li>Optimising our use of raw materials, water and energy</li> <li>Wastewater reduction</li> <li>Optimising our utilisation of by-products from production through circular initiatives</li> <li>Focus on sustainable packaging</li> </ul>	<ul style="list-style-type: none"> <li>Initiated a project for reduction of water consumption</li> <li>Ongoing analyses for clarification of optimisation options</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of energy management team in Skælskør</li> <li>Installation of equipment for measuring water, air, electricity and steam/gas per production area at the group's Danish production unit. Similar equipment has been installed in Germany</li> <li>Installation of equipment for measuring the energy demand for heating at the Group's German production unit</li> </ul>
<b>PEOPLE</b> 	<ul style="list-style-type: none"> <li>Maintain job satisfaction</li> <li>Expand and improve the skills of our employees</li> <li>Reduce sickness absence and work-related injuries</li> <li>Ensure skilled labour and diversity</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction survey conducted – shows high job satisfaction and loyalty</li> <li>Leadership training programme for project management completed</li> <li>Workplace assessment carried out in Denmark</li> </ul>	<ul style="list-style-type: none"> <li>Efforts to reduce and maintain low sickness absence</li> <li>Optimisation of onboarding</li> <li>Continued focus on education and job satisfaction</li> </ul>
<b>CONSUMER</b> 	<ul style="list-style-type: none"> <li>Increase the level of information on labelling of all beers and soft drinks in relation to health</li> <li>Focus on sustainable packaging</li> </ul>	<ul style="list-style-type: none"> <li>Clearer labelling of energy content on soft drinks</li> <li>New soft drinks launched with lower energy content</li> <li>Packaging policy</li> </ul>	<ul style="list-style-type: none"> <li>Further focus on sustainable packaging solutions</li> <li>Continued focus on the development of soft drinks with reduced calories and non-alcoholic beer</li> <li>Continue work on calorie labelling of all beers sold in the EU</li> </ul>
<b>BUSINESS ETHICS</b> 	<ul style="list-style-type: none"> <li>Comply with applicable laws and requirements</li> <li>Code of Conduct for employees and suppliers</li> <li>Support a well-functioning and inspiring community and be visible and active actors</li> </ul>	<ul style="list-style-type: none"> <li>Management prepared for broad rollout of Code of Conduct</li> <li>Continued broad support for local activities</li> </ul>	<ul style="list-style-type: none"> <li>Introduction, training and updating of employee tests for understanding the Code of Conduct, as well as anti-corruption training</li> <li>Initiate collection of Code of Conduct signatures from suppliers</li> <li>Establishment of whistleblower scheme</li> <li>Attend local events</li> </ul>

# FINANCIAL STATEMENT

## TURNOVER

Despite the specific challenges posed by COVID-19, the 2020/21 financial year was a year where financial development was in line with the Group's overall plans and expectations. The Group's net turnover in 2020/2021 was DKK 1,328m compared to DKK 1,380m the year before, corresponding to a decrease of 4%.

	Net turnover (DKK million)		Sales (t/tonnes)	
Beverages	4,351	-6%	1,205	-3%
Ingredients	14,335	-7%	123	-6%
<b>Total</b>			<b>1,328</b>	<b>-4%</b>

Divided into segments, sales of beer and soft drinks, including malt beverages, dropped by 6%, while the decline in turnover was 3%. The partial closure of cross-border shopping led to a significant decline in turnover, but the decline has largely been offset by increasing domestic sales. In terms of volume, the German market has decreased by 5%, but turnover has been on a par with last year, driven by an optimised sales mix.

The export markets have been affected more by COVID-19, where total sales dropped by 14%, while the reduction in turnover could be limited to 10%. A modest share of the decline in turnover can be attributed to tighter credit management, but COVID-19 has been the main challenge and has also given rise to currency fluctuations, national restrictions and more limited opportunities for establishing and strengthening distribution in, for example, key markets in the Americas. Towards the end of the year,

the global transport situation, with a shortage of containers and freight capacity, also led to delays and losses of sales. However, as the respective countries have reopened, we have seen a normalisation of the sales situation and the influx of new customers.

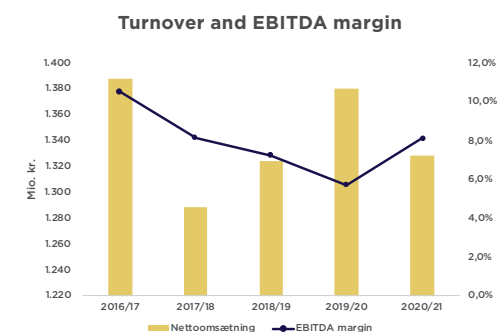
The Ingredients segment's sales of malt wort products dropped by 7%, and turnover declined by 6%, primarily driven by declining sales of products with lower earnings.

There has been a continued focus on strengthening the turnover in targeted and functionally better ingredient products for the large customers in the food industry. Read more about the development in the individual business areas under the relevant sections.

## EARNINGS

Profit before depreciation, financial items

and tax (EBITDA) amounts to DKK 107.8m compared to DKK 78.2 million last year. This matches the most recently announced expectations, which were communicated in company announcement no. 1 on 3 May 2021. The EBITDA margin was 8.1% compared to 5.7% last year.



The earnings growth was driven by a focus on cost reduction, primarily in connection with a restructuring of sales and marketing activities. This has resulted in lower marketing costs, a reduction and change of the sales and marketing organisation, as well as a more focused approach to the sales work. This has led to a cost reduction of DKK 34m, which is included in the group's total reduction of sales and distribution costs of DKK 55m. Within the supply chain, there has been a focus on optimising the overall planning and disposition in the value chain. Throughout the value chain, there is continued focus on optimising dividends,

reducing waste, etc., which is expected to have a significant effect both financially and in terms of efficiency as well as sustainability. Furthermore, a number of initiatives have been launched to realise the potential for optimisation in production, the majority of which will not take effect until the coming years.

The Group's administration costs were reduced by DKK 6m, mainly due to the fact that 2019/20 included a number of non-recurring costs as a result of organisational changes. Adjusted for this, the cost level has been stable compared to last year.

In the 2020/21 financial year, the group sold two detached houses that had previously been used as employee housing. A profit of DKK 3 million was realised in connection with these sales.

Depreciation of intangible and tangible assets is included in the operating profit of DKK 97.8m compared to DKK 104.9m in the same period last year.

Operating profit (EBIT) amounted to DKK 10.0m compared to DKK -26.7m last year.

Financial items in the financial year amounted to an expense of DKK 6.8m compared to an expense of DKK 5.4m last year.

The profit before tax from continuing operations was a profit of DKK 3.2m compared to a deficit of DKK 32.1m the year

# FINANCIAL STATEMENT

before. The result corresponds to the most recently announced expectations for a profit in the range of DKK 0–5m. Early in the year, it was decided to wind up Harboe's activities in Estonia, and they are presented in the annual report as a discontinuing operation. In 2019/20, a deficit of DKK 9.6 million was realised from these activities. In the winding-up period in 2020/21, a deficit of DKK 0.7 million was realised, including a write-down on a locally owned brand. At the end of the financial year, the sale of fixed assets has resulted in a profit of DKK 4.3m. The total impact on earnings for 2020/21 from discontinuing operations thus amounts to DKK 3.6m. As part of the sales agreement, the real estate in Estonia has been leased to the buyer of the fixed assets, and it is expected that the properties will be sold in 2021/22, with an expected profit of DKK 3–5m

The profit or loss for the year after tax for 2020/21 amounts to a profit of DKK 5.2m compared to a loss of 32.7m in the previous year.

## EQUITY

As of 30 April, 2021 equity amounts to DKK 679.8m compared to DKK 673.8m the year before.

Equity is affected by the result for the year, exchange rate adjustments for foreign subsidiaries, adjustment of other investments and securities.

The company has a total holding of 1,777,342 of treasury B shares, corresponding to DKK 131.5m, calculated from the share price as of 30 April 2021. The section on shareholder relations contains a more detailed description of Harboe's dividend policy and the general meeting authorisation to purchase treasury shares.

## INVESTMENTS

Investments in intangible and tangible assets during the financial year amounted to DKK 46.2m compared to DKK 64.6m last year. The investments have primarily been used to optimise existing production facilities. This includes investments in an energy-saving heat recovery system.

