



BY APPOINTMENT TO  
THE ROYAL DANISH COURT

**HARBOE**

ANNUAL REPORT  
2015/2016

“It has always been an important consideration in the Harboe management philosophy that part of our results are reinvested in the company. We have invested in technology, innovation and staff, and the very combination of these resources lead to the great results this year. Therefore, we will continue our investment in the future in order to ensure long-term attractive value creation for our shareholders, customers, employees and other important stakeholders as regards our company.”

*Bernhard Griese*  
CEO

# CONTENTS

---

Foreword by the CEO	4
The financial year for the group in outline	7
Financial highlights	8
Management's review	11
Members of the Board of Directors	42
Management's statement	46
Independent auditor's report	47
Income statement	48
Statement of comprehensive income	48
Balance sheet	49
Cash flow statement	50
Statement of changes in equity	51
Notes for the consolidated financial statements	52
PARENT'S FINANCIAL STATEMENTS	80
Income statement	81
Statement of comprehensive income	81
Balance sheet	82
Cash flow statement	83
Statement of changes in equity	84
Notes for the parent's financial statements	85
Company information	102

# SUSTAINABLE ORGANIC GROWTH DRIVING VALUE CREATION

---

A high rate of growth in the international markets, solid Northern European partnerships and an efficient operation and capacity utilisation drive the positive earnings performance for the year. The underlying positive development in the group's strategic activities, however, also confirms the value of the strong Harboe brands, focus on innovation and a targeted sales strategy – thus supporting the objective, which is to create more robust earnings on a permanent basis.

**T**his year, Harboe once again demonstrated solid improvement in earnings combined with new important progress as regards the strategic measures taken. In fact, the development for the year was so positive that we increased our earnings expectations half way through the year – expectations which we in fact met to our satisfaction.

## STRONG PARTNERSHIPS WITH CUSTOMERS

The continued flat topline is caused by a number of underlying development trends. A significant share of the revenue and total volume is explained by our activities as regards the private label category. The private label market is characterised by fierce competition, pressure on prices and decreased demand for beer, in particular. On the other hand, we are experiencing increased interest in i.a. speciality products, juice and energy drinks. This gave rise to ongoing changes in the product mix, which are, however, not yet kicking in on the general volume, although they are delivering improved total earnings. We have built a solid position over a number of years based on strong partnerships with customers ensuring that we adapt and develop the product range and sales concepts on an ongoing basis, where this may create increased value and contribute to positive segment development. We place considerable emphasis on preserving this position, and we use our partnership experience as valuable input as regards the continued development of our international activities. Our deliveries to large retail chains are still the staple part of our business as regards both earnings and our total capacity utilisation. Therefore, for the years ahead, we also want to focus on developing the value-adding partnerships with our customers and always keep our attention on achieving the best possible earnings on the volumen produced across our markets.

## INCREASED INTERNATIONAL MOMENTUM

As regards the international markets, this year we once more realised strong growth in the sale of our own brands. This development is the result of our targeted sales strategy, which we have worked on in recent years, and we are pleased to see that our efforts are more and more evident in our earnings. The international markets still account for a smaller part of the total group revenue, although we are gaining increased momentum in our activities and receiving increased recognition of our products and brands

with greater demand in the markets on which we have chosen to target our efforts. There is great potential, and during the year, we strengthened the sales organisation even more. We cooperate closely with partners and distributors to strengthen our position by expanding our distribution network and by means of targeted expansion of the variety of products pertaining to individual brands. We have also increased our efforts to support the sales activities and positioning of our brands with new and efficient marketing materials on the quality, tradition and values of our products. Our expectation is that the activities will continue in a positive direction in the coming year as well and with continued increased benefit to the group results.

## POTENTIAL OF TARGETED INGREDIENTS

As regards our ingredients segment, activities have gone to plan and we have maintained our position as regards, in particular, our supply of a broad range of ingredients based on malt extracts to European food businesses. We continue our efforts to broaden our relationship with these customers to include new ingredients such as the clear malt extract developed over the past couple of years. There is attractive potential in the ongoing development of new targeted ingredients meeting the increased demand for healthy food products and marketed in attractive price segments. We therefore still focus on international sales and marketing activities pertaining to ingredients. For the year ahead, we will also prioritise resources for continued quality in and development of ingredients utilising existing competencies and creating value in the market.

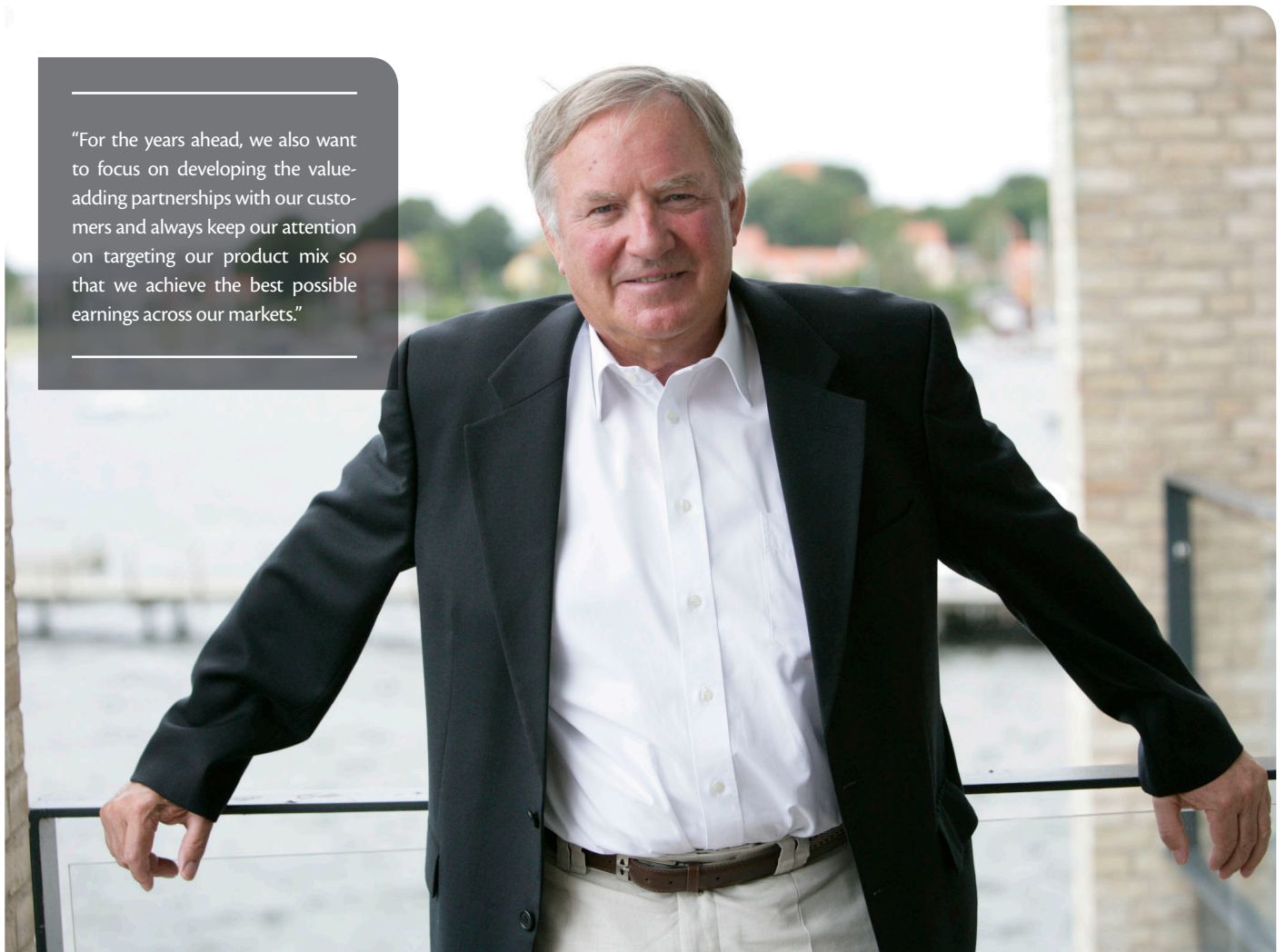
## CONTINUED STRATEGIC MOMENTUM

In general, during the past year, we had important strategic momentum and strong financial results both on the bottom line and in terms of increased cash flow and continued consolidation of the capital base. This creates a great foundation and provides substantial flexibility and room for manoeuvre going forward.

In May 2016, at the end of the financial year, we celebrated the 25th anniversary of Darguner Brauerei in Germany. The establishment of our company in Germany in 1991 shortly after the fall of the Berlin wall became



“For the years ahead, we also want to focus on developing the value-adding partnerships with our customers and always keep our attention on targeting our product mix so that we achieve the best possible earnings across our markets.”



an important milestone in the exciting life of Harboes Bryggeri as we went from being a local Danish brewery to a modern international group with efficient production facilities, high quality products and strong brands holding their own in the international market. Our journey as a company is by no means over, and there is still attractive potential for growth and stronger earnings.

#### VALUE-ADDING RELATIONS AND COMMITMENT

Our efficient management leads a clear and strongly rooted strategy across the group activities focusing on safe and efficient production, continued

development and the realisation of growth synergies in our group. Our results are driven by positive and value-adding relationships with our customers and partners and by the impressive daily commitment of all of our employees. We will continue this development in 2016/2017 expecting more progress, EBITDA of DKK 160-170 million and a profit before tax amounting to DKK 65-75 million. ■

Bernhard Griese  
CEO





# THE FINANCIAL YEAR FOR THE GROUP IN OUTLINE

## INCREASED EARNINGS AND POSITIVE DEVELOPMENT ACROSS ALL BUSINESS UNITS

HARBOE'S REVENUE INCREASED BY 0.4% TO DKK 1,377 million.

- This development reflects the positive development across all business units in the group as well as the underlying changes to the product mix benefitting i.a. our own brands and speciality products.
- The positive momentum is built in the focus on innovation, development of customer relations and a targeted international sales strategy.

EBITDA rose by 17.8% to DKK 152.5 million compared with last year's DKK 129.4 million, corresponding to an EBITDA margin of 11.1% against 9.4% in 2014/2015.

- The improved earnings are driven by the positive earnings performance in the group in general and the continued effects of investing in efficient operations over the past few years.

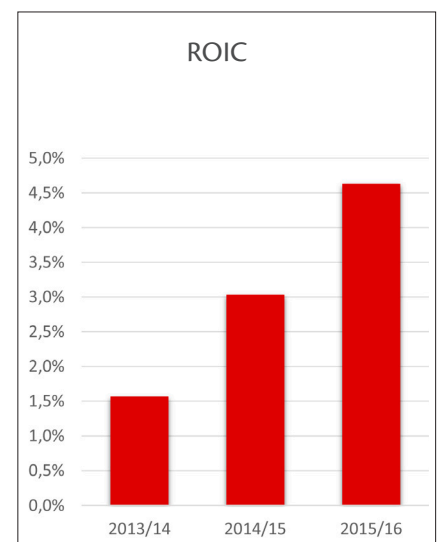
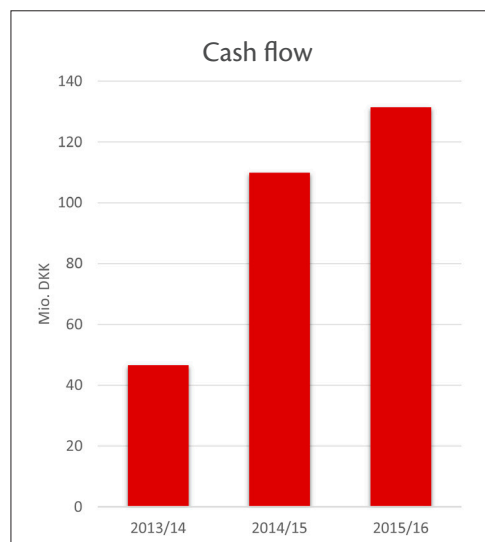
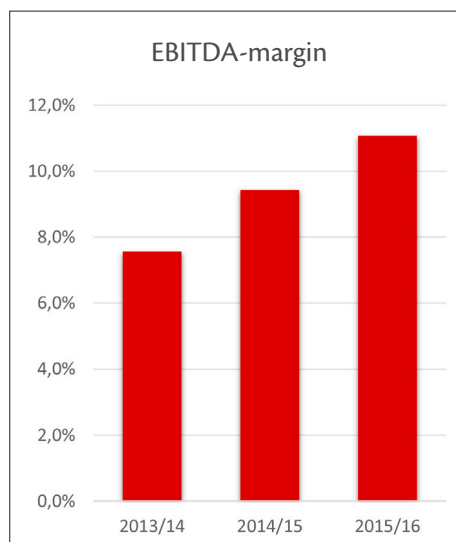
Consolidated profit before tax was DKK 51.1 million against DKK 33.4 million last year. This corresponds to the latest outlook of a profit of DKK 45-55 million.

During the financial year, investments of DKK 76.6 million were made in the new warehouse facilities, production equipment, ongoing maintenance, continued efficiency improvements and investments in strategic development activities.

The cash flow is still strengthened by the strategic focus on working capital and positive earnings performance.

## OUTLOOK 2016/17

- Harboe expects that all business units in the group will continue their positive development and contribute to the group's results.
- Harboe expects an EBITDA of approx. DKK 160-170 million and a profit before tax of approx. DKK 65-75 million.



# FINANCIAL HIGHLIGHTS

	2015/16 DKKm	2014/15 DKKm	2013/14 DKKm	2012/13 DKKm	2011/12 DKKm
<b>KEY FIGURES EARNINGS</b>					
Revenue	1,376.5	1,371.3	1,420.1	1,343.6	1,410.5
EBITDA	152.4	129.4	107.4	90.9	141.0
Operating profit/(loss) (EBIT)	61.2	38.6	16.7	9.4	59.5
Net financials	(10.1)	(5.3)	(6.3)	(5.3)	(8.4)
Profit/(loss) before tax	51.1	33.4	10.4	4.1	51.1
Net profit/(loss) for the year	34.6	24.0	10.6	3.1	38.4
<b>BALANCE SHEET</b>					
Total assets	1,298.8	1,292.2	1,383.7	1,501.4	1,575.9
Equity	736.9	709.9	706.6	780.6	790.0
Net interest-bearing debt	120.7	154.4	196.8	115.5	146.6
<b>INVESTMENTS ETC.</b>					
Investments in intangible assets	1.1	2.0	2.4	26.5	1.9
Investments in property, plant and equipment	75.7	56.2	34.1	93.2	60.1
Depreciation, amortisation, impairment losses and write-downs	91.2	90.7	90.7	81.4	81.5
<b>CASH FLOWS</b>					
Cash flows from operating activities	131.4	109.9	46.6	51.1	91.3
Cash flows from investing activities	(93.6)	(49.6)	125.4	(20.7)	6.8
Cash flows from financing activities	(19.5)	(33.2)	(98.9)	(6.4)	(48.6)
Changes in cash and cash equivalents	18.3	27.1	73.2	24.0	49.5
<b>EMPLOYEES</b>					
Average number of full-time employees	588	606	603	559	562

	2015/16	2014/15	2013/14	2012/13	2011/12
<b>RATIOS IN %</b>					
Profit margin	4.4	2.8	1.2	0.7	4.2
Solvency ratio	56.7	54.9	51.1	52.0	50.1
EBITDA margin	11.1	9.4	7.5	6.8	10.1
Gearing	16.4	21.7	27.9	14.8	18.6
Acid test ratio	175.5	169.7	151.0	118.1	107.1
Return on invested capital (ROIC)	4.6	3.0	1.6	1.0	6.0
 <b>SHARE-RELATED RATIOS</b>					
Earnings per DKK 10 share, DKK (EPS)	7.6	5.2	2.1	0.6	6.9
Cash flow per DKK 10 share, DKK (CFPS)	28.8	23.8	9.1	9.1	13.1
Equity value per DKK 10 share, DKK	122.8	118.3	117.7	130.1	131.6
Share price, end of year	114.0	105.5	93.5	77.0	89.5
Price/earnings ratio	15.0	20.3	45.2	139.7	13.0
Dividend per DKK 10 share, DKK	2.00	2.00	2.00	1.50	1.50

#### DEFINITIONS OF FINANCIAL HIGHLIGHTS

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

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

The ratios have been calculated on the basis of the net profit or loss for the year along with the balance sheet total and equity at the end of the year.



BY APPOINTMENT TO  
THE ROYAL DANISH COURT  
**HARBOE**

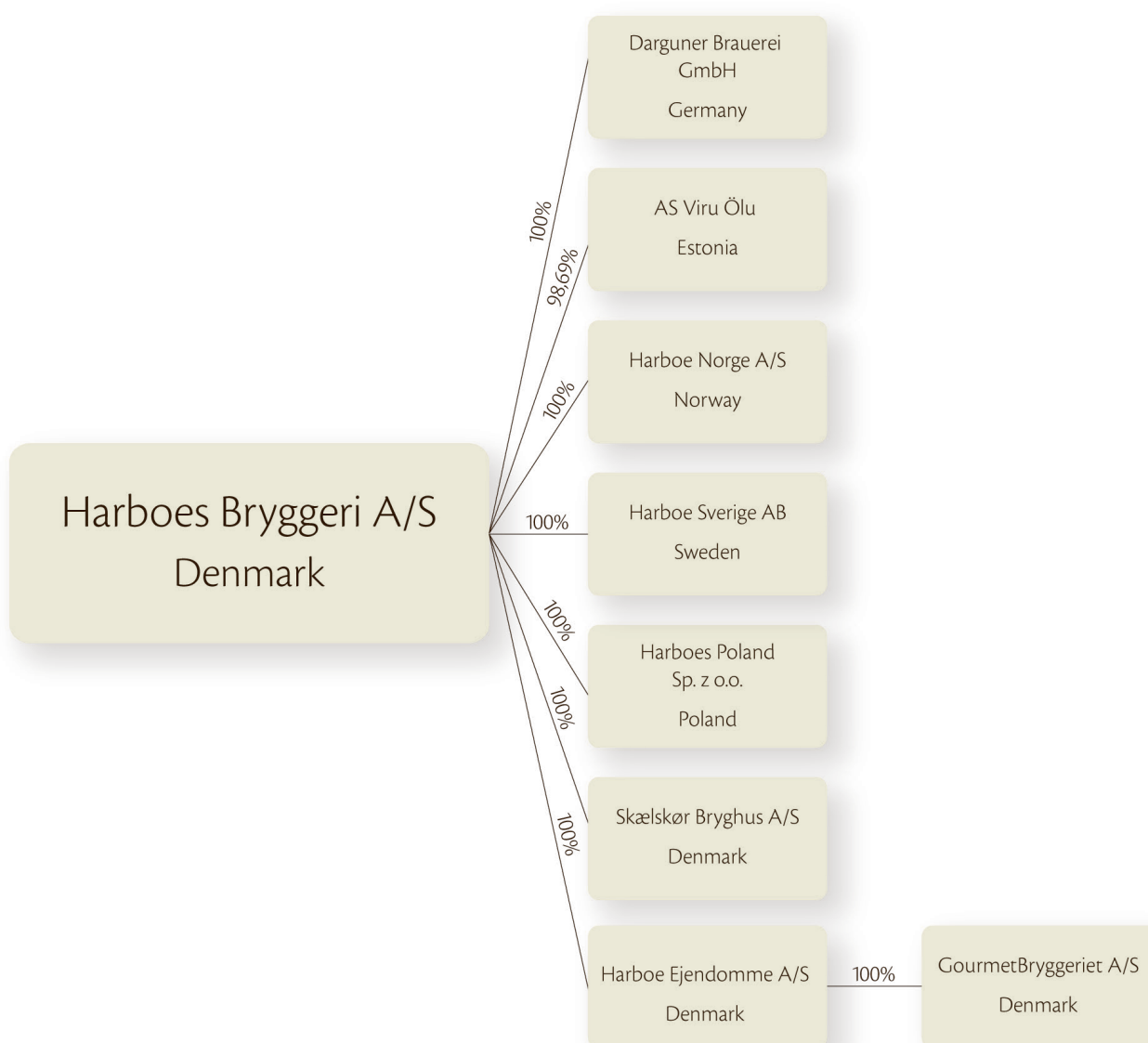


# GROUP CHART

## CORE BUSINESS

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

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



# FINANCIAL REPORT

## THE GROUP'S BUSINESS DEVELOPMENT REVENUE

Consolidated revenue totalled DKK 1,377 million in the 2015/16 financial year against DKK 1,371 million the year before. This corresponds to an increase of 0.4%.

The development in revenue reflects a maintained and continued solid position and close cooperation with the large retail customers in the Northern European markets, which are continuously being developed with new products and sales concepts. At the same time, development is driven by increased sales following our continued expansion in the international markets, and the group's results are strengthened by the positive development in the group's ingredients segment.

The recent years' intense focus on building and further utilising the value of the group's own brands has continued with strategic business development initiatives – both in Northern Europe and in a wide range of international markets. The activities are based on the group's existing product range and brands within beer, malt-based drinks, fruit juices and energy drinks, which the group is seeking to effectively exploit and tailor to the demand and market conditions prevailing in the individual focus markets. During the financial year, this provided a platform for growth in beer sales in a number of international markets and the continued positioning of the group's brands with growth in sales of Bear Beer, Hypermalt and XRay, among others. The growing recognition of the group's products was also reflected in the prestigious German 'Bundesehrenpreis' award which was presented to Harboe in autumn for the outstanding quality of the group's juice products.

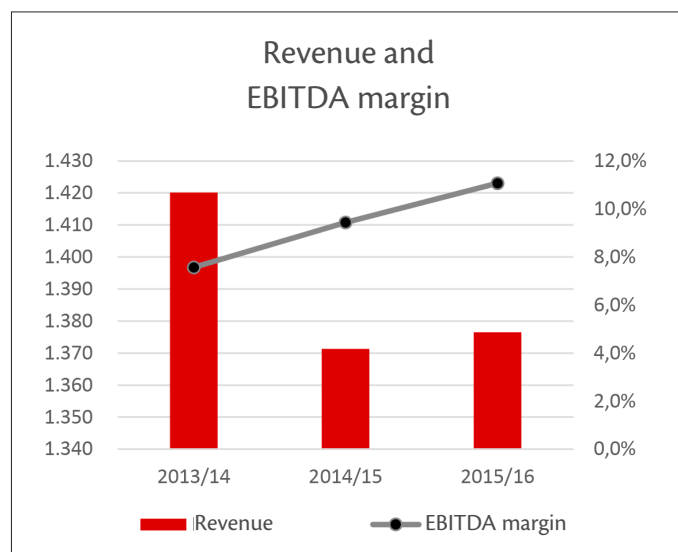
The activities are supported by a continued strategic expansion and streamlining of the international sales and marketing organisation with the development of targeted sales tools, marketing activities and support for customers' and distributors' marketing of the individual brands. Work is also being done to further optimise production and logistics across the group's production units with a view to efficient resource utilisation in response to the increasing sales. All in all, the measures are intended to strengthen the strategic platform for continued organic growth, and it is expected that the investments will create a basis for attractive returns over the coming years.

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

### EARNINGS

Profit before depreciation, amortisation, net financials and tax (EBITDA) was up 17.8% at DKK 152.4 million compared with last year's DKK 129.4 million.

The improved earnings are satisfactory and attributable to the positive development of the business, including increased sales of the group's speciality products and sales of the group's own brands, which contribute positively to the earnings margins. Moreover, Harboe is seeing a continued positive effect from reasonable raw materials prices, and investments made in recent years in efficiency improvements in the entire value chain, and a number of energy optimisations in production in both Denmark and Germany have had a positive impact on energy efficiency and energy costs.



Depreciation and amortisation of intangible assets and property, plant and equipment in the amount of DKK 91.2 million are recognised in operating profit against DKK 90.7 million the year before.

Operating profit (EBIT) amounted to DKK 61.2 million against DKK 38.6 million last year.

Net financials for the financial year were negative at DKK 10.1 million against DKK 5.3 million last year. Net financials are impacted by a write-down of DKK 6.1 million as at 31 October 2015, corresponding to the value of the group's shareholding in the football club FC Vestsjælland as a result of the negative development in the club's sporting results and operations. On 30 November 2016, the Board of Directors of FC Vestsjælland filed for bankruptcy.

A profit before tax of DKK 51.1 million was posted against DKK 33.4 million the year before. This is in line with the expectations of a profit before tax in the range of DKK 45-55 million announced in connection with the interim report in December 2015. Originally, Harboe expected a profit before tax in the range of DKK 35-45 million.

Net profit for 2015/2016 amounted to DKK 34.6 million compared to DKK 24.0 million the year before.

### EQUITY

As at 30 April 2016, equity amounted to DKK 736.9 million against DKK 709.9 million the year before.

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

Payment of dividend corresponding to DKK 2.00 per share or a total of DKK 12.0 million was adopted at the company's annual general meeting held on 27 August 2015.



At the end of the financial year, the company had a holding of 1,434,403 Class B treasury shares, corresponding to DKK 163.5 million stated at the market price as at 30 April 2016.

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

## INVESTMENTS

The recent years' investments in energy optimisations and efficiency improvements have contributed to a significant reduction of the group's operating expenses. In the past financial year, the focus was also on continued streamlining, including new packaging solutions, optimised storage and logistics facilities as well as production technology, underpinning continuous efficiency improvements and capacity utilisation in operations. In the financial year, investments amounted to DKK 76.8 million, including investments of DKK 75.7 million in property, plant and equipment.

Investment grants received during the financial year amounted to DKK 5.7 million. The capital investments made in recent years have created an efficient foundation for the continued expansion of the group's activities. The investment strategy for the coming years will focus on ongoing maintenance, energy optimisation and efficiency improvement as well as investments supporting the strategic group development.

## LIQUIDITY AND NET INTEREST-BEARING DEBT

Working capital increased by DKK 6.6 million in the financial year. Harboe is generally being challenged by an increasing demand for extended credits on important contracts, but focuses on the continued optimisation of working capital through procurement and trade payables management etc. Moreover, Harboe has entered supply chain finance agreements with major customers. These efforts have resulted in a positive development in cash flows from operating activities, which amounted to DKK 138.1 million in the year compared with DKK 109.9 million in the same period last year. Free cash flow (changes in cash and cash equivalents) amounted to DKK 18.3 million against DKK 27.1 million in the prior-year period.

## CASH RESOURCES

The group's cash resources are composed of cash and credit facilities granted but not yet activated and amounted to DKK 262.4 million as at 30 April 2016.

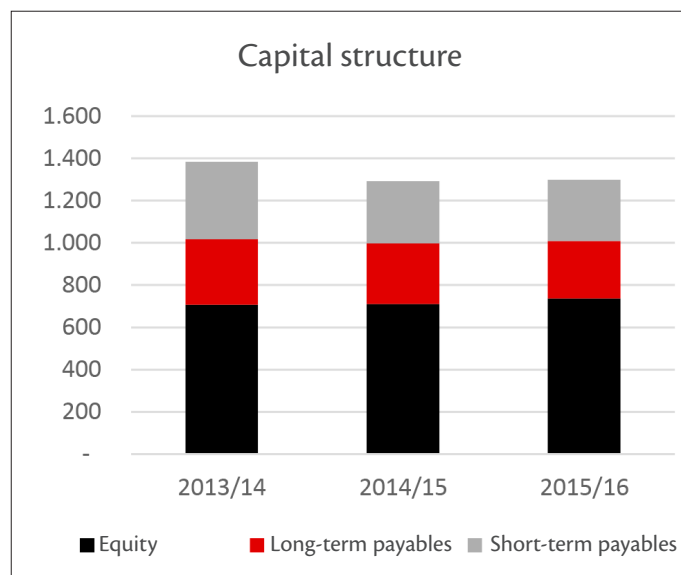
To this should be added the holding of treasury shares amounting to DKK 163.5 million stated at the market price as at 30 April 2016.

As at 30 April 2016, the group's interest-bearing debt amounted to DKK 189.2 million against DKK 240.5 million the year before.

Adjusted for cash deposits etc. of DKK 85.8 million, the group's net interest-bearing debt amounted to DKK 120.7 million as at 30 April 2016 against DKK 154.4 million the year before.

## EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

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



## OUTLOOK 2016/2017

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

A high priority will also be given in the year ahead to the expansion and development of the group's international activities within the drinks segment, involving the further strengthening of its sales and marketing activities. The strategic focus will be on markets where the demand for drinks products is growing, and where Harboe can establish an attractive platform for its products. The international activities are expected to be the main growth driver for the group in the next year.

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

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

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

Harboe expects to improve total earnings, however, to an EBITDA of approx. DKK 160-170 million and a profit before tax of approx. DKK 65-75 million in 2016/2017.

At group level, the efforts to ensure continued optimisation in operations and further strengthening of the group's cash flow will also be continued in the coming year. Harboe expects to invest DKK 80-100 million in process and production equipment, efficiency improvements and strategic development projects. ■

# STRATEGY AND FINANCIAL TARGETS

## STRENGTHEN THE INTERNATIONAL PLATFORM

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

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

## VALUE-ADDING PARTNERSHIPS IN HARBOE NORDIC

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

Furthermore, its in-depth market knowledge and close partnership with its customers are utilised in a targeted effort to continuously develop and test new products, packaging solutions and sales concepts in the Northern European markets, contributing to the quality development in the large retail chains. Furthermore, experience and results from this work are utilised as important inputs with a view to realising further sales synergies in the group's other international markets.

## HARBOE INTERNATIONAL STRATEGIC MARKETING

Harboe International markets beers, soft drinks, energy drinks and non-alcoholic malt beverages in selected markets in the Middle East, Africa, Asia/Oceania and the Americas as well as in a number of European markets outside Northern Europe. Harboe's strategy is to increase the relative share of Harboe International of the group revenue and EBITDA, driven in particular by the positioning of the group's own brands. The expansion is aimed at markets on which the group has already gained a foothold and formed a basis of the continued expansion of the distribution platform and broadening of the product range. Harboe also still continues its geographical expansion in markets, where the financial and demographic developments support increased purchasing power and demand.

## HARBOE INGREDIENTS DEVELOPMENT AND QUALITY

Harboe Ingredients is the framework for the sales and development activities of the brewery within malt-based food ingredients. The main activity is a portfolio of targeted malt extract products marketed to customers in the European food industry, and in particular to bakeries and confectionary

"In recent years, Harboe has invested substantial resources in the establishment of efficient and flexible production facilities readying the group to meet the increased complexity and expected growth in volume."

businesses. Moreover, development activities in recent years have identified new malt-based food ingredients to be used in both the group's own drinks products and by existing and new customers in the food and drinks industry. This creates a possibility to expand the business even further. Additionally, innovation will continue to be a priority as regards the creation of attractive growth and further strengthening of the group's earnings basis.

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

## STRATEGY IMPLEMENTATION AND INVESTMENTS

Harboe's strategy and objectives are rooted in efficient management across all group activities and production units. The on-going coordination and implementation of strategic initiatives are made at group level focusing on the continued development and synergies across operating activities and distribution, financial management, procurement, organisation, quality and development, strategic sales and marketing etc.

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

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

In the coming years and in line with the strategy of continued expansion of the international position and the positioning of the group's own brands, Harboe will continue its investments in expanding the international sales organisation. Harboe will also focus its investments on the development activities for malt extract to create new value-adding business opportunities.

## GRADUAL REALISATION OF FINANCIAL TARGETS

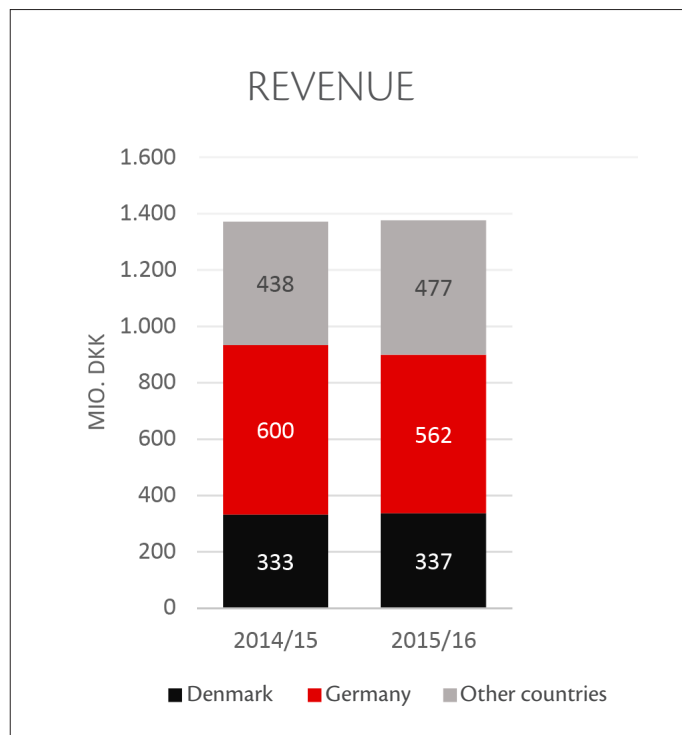
Harboe expects the fierce competition to continue in the main markets in Northern Europe. Growth in the private label segment is expected to remain as is, however, with ongoing adjustments of the product mix for increased value creation. Fluctuations in prices of Harboe's core raw materials

will continue to be a significant risk factor and limit the opportunities for raising the earnings margins for this part of the business. However, activities are expected to continue as the primary contribution to the group's results. However, it is also expected that the group's international growth strategy within drinks and malt extract products will drive the group's growth and contribute to more robust earnings overall – both relatively and in absolute terms – in the coming years.

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

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

Harboe wants its financial resources to be made up of its own funds to a high degree, including a substantial holding of treasury shares. At the same time, it is one of its clear priorities to ensure long-term value creation for its shareholders by gradually strengthening the company's market value in



step with the planned development of the group's activities. According to Harboe's dividend policy, the aim is for this to be supplemented by regular distribution of attractive dividends and continued share buy-backs, taking into account the group's liquidity and financial targets. ■

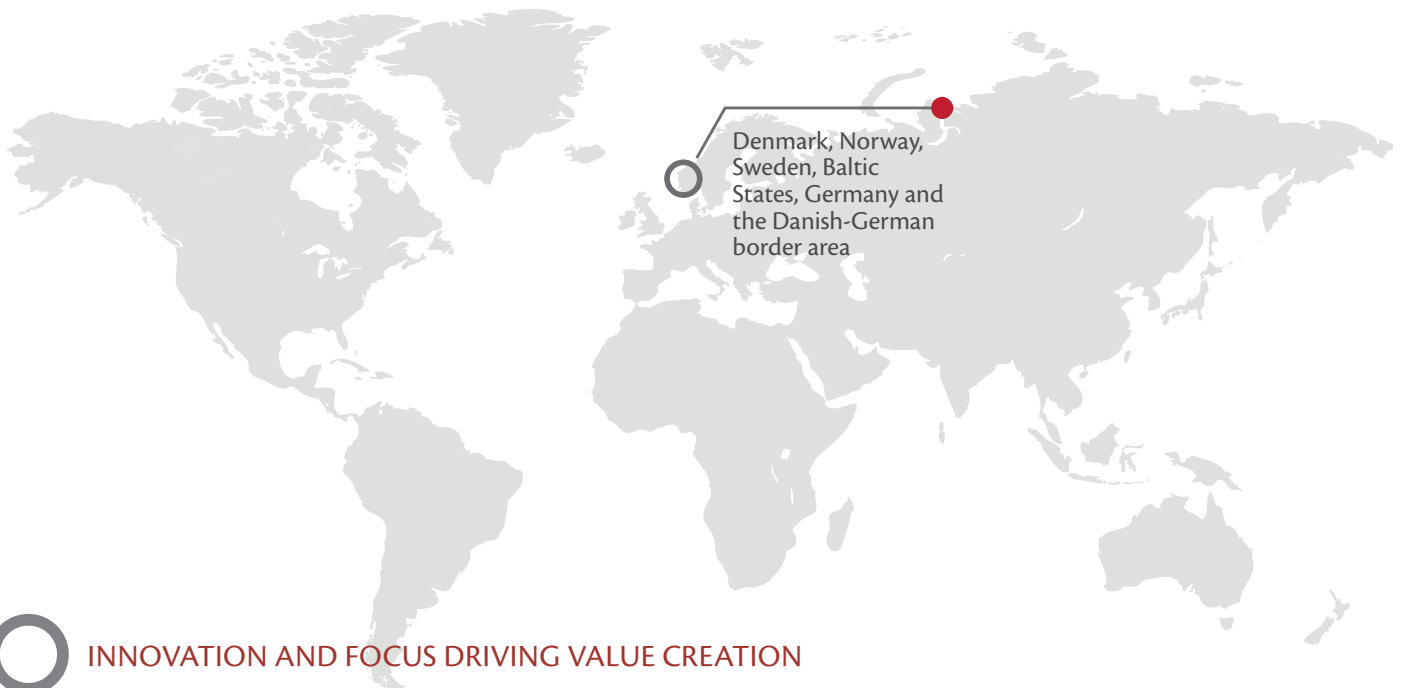






# HARBOE NORDIC

---



## INNOVATION AND FOCUS DRIVING VALUE CREATION

---

### MARKET CONDITIONS AND COMPETITION

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

Harboe Nordic primarily sells its products to customers in the retail sector, which has seen ongoing consolidation in recent years, especially among the discount chains which continue to increase their relative share of the total retail trade. Concurrently, consolidation has also taken place in the brewery sector, which has contributed to further intensifying competition in the Northern European markets.