The investment strategy for the coming years will be focused on continuous improvements, energy and efficiency optimisations as well as investments that support commercially anchored development activities. Major investments are also expected to be made in the Group's production facilities within the next five-year period, with a view to increasing efficiency, modernising and strengthening the conditions for driving ambitious growth.

## LIQUIDITY

The group's free cash flow – changes in cash and cash equivalents – amounted to DKK -29.0 million compared to DKK 96.4 million for the same period last year.

The change compared to last year comes mainly from cash flow from operations, which was positive by DKK 21.4m compared to DKK 151.4m in the same period last year. Harboe has an ongoing focus on continued optimisation of working capital through management of procurement and trade payables, etc. and, among other things, has supply chain financing agreements with major customers, although these have been utilised to a lesser extent than in previous years. The Group can use these facilities for ongoing liquidity planning, which includes ensuring the best possible return on the free liquidity at given times. This leads to shifts in liquidity movements that are not directly related to operations.

## CASH RESOURCES

Cash resources for the group are composed of cash and cash equivalents and committed, unutilised credit facilities and, as of 30 April, 2021, amounted to DKK 116.6m. To this is added the holding of treasury B shares, corresponding to DKK 131.5m calculated at the share price as of 30 April 2021. As of 30 April 2021, the Group's interest-bearing debt amounted to DKK 152.4 million compared to DKK 166.8m at the end of the previous year.

## NET INTEREST-BEARING DEBT

Adjusted for cash and cash equivalents, etc. of DKK 16.6m, the Group's net interest-bearing debt as of 30 April 2021

amounts to DKK 135.8 million compared to DKK 120.8m at the end of the previous year.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

From the balance sheet date until today, no circumstances have occurred that significantly affect the assessment of the annual report.

## EXPECTATIONS FOR 2021/2022

At the start of 2021/22, the commercial situation still looks challenging due to the continued impact of COVID-19 in a number of markets. At the same time, the global shortage of containers and freight capacity has contributed to longer lead times and, in some cases, scarcity of raw materials and packaging, as well as general price increases in the procurement link of the value chain. This is considered to be the single largest commercial risk, which might currently affect expectations for 2021/22, but there is also an expectation of a normalisation during the year.

There is budding activity and optimism in the export markets, and following the completion of the restructuring of the sales and marketing activities, the export markets are expected to contribute to significant growth in 2021/22, particularly driven by customers in the Americas and Africa, while other regions are expected to contribute more moderately to growth. In the Danish market, the competitive



# FINANCIAL STATEMENT

situation is currently very intense, but this is expected to normalise somewhat, and overall growth in the market is also expected over the coming year. At the same time, initiatives have been launched to strengthen the Harboe brand. This entails a number of initial costs in 2021/22, but this is part of an effort to create increased visibility around the quality of Harboe's products in order to increase consumer preference and the value of the brand and products.

In the German market, the Group's turnover is primarily driven by private label products, and a declining market can be seen in certain segments and regions.

Therefore, the main focus for the coming financial year will be to expand with further sales channels, to strengthen the Group's activities within its own brands and to create increased profitability.

In the coming financial year, the activities in Harboe Ingredients are expected to be at a marginally lower level in terms of sales and earnings than in 2020/2021.

On the cost side, in the coming year, more resources will be allocated to activities that will strengthen the supply chain organisation and long-term efficiency. Among other things, this will include increased efforts on preventive maintenance which, in the short term, is an additional cost, but has the aim of

reducing the total production costs. There will also be an increase in wage costs at the group's German brewery.

Thus, it is expected that part of the expected growth in turnover will be reinvested in improvement measures, which have a purpose that extends beyond the 2021/22 financial year.

Overall, Harboe expects a positive development in turnover and an EBITDA in the range of DKK 115-125m.

Expectations are sensitive to intense competition and pressure on prices, developments in commodity prices and annual renegotiation of major contracts, just as developments in COVID-19 and turbulent market conditions in certain international markets may impact expectations.

Depreciation of plant and production equipment is expected to be in the range of DKK 98-103m.

The Group expects a profit before tax from continuing activities in the region of DKK 10-20m.

In addition to this, a result of discontinued operations in the range of DKK 3-5 million is expected.

## DISCLAIMER

The annual report contains statements about the future, including predictions

about future development in earnings. Such statements are associated with risks and uncertainty about a number of factors, many of which are beyond the control of Harboe Group. This may cause the actual results to differ materially from the forecasts stated in the annual report.

Factors that may impact expectations include, among others, general economic and business conditions, commodity price

developments, new taxes and regulations, political conditions, demand, exchange rate fluctuations and competitive conditions.

The annual report is published in Danish. An English summary will also be published. In case of discrepancies between the Danish and English texts, the Danish text shall prevail.

## BEAR BEER GAINS GROUND IN NEW MARKETS

Bear Beer is Harboe's leading brand in the international markets, and the high quality and Nordic expression is gaining recognition among both customers and consumers. Bear Beer also includes a wide range of beer varieties, ranging from classic lager and light beer to IPA, wheat beer and strong beer, which means there is something for everyone.

During the year, new collaboration agreements with distributors have secured Bear Beer a place on the shelves of e.g. Australia's largest nationwide retailer of spirits and a similar nationwide exposure at a large retail chain in Ecuador. Bear Beer is already marketed in a number of markets in South America, the Middle East, Asia and Africa.



# HARBOE BEVERAGES

## HARBOE BEVERAGES IN BRIEF

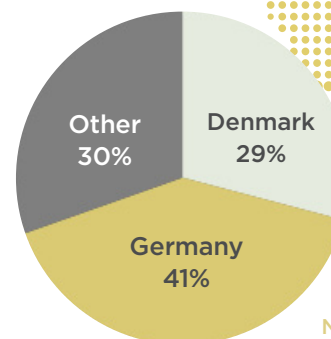
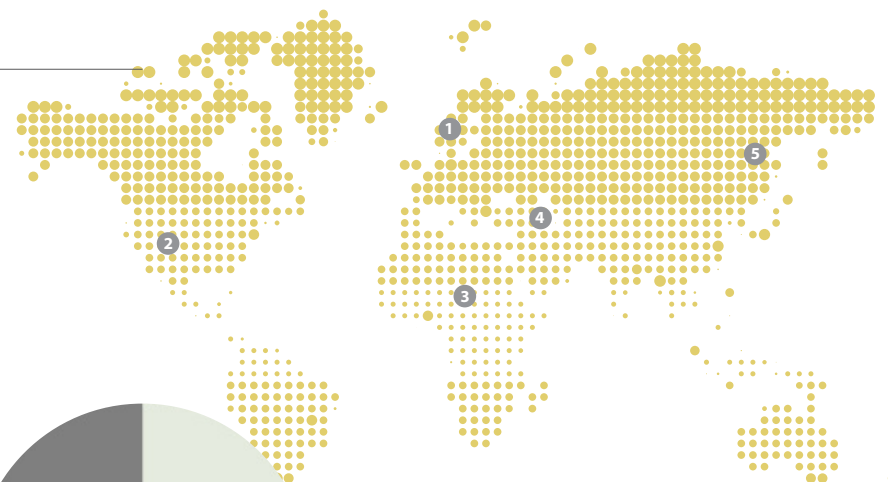
The production and marketing of beverages is Harboe's core business. Harboe's beverages are widely marketed to large retail customers in the Northern European markets, to cross-border shopping and to selected markets in Europe, the Middle East, Asia, Africa and the Americas. In Denmark and on the international markets, products are primarily marketed under own brands, while in Germany and through selected international distributors, products are primarily marketed under private labels.

Harboe's collaboration with customers in the retail trade is developed continuously so that the range, packaging and concepts meet developments in demand and consumption patterns. Harboe has established a solid position in Denmark, where the group is recognised for its

ability to supply an attractive range of beverages in large volumes. This position is maintained by ensuring high-quality products, reliability of supply and flexibility in the face of fluctuations in demand.

Internationally, Harboe markets a focused range of products under its own brands in selected emerging markets in close collaboration with major customers, local distributors and retail customers. Harboe's products under its own brands are primarily marketed in higher price segments in markets with increasing demand for imported, branded products. The group is gaining recognition for its strong range of high-quality products, just as credibility, international quality certifications and the company's long history are essential elements in the competition.