Harboe Nordic's product range is, among other things, targeted at the private-label segment, but is also marketed to an increasing degree under Harboe's own brands through the major supermarket chains. Especially the brands Harboe, Darguner and Bear Beer are the principal brands in the continued positioning of the group's products, and marketing is carried out in close collaboration with customers in the retail sector. In most of Europe, the discount price segment is increasing its relative share of the traditional beer and soft drinks market. Competition is fierce in all markets.

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

Total beer sales have been falling in the past ten years in the Northern European markets. On the other hand, over recent years, there has been a gradual increase in value in the beer market driven by increased sales of speciality

beer. Sales of soft drinks continue to grow, but at moderate growth rates. Growth in sales of soft drinks is driven primarily by continued product development within this segment, including energy and sports drinks, and the demand for juices and cordials is still increasing. Sparkling water, flavoured mineral water and vitamin drinks also contribute to the growth in this segment.

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

### VALUE CREATION AND STRATEGY

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

The fierce competition puts the earnings margins under pressure as regards the Harboe Nordic activities. This limits the opportunities for effectively implementing price increases in step with prices of raw materials and consu-





BY APPOINTMENT TO  
THE ROYAL DANISH COURT  
**HARBOE**





# HARBOE NORDIC

---

mables etc. impacting production costs. Harboe therefore constantly focuses on developing and prioritising the product mix and contract portfolio to ensure the optimum balance between earnings and capacity utilisation – also as regards the other business activities of the group.

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

## STRATEGIC MEASURES AND RESULTS IN 2015/2016

In the financial year, the activities in Harboe Nordic developed as anticipated with a satisfactory demand for the group's products.

The beer market in general continues to decrease, but the speciality beer segment has increased demand across the Northern European markets. As part of the ongoing development of customer relations, during the year, Harboe thus launched a number of new speciality products and concepts both as our own brands and as private labels, and this had a positive effect on sales and earnings. In Denmark, speciality beer in particular, i.a. the brands 'Ølfabrikken' and 'GB', accounted for the growth. The demand is growing for speciality beer in other Northern European markets as well, and several types of beer using their own brand names were launched, e.g. Darguner, Puls and Harboe.

The soft drinks market developed positively and was driven, in particular, by juice and energy drinks, but the demand for sparkling water also continues to rise. During the year, Harboe launched several new soft drinks, i.a. Cloudy Lemon, Cool Tonic, Ginger Beer and Cherry Coke in 33 cl cans. The juice products were marketed using the group brand 'Pure', and the marketing campaign was strengthened by updating the graphics and design as well as the supporting marketing material, which is now being implemented across the geographical markets.

During the year, sales activity in the Danish-German border area was renewed thanks to a stronger positioning of Harboe's brands and the introduction of a number of new speciality products.

The activities pertaining to the ontrade segment, where Harboe mainly markets its GB branded draught beer to cafés, restaurants, cafeterias and festivals etc., also developed positively in the Danish market.

In general, the activities of Harboe Nordic were affected positively by the strategic collaboration agreements with new and existing customers, and new distribution agreements provided the basis for a broader sales platform. The levelled off revenue is caused primarily by underlying changes to the product mix creating added value thanks to the increased focus on speciality products and own brands, which led to a total earnings improvement in relative and absolute terms.

---

"As part of the ongoing development of customer relations, during the year, Harboe launched a number of new speciality products and concepts both as our own brands and as private labels." In Denmark, speciality beer in particular, i.a. the brands GB and Ølfabrikken, accounted for the growth."

---

## SPECIAL RISKS AND PRIORITIES IN 2015/2016

During the financial year, Harboe Nordic had a particular focus on the risk exposure of the sales of the group's products due to increasing competition from both national drinks manufacturers and regional and international competitors. Combined with the general decline in the consumption of beer in all Northern European markets, this poses a challenge to the entire drinks industry, and Harboe is working hard to adapt its product mix and introduce new, innovative products which can accommodate the market trends and drive new demand ensuring that Harboe may maintain its position in these markets.

Underpinning a generally positive perception of the quality and value of the brands is a strategic priority for Harboe. Harboe consequently prioritises maintaining the high product quality, the range of products supplied and the attractive promotional packaging. The prioritisation is decided taking into account the best possible capacity utilisation and profit before amortisation, depreciation, interest and tax.

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

## OUTLOOK 2016/2017

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

# HARBOE INTERNATIONAL



## MARKET CONDITIONS AND COMPETITION

Harboe International is the framework for the group's activities in markets outside the core Northern European markets. Harboe International markets Harboe's products across selected markets in the Middle East, Africa, Asia/Oceania and the Americas as well as in a number of European markets outside Northern Europe.

In the international markets, Harboe's products are extensively marketed under the company's own brands supplemented by a selection of large private-label agreements. The primary beer category brands, which are marketed across the regions in the international business, are Bear Beer, Darguner, Harboe, Puls and speciality products under the GB brand. Harboe also markets a wide range of soft drinks, energy drinks and other non-alcoholic products, including both dark and light malt beverages, which are marketed under the brands Hyper Malt and White Bear, among others.

The mix of product categories and brands is tailored to demand in the individual regions and markets, and Harboe's products are extensively marketed in collaboration with local and international partners and distributors – but also via direct sales to major supermarket chains and other large customers.

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

## VALUE CREATION AND STRATEGY

Harboe International pursues a focused strategy based on growth markets in which economic and demographic developments support increasing purchasing power and demand for quality products – and where the potential within product categories and geographical segments offers the opportunity to realise attractive earnings margins.

Expansion is targeted at regional and cultural demand patterns where Harboe can utilise its existing product range and packaging solutions. It is a strategic objective to ensure that new markets are able to achieve critical mass in three to five years' time and contribute positively to the group's EBITDA.

Harboe's own branded products are typically marketed in a higher price segment targeted at a rapidly growing segment of middle-class consumers who are increasingly demanding imported brands at attractive prices.

Utilisation of the international potential is based on further strengthening of the sales organisation and focused expansion of relations and collaboration with both existing and new customers. Customer relations are rooted in a close and ongoing dialogue on development and adaptation of the product range to meet local demand while stimulating further growth in the market. In the coming year, Harboe will support sales by intensifying its marketing efforts and providing targeted marketing support of the group's primary international brands.

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





SOUTHEAST ASIA/OCEANIA

#### STRATEGIC MEASURES AND RESULTS IN 2015/2016

In the course of the year, Harboe International saw a positive development in the sale of own brands. The strong growth pertains in particular to our activities in Northeast Asia and Latin America, but Africa also delivered double-digit growth rates.

During the year, we had a strong focus on the execution of our sales strategy analysing the value and effect of our individual brands as regards efficient prioritisation and targeting of both our brands and the product range across our group international activities. We implemented an even stronger international sales organisation, which has worked on the continued expansion of our collaboration with existing customers and distributors. The increase in existing customer relations was driven i.a. by product launches made within brands already introduced. As with Europe, Harboe also experienced increased interest in speciality products internationally and the product launches were generally received positively. Sales of Bear Beer Mix, Bear Beer of various alcoholic strength and other speciality products were positive for the year. The intensive sales efforts also paved the way for entering into agreements with new customers and distributors across geographical markets.

During the year, Harboe participated at a number of international beverage trade fairs, and in a number of markets, we have supported the mar-

keting of targeted sponsorships, events, activities on social media and radio and TV commercials. The activities reflect the general increase in our marketing efforts focusing on the development of efficient sales and marketing materials, sales tools and promotional initiatives supporting the positioning of Harboe's products. We have worked on developing our design as well as on generally improving communication regarding the history, quality and values of the individual products. The increased marketing efforts and the close collaboration with customers and distributors had a positive effect and confirms our international potential. It is thus expected that Harboe International will also display attractive growth rates for the coming year as regards the sale of own brands.

#### MIDDLE EAST

In the markets in the Middle East and North Africa, Harboe markets mainly non-alcoholic beverages, including a wide range of non-alcoholic malt beverages and traditional soft drinks, which are both growth categories. In recent years, the activities have been expanded in collaboration with distributors and customers, and Harboe continues to build its position in the stable markets in the region which are being cultivated in close collaboration with well-established local distributors.

The activities in the region have thus developed very positively during the financial year with double-digit growth in sales and are expected to contribute additional revenue and earnings for the coming year.

#### AFRICA

Harboe sells a wide range of beers, soft drinks, malt beverages and non-alcoholic malt beverages in a growing number of African countries, primarily under own brands, but also as private-label products for major international players. Africa still represents attractive potential, and Harboe's expansion is driven by an increasing demand for strong beer and malt-based products, in particular, but the energy drinks segment is also large and growing strongly. Sales are supported by the demographic and economic developments, including a fast-growing middle class.

The activities in Africa were positive with healthy growth in the sale of our own brands, whereas private label activities were slightly low on the figures from last year.

Developments in Africa are generally driven by increasing purchasing power and demand – something that Harboe seeks to exploit through continued intensified sales efforts made by our local sales organisation and in collaboration with distributors contributing solid knowledge of demand, market conditions and methods of distribution. Harboe still sees the attractive potential of Africa and expects the coming year's marketing initiatives aimed at existing and new customers to create growth and further strengthening of its market position on the African continent.

#### ASIA AND OCEANIA

Over the last couple of years, the Asian markets have developed very positively displaying strong growth. During the past year, Harboe also continued expanding its position in the region, which represents an attractive growth market based on its demographic and financial development.



BY APPOINTMENT TO  
THE ROYAL DANISH COURT  
**HARBOE**

4入 | \$199  
Four in One

# 德國熊 輕蜜啤酒

檸檬·皮爾森 ALC. 2.0% VOL. | 葡萄柚·小麥 ALC. 2.5% VOL.

生活中的輕鬆蜜方



# 德國熊 輕蜜啤酒

檸檬·皮爾森 ALC. 2.0% VOL. | 葡萄柚·小麥 ALC. 2.5% VOL.

生活中的輕鬆蜜方

4入 | \$199  
Four in One



The markets in Northeast Asia, including China, South Korea and Taiwan, are particularly interested in the Harboe products with emphasis on lager and strong beer products branded as Bear Beer, and these products have gained a strong foothold in the region.

# HARBOE INTERNATIONAL

---

Growth in the region is driven by wide collaboration with our distributors targeting selected brands and products in the individual markets. This is helped by the implementation of a targeted sales strategy aimed directly at the large retail chains leading to new and substantial agreements. All product categories have experienced positive developments, but growth is primarily driven by the substantial demand within the beer segment.

The markets in Northeast Asia, including China, South Korea and Taiwan, are particularly interested in the Harboe products with emphasis on lager and strong beer products branded as Bear Beer, and these products have gained a strong foothold in the region.

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

## AMERICAS

The latest step in the geographical expansion was the selected markets in South and Latin America. The activities were i.a. targeted at special consumer segments in the Caribbean where the dark, non-alcoholic malt beverages such as Harboe's Hypermalt are seeing a strong demand. However, beer marketed under the brands Bear Beer and Puls is also experiencing growth, and the activities are driven in close collaboration with local and regional distributors and direct cooperation with large retail chains.

Sales in the Americas are expected to continue positively, and Harboe expects the activities to increasingly make a positive contribution to the group's results.

## EUROPE

For a number of years, Harboe has marketed a wide range of products in selected European markets outside Northern Europe. The products are sold both under own brands and as private-label products through major international partners. Like the core markets in Northern Europe, these markets are characterised by negative or low growth within beer and soft drinks, but demand for, for example, dark malt beverages among ethnic groups, especially in France and the UK, drives positive sales.

The marketing of the group's own brands developed positively during the financial year. In the coming year, Harboe will focus on maintaining and further expanding its position in these markets, driven by the group's own brands.

## SPECIAL RISKS AND PRIORITIES IN 2015/2016

Harboe's international activities outside Northern Europe are particularly exposed to risks in markets where political regimes are less stable and where general business conditions may be affected by various forms of political turmoil and lack of public control. In the course of the year, special focus

"The increase in existing customer relations was driven i.a. by product launches made within brands already introduced. As with Europe, Harboe also experienced increased interest in speciality products internationally and the product launches were received positively by our customers."

was on further developing contract formats and updating policies and processes relating to the handling of international customer relations.

During the financial year, Harboe therefore ensured close follow-up and continuously adjusted its efforts in the areas in the Middle East and Africa which have been particularly affected by unrest. Assessments of the development in specific operating and debtor risks and the management of these risks are reported regularly to the Board of Directors.

The production, distribution and delivery of agreed deliveries on time and good customer service in general are critical factors for customer satisfaction and for maintaining long-term customer relations. Harboe is therefore constantly focusing on ensuring optimum efficiency in the value chain in step with the increasing sales to the international markets and the growing complexity of the business activities. During the financial year, Harboe continued working to strengthen the management coordination of the operating processes between the individual links in the entire delivery system.

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

## OUTLOOK 2016/2017

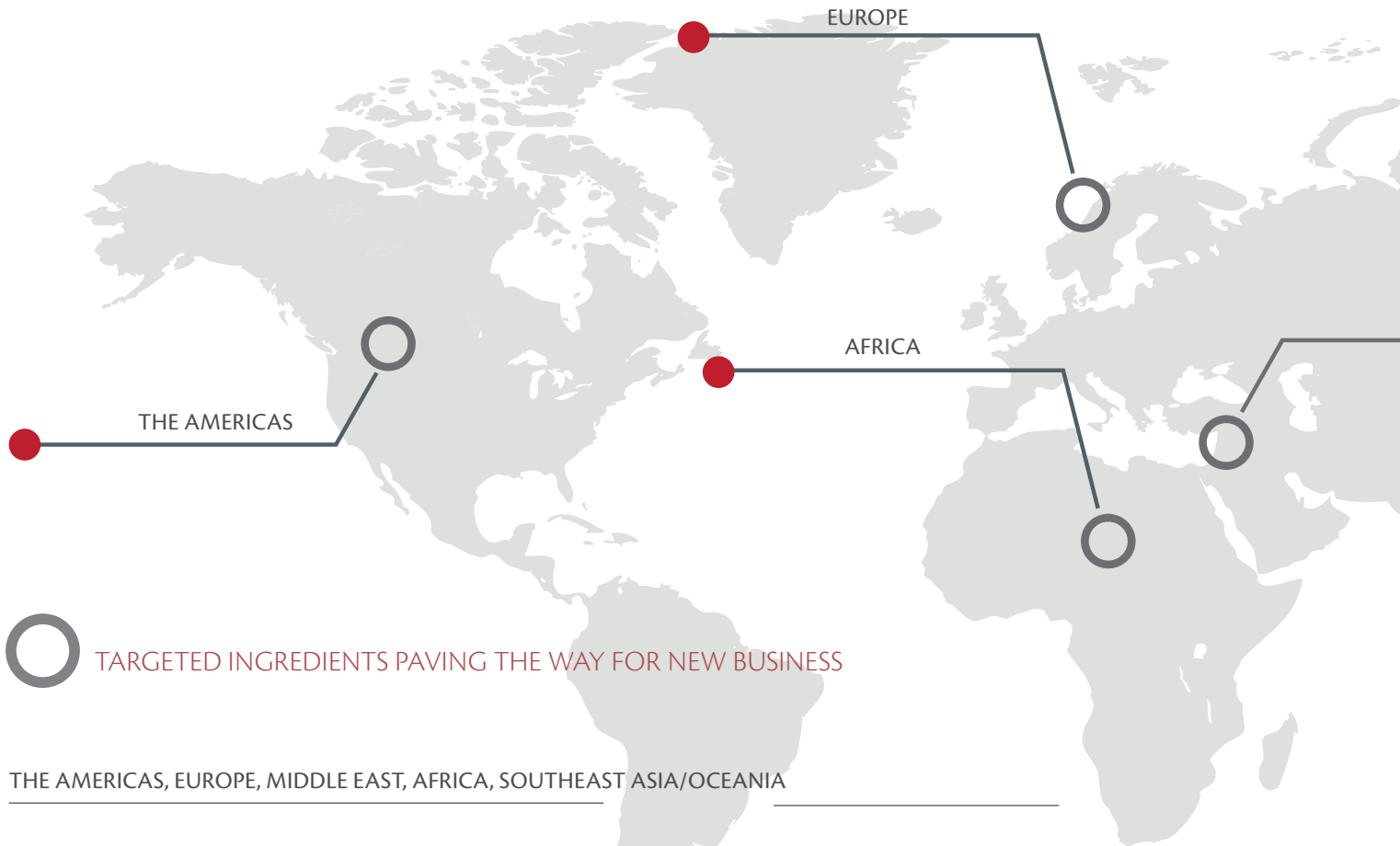
Harboe's international activities are expected to contribute increasingly to the group's revenue and earnings. In the coming financial year, intensification of the targeted marketing activities and the cultivation of markets are expected to lead to further growth in the sale of own brands.

We will still focus on strengthening the international sales organisation, developing new efficient sales tools and increasing marketing support as regards the primary international brands of the group.

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



# HARBOE INGREDIENTS



## MARKET CONDITIONS AND COMPETITION

Harboe Ingredients is the framework for Harboe's brewery activities within malt extract. For more than 60 years, Harboe has marketed malt extract for the European food industry and it is currently a leading Nordic manufacturer.

Malt extract is used as a natural alternative to sugars, flavourings and colourings used in the production of many different foods, including bread, cereal and chocolate. In addition to the natural colourings and sweeteners,

malt extract has a number of good properties in terms of nutrition and quality, and the attractive product profile is an important asset when marketing the product to selected food producers, including i.a. bakeries and other confectionary businesses.

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

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

## VALUE CREATION AND STRATEGY

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



*Malt extract in liquid form.*



“Harboe’s industry-specific product range, reliability of deliveries and close dialogue with our customers form the basis of our strong competitive position. By further processing and adapting its products and applications, Harboe seeks to maintain and strengthen its market position with solutions that create added value for customers.”



*Malt extract in powder form.*

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

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

In recent years, Harboe also invested significant resources in the development and process optimisation as regards malt extract and currently offers an efficient range of ingredients standardised for and targeted at bakeries. As regards the drinks industry, Harboe is working on creating an efficient range with more new products in the pipeline. All development activities

take place in close collaboration with existing and new customers and include development workshops, test cycles and concept development. The development activities are based on the strategic qualification of the potentially added value, efficient utilisation of existing technology and competencies and current demand as well as on analysing the market potential.

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

Further development and marketing of the malt-based ingredients will still be a priority in the strategic development of the group’s activities. The ambition is for Harboe Ingredients to increasingly make a positive contribution to the group’s growth and earnings over the next two to five years.

#### STRATEGIC MEASURES AND RESULTS IN 2015/2016

Sales of malt extract have seen a positive development and are based on successful partnerships with existing customers. During the year, the organisation was further strengthened with dedicated competencies for e.g. bakeries, which may contribute to the provision of advice to customers and continued business development in terms of individual customer relations.





# HARBOE INGREDIENTS

The sales and advisory activities are conducted in close collaboration with Harboe's development department to ensure that the functionality and properties which are included in the development of new products and applications are continuously adapted to customer requirements.

During the year, Harboe worked on cultivating new markets displaying great interest, and after the international trade sanctions were lifted, i.a. Iran offers some interesting market opportunities. The cultivation of new markets is beginning to yield positive results, and we have strengthened the marketing activities further.

The development of new products and the optimisation of quality standards continue, and partnerships have been established with customers in the food industry on using several of Harboe's ingredients as alternatives to existing flavourings and colourings in, for example, bread, biscuits, waffles, chocolate and other confectionery products. Harboe is experiencing significant customer interest at the prospect of testing new ingredients, and the completed concepts will be marketed at attractive prices.

The development of new ingredients takes several years, with ongoing tests and adaptations in close collaboration with customers, before you have the finished, marketable solutions. The development projects are prioritised to generate positive returns within two to three years.

## SPECIAL RISKS AND PRIORITIES IN 2015/2016

Harboe's activities within malt extract are, in addition to the usual market risks of competition, development in raw material prices etc., also exposed to a number of special risks, which are associated with the development of new products and with the subsequent launch and marketing of the products.

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

Harboe Ingredients is also exposed to the risk that the market acceptance and breakthrough for the group's new ingredients products cannot be realised to the extent expected or within the estimated time frame. As part of the management of this risk, Harboe strengthened its sales and advisory organisation and further intensified its marketing efforts in the past financial year. Internally, there is also a close collaboration between the sales and development teams to ensure that the ongoing market intelligence is integrated optimally in the development activities. Collaboration with established international ingredients distributors also contributes to targeting the products at the current and expected future demand.



*The use of malt extract gives ample opportunity to impact the look, flavour and texture of bread resulting in a generally improved taste sensation.*

## OUTLOOK 2016/2017

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

Harboe expects to see continued growth in the sales of malt extract, where sales are driven in particular by the intensive focus on the development of our existing customer relations with a view to increasing our business through the sales of more and new applications. In the coming financial year, focus will also be on continued development activities with a view to further processing and adapting applications in close collaboration with customers. ■

# REPORT ON CORPORATE SOCIAL RESPONSIBILITY AND DIVERSITY

## SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY AND MANAGEMENT VALUES

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

Sustainability is a central element in Harboe's strategy for the group's continued growth and development. Effective utilisation of resources and positive relations with the company's stakeholders are essential to Harboe's future value creation. Harboe's corporate social responsibility activities are rooted in policies on corporate social responsibility and diversity with such policies being based on a commercial prioritisation of value creation and risk mitigation. The policies are approved by the Board of Directors of the company and are described in detail in the report below and on the group's website.

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

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

## CLIMATE AND ENVIRONMENT

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

The group's three breweries have a total capacity of 10 million hectolitres. In 2015/16, a total of 6.0 million hectolitres of beer, soft drinks and malt wort products were produced. This generally corresponds to the levels of 2014/2015 but covers ongoing and underlying changes to the product mix comprised of i.a. increased production of speciality products.

Harboe's production facilities are optimised at regular intervals to ensure an up-to-date, efficient and flexible production process. All investments in new production technology, optimisation of existing production facilities and product and packaging development take into account resource use and general environmental impact. At the same time, the aim is for investments to generate positive returns within a two-year horizon.

DKK 75.5 million was invested in the production facilities in 2015/2016 primarily aimed at optimising capacity, ongoing maintenance and continued efficiency efforts. Investments were made in new warehouse facilities and bottle-sorting systems for recyclable bottles. As expected, the investments made in recent years in new cooling towers, compressors and other efficiency efforts also resulted in significant energy savings for the current year. Harboe still focuses on operational efficiency efforts in connection with i.a. inventory management and logistics and expects to make further savings in the financial year ahead.

The group's ERP system for planning and control of production processes across all the group's production units is being further developed, and the implementation in Germany and Estonia is still in its preparatory phases. However, Harboe

"Harboe's production facilities are optimised at regular intervals to ensure an up-to-date, efficient and flexible production process. All investments in new production technology, optimisation of existing production facilities and all product and packaging development take into account resource use and general environmental impact."

expects further progress in this regard in the course of the coming financial year, and this will result in a number of further process optimisations as well as additional energy and financial savings.

In the past five years, Harboe has invested DKK 319 million in the expansion and strengthening of the brewery sector's production facilities. The investments have proved decisive in the competition for large-volume contracts in the main markets in Northern Europe. At the same time, the capacity of our modern and efficient production facilities forms a solid basis for realising the group's strategy and further value creation within the strategic development areas and the continued geographical expansion of the activities. Investments also gave rise to EU investment and energy subsidies and national subsidy schemes in the current financial year.

The group's German subsidiary Darguner Brauerei GmbH has obtained its energy certification.

In the coming year, Harboe will continue to assess the need for further investments in efficient utilisation of resources and capacity. The planned investments for 2016/2017 are focused on process and production equipment, energy optimisation and efficiency improvement as well as investments supporting the strategic group development.

## EMPLOYEES AND OCCUPATIONAL HEALTH AND SAFETY

Harboe's management values and HR strategy are based on the group's focus on realising value-adding business results as well as on preserving the ambition of running an attractive business that fosters pride and a high degree of employee satisfaction. As part of this strategy, Harboe focuses on having the necessary competencies and resources at all times, to enable the group to efficiently carry on its activities while at the same time seizing new opportunities for growth and value creation.

It is therefore vital that Harboe is able to recruit motivated managers and employees with the right qualifications for all parts of the group. Harboe seeks to offer

"Harboe is dedicated to ensuring a safe working environment that seeks to prevent absence due to illness and injury. Harboe is constantly investing in training and development activities to ensure that its employees are optimally geared to carrying out their duties in a safe and efficient manner."



competitive pay and employment conditions in accordance with applicable collective agreements, good practice and relevant international standards.

## DIVERSITY AND TALENT DEVELOPMENT

The recruitment of new employees is mainly based on the candidates' professional and personal qualifications matching the job description. But Harboe is also committed to ensuring that the group's organisation and management reflect a wish for diversity, and Harboe aims to create equal conditions and opportunities for supplementary training and career development for all employee groups, regardless of gender, nationality, religion or age.

So when recruiting for positions at all levels in the group, everyone with the right competencies and ambitions is encouraged to apply. 75% of Harboe's employees are employed in production, process, service and inventory, which are traditionally predominated by men. This also affects the ratio between men and women applying for positions and is reflected in the general number of men and women employed in the company at the end of the financial year (78% of employees are men). As regards other positions in the group, including management, administration, development, sales and marketing, the group employs 49% women and 51% men.

Harboe's policy on the underrepresented gender at other management levels is an integral part of Harboe's diversity policy. The group's values and management practice integrate the fact that everyone, regardless of gender and background, with relevant management skills and development ambitions is invited to participate in training and to apply for management positions. The group also offers housing assistance in the local area and general pay and employment conditions to make it attractive to work for the company and enables employees to have a healthy work/life balance. The group has found that such conditions promote motivation for i.a. female employees to apply for management positions. In step with the continued internationalisation of the company and the strengthening of the development, sales and marketing functions, Harboe has thus focused on further increasing diversity, and this aim was reflected during the financial year with the employment of more women among international specialists and managers.

In accordance with the group's general diversity policy, the aim is continued organisational development while at the same time strengthening diversity across Harboes Bryggeri, and this will also be our aim for the year ahead.

## TARGET FOR WOMEN ON THE BOARD OF DIRECTORS

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

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

## HARBOE'S DIVERSITY POLICY

Harboe aims to promote diversity through a number of focus areas in the group's recruitment processes and management practice:

- When recruiting for positions at all group levels, everyone with the right competencies and ambitions is encouraged to apply – regardless of gender, nationality, religion or age.
- It is a priority in the recruitment process that the wish for diversity is taken into account once candidates with the right professional competencies and personal qualifications have been identified.
- Harboe's staff and management policy aims to create the framework for a proper work-life balance.
- Harboe conducts annual performance interviews with managers and employees in the organisation, with responsibility and personal career development as integrated elements.
- Harboe follows up on employee satisfaction in the organisation at appropriate intervals, including on the satisfaction with the possibilities for personal, professional and career development.

boe's management. This is an ongoing process, and in the past year, we also discussed the future composition of the Board of Directors.

On the current Board of Directors, the board members elected by the general meeting still consist of five men and one woman. The Board of Directors remained the same during the year. In the period up to 2017, the Board of Directors will continue its discussions on its composition and decide how best to meet the target for the proportion of women.

## ORGANISATION FOR STRATEGY IMPLEMENTATION

Focus is on strengthening and updating competencies at all levels in the group to place it in the strongest possible position to execute its international growth strategy. This includes the continued development of the international sales organisation, which was upgraded with new strong competencies targeted at the continued development of growth markets in Asia and Africa, among others. The ingredients activities were also strengthened further by specialists with solid technical know-how, who could support the sales activities offering educated advice and develop tailored solutions.

During the financial year, Harboe continued its strategic management development programme, which will form the basis for strengthened competencies and a shared frame of reference for the operational management of the group. The programme also ensures the effective anchoring of the strategy processes among key managers in the group, for example through an annual strategy seminar for the entire international corporate management team.

The operational part of the group also implemented a number of training activities during the year. The team leader training programme, which Harboe set up in Denmark a few years back with a view to ensuring effective and close fol-

---

low-up on quality and efficiency in the individual production processes, was continued in the group's German production unit. The programme yields positive results in the form of continuous optimisation and efficiency improvements in operations. At the same time, feedback indicates that the increased level of responsibility is a strong motivational factor for both the individual team leaders and the employees in the organisation, who thus get more influence on operational decisions.

#### JOB SATISFACTION AND EXCELLENT OCCUPATIONAL HEALTH AND SAFETY

The wellbeing, health and general human rights of our employees, including their right to organise and collective agreements, are important issues to Harboe.

The group offers i.a. a healthy and diverse range of food in its cafeterias as well as personal advice and a range of activities aimed at healthy living. These include personal health checks and advice on healthy lifestyles offered to the individual employee in strict confidence by the health specialists. As part of their contract, employees working in a three-shift pattern, including night shifts, must submit to an annual health check-up.

Harboe is dedicated to ensuring a safe working environment that seeks to prevent absence due to illness and injury. Harboe is constantly investing in training and development activities to ensure that its employees are optimally geared to carrying out their duties in a safe and efficient manner. Further training programmes for employees were also completed this year in all the group's units, including training programmes for team leaders to ensure the efficient sharing of knowledge and information on quality as well as occupational health and safety.

During the financial year, absence due to illness was 2% at Harboes Bryggeri, and 6% and 7% respectively at the two subsidiaries. The aim is to reduce absence due to illness in the group as a whole permanently to a maximum of 3%, and targeted efforts will be made in the year ahead to ensure great occupational health conditions and strengthen the cultural and management values which may help us fulfil this aim.

In terms of occupational injuries, during the year, Harboe also targeted its efforts at increasing safety even further throughout the value chain and set targets for the maximum number of annual occupational injuries for each production unit. The aim for Denmark and Germany is a maximum of four annual occupational injuries, and the maximum for Estonia is two occupational injuries. In Denmark, no occupational injuries were reported for the financial year, whereas Germany and Estonia exceeded the number of injuries.

The group's production unit in Skælskør has got occupational health and safety certification in accordance with OHSAS 18000:2008, the result of which was very satisfactory with low levels of absence due to both injury and illness. Therefore, the preparations for similar occupational health and safety certification for the group's production units in Germany and Estonia were initiated and are expected to be completed in 2017/2018. Several processes will be optimised in connection with these preparations, and in future the certification will enable more structured, ongoing follow-up in this area.

#### SATISFACTION AND COMMUNICATION

As part of the competency development of each employee, Harboe aims at conducting annual performance interviews which follow up on goals and results and at which performance plans are defined for the coming year based on the group strategy and the individual employee's professional competencies and ambitions. The performance interviews also follow up on the employee's satisfaction with the general conditions and the opportunities for personal development.

During the past year, Harboe did not conduct performance interviews with all employees, but we are working at establishing administrative and management structures enabling us to offer annual performance interviews to all employees during the financial year of 2017/2018 at the latest.

Furthermore, Harboe prioritises daily and efficient internal communication between management and employees offering ongoing information and dialogue, meetings with employees and a visible management in general throughout the organisation. The qualitative feedback from employees is predominantly positive, and in the past financial year, this also resulted in a low staff turnover rate and continued high seniority of production staff. This contributes to ensuring continuity and to retaining the valuable knowledge accumulated in the company, and resources have also been allocated to this focus area in the coming year.

#### QUALITY AND HEALTH

As an international drinks manufacturer and supplier to food companies worldwide, product quality and safety are paramount. Harboe will meet the highest food safety standards by using raw materials that ensure a high and uniform quality throughout the entire value chain – from raw material to the finished product. Harboe's requirements for the quality of the raw materials purchased from suppliers follow this ambition and are evaluated systematically.

Investments in quality improvements and optimisation of production facilities are made to ensure that Harboe meets new requirements and expectations for quality and hygiene at all times.

Harboes Bryggeri A/S is certified in accordance with International Food Standard – Foundation Level and OHSAS 18001. Furthermore, the ingredients activities are certified in accordance with BRC Global Standards, and the products are certified in accordance with halal and kosher standards.

The group's Estonian company is certified in accordance with ISO 22000 and E059.

Darguner Brauerei GmbH is certified in accordance with ISO 9001:2008, International Food Standard – issue 6 (higher level) and HACCP. The brewery products are also certified in accordance with organic standards, halal and kosher standards. Systematic follow-up as well as internal and impartial external control are performed as part of the maintenance of the certifications.

In the autumn of 2015, Darguner Brauerei GmbH was awarded the Bundesehrenpreis for the categories juice, nectar and direct juice. The prize is awarded to companies excelling in the production of outstanding quality products in the relevant category. In 2016, the brewery was also awarded similar recognition for

its beer. At the same time, Germany also celebrated its 500th anniversary of the so-called 'Reinheitsgebot', which is the formal German requirements for beer purity and regarded as one of the oldest food quality standards in the world.

The market is seeing a growing consumer demand for healthier products. Harboe continues to focus intensely on innovation in order to meet this demand, and the product development within ingredients based on malt extract supports this strategy. In the financial year, further development took place on new variants of malt-based ingredients which can replace flavourings and colourings in both drinks and food products.

Harboe also supports the industry's standards for responsible marketing of alcohol, soft drinks and energy drinks and, in the financial year, participated in information activities carried out via the national brewers' associations.

Harboe will continue to focus on quality and the health-related aspects of the product development in the coming year as well, including increased focus on organic products. At the same time, the further development activities within malt extract and the development of own drinks products will continue to focus on meeting the demand for more natural and nutritious products.

## EXTERNAL RELATIONS

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

Harboe's relations with its suppliers and other partners are also based on agreements and contracts being drafted in accordance with international standards. The group has no formal human rights policy, but includes a number of standard requirements in its supplier agreements. The requirements concern quality and the reliability of deliveries, but also corporate social responsibility, including environmental issues and human rights. All of Harboe's suppliers are based in Europe and thus subject to a standardised legal framework in accordance with European standards. In the past year, Harboe has worked to optimise contract formats and conditions and further strengthen the procedures applied when concluding agreements.