	2020/2021	2019/2020
Sales (hl)	4,351	4,625
Net turnover (DKK thousands)	1,205,431	1,248,713
EBITDA (DKK thousands)	124,899	116,503



- 1 EUROPE
- 2 AMERICAS
- 3 AFRICA
- 4 MIDDLE EAST
- 5 SOUTH EAST ASIA/OCEANIA

NET TURNOVER 2020/2021

### HIGHLIGHTS - BUSINESS DEVELOPMENT IN 2020/2021

- The activities in Denmark developed positively with overall increasing turnover, which more than corresponded to the declining turnover in cross-border shopping as a result of the lockdown in connection with COVID-19.
- In Germany, there was a slight increase in turnover, and a new sales organisation is under construction with a view to further strengthening efforts in the regional markets.
- In the international markets, activities were affected negatively by COVID-19, which delayed the results of the sales effort. Reduced freight capacity and rising prices towards the end of the year also had a negative effect on turnover and earnings.
- However, the international sales strategy and expansion of relationships with major customers and distributors are expected to drive growth and create positive results in 2021/2022.

# HARBOE BEVERAGES

## HARBOE'S PRODUCTS AND BRANDS

The marketing of Harboe's products takes place in close collaboration with large retail customers and distributors in order to build the knowledge, recognition and value of the products through targeted promotional activities.

### BEER

Harboe is experiencing a stable development in the demand for beer, particularly driven by an ever-increasing interest in specialty beers and beers with various alcohol contents. In large parts of the Group's markets, Harboe's beer is marketed under its own brands.



*Harboe's beer is brewed according to proud traditions and wins international awards for its quality*



### ENERGY DRINKS

X-Ray is Harboe's brand in the area of energy drinks. The category is constantly growing, and X-Ray is marketed mainly in Europe and in a number of African markets.



*Harboe's non-alcoholic products can be enjoyed both in everyday life and at parties*

### NON-ALCOHOLIC BEVERAGES

Non-alcoholic beverages, including soft drinks, is a category that is in continuous growth, and in particular, water with different flavours, organic beverages and other special products are developing positively. Harboe markets its non-alcoholic beverages internationally, based on demand.



# HARBOE BEVERAGES

## MARKET CONDITIONS AND COMPETITION

The activities of Harboe Beverages are focused on the Group's mature main markets in Denmark and Germany, as well as selected markets in Europe, the Middle East, Africa, Asia and the Americas.

## THE NORTHERN EUROPEAN MARKETS

The retail trade has undergone ongoing consolidation in recent years – especially among discount chains, which continue to increase their relative share of total retail trade. In most of Europe, the total value of the private label segment is declining, while the middle and premium segments are growing. Total beer consumption has been declining in Europe over the past 10 years. However, in recent years there has been a gradual increase in value in the beer market, which has been driven by increasing sales of e.g. specialty beers and non-alcoholic beers, which are widely marketed in the middle and premium segments.

Sales of soft drinks continue to grow positively. The growth in sales of soft drinks is primarily driven by continued product development within the segment, including e.g. energy drinks, just as the demand for, in particular, sugar-free soft drinks, sparkling water, flavoured spring water and vitamin drinks contributes to the growth in the segment.



The Northern European beverage market has seasonal fluctuations, and summer weather has a significant impact on overall demand.

## THE INTERNATIONAL MARKETS OUTSIDE NORTHERN EUROPE

The market approach in international markets is prioritised on the basis of customer relations and on markets where there is a potential for attractive earnings margins and the opportunity

to establish actual niche positions. There is significant competition in all markets, but economic growth and increasing purchasing power are also driving increasing consumption of beverages.

At the same time, there is an ongoing growth and maturation of the markets, which supports an increasing demand for beer, soft drinks, energy drinks and non-alcoholic beverages.

Across markets, there is a general trend of increasing interest in, and demand for, specialty products such as craft beer, non-alcoholic beverages and beverages with natural and sustainable profiles. Harboe prioritises the product range marketed internationally based on a qualification of demand, volume and production efficiency. The competitors are local, regional and international breweries.

## STRATEGY AND BUSINESS MODEL

The business activities in the Northern European core markets focus on establishing and maintaining close partnerships with customers as well as long-term contracts, which ensure that the collaboration can be continuously expanded through continued development of product range, packaging and sales concepts. This contributes to the quality and value development in the segment, strengthens sales and drives demand among consumers.

The intense competition puts pressure on earnings margins. This limits opportunities to effectively implement price increases in step with the impact of prices of raw material and consumables, etc. on production costs. Therefore, Harboe constantly focuses on increasing the value of the products and prioritising the product mix, so as to ensure the best possible balance between earnings and capacity utilisation in relation to the Group's other business activities.

Private label activities, which are primarily run out of Germany, continue to form a significant part of the Group's turnover, but efforts have been made to expand the sales channels and strengthen the local positioning of the Darguner brand in order to increase earnings.

The activities in Denmark, where the majority of turnover comes from own brands, are also a platform for dynamic development and market testing of new products and concepts that can drive sales and further strengthen earnings. The documented results from this also form the basis for thoroughly tested products and sales concepts to be brought into play in other markets.

Harboe's strategy for growth in international markets outside Northern Europe focuses on emerging markets, where economic and demographic developments support increasing purchasing

# HARBOE BEVERAGES

power and demand for quality products. In the international markets, Harboe's products are typically marketed in higher price segments, targeting a rapidly growing segment of middle-class consumers, who are increasingly demanding imported branded goods at attractive prices. The strategy is designed with a view to developing and targeting the activities at demand and development trends in the individual markets in close collaboration with customers and distributors. In the past financial year, the international sales and marketing organisation has been restructured and strengthened in order to create a more effective and focused approach to selected key markets, with an increased focus on key account development and direct, sales-supporting marketing. The measures have reduced the overall marketing costs. Harboe's international activities are expected to increasingly contribute to growth and EBITDA over the coming years. The international focus also helps to offset some of the effects of seasonal fluctuations.

## INITIATIVES AND RESULTS IN 2020/2021

The activities in Denmark developed positively compared to last year based on good co-operation with the large customers in the retail trade and a changed consumption pattern with increased sales in the Danish retail trade, which more than compensated for repeated shutdowns of cross-border shopping in connection with COVID-19.

In Germany, a minor volume decline was seen, but turnover was on a par with last year, driven by a better product mix.

The close collaboration with customers on new products and meeting consumer trends developed positively.

In the Danish market, Harboe has launched new variants of the organic soft drink series EGO, and at the end of the financial year, new labels were introduced for Harboe's soft drinks with improved communication about energy content and an updated design. During the financial year, there was a generally increasing demand for sugar-free varieties of soft drinks.

The restructuring of the international sales and marketing organisation with a view to increasing the earnings and efficiency of international activities has shown positive results.

New agreements have been entered into with distributors and customers, and a positive development can be seen in a number of markets, especially in the second half of the year. However, COVID-19 has affected the opportunities to realise the full potential of the sales effort, and towards the end of the financial year, reduced freight capacity and rising freight rates further limited opportunities for growth. Overall, turnover has thus dropped compared to last year.

## RISK FACTORS AND PRIORITIES IN 2020/2021

In the Northern European core markets, Harboe continuously focuses on the intense competition from national, regional and international competitors. Harboe works with customers to adapt product mixes and introduce new, innovative products that can meet market trends and drive new demand so that Harboe can maintain its position in these markets.

Price developments in i.a. raw materials, consumables, or freight and the

introduction of new or increased taxes can significantly affect earnings, and at the end of the financial year there were significant price increases for several raw materials, just as freight rates increased significantly at the beginning of 2021. Harboe seeks to enter into long-term agreements on raw materials to mitigate major fluctuations in prices, but overall, these factors pose an ongoing risk of affecting earnings, as the competitive situation does not always allow for increased costs to be transferred to sales prices. Therefore, Harboe constantly focuses on

## CONSUMERS KNOW HARBOE

A consumer survey conducted at the beginning of 2021 shows that Harboe's brand is well-known among Danes. All respondents stated that they recognise the Harboe name. This is a strong starting point for the continued development of a brand. The survey also showed that almost 1/3 of Danes buy Harboe's products at least once per month, and that they are consumed in everyday situations, during private gatherings and during parties. This is a significant exposure in the Danish population, and in the coming year, Harboe will intensify its efforts to increase the value of the brand and the recognition of its products among Danish consumers.



# HARBOE BEVERAGES

implementing efficiency measures in operations and increasing sales of its own brands and specialty products, where earnings margins are greater.

Harboe's activities in the international markets are also exposed to risks where political conditions are less stable and where general business conditions may be affected by various forms of unrest and lack of public control. Harboe focuses on prioritising efforts towards more stable markets and long-term customer relationships and continuously assesses the risk exposure in relation to the specific earnings potential. There has also been a focus on streamlining customer service, further developing contract formats and updating policies and processes around handling international customer relationships.

Assessment of the development in specific operating and debtor risks, as well as the handling of these, is reported to the Board of Directors on an ongoing basis, and Harboe seeks to hedge against losses on debtors by entering into credit insurance and letter of credit agreements where possible.

Production, distribution, delivery of agreed deliveries on time and good customer service in general are critical factors for customer satisfaction and the maintenance of long-term customer relationships. Harboe therefore has a special focus on ensuring optimal efficiency throughout the value chain. During the financial year, work was carried out in relation to a number of

efficiency measures to strengthen productivity with a focus on e.g. internal logistics and additional quality assurance.

Harboe continuously seeks to optimise the utilisation of capital in the group, e.g. through negotiating terms in contracts with business partners at all levels of the value chain. To meet the risk of increased capital being tied up, Harboe has a strategic focus on optimising cash flows in the Group and ensuring ongoing liquidity with credit facilities and its own flexible capital resources.

## EXPECTATIONS AND FOCUS AREAS FOR 2021/2022

In Denmark, Harboe will focus on maintaining its solid position. Demand for the beer market continues to decline, but the category for specialty beers, soft drinks and other non-alcoholic beverages is expected to develop positively. In the coming year, Harboe will intensify its efforts to support the value of the Harboe brand and its positioning in the Danish market.

The weather in the peak season over the first two quarters of the financial year will, as usual, impact total demand and sales. Continued intense competition is expected, which could put earnings under pressure, just as the sensitivity to price increases on the Group's primary commodities may affect the results.

In Germany, the new sales organisation will focus on the development of new sales channels and the marketing of new

products, in line with the increasing demand for e.g. organic drinks and non-alcoholic beers. At the same time, there will be a focus on strengthening the positioning of the Darguner brand in particular in selected regional markets. Both are part of a targeted sales effort towards new and existing customers, which can help reduce dependence on individual customers and strengthen overall earnings.

The activities in the international markets outside Northern Europe are expected to drive the growth in the coming year through continued prioritisation and development of relationships with customers and distributors. A targeted market approach with selected brands and sales-supporting marketing, as well as

processing and expansion of the position in the priority markets, is expected to create a basis for increased earnings in the coming financial year.

Market conditions are expected to remain challenging, but Harboe expects that the Group's offering to customers and partners in terms of quality and reliability of supply will contribute to increasing momentum in activities in the coming year.

Harboe will continue to seek to prioritise capacity utilisation for large volumes and maximum value. Emphasis will be on long-term strategic collaborations with customers, which can form the basis for continued value development in the product range and packaging in order to stimulate sales and contribute to increased earnings.

## HEALTH AND SUSTAINABILITY

Health and sustainability are a clear trend in consumer demand for food and beverages. This is seen, among other things, in a generally increasing demand for non-alcoholic beers, sugar-free soft drinks and organic beverages.

In the most recent financial year, among other things, Harboe launched a new flavour variant of its organic soft drink series EGO, and this has received a positive reception from customers.



# HARBOE INGREDIENTS

## HARBOE INGREDIENTS IN BRIEF

Harboe is one of Europe's leading manufacturers of malt extract and markets a targeted palette of product variants under the group's own brand, Barlex.

Malt extract is used as a natural ingredient in the production of a wide range of foods, including i.a. bread, breakfast products and chocolate.

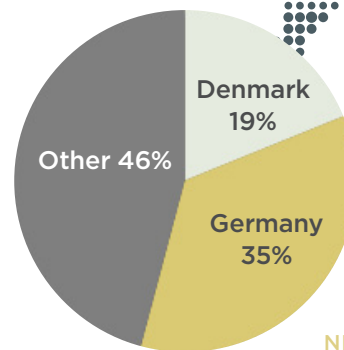
Malt extract contributes natural properties such as colour and sweetness, which i.a. can replace sugar, caramel and a number of artificial additives and meet

a continuing increasing demand for e.g. sustainability and clean labels for ingredients in food and beverages.

The customers are primarily European food companies, including a large proportion of Europe's largest bakery companies.

Harboe works closely with customers and advises them on how the malt-based ingredients can be used to increase the quality, taste and shelf life of products.

	2020/2021	2019/2020
Sales (tonnes)	14,335	15,403
Net turnover (DKK thousands)	122,753	131,160
EBITDA (DKK thousands)	11,219	6,737



- 1 EUROPE
- 2 AMERICAS
- 3 AFRICA
- 4 MIDDLE EAST
- 5 SOUTH EAST ASIA/OCEANIA

NET TURNOVER 2020/2021

**HIGHLIGHTS - BUSINESS DEVELOPMENT IN 2020/2021**

- Lower turnover, primarily due to termination of cooperation with a customer, but improved earnings driven by a better product mix and efficiency measures.
- Continued demand for ingredients that meet sustainability and clean label requirements in food.
- Turnover is expected to be slightly lower in 2021/2022, but close collaboration with existing customers on new solutions and applications, as well as increased sales efforts in new segments, create a basis for an expectation of being able to restart growth during the financial year.

# HARBOE INGREDIENTS

## HARBOE'S PRODUCTS AND BRANDS

Harboe is one of Europe's leading producers of malt extract, and the portfolio has been continuously expanded with a number of product variants, which have been developed and targeted towards an ever-increasing demand for sustainable ingredients with good quality and nutritional properties.

*Harboe's malt extract  
Barlex meets the  
demand for  
"clean label"  
in food*





# HARBOE INGREDIENTS

## MARKET CONDITIONS AND COMPETITION

Harboe's activities in ingredients are supported by a generally increasing demand for food and an increasing focus in the food industry on developing healthier and more natural foods at competitive prices. Food safety and quality are paramount, also in relation to increasingly strict international regulation in the food sector.

The competitors are primarily major European malt houses which i.a. supply the brewing industry with malt. The largest actors typically have a leading market share in their local markets and also operate internationally to a greater or lesser extent. Harboe's product range targets i.a. an international premium segment in the food industry, and a close collaboration with customers has given Harboe a solid position among the competition. Harboe seeks to maintain and expand its market position with targeted solutions that contribute to better and more sustainable foods.

## STRATEGY AND BUSINESS MODEL

Harboe Ingredients' business model is based on ensuring the optimal use of the Group's technology and competences in the utilisation of market opportunities within malt extract. In recent years, Harboe has invested in development and process optimisation within malt extract and today has a targeted and standardised range of ingredients.

Based on its knowledge of customers and production processes in the food industry, Harboe is working to expand its position through sales and consulting on the implementation of product applications that can add value in the production of food and beverages. The collaboration with existing and new customers includes i.a. the holding of development seminars, recipe development and joint test processes.

Harboe Ingredients has a potential for continued growth and earnings, which is sought to be realised over the coming years based on the Group's existing technology and competences.

## INITIATIVES AND RESULTS IN 2020/2021

Sales within Ingredients dropped by 7%, primarily as a result of the termination of co-operation with a customer in the second half of the year, but overall earnings increased significantly. In addition to adapting to the restrictions introduced in production and supply chains, COVID-19 had no significant effect on demand or sales.

In recent years, Harboe has worked on the development of products that meet an ever-increasing demand for so-called clean label products with few and natural ingredients and no artificial additives, but where quality and shelf life are maintained. Several of these products are being incorporated and continue to be rolled out in production by a number of customers, and during the year Harboe has continued to work closely with

customers on the development and implementation of new applications for the malt-based ingredients.

## RISK FACTORS AND PRIORITIES IN 2020/2021

Harboe's activities within malt extract are exposed to the usual market risks of competition, development in raw material prices, etc., just as market developments can affect expected sales.

In the past year, Harboe has worked to optimise and streamline production processes and quality controls in order to increase resilience to fluctuations in raw material prices and quality, which is contributing to improved earnings.

It is crucial that new products and applications meet the specific functionality requirements in order to be part of the

customers production process. In the past year, Harboe has therefore also focused on the close dialogue with, and advising of, customers, as well as ensuring quality, progress and ongoing control for the test processes carried out.