At the same time, Harboe continuously strives to strengthen its internal communication and business processes in relation to the handling of the group's contract formats to ensure that the employees involved in business relations within sales, marketing, purchasing etc. are given the best possible conditions and guidance on how to handle deviations from normal standards, including the risk of corruption. This applies particularly in the new markets where social conditions, regulation and business practice may deviate from EU standards, and the

"Harboe started the establishment of a new international centre for education, marketing and communication. The centre will also serve as an effective framework for the dialogue with the group's stakeholders and as a showroom for customers and business partners where Harboe's values, history, products and brands are presented in a dynamic environment."

"Harboe will meet the highest food safety standards by using raw materials that ensure a high and uniform quality throughout the entire value chain – from raw material to the finished product."

group will also focus intensely on safeguarding the formal and ethical aspects of its business activities in future.

## TRANSPARENCY AND COMMITMENT

Harboe is strongly rooted in the local community, and a key element in the group values is an awareness of the responsibility that naturally comes from being an integral part of the communities in which the company operates. Harboe thus supported a number of relevant local sports activities, cultural events and charities again this year.

Harboe will continue to support local sports and cultural institutions if it can support the business, generate widespread positive attention and make a difference for the communities of which the group, our employees and their families form part.

Harboe also prioritises making its knowledge available for interested citizens, students and schools by arranging open days, offering educational sponsorships, offering traineeships and apprenticeships etc. In the financial year, the company in Skælskør employed six apprentices. In Germany, 19 trainees completed their traineeship in production, administration, development and inventory, and five of them are now permanently employed.

The activities have a positive impact on the group's relations with the outside world, just as they contribute to strengthening company culture and a sense of togetherness.

As part of the continued development of the group, Harboe has initiated the establishment of a new international centre for education/training, marketing and communication in conjunction with the group's head office in Skælskør. The centre which is due to be completed about one year from now is to provide the framework for the group's training of its employees, management development and experience-sharing activities. The centre will also serve as an effective framework for the dialogue with the group's stakeholders and as a showroom for customers and business partners where Harboe's values, history, products and brands will be presented in a dynamic environment. The group expects that the new centre will become not only a valuable meeting point for the group's managers and employees but also an effective marketing platform in the continued strengthening of the group's activities. The building works have commenced and will entail total investments of DKK 25-30 million.

In the coming year, Harboe will continue its efforts to nurture and cultivate its relations with the outside world. Special focus will remain on underpinning the framework for the collaboration with suppliers and other business partners. In addition, Harboe will prioritise its active presence in the communities in which the group operates, through planned sponsorship activities and by participating in relevant social and local contexts.

## 25 YEARS IN GERMANY

---



On 27 May 2016, Darguner Brauerei GmbH, Harboe's German brewery, celebrated its 25th anniversary. This was celebrated with our customers, business relations, employees and friends at an event in Dargun in Meckelburg-Vorpommern south of Rostock in the former East Germany.

When Harboe Bryggeri first started building the new brewery in Germany in May 1991, this also marked the beginning of a journey which would eventually transform the company from being a local Danish brewery to a modern international group with global activities. Harboe was one of the first Danish companies to discover and invest in the opportunities offered by the former East Germany after the unification. Over the years, these activities have developed to become an important focal point of the continued geographical expansion of Harboe.

"Germany was a new and interesting market for us, and we very quickly discovered that the culture, values and people of Mecklenburg-Vorpommern were a great fit both for us and for our company. People were the hub, and the people we met had both the courage and the conviction to generate results with us. This was pivotal to our corporate development, and today, we are proud to have built a thoroughly international company. Our production facilities are based on the most modern and efficient technology, the maximum quality of our products and safer and more environmentally friendly operations taking into account both our employees, the environment and our local surroundings," says Bernhard Griese, CEO.

Darguner Brauerei GmbH delivers a significant part of the group's total beverage production to both large customers in the Northern European markets and to a steadily growing number of customers in growth markets in Africa, Asia, the Middle East and the Americas. The products are marketed both under the group's own brands (Bear Beer, Darguner, Puls and Harboe), which are currently frontrunners in the continued international expansion of the company.

This has been successful over the years, and it was natural for Harboe to reinvest results on an ongoing basis in the continued development of the company.

"We have developed, modernised and made our production efficient, and we have made ongoing investments in the training and education of our employees. We also continuously focused on the innovation and development of new and stronger products, keeping abreast of customer needs and driving demand. This generated results as regards the international competition, and it will continue to be the platform for our activities," says Bernhard Griese. ■



# CORPORATE GOVERNANCE

---

## SUSTAINABLE MANAGEMENT AND VALUES

Harboe's Board of Directors places considerable emphasis on ensuring that the fundamental values which have been created and developed by the Harboe family-owned business through five generations are combined in the best possible way with efficient and dynamic business management, the primary objective being to create value for the company's shareholders, employees and customers. The Board of Directors and the Board of Executives are working hard to ensure that the management and control systems of the group are efficient and in line with relevant standards.

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

The full review of the individual recommendations can be seen at the group's website: [http://files.shareholder.com/downloads/AMDA-EBDFV/2475903443x0x847636/E3B46015-4DB4-4E1F-A6D2-45E05BB0A579/Corporate\\_Governance\\_2015-16\\_UK.pdf](http://files.shareholder.com/downloads/AMDA-EBDFV/2475903443x0x847636/E3B46015-4DB4-4E1F-A6D2-45E05BB0A579/Corporate_Governance_2015-16_UK.pdf)

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

Harboe places considerable emphasis on the company's shareholders being able to monitor the company's development. The group's website provides easy access to current information about the company's strategy, policies, business and results. The group's management maintains an active dialogue with the share market, holding a number of meetings with potential and existing investors and analysts in the course of the year.

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

Harboe only publishes interim reports and annual reports as enabled by virtue of the latest amendments to the Danish Securities Trading Act (*Værdipapir-handelsloven*) and the Danish Executive Order on Issuers' Disclosure Obligations (*Udstederbekendtgørelsen*) dated 26 November 2015. The new rules ease the administrative burden and free up resources, where it has previously been a challenge that the seasonal fluctuations in the group's activities are not congruent with the timing of the quarterly reporting, which consequently does not provide a clear picture of the group's general development. However, Harboe places great emphasis on investors and other stakeholders being well informed of the group's development and results and therefore wishes to continue to keep the market up-to-date on significant events whenever relevant in between the formal interim and annual reporting.

Harboe generally seeks to promote active ownership in accordance with the recommendations in the planning of its activities vis-à-vis the shareholders. Harboe has thus also set up formal contingency procedures which ensure that the shareholders get the opportunity to decide on a potential takeover bid at a general meeting. In the event of a takeover bid, Harboe's Board of Directors will endeavour to assess the significance of the bid for all the company's shareholders and for the company in general.

## TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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

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

In the opinion of the Board of Directors, Harboe's organisation and management follow the recommendation on diversity and equal opportunities for both genders. These considerations are addressed in the company's HR strategy and in the company's policy on ensuring diversity at all levels. Harboe's Board of Directors has fixed a target for one-third of the members of the Board of Directors to be women. This target must be realised in connection with the company's annual general meeting in 2017 at the latest.

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

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

## COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS

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

The Chairman of the Board of Directors and the company's principal shareholder are in charge of selecting and nominating new candidates for the Board of Directors and subsequently recommending candidates for the approval of the entire Board of Directors. In this process, emphasis is placed on the Board of Directors being composed such that its members match each other in the best possible way in terms of experience, age, gender etc. in order to ensure a competent and versatile contribution to Harboe's management. The Board of Directors does not find that it is necessary to have a retirement age for members of the Board of Directors.

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

An audit committee has been set up by the Board of Directors in accordance with the recommendations. However, the Board of Directors finds it natural that the Chairman of the Board of Directors, who has in-depth knowledge of the group's financial and accounting issues, is also the chairman of the audit committee.

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

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

In the opinion of the Board of Directors, there is no need for a formal evaluation procedure for the Board of Directors and the Board of Executives. However, the Chairman of the Board of Directors ensures that meetings are characterised by constructive dialogue and that individual members contribute in line with their competencies. Furthermore, the Chairman of the Board of Directors and the company's principal shareholder evaluate annually the individual members' contribution to the meetings.

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

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

## REMUNERATION OF MANAGEMENT

Harboe's Board of Directors emphasises that the company should offer compe-

"Harboe's Board of Directors and the Board of Executives are working hard to ensure that the management and control systems of the group are efficient and in line with relevant standards."

titive terms of employment to the members of the Board of Executives and the rest of the management and regularly assesses elements which can help motivate and retain skilled and performance-oriented managers. The Board of Directors has decided not to introduce share-related incentive schemes for the time being. The group's key managers are covered by a performance-related bonus programme.

The remuneration policy is described in detail in the Chairman's report and approved at the annual general meeting. Other particulars of the remuneration paid to the Board of Directors and the Board of Executives are in accordance with the recommendations.

## FINANCIAL REPORTING, RISK MANAGEMENT AND AUDITS

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

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

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



# RISKS, FINANCIAL REPORTING AND CONTROLS

---

## GROUP STRATEGIC RISK MANAGEMENT

Harboe is constantly analysing and considering the business and financial risks affecting the company's development and results. The Board of Directors and the Board of Executives are generally responsible for the risk assessment, risk management and internal controls of the group in connection with the financial reporting. During the year, the focus has been on the continued optimisation of business processes and IT systems supporting the ongoing controls and reporting across the group.

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

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

## IMPORTANT BUSINESS RISKS

Below follows an outline of the most important risks to which Harboe is exposed in its business activities. The list reflects the most significant risks in terms of probability and potential effect. The list is not exhaustive. The review of the individual business activities contains a detailed description of the current risk exposure, the risk management and the risk expectations for the coming year.

## COMPETITION, PRICES AND TAXES

In all the group's markets, the beer and soft drinks segments are characterised by intense competition, leading to pressure on prices. Harboe is therefore sensitive to market fluctuations in the prices of raw materials and consumables, as increasing production costs cannot simply be added to the sales prices. This is particularly true as regards the group's private label agreements which have modest earnings margins. To counter such fluctuations as much as possible, Harboe is systematically seeking to conclude long-term contracts with sub-suppliers and regularly analyses the scope for additional efficiency improvements in production. Moreover, Harboe focuses on strengthening sales of its own brands and specialty products in higher price segments, which offer higher earnings margins and thus less sensitivity.

Harboe's beer and soft drinks are, to a varying extent, subject to sales taxes in the group's markets, and marked changes in these taxes may affect Har-

boe's earnings and, ultimately, the sales of the group's products. Consequently, it is assessed regularly how the brewery sector can counter this risk in the best possible way through diversification of the group's product strategy and development activities.

## MARKET CONDITIONS AND REGULATION

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

## SEASON AND CAPACITY

Sales of beer and soft drinks are characterised by seasonal and weather-dependent fluctuations. The summer is normally the high season in the Northern European business when demand is very high, whereas a cold and wet summer can change this picture considerably and thus significantly affect the group's operating profit. Fluctuations in demand entail a strong demand for flexible capacity utilisation. The group is constantly seeking to counter this through further efficiency improvements and investments in expanding capacity, just as optimisation of production processes and coordination between the group's production units constitute a strategic focus area.

## PRODUCTION AND QUALITY

Harboe's production of drinks products is exposed to a risk of errors or accidents happening which may affect the quality of the end product. This can result in losses because products must be rejected or recalled from the market and may undermine consumer confidence in the group's products. To minimise the risk of this happening, Harboe is working systematically on the quality assurance of its production processes. Consequently, all the group's production facilities are certified in accordance with international quality standards and apply established operating and maintenance procedures. Furthermore, Harboe's production facilities are subject to regular unannounced inspections initiated by customers.

The required efficiency and speed of the production and delivery systems increase in step with the group's continued geographical expansion. In order to optimise the group's operating processes, Harboe has increased its strategic focus on strengthening the coherence and coordination of the individual parts of the value chain.

In addition, Harboe invests in quality improvements and optimisation of its

---

production facilities on an ongoing basis with a view to complying with new requirements and living up to expectations for quality and hygiene at all times.

#### SUPPLIERS

It is decisive that the raw materials and consumables which Harboe uses for its products meet the highest food safety and quality standards. At the same time, Harboe is dependent on the raw materials and consumables being delivered on time and in the agreed quantities. All of Harboe's suppliers are based in Europe and thus subject to a standardised legal framework in accordance with European standards. The collaboration with suppliers is often based on long-term relations based on terms and conditions which are adjusted and renegotiated for one to two years at a time. Harboe evaluates the quality and reliability of deliveries of its suppliers at regular intervals and also conducts unannounced inspections. For all primary raw materials, Harboe has two suppliers to ensure the highest possible reliability of delivery.

#### CUSTOMERS AND AGREEMENTS

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

In recent years, there has been increasing pressure for extended credits, especially from large customers in the retail sector. To counter the risk of increased tie-up of capital, Harboe's strategic focus is on optimising group cash flows, including by entering into factoring agreements and supply chain finance agreements and securing current liquidity by credit facilities and own flexible financial resources.

---

"Harboe seeks to continuously strengthen its internal communication and business processes in relation to the handling of the group's contract formats, business practices and ethical standards to ensure that the employees involved in business relations within sales, marketing, purchasing etc. are given the best possible conditions for handling deviations from normal standards, including the risk of corruption."

---

#### PRODUCT DEVELOPMENT AND SALES

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

#### FINANCIAL RISKS

Harboe's solid capital structure limits the risk associated with the developments in market interest rates. At the end of the financial year, the company's net interest-bearing debt amounted to DKK 120.7 million compared to DKK 154.4 million last year.

As Harboe's sales and purchases in foreign currencies in respect of most of the group's activities are still denominated in EUR, currency risks for the group are considered limited. In step with the continued growth in the group's international activities, Harboe will assess the need for currency hedging on a regular basis.

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



# SHAREHOLDER INFORMATION

---

## IR POLICY

With its IR policy, Harboes Bryggeri A/S wants to ensure a high level of information to the shareholders and other stakeholders of the company. Harboe aims to communicate actively and openly with a view to providing a basis for the pricing of the company's share which best reflects the value of the company and its future earnings potential.

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

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

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

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

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

IR contact:

Ruth Schade, CFO

Tel.: +45 58 16 88 88

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

---

"Harboe's dividend policy is based on a desire to create sustainable and long-term value for its shareholders. Throughout the last five years, we have paid out dividends corresponding to a total return for our shareholders of DKK 54 million."

---

## VALUE CREATION FOR THE SHAREHOLDERS

Harboe's dividend policy is based on a desire to create sustainable and long-term value for its shareholders. The policy has resulted in ongoing and attractive dividend payments, which – when viewed over the past five years – amounted to total dividends to the shareholders of DKK 54 million. Over the last couple of years, the company also acquired treasury shares and has a portfolio of 1,434,403 Class B treasury shares corresponding to DKK 163.5 million stated at the market price as at 30 April 2016. Harboe did not acquire any treasury shares during the financial year of 2015/2016.

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

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

## OWNERSHIP

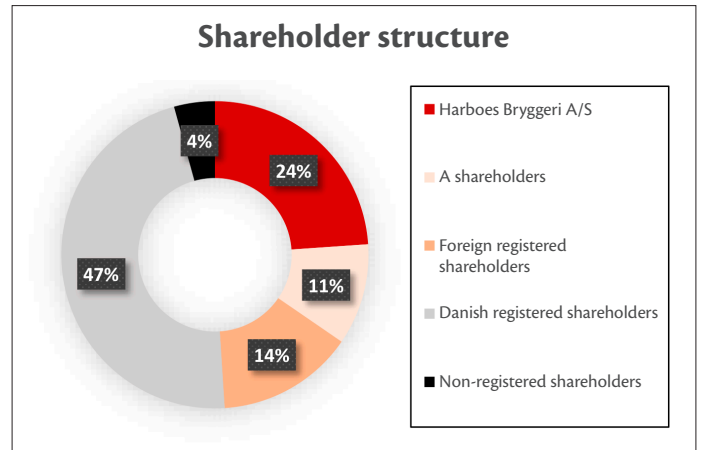
At the end of the financial year, Harboes Bryggeri A/S had 4,494 registered shareholders. The registered shareholders represent DKK 57.4 million of the total share capital, corresponding to 95.7%.

As at 30 April 2015, the following shareholders have registered a shareholding exceeding 5% of the share capital in accordance with Section 29 of the Danish Securities Trading Act:

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

As at 30 April 2016, members of the Board of Directors and the Board of Executives held a total of 975,420 shares. The Board of Executives' shareholding accounted for 929,120 shares.

Members of the Board of Directors and the Board of Executives and the company's executive officers are registered as insiders, and their trading in the company's shares must be reported. According to Harboe's internal ru-



*The registered shareholders represent DKK 95.7% of the total share capital.*

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



## THE SHARE

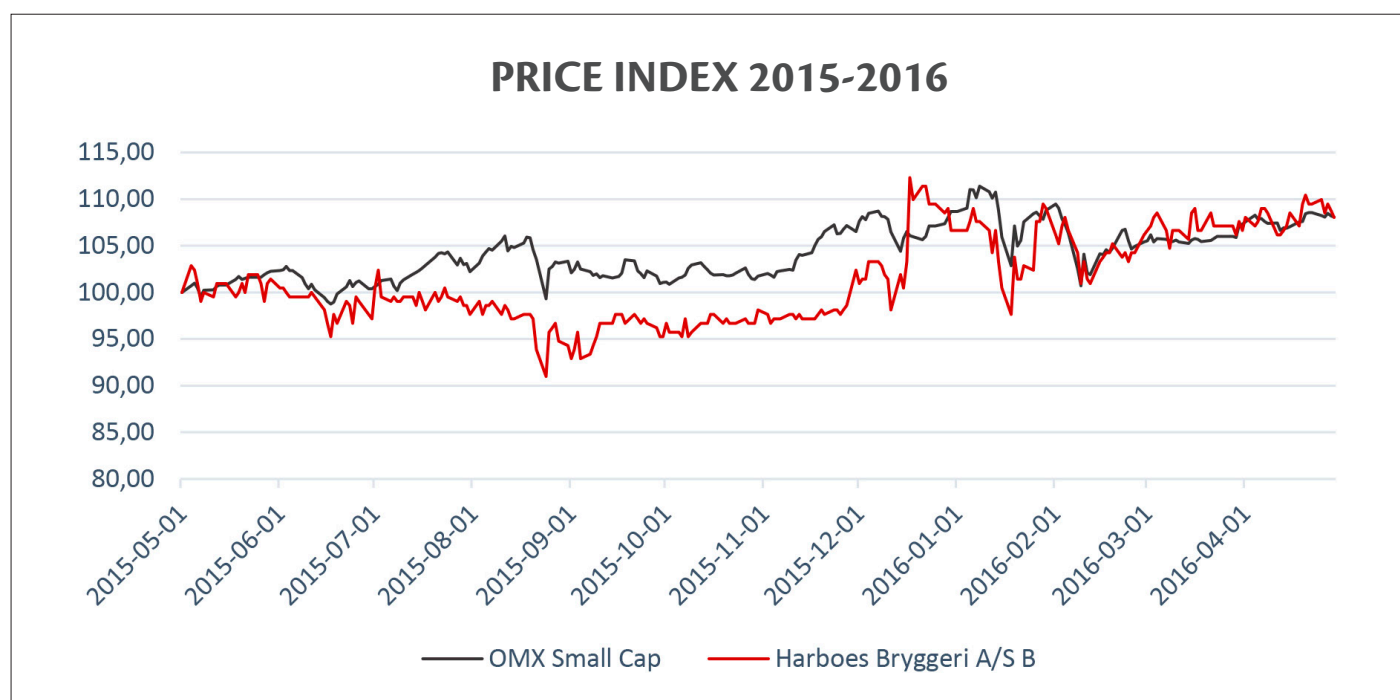
Harboes Bryggeri A/S has a share capital of DKK 60,000,000, corresponding to 6,000,000 shares of DKK 10 each. The shares are divided into 640,000 Class A shares with a combined nominal value of DKK 6,400,000 and 5,360,000 Class B shares with a combined nominal value of DKK 53,600,000.

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

Only the company's Class B shares are listed on NASDAQ OMX Copenhagen.

Trading for the period amounted to DKK 121 million, corresponding to average trading per day of DKK 481,000.

The Harboe share developed positively in the course of the financial year with increasing share trading turnover and a rise in the share price from 105.5 at the beginning of the year to 114.0 as at 30 April 2016. This corresponds to a rise in the market value of 8.1% to a total of DKK 684.0 million.



## SHARE-RELATED RATIOS

Per share – DKK	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Share price, end of year	114.0	105.5	93.5	72.0	89.5
Market value (DKKm)	684.0	633.0	561.0	432.0	537.0
Dividend per share (DKK)	2.00*	2.00	2.00	1.50	1.50
Dividend (DKKm)	12.0	12.0	12.0	9.0	9.0
Treasury shares (no.)	1,434,403	1,434,403	1,311,190	451,568	393,882

\*Suggested dividend





BY APPOINTMENT TO  
THE ROYAL DANISH COURT  
**HARBOE**





## ANALYST COVERAGE

The Harboes Bryggeri A/S share is followed by:

Danske Equities, Tobias Cornelius Björklund.

## CHANGED DISCLOSURE REQUIREMENTS AND REPORTING

As a result of the most recent amendments to the Danish Securities Trading Act and the Danish Executive Order on Issuers' Disclosure Obligations dated 26 November 2015, Harboe has decided to end its previous practice of publishing quarterly reports for Q1 and Q3. The new rules will ease the administrative burden and free up resources, which Harboe wants to make the most of. Up to now, it has also been a challenge that the seasonal fluctuations in the group's activities are not congruent with the timing of the quarterly reporting, which consequently does not provide a clear picture of the group's general development. However, Harboe places great emphasis on investors and other stakeholders being well informed of the group's development and results. Going forward, it is therefore the management's wish to continue to keep the market up-to-date on new, significant events as well as strategic and business initiatives whenever relevant in between the formal interim and full-year reporting.

## IMPORTANT CONTRACTS OR CHANGES IN CONTROL

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

A longer period of notice for key staff members of maximum one year in the event of dismissal in connection with a change in the control in the company.

## THE BOARD OF DIRECTORS' PROPOSAL TO THE GENERAL MEETING

The Board of Directors recommends to the annual general meeting on 22 August 2016 that a dividend be paid for the 2015/2016 financial year in the amount of DKK 2.00 per share, corresponding to a total of DKK 12.0 million.

## GENERAL MEETING

The annual general meeting will be held on 22 August 2016 at 10.00 am at Harboes Bryggeri A/S.

Notice of the annual general meeting will be given electronically, and information on how to sign up for electronic communication can be found at [www.harboe.com](http://www.harboe.com) under 'Investor'.

Registration of shareholder's name is effected by contacting the bank with which the shares are deposited.

## FINANCIAL CALENDAR

30 June 2016	Annual report 2015/2016
22 August 2016	Annual general meeting
15 December 2016	Interim report, H1 2016/17
29 June 2017	Annual report 2016/17

## COMPANY ANNOUNCEMENTS

Company announcements issued in the period 1 May 2015 to 30 April 2016:

Date	Announcement
26 June 2015	Notice of annual general meeting
2 July 2015	Annual report 2014/2015
30 July 2015	Notice of annual general meeting
27 August 2015	Proceedings of annual general meeting
10 September	Interim report, Q1 2015/2016
17 December 2015	Interim report, H1 2015/2016
17 December 2015	Financial calendar 2015/2016
28 April 2016	Financial calendar 2016/2017

# MEMBERS OF THE BOARD OF DIRECTORS



## HARBOE LAURSEN, KARINA

Executive Officer (1974)

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

Reelected in 2015. Term of service expires in 2016.

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

## DIRECTORSHIPS

Danfrugt Invest A/S

## EXECUTIVE POSTS

J & K STRØM Holding ApS

KHL ApS

STRØM Holding II ApS

## SHAREHOLDING

**2015/16**

9,157 shares

**2014/15**

9,157 shares



## NIELSEN, ANDERS

Chairman of the Board (1950)

Chairman of the Board of Directors.

Chairman of the audit committee.

Member of the Board of Directors since 2001. Independent member until 2013. Considered under the Recommendations on Corporate Governance to be a non-independent member from 2013 after 12 years on the Board of Directors.

Reelected in 2005, 2009, 2014 and 2015. Term of service expires in 2016.

Anders Nielsen is a qualified supreme-court lawyer and was a partner in Lett Advokatfirma until 2015. In the course of his career, Anders Nielsen has gained solid experience within business and company law, including negotiations and preparation of contracts in connection with the acquisition and divestment of enterprises. As the Chairman of Harboe's Board of Directors, Anders Nielsen also draws on his experience from his directorships in other companies.

## DIRECTORSHIPS

Danfrugt Invest A/S (Chairman)

Harboe Ejendomme A/S (Chairman)

Skælskør Bryghus A/S

BG af 31. december 2010 A/S (Chairman)

Ejendomsselskabet Holger Danskes Vej ApS (Chairman)

Holger Danskes Vej Holding ApS

EDC Poul Erik Bech Allerød A/S

Ålekistevej 214-216 ApS

## EXECUTIVE POSTS

Holger D. Invest ApS

Anpartsselskabet Troelsen & Nielsen

Trijac Invest ApS

Trijac Holding ApS

## SHAREHOLDING

**2015/16**

18,270 shares

**2014/15**

18,270 shares

# MEMBERS OF THE BOARD OF DIRECTORS



## GRIESE, BERNHARD

CEO (1941)

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

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

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

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

## DIRECTORSHIPS

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

## EXECUTIVE POSTS

Harboes Bryggeri A/S  
Harboe Ejendomme A/S  
Skælskør Bryghus A/S  
Vejrmøllegård ApS  
Danfrugt Invest A/S  
Buskysminde A/S  
BG af 31. december 2010 A/S  
Keldernæs A/S  
Vejrmøllegården II af 1. oktober 2005 ApS  
Lundegård A/S  
Bernd Griese Holding ApS  
Rugbjerggård A/S  
Agrar Niendorf GmbH, Germany

## SHAREHOLDING

2015/16	2014/15
929,120 shares	929,120 shares



## KJÆRSGAARD, CARL ERIK

CEO (1958)

Member of the audit committee.  
Independent member of the Board of Directors since 2008.

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

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

## DIRECTORSHIPS

Blackwood Seven A/S (Chairman)  
Blackwood Seven Danmark A/S (Chairman)  
Computer Camp A/S  
Møller & Rothe A/S  
Ocean Agency A/S (Chairman)  
Low A/S (Chairman)

## EXECUTIVE POSTS

Nauta ApS

## SHAREHOLDING

2015/16	2014/15
1,410 shares	1,410 shares



### KRAGE, MADS O.

Executive Officer (1944)

Member of the audit committee.  
Independent member of the Board of Directors since 2007.

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

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

### DIRECTORSHIPS

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

### SHAREHOLDING

2015/16	2014/15
7,499 shares	7,499 shares



### THØGERSEN, THØGER

CEO (1953)

Member of the audit committee.  
Independent member of the Board of Directors since 2008.

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

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

### DIRECTORSHIPS

Purchasing department Mr. – menswear  
Holmsland Klit Golf A/S  
Indkøbsforeningen af 1964 AMBA (Chairman)  
MR WEB A/S (Chairman)  
A/S PSE NR: 2147 (Chairman)

### SHAREHOLDING

2015/16	2014/15
800 shares	800 shares



# MEMBERS OF THE BOARD OF DIRECTORS

---



## JENSEN, JENS BJARNE SØNDERGAARD

Staff representative (1955)

Member of the Board of Directors since 1997.

Re-elected in 2008 and 2012. Term of service expires in 2016.

### SHAREHOLDING

2015/16	2014/15
111 shares	111 shares

## HARBOE'S AUDIT COMMITTEE

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

# MANAGEMENT'S STATEMENT

---

Today, the Board of Directors and Board of Executives have reviewed and approved the annual report of Harboes Bryggeri A/S for the financial year 1 May 2015 to 30 April 2016.

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

We believe that the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 April 2016 as well as of the results of their operations and cash flows for the financial year 1 May 2015 to 30 April 2016.

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

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

Skælskør, 30 June 2016

## BOARD OF EXECUTIVES

Bernhard Griese  
CEO

## BOARD OF DIRECTORS

Anders Nielsen, Chairman

Bernhard Griese

Mads O. Krage

Karina Harboe Laursen

Thøger Thøgersen

Carl Erik Kjærsgaard

Jens Bjarne Søndergaard Jensen \*  
\* Staff representative

# INDEPENDENT AUDITOR'S REPORT

---

## TO THE SHAREHOLDERS OF HARBOES BRYGGERI A/S

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

We have audited the consolidated financial statements and financial statements of Harboes Bryggeri A/S for the financial year 1 May 2015 to 30 April 2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies applied, for the group and the company, respectively. The consolidated financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

The Board of Directors and the Board of Executives are responsible for the preparation and fair presentation of the consolidated financial statements and financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. In addition, the Board of Directors and the Board of Executives are responsible for the internal control which they consider as being necessary to prepare consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

### THE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements set out in Danish regulations on auditors and audit firms. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements and financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the consolidated financial statements and financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the enterprise's preparation and fair presentation of the consolidated financial statements and financial statements. The purpose is to design audit procedures that are appropriate

under the circumstances, but not to express an opinion on the effectiveness of the enterprise's internal control. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the Board of Directors and Board of Executives, as well as the overall presentation of the consolidated financial statements and financial statements.

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

Our audit did not give rise to any qualifications.

### OPINION

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 April 2016 as well as of the results of their activities and cash flows for the financial year 1 May 2015 to 30 April 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

### STATEMENT ON THE MANAGEMENT'S REVIEW

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

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

Slagelse, 30 July 2016

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33963556

Jens Jørgen Simonsen  
State-Authorised  
Public Accountant

Lars Hillebrand  
State-Authorised  
Public Accountant

## INCOME STATEMENT

DKK '000	Note	2015/16	2014/15
<b>Revenue</b>	<b>3</b>	<b>1,376,466</b>	<b>1,371,335</b>
Production costs	4, 5, 6	(1,079,833)	(1,096,945)
<b>Gross profit/(loss)</b>		<b>296,633</b>	<b>274,390</b>
Other operating income	7	17,151	17,586
Distribution costs		(191,250)	(192,848)
Administrative expenses		(50,487)	(50,834)
Other operating expenses		(10,835)	(9,650)
<b>Operating profit/(loss) (EBIT)</b>		<b>61,212</b>	<b>38,644</b>
Financial income	8	685	2,972
Financial expenses	9	(4,650)	(8,232)
Fair value adjustment – financial assets available for sale		(6,147)	0
<b>Profit/(loss) before tax</b>		<b>51,100</b>	<b>33,384</b>
Tax on profit/(loss) for the year	10	(16,477)	(9,610)
Adjustment of tax, previous years	10	16	237
<b>Net profit/(loss) for the year</b>		<b>34,639</b>	<b>24,011</b>
<b>Distribution of net profit/(loss) for the year:</b>			
Shareholders of the parent		34,763	24,024
Minority interests		(124)	(13)
Earnings per share and diluted earnings per share (DKK)	17	7.61	5.15

## STATEMENT OF COMPREHENSIVE INCOME

<b>Net profit/(loss) for the year</b>		<b>34,639</b>	<b>24,011</b>
<b>Other comprehensive income</b>			
<i>Items which may be reclassified to the income statement:</i>			
Foreign currency translation adjustment regarding foreign enterprises		(1,231)	(198)
Fair value adjustment of financial assets available for sale		56	129
Recirculation to the income statement of fair value adjustment upon impairment of financial assets available for sale		2,750	0
Tax on other comprehensive income	10	(12)	(30)
<b>Other comprehensive income</b>		<b>1,563</b>	<b>(99)</b>
<b>Comprehensive income</b>		<b>36,202</b>	<b>23,912</b>
<b>Distribution of comprehensive income for the year:</b>			
Shareholders of the parent		36,326	23,925
Minority interests		(124)	(13)



## BALANCE SHEET AS AT 30 APRIL

DKK '000	Note	2015/16	2014/15
<b>ASSETS</b>			
Intangible assets	11	24,679	28,696
Property, plant and equipment	12	694,530	689,869
Investment properties	13	55,802	56,776
Financial assets available for sale	14	5,554	8,496
Deposits, leases		2,464	2,445
Deferred tax assets	18	5,039	4,512
<b>Non-current assets</b>		<b>788,068</b>	<b>790,794</b>
Inventories	15	164,581	139,111
Receivables	16	269,695	268,152
Prepayments		9,191	9,446
Cash		67,262	84,701
<b>Current assets</b>		<b>510,729</b>	<b>501,410</b>
<b>Assets</b>		<b>1,298,797</b>	<b>1,292,204</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		60,000	60,000
Other reserves		(2,608)	(4,171)
Retained earnings		679,523	653,891
<b>Equity owned by shareholders of the parent</b>		<b>736,915</b>	<b>709,720</b>
<b>Equity owned by minority interests</b>		<b>6</b>	<b>130</b>
<b>Equity</b>	<b>17</b>	<b>736,921</b>	<b>709,850</b>
Mortgage debt	19	168,155	184,348
Deferred tax liabilities	18	51,331	47,608
Deferred recognition of income	21	51,350	54,871
<b>Non-current liabilities</b>		<b>270,836</b>	<b>286,827</b>
Bank debt and mortgage debt	19, 20	21,019	56,158
Trade payables		153,333	127,938
Other short-term payables and other liabilities	22	89,810	94,616
Deferred recognition of income	21	6,921	7,199
Income tax		19,957	9,616
<b>Current liabilities</b>		<b>291,040</b>	<b>295,527</b>
<b>Liabilities</b>		<b>561,876</b>	<b>582,354</b>
<b>Equity and liabilities</b>		<b>1,298,797</b>	<b>1,292,204</b>

## CASH FLOW STATEMENT

DKK '000	Note	2015/16	2014/15
<b>Operating profit/(loss)</b>		<b>61,212</b>	<b>38,644</b>
Depreciation, amortisation, impairment losses and write-downs etc.	6	90,963	88,869
Grants recognised as income	7	(9,393)	(9,909)
Other adjustments		1,676	1,602
Change in net working capital	24	(6,606)	(1,269)
<b>Cash flows from primary operating activities</b>		<b>137,852</b>	<b>117,937</b>
Financial income received		616	2,940
Financial expenses paid		(4,204)	(8,242)
Income tax paid		(2,824)	(2,727)
<b>Cash flows from operating activities</b>		<b>131,440</b>	<b>109,908</b>
Purchase of intangible assets		(1,057)	(1,952)
Purchase of property, plant and equipment		(92,743)	(52,500)
Sale of property, plant and equipment		1,246	2,951
Dividend received from financial assets available for sale		69	54
Purchase of financial assets		(1,418)	(711)
Sale of financial assets		275	2,516
<b>Cash flows from investing activities</b>		<b>(93,628)</b>	<b>(49,642)</b>
Dividend paid to shareholders of the parent		(9,131)	(9,373)
Repayment of mortgage debt		(16,128)	(15,780)
Investment grant received		5,740	3,229
Purchase of treasury shares		0	(11,247)
<b>Cash flows from financing activities</b>		<b>(19,519)</b>	<b>(33,171)</b>
<b>Changes in cash and cash equivalents</b>		<b>18,293</b>	<b>27,095</b>
Cash and cash equivalents as at 1 May		44,664	17,755
Translation adjustment, beginning of year		(521)	(186)
<b>Cash and cash equivalents as at 30 April</b>	<b>26</b>	<b>62,436</b>	<b>44,664</b>