## EXPECTATIONS FOR 2021/2022

In the coming year, Harboe will focus its efforts on the continued development of existing customer relationships and the further work of identifying new uses for malt-based ingredients in collaboration with customers. At the same time, Harboe will intensify its sales efforts towards new segments, which are expected to be able to contribute to restoring growth in the business during the financial year.

Slightly lower sales are expected, but overall improved earnings in 2021/2022 are expected.

## BETTER USE OF INGREDIENTS

The demand for more sustainable foods is increasing, and the demand for clean label is becoming increasingly widespread. Malt extract is a natural product that can be used in bread, biscuits, breakfast products and beverages, where it adds good taste and colour, which can replace i.a. sugar, caramel and artificial additives. If, for example, the glucose syrup in a muesli bar is replaced with malt extract, it is possible to reduce the sugar content by almost 2/3 without compromising the sweet taste and, at the same time, give the product a nice golden colour.



# RISK FACTORS, FINANCIAL REPORTING AND CONTROL

## RISK FACTORS, FINANCIAL REPORTING AND CONTROL

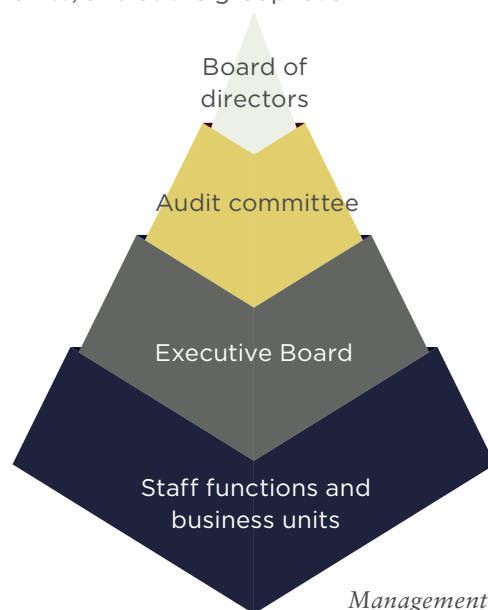
Harboe continuously analyses and considers the business and financial risks that impact the company's development and results.

The Board of Directors is overall responsible for the Group's risk assessment, risk management and the internal control environment in connection with the financial reporting. During the year, there has been a focus on controls and follow-up with the Group's supply chain, continued optimisation of business procedures, infrastructure and processes, as well as IT systems that support ongoing control and reporting across the Group.

Harboe's Board of Directors has appointed an audit committee, which consists of the Board of Directors in its entirety. At least one member has special competencies in accounting and financial management. The chairman of the audit committee is appointed by the board of directors.

The audit committee is responsible for establishing policies, procedures and ongoing monitoring of internal control systems. The committee has specified annual tasks and responsibilities in consultation with the company's external auditor. Prior to the approval of the annual report, the committee reviews the reporting with the company's external auditor with particular focus on

accounting policies, significant accounting estimates, transactions with related parties, uncertainties and risks. The framework for the ongoing risk assessment is defined by the Board of Directors. The Executive Board holds day-to-day responsibility for monitoring, follow-up, control and reporting. A standardised programme has been established with minimum requirements for documentation and follow-up in order to reduce registered reporting risks. Reporting and follow-up for the individual units and business areas take place as part of the reporting to the Board of Directors. The ongoing monitoring and control is carried out both decentrally by specialised control functions in the individual business units, and at the group level.

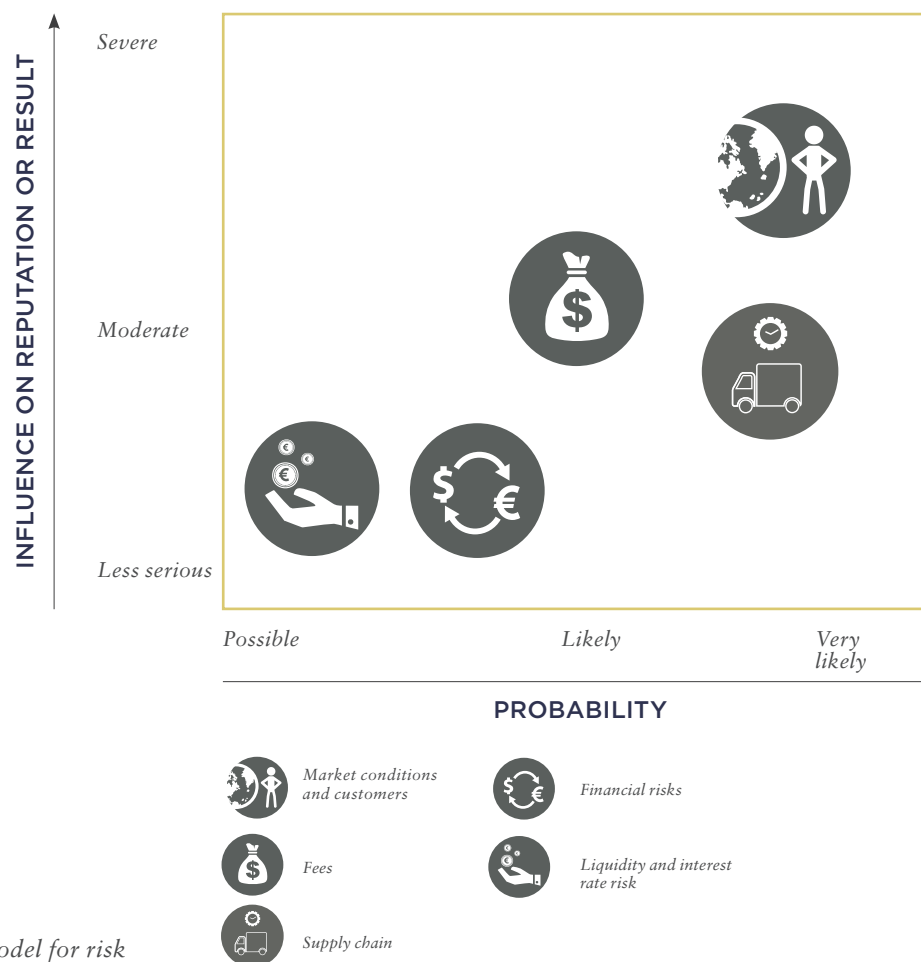


## SIGNIFICANT BUSINESS RISKS

The overview below reflects the most significant current risk factors that are included in the Group's ongoing risk management. In the review of individual

business activities, the current risk exposure, risk management and expectations for the coming year's risk factors are explained in more detail.

## HARBOE RISK LANDSCAPE



# RISK FACTORS, FINANCIAL REPORTING AND CONTROL

## RISKS



### *Market conditions and customers*

The market for beer and soft drinks in all the Group's markets is characterised by intense competition, and the customers are most often large supermarket chains or suppliers with considerable bargaining power. This entails a risk of dependence on individual customers and pressure on earnings. In the Northern European markets, Harboe is also affected by seasonality, where the quality of the summer weather in particular has a significant impact on turnover. At the same time, Harboe is exposed to market developments in the international markets, including the risk of changing political and regulatory regimes and business practices that may affect trading conditions, approvals, import regulations, logistics, etc.



### *Fees*

Harboe's beer and soft drinks are subject to sales taxes to varying degrees in the Group's markets, and significant changes in these may affect Harboe's earnings and, ultimately, sales of the Group's products. At the same time, Harboe is exposed to the risk of new taxes, including environmental taxes, which can affect both turnover and earnings.



### *Supply chain*

Harboe is sensitive to market fluctuations in the prices of raw materials and consumables because increased production costs cannot be transferred to sales prices directly. This is especially the case for the Group's long-term private label contracts, as well as for products subject to particularly strong competition. At the same time, the Group depends on the reliability and quality of the raw material supply, just as Harboe depends on raw materials and materials being delivered on time and in the quantities agreed. Suppliers' compliance with international standards of good corporate governance and accountability in relation to their environment may also affect Harboe's reputation and business.

## PREVENTIVE MEASURES

- Harboe seeks to strengthen sales of its own brands and products in higher price segments, where earnings margins are better and sensitivity thus lower, which is especially possible in the international markets.
- Seasonal fluctuations are sought to be handled through e.g. optimisation of production processes and co-ordination between the Group's production units. At the same time, growth in activities in markets outside Northern Europe must help to reduce the relative exposure to seasonal fluctuations.
- Harboe continuously weighs market risks against specific market opportunities and develops the activities in close collaboration with experienced and well-known distributors. Harboe focuses on ensuring the handling of business procedures re. contract formats, business practices and ethical standards, so that employees dealing with business relationships receive the best possible guidance on how to handle situations that deviate from normal standards, including the risk of corruption.
- Harboe is working on both short- and long-term energy optimisations, which will reduce the overall environmental impact and thereby minimise the cost of current and expected future environmental taxes.
- The supplier collaboration is often based on relationships spanning many years, with terms that are adjusted and renegotiated for 1-3 years at a time. The majority of Harboe's suppliers are based in Europe and are thus subject to a uniform regulatory framework in accordance with European standards. Harboe continuously evaluates the quality and reliability of supply of individual suppliers and performs unannounced inspections. For all primary raw materials, Harboe has two suppliers to ensure the highest possible reliability of supply.
- Harboe systematically follows up on the Group's supply chain, which in the future must commit to complying with the Group's Code of Conduct and a number of standard requirements regarding their business practices and key issues regarding human rights, labour rights, the environment and anti-corruption. The effort is a key element in the Group's work with corporate social responsibility and a significant focus area in strategic risk management.

# RISK FACTORS, FINANCIAL REPORTING AND CONTROL

## RISKS



### Financial risks

For the majority of the Group's activities, Harboe's sales and purchases in foreign currency continue to be made in EUR, where the currency risk is considered to be limited. However, the geographical spread of Harboe's markets means that there is a consequent commercial pricing risk in the event of significant price fluctuations in individual markets.

Harboe is also exposed to credit risks from customers, particularly in international markets.



### Liquidity and interest rate risk

Harboe focuses on optimising cash flows and ensuring efficient balancing of working capital and liquidity. This has ensured that the Group has continued flexibility in operations and the financial independence and freedom to carry out ongoing strategic investments.

Harboe's solid capital structure limits the risk associated with the development of market interest rates.

## PREVENTIVE MEASURES

- In line with the continued growth in the Group's international activities, Harboe will continuously assess the need for currency hedging.
  - Harboe performs credit assessments of customers through both internal procedures and external partners
  - Harboe seeks to hedge against losses on customers through ongoing assessment of the need to enter into credit insurance and letter of credit agreements, where appropriate and possible.
- 
- Ongoing focus on optimising working capital
  - In line with the continued growth in the Group's international activities, Harboe will continuously assess the need for currency hedging.
  - Harboe's financial risks are described in more detail in the notes to the consolidated financial statements, where sensitivity analyses are stated in connection with these.

## NEW VARIANTS OF MECKLENBURGER

Mecklenburger is Harboe's German brand, which is increasingly being marketed internationally, and customers can now look forward to additional product variants. So far, the range has consisted of a Pilsner, Weissbier, Dunkles-Weissbier and Dunkel, but is now being expanded with an IPA and a non-alcoholic Mecklenburger with less than 0.5% alcohol. Thus, Harboe is meeting an increasing demand for specialty beers

and non-alcoholic beers – but still in line with the core values of the brand, which is based on the German "Reinheitsgebot", which stipulates strict requirements for the use of ingredients. Harboe's German brewery has repeatedly received the so-called "Bundesehrenpreis" award, which is the highest recognition for beer quality that can be achieved by breweries in Germany.



# CORPORATE GOVERNANCE

## SUSTAINABLE MANAGEMENT AND VALUES

Harboe's Board of Directors attaches great importance to the basic values created and developed at Harboe over six generations as a family-run business being combined in the best possible way with effective business management, with the primary purpose of creating value for the company's

shareholders, employees and customers. The Board of Directors and management work to ensure that the Group's management and control systems are efficient and in line with relevant standards.

## RECOMMENDATIONS FOR GOOD CORPORATE GOVERNANCE


The management of Harboe is done

largely in accordance with the current recommendations for good corporate governance. The group's website contains the complete review of the individual recommendations. See the link to the full Corporate Governance statement in the overview below.

## MANAGEMENT COMMITTEE

The Board of Directors has appointed

three management committees, which work under the Board of Directors – an audit committee, a nomination committee and a remuneration committee. In accordance with the company's remuneration policy, a remuneration report has been prepared for 2020/2021.

	THE BOARD OF DIRECTORS	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
<b>MEETINGS IN 2020/2021</b> 	<b>8 meetings, all attended</b> Bernhard Griese (Chairman) ██████████ Mads Krage ██████████ Claus Bayer ██████████ Bettina Köhlert ██████████ Poul Møller ██████████ Ruth Schade ██████████ Jens Bjarne S. Jensen ██████████	<b>3 meetings, all attended</b> Ruth Schade (Chairman) ██████████ Claus Bayer ██████████ Bernhard Griese ██████████ Mads Krage ██████████ Bettina Köhlert ██████████ Poul Møller ██████████	<b>7 meetings, all attended</b> Bettina Köhlert (Chairman) ██████████ Claus Bayer ██████████ Bernhard Griese ██████████ Ruth Schade ██████████	<b>2 meetings, all attended</b> Claus Bayer (Chairman) ██████████ Bernhard Griese ██████████ Ruth Schade ██████████
<b>ITEMS ADDRESSED</b>	In addition to the regular items on the agenda on the strategy day and at extraordinary board meetings during the financial year, among other things the Board of Directors addressed the following: <ul style="list-style-type: none"> <li>• Sales and marketing strategy, future geographical and customer exposure and focus, adding value and product and brand strategy</li> <li>• Efficiency improvements in production and supply chain</li> <li>• Long-term investment proposals</li> <li>• Strengthening of organisation and management</li> <li>• Sale of the group's Estonian activities</li> </ul>	The audit committee has held three ordinary meetings in connection with the financial reporting. These include: <ul style="list-style-type: none"> <li>• Accounting policies, accounting estimates, transactions with related parties and uncertainties related to risks</li> <li>• The financial reporting process</li> <li>• Internal control and risk management systems</li> <li>• Collaboration with the auditor</li> </ul>	The nomination committee has held seven meetings with the primary focus of strengthening the board with new competent members. Among other things, the committee has discussed: <ul style="list-style-type: none"> <li>• Analysis of existing competences of the board of directors and need for supplementary competences in light of the company's strategy and desire for diversity and increased independence</li> <li>• Description of desired profiles</li> <li>• Recruitment of candidates</li> <li>• Interviews and selection of candidates</li> </ul>	The remuneration committee has held 2 meetings with a focus on e.g. the following topics: <ul style="list-style-type: none"> <li>• Evaluation and updating of remuneration policy</li> <li>• Preparation of remuneration report</li> <li>• Ad hoc meetings with the Executive Board on the employment of a key employee</li> </ul>

# SHAREHOLDER RELATIONS

## IR POLICY

With its IR Policy, Harboes Bryggeri A/S strives to communicate openly with the company's shareholders and other stakeholders in order to create a basis for a pricing of the company's share that optimally reflects the company's value and potential.

Harboe's communication with investors is centred around the company's half- and full-year reporting in Danish and English, as well as the annual general meeting. From the coming financial year, Harboe will also publish periodic statements for the 1st and 3rd quarters.

During the year, Harboe has held meetings with investors and communicated important information about the company via company announcements in order to ensure an efficient and fair valuation of the company's shares. Harboe communicates its shareholder information via the Group's website [www.harboes.com/investor](http://www.harboes.com/investor) and via the Investor Portal, which gives shareholders easy and quick access to relevant information about the company. Shareholders, analysts and other interested parties are welcome to contact Harboe's IR contact, and the company welcomes proposals for the further development of Harboe's investor relations.

IR contact:  
Michael Møller Jensen, CFO  
Tel.: 58 16 88 88  
Email: [mmj@harboes.dk](mailto:mmj@harboes.dk)

## VALUE CREATION FOR SHAREHOLDERS

Harboe's dividend policy is based on a desire to create sustainable and long-term value for shareholders. The policy is implemented through an ongoing payment of dividends, taking into account the company's earnings, liquidity and financial objectives.

For the annual general meeting on 20 August 2021, the Board of Directors proposes that no dividends are paid for the financial year 2020/2021.