## STATEMENT OF CHANGES IN EQUITY

DKK '000	Share capital	Reserve for foreign currency translation adjustment	Reserve for value adjustment of financial assets available for sale	Other reserves Total	Retained earnings	Equity owned by shareholders of the parent	Equity owned by minority interests	Total equity
<b>Equity as at 1 May 2015</b>	<b>60,000</b>	<b>338</b>	<b>(4,509)</b>	<b>(4,171)</b>	<b>653,891</b>	<b>709,720</b>	<b>130</b>	<b>709,850</b>
Changes in equity 2015/16								
Net profit/(loss) for the year	0	0	0	0	34,763	34,763	(124)	34,639
Other comprehensive income	0	(1,231)	2,794	1,563	0	1,563	0	1,563
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>(1,231)</b>	<b>2,794</b>	<b>1,563</b>	<b>34,763</b>	<b>36,326</b>	<b>(124)</b>	<b>36,202</b>
Distributed dividend	0	0	0	0	(12,000)	(12,000)	0	(12,000)
Dividend from treasury shares	0	0	0	0	2,869	2,869	0	2,869
<b>Total changes in equity</b>	<b>0</b>	<b>(1,231)</b>	<b>2,794</b>	<b>1,563</b>	<b>25,632</b>	<b>27,195</b>	<b>(124)</b>	<b>27,071</b>
<b>Equity as at 30 April 2016</b>	<b>60,000</b>	<b>(893)</b>	<b>(1,715)</b>	<b>(4,171)</b>	<b>679,523</b>	<b>736,915</b>	<b>6</b>	<b>736,921</b>
<b>Equity as at 1 May 2014</b>	<b>60,000</b>	<b>536</b>	<b>(4,608)</b>	<b>(4,072)</b>	<b>650,487</b>	<b>706,415</b>	<b>143</b>	<b>706,558</b>
Changes in equity 2014/15								
Net profit/(loss) for the year	0	0	0	0	24,024	24,024	(13)	24,011
Other comprehensive income	0	(198)	99	(99)	0	(99)	0	(99)
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>(198)</b>	<b>99</b>	<b>(99)</b>	<b>24,024</b>	<b>23,925</b>	<b>(13)</b>	<b>23,912</b>
Distributed dividend	0	0	0	0	(12,000)	(12,000)	0	(12,000)
Dividend from treasury shares	0	0	0	0	2,627	2,627	0	2,627
Purchase of treasury shares	0	0	0	0	(11,247)	(11,247)	0	(11,247)
<b>Total changes in equity</b>	<b>0</b>	<b>(198)</b>	<b>99</b>	<b>(99)</b>	<b>3,404</b>	<b>3,305</b>	<b>(13)</b>	<b>3,292</b>
<b>Equity as at 30 April 2015</b>	<b>60,000</b>	<b>338</b>	<b>(4,509)</b>	<b>(4,171)</b>	<b>653,891</b>	<b>709,720</b>	<b>130</b>	<b>709,850</b>

## NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

---

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



# 1. ACCOUNTING POLICIES

---

The 2015/2016 consolidated financial statements and financial statements of the parent, Harboes Bryggeri A/S, are presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for the annual reports of Class D companies (listed); see the IFRS Executive Order issued in accordance with the Danish Financial Statements Act. Harboes Bryggeri A/S is a public limited company domiciled in Denmark.

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

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

## IMPLEMENTATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

The implementation of the new or revised standards and interpretations which have become effective in the 2015/2016 financial year did not result in any changes in the accounting policies.

## STANDARDS AND INTERPRETATIONS WHICH HAVE NOT YET BECOME EFFECTIVE:

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

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

## CONSOLIDATED FINANCIAL STATEMENTS

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

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

## BASIS OF CONSOLIDATION

The consolidated financial statements have been prepared on the basis of financial statements of Harboes Bryggeri A/S and its subsidiaries. The consolidated financial statements are prepared by adding items of a similar nature.

The financial statements used for the consolidation are prepared in accordance with the accounting policies of the group.

The consolidation involves the elimination of intercompany income and expenses, intercompany balances, dividends as well as profits and losses on transactions between the consolidated enterprises.

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

## TRANSLATION OF FOREIGN CURRENCY

On initial recognition, transactions in currencies other than the group's functional currency are translated at the exchange rate applicable at the date of transaction. Receivables, liabilities or other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Exchange rate differences arising between the exchange rate at the date of transaction and the exchange rate at the date of payment and the balance sheet date, respectively, are recognised in the income statement as net financials. Property, plant and equipment, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historic cost are translated at the exchange rate applicable at the date of transaction. Non-monetary items which are reassessed at fair value are translated using the exchange rate at the time of reassessment.

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

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

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

## BALANCE SHEET

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

The carrying amounts of intangible assets and property, plant and equipment with definable useful lives as well as equity investments in subsidiaries are reviewed at the balance sheet date to determine whether there are

## 1. ACCOUNTING POLICIES, CONTINUED

any indications of impairment. If this is the case, the recoverable amount of the asset is assessed to determine the need for impairment, if any, and the extent of such impairment.

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

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



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

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

ACCOUNTING POLICIES ARE DESCRIBED IN CONJUNCTION WITH THE FOLLOWING ITEMS:

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

### EXPLANATION OF SYMBOLS

-  Accounting policies
-  Additional information

## 2. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

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

### SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

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

In the 2015/2016 annual report, the assumptions and uncertainties are associated with accounting estimates involved in assessing indications of impairment and any impairment test of property, plant and equipment and financial assets as well as liabilities.

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

THESE ESTIMATES ARE DESCRIBED IN CONJUNCTION WITH THE FOLLOWING ITEMS:

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

### 3. SEGMENT INFORMATION AND REVENUE

#### **i** SEGMENT INFORMATION

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

#### **i** REVENUE AND NON-CURRENT ASSETS DISTRIBUTED ON GEOGRAPHICAL AREAS

The group's primary basis of segmentation is geographical, with segment information being provided for Denmark, Germany and other geographical markets.

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

DKK '000	Revenue from external customers		Non-current assets	
	2015/16	2014/15	2015/16	2014/15
Denmark	337,044	332,707	335,448	342,568
Germany	562,129	600,465	356,469	350,229
Other countries (Africa, Asia, Middle East and the rest of Europe)	477,293	438,163	27,292	25,768
	<b>1,376,466</b>	<b>1,371,335</b>	<b>719,209</b>	<b>718,565</b>

#### **i** REVENUE

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

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

#### **i** INFORMATION ABOUT IMPORTANT CUSTOMERS

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

### 4. PRODUCTION COSTS

DKK '000	2015/16	2014/15
Cost of sales	869,474	891,208
Write-down of inventories	1,882	1,282
Depreciation, amortisation, impairment losses and write-downs	72,591	64,853
Other production costs	135,886	139,602
	<b>1,079,833</b>	<b>1,096,945</b>

## 5. STAFF COSTS

DKK '000	2015/16	2014/15
Remuneration to the Board of Directors	750	690
Wages and salaries	185,024	175,365
Defined-contribution plans	8,134	7,544
Other social security costs	17,066	16,546
Other staff costs	1,924	2,678
Refunds from public authorities	(417)	(316)
	<b>212,481</b>	<b>202,507</b>
Staff costs are recognised in the income statement as follows:		
Production costs	124,896	121,256
Distribution costs	60,311	57,062
Administrative expenses	27,274	24,362
Recognised in the cost of technical plant	0	(173)
	<b>212,481</b>	<b>202,507</b>
<b>Average number of employees</b>	<b>588</b>	<b>606</b>

DKK '000	BOARD OF DIRECTORS		BOARD OF EXECUTIVES		OTHER KEY STAFF MEMBERS	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>Remuneration paid to members of the management</b>						
Remuneration to the Board of Directors	750	690	0	0	0	0
Wages and salaries etc.	0	0	5,406	5,179	16,739	13,914
Pension	0	0	0	0	1,148	1,333
	<b>750</b>	<b>690</b>	<b>5,406</b>	<b>5,179</b>	<b>17,887</b>	<b>15,247</b>

### PENSION OBLIGATIONS ETC.

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

### PENSION PLANS

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

Except for one pension plan concerning a single employee, the group has not entered into any defined-benefit plan agreements. The pension obligation concerning this person has been actuarially determined by Longial GmbH as at 30 April 2016 and has been recognised as a liability of DKK 2,522k in the balance sheet.

### BONUS PROGRAMMES AND EMPLOYMENT TERMINATION PROGRAMMES

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



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

DKK '000	2015/16	2014/15
Intangible assets	5,058	6,757
Buildings	13,807	13,522
Plant and machinery	58,785	56,817
Other plant etc.	9,713	9,936
Investment properties	3,850	3,699
Profit/(loss) from the sale of property, plant and equipment	(250)	(1,862)
	<b>90,963</b>	<b>88,869</b>
Depreciation, amortisation, impairment losses and write-downs are recognised in the income statement as follows:		
Production costs	72,591	67,728
Distribution costs	7,377	7,285
Administrative expenses	7,145	10,157
Other operating expenses	3,850	3,699
	<b>90,963</b>	<b>88,869</b>

## 7. OTHER OPERATING INCOME

Government grants	9,393	9,909
Rental income	7,758	7,677
	<b>17,151</b>	<b>17,586</b>

### OTHER OPERATING INCOME AND EXPENSES

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

## 8. FINANCIAL INCOME

Interest on bank deposits etc.	291	2,810
Interest on investment – assets available for sale	62	108
<b>Interest income from financial assets not measured at fair value via net profit/(loss) for the year</b>	<b>353</b>	<b>2,918</b>
Dividend from financial assets available for sale	69	54
Foreign exchange gains	263	0
	<b>685</b>	<b>2,972</b>

## 9. FINANCIAL EXPENSES

DKK '000	2015/16	2014/15
Interest on mortgage debt	2,468	2,487
Interest on bank debt etc.	2,181	3,949
<b>Financial expenses of financial liabilities not measured at fair value via net profit/(loss) for the year</b>	<b>4,649</b>	<b>6,436</b>
Foreign exchange loss	0	1,796
	<b>4,649</b>	<b>8,232</b>

### NET FINANCIALS

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

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

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

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

DKK '000	2015/16	2014/15
Current tax	13,254	10,275
Change in deferred tax	3,223	(665)
	<b>16,477</b>	<b>9,610</b>
Adjustment of deferred tax, previous years	27	(333)
Adjustment of current tax, previous years	(43)	96
	<b>(16)</b>	<b>(237)</b>
	<b>16,461</b>	<b>9,373</b>

### CURRENT INCOME TAX

Current income tax for the financial year for the Danish consolidated enterprises is based on a tax rate of 22.0% (2014/2015: 23.5%). For foreign consolidated enterprises, the tax rate applicable to the country in question has been used.

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

DKK '000	2015/16	2015/16 %	2014/15	2014/15 %
<b>Profit/(loss) before tax</b>	<b>51,100</b>		<b>33,384</b>	
Calculated tax thereon	11,240	22.0	7,845	23.5
Non-deductible income and expenses	1,042	2.0	580	1.7
Effect of differences in the tax rates of foreign subsidiaries	4,534	8.9	1,694	5.1
Effect of adjustments and change in estimates	(355)	(0.7)	0	0.0
<b>Tax for the year/effective tax rate</b>	<b>16,461</b>	<b>32.2</b>	<b>9,373</b>	<b>28.1</b>
<b>DKK '000</b>			<b>2015/16</b>	<b>2014/15</b>
<b>Tax on income and expenses recognised in other comprehensive income can be specified as follows:</b>				
Changes in current tax on adjustment to fair value of financial assets available for sale			12	30
			<b>12</b>	<b>30</b>

### TAX

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

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

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

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

Deferred tax on temporary differences associated with equity investments in subsidiaries and associates is recognised unless the parent is able to check

when the deferred tax is realised, and it is likely that the deferred tax will not materialise as current tax within a foreseeable future.

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

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

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

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

## 11. INTANGIBLE ASSETS

### GOODWILL

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

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

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

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

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

The calculation of the recoverable amount is based on a discount rate of 10% (30 April 2014: 6%).

No amortisation has been made as at 30 April 2016.

### INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

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

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

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

The calculation of the recoverable amount is based on a discount rate of 15%. (30 April 2014: 15%).

No amortisation has been made as at 30 April 2016.

### OTHER INTANGIBLE ASSETS

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

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

Other development costs are recognised as costs in the income statement as incurred.

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

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

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

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

No amortisation has been made as at 30 April 2016.



## 11. INTANGIBLE ASSETS, CONTINUED

DKK '000	Good-will	Development projects	Rights	Software	Intangible assets under construction	Total
Cost as at 1 May 2015	3,573	7,121	5,724	41,912	26	58,356
Foreign currency translation adjustment	0	0	(15)	(31)	0	(46)
Transfers	0	0	0	26	(26)	0
Other additions	0	0	0	1,056	0	1,056
<b>Cost as at 30 April 2016</b>	<b>3,573</b>	<b>7,121</b>	<b>5,709</b>	<b>42,963</b>	<b>0</b>	<b>59,366</b>
Amortisation and impairment losses as at 1 May 2015	0	3,086	0	26,574	0	29,660
Foreign currency translation adjustment	0	0	0	(31)	0	(31)
Amortisation for the year	0	1,424	0	3,634	0	5,058
<b>Amortisation and impairment losses as at 30 April 2016</b>	<b>0</b>	<b>4,510</b>	<b>0</b>	<b>30,177</b>	<b>0</b>	<b>34,687</b>
<b>Carrying amount as at 30 April 2016</b>	<b>3,573</b>	<b>2,611</b>	<b>5,709</b>	<b>12,786</b>	<b>0</b>	<b>24,679</b>
Cost as at 1 May 2014	3,573	7,121	5,724	40,716	80	57,214
Foreign currency translation adjustment	0	0	0	(1)	0	(1)
Transferred from property, plant and equipment	0	0	0	80	(80)	0
Transfers	0	0	0	1,926	26	1,952
Other additions	0	0	0	(809)	1	(809)
<b>Cost as at 30 April 2015</b>	<b>3,573</b>	<b>7,121</b>	<b>5,724</b>	<b>41,912</b>	<b>26</b>	<b>58,356</b>
Amortisation and impairment losses as at 1 May 2014	0	1,661	0	22,052	0	23,713
Foreign currency translation adjustment	0	0	0	(1)	0	(1)
Transferred from property, plant and equipment	0	1,425	0	5,332	0	6,757
Amortisation for the year	0	0	0	(809)	0	(809)
<b>Amortisation and impairment losses as at 30 April 2015</b>	<b>0</b>	<b>3,086</b>	<b>0</b>	<b>26,574</b>	<b>0</b>	<b>29,660</b>
<b>Carrying amount as at 30 April 2015</b>	<b>3,573</b>	<b>4,035</b>	<b>5,724</b>	<b>15,338</b>	<b>26</b>	<b>28,696</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

DKK '000	Land and buildings	Production plant and machinery	Other plant etc.	Spare parts for own machinery	Plant under construction	Total
Cost as at 1 May 2015	478,205	1,230,383	109,349	2,779	11,113	1,831,829
Foreign currency translation adjustment	(562)	(1,703)	(121)	0	(24)	(2,410)
Transfers	0	9,470	157	0	(9,627)	0
Other additions	33,417	26,798	5,859	0	23,729	89,803
Disposals	0	(1,308)	(4,681)	(840)	(121)	(6,950)
<b>Cost as at 30 April 2015</b>	<b>511,060</b>	<b>1,263,640</b>	<b>110,563</b>	<b>1,939</b>	<b>25,070</b>	<b>1,912,272</b>
Depreciation and impairment losses as at 1 May 2014	244,882	812,406	84,672	0	0	1,141,960
Reclassification	0	24	(24)	0	0	0
Foreign currency translation adjustment	(234)	(1,188)	(108)	0	0	(1,530)
Depreciation for the year	13,807	58,785	9,713	0	0	82,305
Reversal in connection with disposals	0	(1,107)	(3,886)	0	0	(4,993)
<b>Depreciation and impairment losses as at 30 April 2016</b>	<b>258,455</b>	<b>868,920</b>	<b>90,367</b>	<b>0</b>	<b>0</b>	<b>1,217,742</b>
<b>Carrying amount as at 30 April 2016</b>	<b>252,605</b>	<b>394,720</b>	<b>20,196</b>	<b>1,939</b>	<b>25,070</b>	<b>694,530</b>
Cost as at 1 May 2014	466,907	1,202,420	104,241	3,619	14,789	1,791,976
Reclassification	(25)	0	0	0	25	0
Foreign currency translation adjustment	(23)	(71)	(5)	0	0	(99)
Transfers	1,344	10,928	0	0	12,272	0
Other additions	10,355	22,669	10,903	0	8,571	52,498
Disposals	(353)	(5,563)	(5,790)	(840)	0	(12,546)
<b>Cost as at 30 April 2015</b>	<b>478,205</b>	<b>1,230,383</b>	<b>109,349</b>	<b>2,779</b>	<b>11,113</b>	<b>1,831,829</b>
Depreciation and impairment losses as at 1 May 2014	231,722	760,256	80,383	0	0	1,072,361
Foreign currency translation adjustment	(9)	(45)	(4)	0	0	(58)
Depreciation for the year	13,522	56,815	9,936	0	0	80,273
Reversal in connection with disposals	(353)	(4,620)	(5,643)	0	0	(10,616)
<b>Depreciation and impairment losses as at 30 April 2015</b>	<b>244,882</b>	<b>812,406</b>	<b>84,672</b>	<b>0</b>	<b>0</b>	<b>1,141,960</b>
<b>Carrying amount as at 30 April 2015</b>	<b>233,323</b>	<b>417,977</b>	<b>24,677</b>	<b>2,779</b>	<b>11,113</b>	<b>689,869</b>

### PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

## 13. INVESTMENT PROPERTIES

DKK '000	2015/16	2014/15
Cost as at 1 May	194,945	195,187
Reclassification	0	(242)
Additions in the period	2,877	0
<b>Cost as at 30 April</b>	<b>197,822</b>	<b>194,945</b>
Depreciation and impairment losses as at 1 May	138,169	134,712
Reclassification	0	(242)
Depreciation for the period	3,851	3,699
<b>Depreciation and impairment losses as at 30 April</b>	<b>142,020</b>	<b>138,169</b>
<b>Carrying amount as at 30 April</b>	<b>55,802</b>	<b>56,776</b>

### INVESTMENT PROPERTIES

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

On initial recognition, investment properties are measured at cost, which comprises the purchase price of the property and any direct costs related thereto. Subsequently, investment properties are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

Buildings 30-50 years

### ADDITIONAL INFORMATION

At the balance sheet date, the fair value (level 3) amounted to DKK 77.3 million (30 April 2015: DKK 76.2 million) and exceeded the carrying amount by DKK 8.6 million compared to the recognised value of the equity investments in the financial statements of the parent.