The company has a total holding of 1,777,342 treasury B shares, corresponding to 29.62%. No treasury shares were purchased during the financial year. The authorisation to purchase treasury shares was renewed on 20 August 2020. The authorisation has given the Board of Directors the ability to purchase treasury shares up to 50% of the share capital, at a price corresponding to the share price plus/minus 10%. The authorisation is valid until the company's annual general meeting in 2025. Acquisition of treasury shares has taken place i.a. with a view to strengthening the Group's capital base and ensuring flexibility in the strategic preparedness should Harboe, as part of the continued development of its activities, find it relevant to enter into strategic partnerships or make acquisitions.

## OWNERSHIP

At the end of the financial year, Harboes Bryggeri A/S had 4,858 registered

shareholders. The registered shareholders represent DKK 58.3m of the total share capital, corresponding to 97.2%. Pursuant to section 29 of the Capital Markets Act, as of 30 April 2021, the following shareholders have announced that they have a shareholding exceeding 5% of the share capital or voting rights:

Kirsten and Bernhard Griese  
Spegerborgvej 4, 4230 Skælskør  
Capital share: 5.6%, voting share: 2.86%

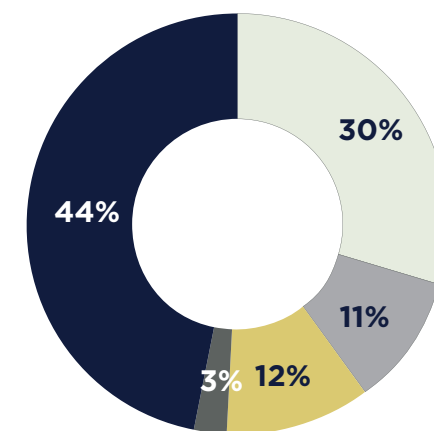
Vibeke Harboe Malling  
Spegerborgvej 12, 4230 Skælskør  
Capital share: 3.40%, voting share: 16.88%

Karina Harboe Laursen  
Køyersvej 14, 2930 Klampenborg  
Capital share: 3.45%, voting share: 16.90%

Pernille Harboe Obling  
Spegerborgvej 14, 4230 Skælskør  
Capital share: 3.45%, voting share: 16.90%

As of 30 April 2021, members of the Board of Directors and the Executive Board held a total of 351,622 shares.

## SHAREHOLDER COMPOSITION



- Harboes Bryggeri A/S
- A-aktionærer
- Udenlandske aktionærer
- Ikke navngivne
- Danske aktionærer

Members of the Board of Directors and the Executive Board, as well as the company's directors, are registered as insiders, and their share transactions are subject to reporting obligations. According to Harboe's internal rules, insiders may not act for a period of 30 days up to the publication of financial statements and must take into account the generally applicable rules of the Market Abuse Regulation.

# SHAREHOLDER RELATIONS

## SHARE

The share capital in Harboes Bryggeri A/S amounts to DKK 60,000,000, corresponding to 6,000,000 shares of DKK 10. The shares are distributed with 640,000 class A shares, corresponding to a nominal value of DKK 6,400,000 and 5,360,000 class B shares, corresponding to a nominal value of DKK 53,600,000.

When voting at the company's general meeting, each class A share of DKK 10 corresponds to 10 votes, while each B share of DKK 10 corresponds to 1 vote.

Only the company's B shares are listed on NASDAQ OMX Copenhagen. During the period, trading has amounted to a total market value of DKK 95.2m, corresponding to an average trading activity per day of DKK 0.4m.

Harboe shares rose from a price of 51.0 at the beginning of the financial year to a price of 74.0 per share as of 30 April 2021. This corresponds to an increase of 41%. In comparison, the Danish small cap index rose by 78% in the same period.

## SIGNIFICANT CONTRACTS OR CHANGE IN CONTROL

It is part of Harboe's business model and strategy that, as a general rule, long-term contracts are established with customers. None of these contracts contain clauses on the possibility of termination in the event that the control of the company changes. For some executives, an extended notice period of six months has been agreed in addition to a maximum of 24 months' notice in the event of dismissal in connection with a change in control of the company.

## SHARE-RELATED RATIOS

Per share - DKK	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Share price, end of year	74.0	51.0	86.6	84.6	132.5
Market value (DKK million)	444.0	306.0	519.6	507.6	795.6
Dividend per share (DKK)	0.00*	0.00	0.00	1.00	2.00
Dividends (DKK million)	0.0	0.0	0.0	6.0	12.0
Treasury shares (pcs.)	1,777,342	1,777,342	1,777,342	1,434,403	1,434,403

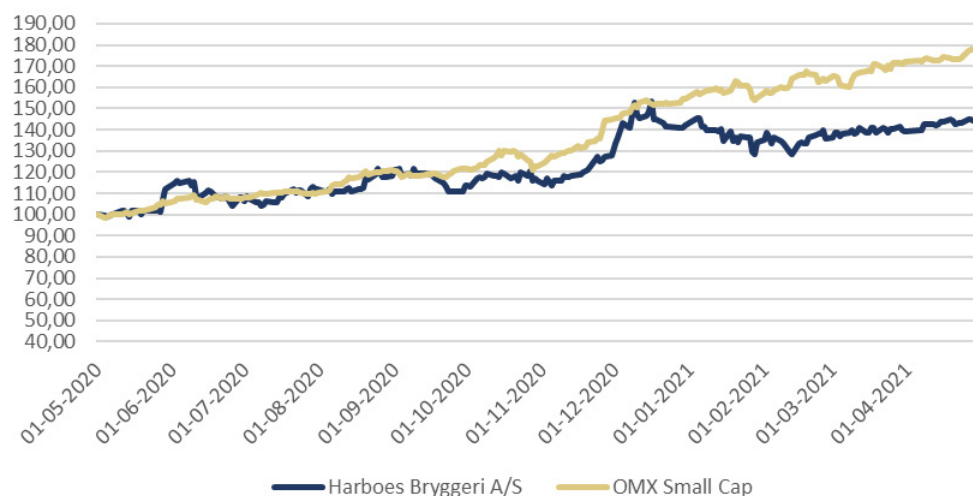
\*Proposed dividends

## COMPANY ANNOUNCEMENTS

In the period from 1 May 2020 to 30 April 2021, the company has sent the following announcements to NASDAQ OMX Copenhagen, which can be found on the company's website [www.harboe.com](http://www.harboe.com)

18 June 2020	Notice of annual general meeting
25 June, 2020	Annual report 2019-2020
9 July 2020	Harboes Bryggeri A/S is closing down its Estonian brewery
17 July 2020	Notice of annual general meeting 2020
20 August 2020	Annual general meeting held on 20 August 2020
20 August 2020	The Board of Directors of Harboes Bryggeri A/S
9 September 2020	Clarification for the minutes of the annual general meeting on 20 August 2020
23 October 2020	Harboes Bryggeri A/S enters into a conditional agreement on the sale of buildings and fixed assets from its now closed Estonian Brewery, AS Viru Õlu.
16 December 2020	Interim financial report 2020-2021
29 April 2021	Financial calendar 2021/2022

Kursindex 2020-2021



# STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS ON THE ANNUAL REPORT

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The Board of Directors and the Executive Board have today considered and approved the annual report for the financial year 1 May 2020–30 April 2021 for Harboes Bryggeri A/S.

The annual report is presented in accordance with International Financial Reporting Standards as approved by the EU, as well as in accordance with additional requirements in the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the annual financial statements offer a true and fair account of the group's and the company's assets, liabilities and financial position as of 30 April 2021 and of the result of the group's and the company's activities and cash flows for the financial year 1 May 2020–30 April 2021.

In our opinion, management's review contains a true and fair account of the development in the group's and the company's activities and financial conditions, the year's results, the company's financial position and the financial position as a whole for the companies covered by the consolidated financial statements, as well as a description of significant risks and uncertainties which the group and the company face.

The annual report is submitted for approval at the annual general meeting.

*Skælskør, 24 June, 2021.*

## EXECUTIVE BOARD

Søren Malling  
CEO

Martin Schade  
COO

Michael Møller Jensen  
CFO

## BOARD OF DIRECTORS

Bernhard Griese  
Chairman

Mads Ole Krage  
Deputy chairman

Poul Calmer Møller

Claus Bayer

Bettina Køhlert

Ruth Schade

Jens Bjarne Søndergaard Jensen  
Employee representative



# **CONSOLIDATED FINANCIAL STATEMENTS**

## INCOME STATEMENT

1 MAY 2020–30 APRIL 2021

DKK THOUSANDS	Note	2020/2021	2019/2020
<b>Net turnover</b>	<b>3.4</b>	<b>1,328,184</b>	<b>1,379,873</b>
Production costs	5.6.7.8	(1,105,266)	(1,125,917)
<b>Gross profit</b>		<b>222,918</b>	<b>253,956</b>
Other operating income	9	13,323	12,255
Sales and distribution costs		(165,277)	(220,104)
Administrative expenses		(57,658)	(63,776)
Other operating costs		(3,280)	(8,994)
<b>Operating profit (EBIT)</b>		<b>10,026</b>	<b>(26,663)</b>
Financial income	10	138	440
Financial costs	11	(6,921)	(5,869)
<b>Pre-tax profit or loss from continuing operations</b>		<b>3,243</b>	<b>(32,092)</b>
Tax on profit for the year from continuing operations	12	(1,584)	9,024
<b>The year's profits from continuing activities</b>		<b>1,659</b>	<b>(23,068)</b>
The year's profits from discontinued operations	13	3,573	(9,591)
<b>Profit or loss for the year</b>		<b>5,232</b>	<b>(32,659)</b>

## TOTAL INCOME STATEMENT

1 MAY 2020–30 APRIL 2021

DKK THOUSANDS	Note	2020/2021	2019/2020
<b>Profit for the year</b>		<b>5,232</b>	<b>(32,659)</b>
<b>Other total income</b>			
Exchange rate adjustments relating to foreign companies		(1,227)	(486)
Fair value adjustment - Other securities		2,342	(1,127)
Tax on other total income	12	(315)	248
<b>Other total income</b>		<b>800</b>	<b>(1,365)</b>
<b>Total income</b>		<b>6,032</b>	<b>(34,025)</b>
<b>Distribution of the result for the year:</b>			
The parent company's shareholders		5,210	(32,601)
Minority interests		22	(58)
		<b>5,232</b>	<b>(32,659)</b>
<b>Distribution of total income:</b>			
The parent company's shareholders		6,010	(33,967)
Minority interests		22	(58)
		<b>6,032</b>	<b>(34,025)</b>
<b>Profit per share (EPS):</b>	<b>22</b>		
Continuing and discontinued operations (DKK)		1.23	(7.35)
Continuing activities (DKK)		0.39	(5.19)

## BALANCE

### ASSETS AS OF 30 APRIL

DKK THOUSANDS	Note	2021	2020
Intangible assets	14	13,421	18,989
Tangible assets	15	667,947	719,157
Investment properties	16	19,701	21,482
Other investments and securities	17	5,885	3,955
Deposits, leases		0	125
<b>Non-current assets</b>		<b>706,954</b>	<b>763,708</b>
Inventories	18	144,726	174,504
Receivables	19	264,396	219,162
Accruals and deferred income	20	8,351	12,053
Assets intended for sale	21	0	4,435
Cash and cash equivalents	32	16,642	45,943
<b>Current assets</b>		<b>434,115</b>	<b>456,097</b>
<b>Assets</b>		<b>1,141,069</b>	<b>1,219,805</b>

### LIABILITIES AS OF 30 APRIL

DKK THOUSANDS	Note	2021	2020
Share capital		60,000	60,000
Other reserves		(1,275)	(2,075)
Transferred total income		621,067	615,835
<b>Equity</b>	<b>22</b>	<b>679,792</b>	<b>673,760</b>
<b>Minority shareholders</b>		<b>(14)</b>	<b>8</b>
<b>Equity included in parent company's assets.</b>		<b>679,778</b>	<b>673,768</b>
Mortgage debt	23	86,301	102,935
Recognised leasing obligations	24	39,907	40,616
Deferred tax liabilities	25	44,629	50,191
Deferred recognition of income	27	20,850	24,365
Other long-term liabilities		0	4,741
<b>Long-term liabilities</b>		<b>191,687</b>	<b>222,848</b>
Bank debt and debt to mortgage-credit institutions	26	16,199	16,262
Recognised leasing obligations	24	9,996	6,952
Trade payables		117,908	164,953
Deferred recognition of income	27	3,443	4,465
Other debt and other liabilities	28	122,044	130,565
<b>Current liabilities</b>		<b>269,590</b>	<b>323,197</b>
<b>Liabilities</b>		<b>461,277</b>	<b>546,045</b>
<b>Liabilities</b>		<b>1,141,069</b>	<b>1,219,805</b>

# CASH FLOW STATEMENT

1 MAY 2020–30 APRIL 2021

DKK THOUSANDS

Note 2020/2021 2019/2020

	Note	2020/2021	2019/2020
<b>Operating profit</b>		<b>10,026</b>	<b>(26,667)</b>
Depreciation, amortisation and write-downs	8	97,760	104,856
Income-recognised investment grants	27	(4,457)	(5,805)
Other adjustments		(8)	300
Change in working capital	30	(71,190)	89,583
Discontinuing activity	13	4,128	(20)
<b>Cash flows from primary operations</b>		<b>36,259</b>	<b>162,247</b>
Financial income	10	138	409
Financial costs	11	(6,921)	(5,867)
Corporate tax paid		(8,074)	(5,337)
<b>Cash flows from operations</b>		<b>21,402</b>	<b>151,452</b>
Purchase of intangible assets	14	(756)	(2,240)
Purchase of tangible assets	15	(45,400)	(62,348)
Sale of tangible assets	15	9,544	4,147
Dividends received from financial assets		0	31
Change in financial assets	17	356	31
<b>Cash flows relating to investments</b>		<b>(36,256)</b>	<b>(60,379)</b>
Repayments on debt to mortgage-credit institutions	23	(16,697)	(16,131)
Incurrence of lease liabilities	24	12,867	31,724
Repayments on recognised lease liabilities	24	(10,349)	(10,264)
<b>Cash flows related to financing</b>		<b>(14,180)</b>	<b>5,329</b>
<b>Change in cash and cash equivalents</b>		<b>(29,034)</b>	<b>96,402</b>
Cash and cash equivalents 01-05		45,943	(50,100)
Price adjustment, beginning of the year		(268)	(359)
<b>Cash and cash equivalents, 30-04</b>	<b>32</b>	<b>16,642</b>	<b>45,943</b>

# STATEMENT OF CHANGES IN EQUITY

1 MAY 2020–30 APRIL 2021

DKK THOUSANDS	Share capital	Reserve for exchange rate adjustment	Reserve for value adjustment, other equity investments and securities	Other reserves total	Transferred total income	Equity, total	Equity belonging to minority interests	Equity belonging to the parent company's shareholders
<b>Equity 01-05-2020</b>	<b>60,000</b>	<b>304</b>	<b>(2,379)</b>	<b>(2,075)</b>	<b>615,835</b>	<b>673,760</b>	<b>(8)</b>	<b>673,768</b>
Profit or loss for the year	0		0	0	5,232	5,232	22	5,210
Other total income	0	(1,227)	2,027	800	0	800	0	800
<b>Total income for the financial year</b>	<b>0</b>	<b>(1,227)</b>	<b>2,027</b>	<b>800</b>	<b>5,232</b>	<b>6,032</b>	<b>22</b>	<b>6,010</b>
<b>Equity 30-04-2021</b>	<b>60,000</b>	<b>(923)</b>	<b>(352)</b>	<b>(1,275)</b>	<b>621,067</b>	<b>679,792</b>	<b>14</b>	<b>679,778</b>
<b>Equity 01-05-2019</b>	<b>60,000</b>	<b>791</b>	<b>(1,501)</b>	<b>(710)</b>	<b>648,494</b>	<b>707,784</b>	<b>50</b>	<b>707,734</b>
Profit or loss for the year	0	0	0	0	(32,659)	(32,659)	(58)	(32,601)
Other total income	0	(487)	(878)	(1,365)	0	(1,365)	0	(1,365)
<b>Total income for the financial year</b>	<b>0</b>	<b>(487)</b>	<b>(878)</b>	<b>(1,365)</b>	<b>(32,659)</b>	<b>(34,024)</b>	<b>(58)</b>	<b>(33,966)</b>
<b>Equity 30-04-2020</b>	<b>60,000</b>	<b>304</b>	<b>(2,379)</b>	<b>(2,075)</b>	<b>615,835</b>	<b>673,760</b>	<b>(8)</b>	<b>673,768</b>

# ANNUAL REPORT

## 2020-2021



KONGELIG HOFLEVERANDØR  
**HARBOE**  
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