The fair values are determined on the basis of the value in use of the assets based on future leasing of buildings and calculated using the calculated net cash flows on the basis of budgets approved by the management and an estimated market-specific discount rate of 6% (30 April 2015: 6%).

Employing a discount rate of 6.5%, the fair value exceeds the carrying amount by DKK 1.5 million. A higher discount rate would result in a negative value.

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

Rent income from the group's investment properties recognised under Other operating income amounted to DKK 7,758k (2014/2015: (DKK 7,677k).

Operating expenses and depreciation on the group's investment properties recognised under Other operating expenses amounted to DKK 8,707k (2014/2015: (DKK 7,707k). Profit before net financials and tax amounted to DKK 6,428k (2014/2015: (DKK 721k).

Leases on the group's investment properties normally include non-terminable lease periods of 5-10 years with an option for further renewal.

All leases include provisions on rent adjustment.

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

DKK '000	2015/16	2014/15
<b>Future minimum rent for non-terminable leases</b>		
Within one year from the balance sheet date	7,759	7,618
Between one and five years from the balance sheet date	31,036	29,021
After five years from the balance sheet date	6,549	11,755
	<b>45,344</b>	<b>48,394</b>

## 14. FINANCIAL ASSETS AVAILABLE FOR SALE

DKK '000	2015/16	2014/15
Cost as at 1 May	13,567	13,144
Additions	1,400	689
Disposals	(275)	(266)
<b>Cost as at 30 April</b>	<b>14,692</b>	<b>13,567</b>
Revaluation and impairment losses as at 1 May	(5,071)	(4,438)
Adjustments for the year	(4,067)	(633)
<b>Revaluation and impairment losses as at 30 April</b>	<b>(9,138)</b>	<b>(5,071)</b>
<b>Carrying amount as at 30 April</b>	<b>5,554</b>	<b>8,496</b>

### FINANCIAL ASSETS AVAILABLE FOR SALE

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

### ADDITIONAL INFORMATION

The share holding in FCS 2008 A/S was written down in full as the company went into liquidation.

### DETERMINATION OF FAIR VALUES

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

##### Listed bonds and shares

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

##### Unlisted shares and securities

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



## 14. FINANCIAL ASSETS AVAILABLE FOR SALE, CONTINUED

2015/16	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Listed shares	457	0	0	457
Unlisted shares and securities	0	2,400	2,697	5,097
	<b>457</b>	<b>2,400</b>	<b>2,697</b>	<b>5,554</b>

2014/15	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Listed shares	401	0	0	401
Unlisted shares and securities	0	2,400	5,695	8,095
	<b>401</b>	<b>2,400</b>	<b>5,695</b>	<b>8,496</b>

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

### FINANCIAL INSTRUMENTS

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

DKK '000	Financial assets available for sale
<b>Carrying amount as at 1 May 2015</b>	<b>5,695</b>
Gains/(losses) recognised in the income statement	(4,123)
Purchase	1,400
Sale	(275)
<b>Carrying amount as at 30 April 2016</b>	<b>2,697</b>
<b>Carrying amount as at 1 May 2014</b>	<b>6,034</b>
Gains/(losses) recognised in the income statement	(762)
Purchase	689
Sale	(266)
<b>Carrying amount as at 30 April 2015</b>	<b>5,695</b>

## 15. INVENTORIES

DKK '000	2015/16	2014/15
Raw materials, semi-manufactures and non-returnable packaging	64,600	60,785
Work in progress	12,689	10,656
Finished goods and goods for resale	87,292	67,670
	<b>164,581</b>	<b>139,111</b>

### INVENTORIES

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

## 16. RECEIVABLES

DKK '000	2015/16	2014/15
Trade receivables	261,445	266,574
Other receivables	8,250	1,578
<b>Receivables</b>	<b>269,695</b>	<b>268,152</b>
<b>Write-downs for expected losses</b>	<b>4,308</b>	<b>2,435</b>
Provisions account as at 1 May	2,435	2,046
Foreign currency translation adjustment	(9)	25
Ascertained losses and payments received concerning claims previously written off for the year	(186)	(666)
Reversed write-downs	(109)	(370)
Write-downs for bad debts for the year	2,177	1,400
<b>Provisions account as at 30 April</b>	<b>4,308</b>	<b>2,435</b>
<b>Write-downs for the year recognised in the income statement</b>	<b>1,881</b>	<b>979</b>

### PROVISIONS ACCOUNT

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

DKK '000	2015/16	2014/15
<b>Overdue receivables not written off:</b>		
Overdue by up to one month	32,718	24,527
Overdue by between one and three months	9,167	3,783
Overdue by between three and six months	4,616	2,535
Overdue by more than six months	14,965	16,375
	<b>61,466</b>	<b>47,220</b>

### RECEIVABLES

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

## 17. EQUITY

### EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

DKK '000	2015/16	2014/15
<b>Earnings per share (DKK)</b>	<b>7.61</b>	<b>5.15</b>
The basis of calculation of earnings per share is as follows:		
<b>Profit distributed to shareholders of the parent used in connection with the calculation of earnings per share</b>	<b>34,763</b>	<b>24,024</b>
	<b>2014/15 NO. OF SHARES OF DKK 10</b>	<b>2015/16 NO. OF SHARES OF DKK 10</b>
Average number of shares	6,000,000	6,000,000
Average number of treasury shares	(1,434,403)	(1,339,317)
<b>Number of shares used to calculate earnings per share (no.)/diluted</b>	<b>4,565,597</b>	<b>4,660,683</b>

#### EARNINGS PER SHARE

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

### SHARE CAPITAL

The share capital amounts to DKK 60.0 million, divided into Class A shares with a nominal value of DKK 6.4 million and Class B shares with a nominal value of DKK 53.6 million. Each Class A share of DKK 10 carries 10 votes, and each Class B share of DKK 10 carries 1 vote. The Class B shares are listed on NASDAQ OMX Copenhagen. The past four years have not seen any changes to the share capital.

### HOLDING OF TREASURY SHARES

DKK '000	No. of shares of DKK 10	Nominal value	% of capital
Holding as at 1 May 2015	1,434,403	14,344	23.9%
<b>Holding as at 30 April 2016</b>	<b>1,434,403</b>	<b>14,344</b>	<b>23.9%</b>
Holding as at 1 May 2014	1,311,190	13,112	21.9%
Purchase	123,213	1,232	2.0%
Sale	0	0	0.0%
<b>Holding as at 30 April 2015</b>	<b>1,434,403</b>	<b>14,344</b>	<b>23.9%</b>

#### TREASURY SHARES

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

### DIVIDEND

On 25 August 2015, the company distributed ordinary dividend of DKK 12.0 million to its shareholders, corresponding to DKK 2.00 per DKK 10 share (2014/15: DKK 12.0 million, corresponding to DKK 2.00 per DKK 10 share).

For the 2015/2016 financial year, the Board of Directors recommends to the annual general meeting that dividend in the amount of DKK 2.00 per share be paid, corresponding to a total of DKK 12.0 million. As the dividend payment is conditional upon the approval of the general meeting, it is not recognised in the balance sheet as of 30 April 2016 as a liability.

## 18. DEFERRED TAX

DKK '000	Deferred tax assets	Deferred tax liabilities
Deferred tax liabilities and tax assets as at 1 May 2015	4,512	47,608
Change in deferred tax recognised in the income statement	527	3,723
Change in deferred tax recognised in other comprehensive income	0	0
Change in deferred tax offset against current tax	0	0
<b>Deferred tax assets and tax liabilities as at 30 April 2016</b>	<b>5,039</b>	<b>51,331</b>
Deferred tax liabilities and tax assets as at 1 May 2014	5,804	49,534
Change in deferred tax recognised in the income statement	(1,292)	(1,956)
Change in deferred tax recognised in other comprehensive income	0	30
Change in deferred tax offset against current tax	0	0
<b>Deferred tax assets and tax liabilities as at 30 April 2015</b>	<b>4,512</b>	<b>47,608</b>
<b>DKK '000</b>	<b>2016</b>	<b>2015</b>
<b>Deferred tax is recognised in the balance sheet as follows:</b>		
Deferred tax assets	(5,039)	(4,512)
Deferred tax liabilities	51,331	47,608
<b>Deferred tax liabilities and tax assets as at 30 April</b>	<b>46,292</b>	<b>43,096</b>

### DEFERRED TAX

Reference is made to accounting policies in note 10.



## 18. DEFERRED TAX, CONTINUED

DKK '000	1 May	Recognised in the income statement	Recognised in other com- prehensive income	Transferred to current tax	30 April
Non-current assets	47,497	1,323	0	(54)	48,766
Current assets	2,254	416	0	0	2,670
Liabilities	(5,212)	(158)	0	0	(5,370)
Tax losses carried forward	(1,358)	1,679	0	0	321
<b>Temporary differences</b>	<b>43,181</b>	<b>3,260</b>	<b>0</b>	<b>(54)</b>	<b>46,387</b>
Unutilised tax losses	(85)	(10)	0	0	(95)
<b>Unutilised tax losses</b>	<b>(85)</b>	<b>(10)</b>	<b>0</b>	<b>0</b>	<b>(95)</b>
<b>Deferred tax liabilities 2016</b>	<b>43,096</b>	<b>3,250</b>	<b>0</b>	<b>(54)</b>	<b>46,292</b>
Non-current assets	49,135	(2,002)	30	334	47,497
Current assets	2,955	(701)	0	0	2,254
Liabilities	(6,397)	1,185	0	0	(5,212)
Tax losses carried forward	(1,840)	482	0	0	(1,358)
<b>Temporary differences</b>	<b>43,853</b>	<b>(1,036)</b>	<b>30</b>	<b>334</b>	<b>43,181</b>
Unutilised tax losses	(123)	38	0	0	(85)
<b>Unutilised tax losses</b>	<b>(123)</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>(85)</b>
<b>Deferred tax liabilities 2015</b>	<b>43,730</b>	<b>(998)</b>	<b>30</b>	<b>334</b>	<b>43,096</b>

## 19. MORTGAGE DEBT

DKK '000	2015/16	2014/15
<b>Mortgage debt secured on real property and securities</b>	<b>184,348</b>	<b>200,469</b>
<b>Mortgage debt falls due as follows:</b>		
On demand within one year from the balance sheet date	16,193	16,121
Between two and five years from the balance sheet date	65,944	65,517
After five years from the balance sheet date	102,211	118,831
<b>Mortgage debt is recognised in the balance sheet as follows:</b>		
Current liabilities	16,193	16,121
Non-current liabilities	168,155	184,348
<b>Carrying amount of mortgaged properties and plant</b>	<b>363,031</b>	<b>356,976</b>

### Security

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

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

	Currency	Expiry	Fixed/ Floating	Amortised cost DKK '000	Nominal value DKK '000	Fair value DKK '000
Mortgage debt	DKK	2026	Floating	1,740	1,800	1,884
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,720
Mortgage debt	DKK	2027	Floating	135,367	135,367	139,139
Mortgage debt	DKK	2028	Floating	44,533	44,533	45,694
<b>30 April 2016</b>				<b>184,348</b>	<b>184,408</b>	<b>189,437</b>
Mortgage debt	DKK	2026	Floating	1,904	1,970	2,075
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,741
Mortgage debt	DKK	2027	Floating	147,639	147,639	148,172
Mortgage debt	DKK	2028	Floating	48,218	48,218	48,393
<b>30 April 2015</b>				<b>200,469</b>	<b>200,535</b>	<b>201,380</b>

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

### MORTGAGE DEBT

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

## 20. OTHER CREDIT INSTITUTIONS

DKK '000	2015/16	2014/15
<b>Overdraft facility</b>	<b>4,826</b>	<b>40,037</b>
Bank debt recognised in the balance sheet as follows:		
<b>Current liability</b>	<b>4,826</b>	<b>40,037</b>
The bank debt falls due as follows:		
<b>On demand within one year from the balance sheet date</b>	<b>4,826</b>	<b>40,037</b>

	Currency	Expiry	Floating	Amortised Fixed/cost DKK '000	Nominal value DKK '000	Fair value DKK '000
Overdraft facility	DKK	2017	Floating	4,826	4,826	4,826
<b>30 April 2016</b>				<b>4,826</b>	<b>4,826</b>	<b>4,826</b>
Overdraft facility	DKK	2016	Floating	43,348	43,348	43,348
Overdraft facility	EUR	2016	Floating	(3,311)	(3,311)	(3,311)
<b>30 April 2015</b>				<b>40,037</b>	<b>40,037</b>	<b>40,037</b>

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

## 21. DEFERRED RECOGNITION OF INCOME

DKK '000	2015/16	2014/15
<b>Deferred recognition of income from investment grants</b>	<b>58,271</b>	<b>62,070</b>
<b>Deferred recognition of income is recognised in the balance sheet as follows:</b>		
Long-term deferral of recognition of income	51,350	54,871
Short-term deferral of recognition of income	6,921	7,199

### **i** Government grants – repayment obligation

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

## 22. OTHER SHORT-TERM PAYABLES AND OTHER LIABILITIES


DKK '000	2016	2015
Other public debt	13,588	17,692
Staff costs payable	27,098	26,921
Other short-term payables	40,214	41,574
Repurchase of returnable packaging	8,594	8,861
Deferred income	316	314
	<b>89,810</b>	<b>94,616</b>

### PURCHASE OF RETURNABLE PACKAGING

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

### DEFERRED INCOME

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

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

## 23. OPERATING LEASE COMMITMENTS

For the years 2016-2022, operating leases concerning the lease of properties, machinery and other plant have been entered into. The leases have been concluded for a minimum of 3-10 years with fixed lease payments to be indexed annually. The leases cannot be terminated within the period stated, after which they may be renewed for periods of five years.

DKK '000	2016	2015
<b>Minimum lease payments recognised in the income statement</b>	<b>7,674</b>	<b>7,115</b>
Minimum lease payments are recognised in the income statement as follows:		
Production	593	602
Distribution	3,396	2,751
Administration	724	805
Other operating expenses	2,961	2,957
	<b>7,674</b>	<b>7,115</b>

The total future minimum lease payments for non-terminable leases fall due for payment as follows:

Within one year from the balance sheet date	5,419	3,854
Between two and five years from the balance sheet date	16,490	12,998
After five years from the balance sheet date	2,978	5,924
	<b>24,887</b>	<b>22,776</b>

### Related parties

The group has entered into leases in respect of land and buildings. The leases have been entered into with companies having Bernhard Griese, CEO, and his close relatives as main shareholders. The leases (registered on the individual properties) cannot be terminated by the lessor or the lessee until 2022. The annual rent amounts to DKK 2,989k (2014/2015 DKK 3,452k). The total future minimum lease payments in the period of non-terminability amount to DKK 17,868k. The amount is contained in the figures above.

### Lease and sublease

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



## 24. CHANGES IN NET WORKING CAPITAL

DKK '000	2016	2015
Change in inventories	(25,688)	22,368
Change in trade receivables	4,615	12,469
Change in other receivables	(6,429)	3,047
Change in trade payables etc.	25,601	(44,030)
Change in other payables	(4,705)	4,877
	<b>(6,606)</b>	<b>(1,269)</b>

## 25. FEE TO AUDITORS

DKK '000	2015/16	2014/15
<b>Deloitte</b>		
Statutory audit	1,439	1,486
Other assurance engagements	16	31
Tax advice	122	190
Other services	88	52
	<b>1,665</b>	<b>1,759</b>
<b>Other</b>		
Statutory audit	589	590
Other assurance engagements	0	0
Tax advice	0	0
Other services	363	186
	<b>952</b>	<b>776</b>

## 26. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

DKK '000	2016	2015
<b>Categories of financial instruments</b>		
Receivables	269,695	268,152
Deposits, leases	2,464	2,445
Cash	67,262	84,701
<b>Loans and receivables</b>	<b>339,421</b>	<b>355,298</b>
Financial assets available for sale	5,554	8,496
<b>Financial assets available for sale</b>	<b>5,554</b>	<b>8,496</b>
Mortgage debt	184,348	200,469
Other credit institutions	4,826	40,037
Trade payables	153,333	127,938
Other short-term payables and other liabilities	89,810	94,616
<b>Financial liabilities measured at amortised cost</b>	<b>432,317</b>	<b>463,060</b>

### **i** Risk policy of the group

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

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

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

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

No changes were seen in the group's risk exposure and risk management relative to 2014/2015.

### **i** Currency risks concerning recognised assets and liabilities

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

DKK '000	Cash and cash equivalents	Receivables	Liabilities	Net position
EUR	64,473	209,057	(291,980)	(18,450)
SEK	1,476	3,546	(991)	4,031
NOK	13	0	(9)	4
Other currencies	1,032	23	(3,047)	(1,992)
<b>30 April 2016</b>	<b>66,994</b>	<b>212,626</b>	<b>(296,027)</b>	<b>(16,407)</b>
EUR	65,629	242,335	(330,663)	(22,699)
SEK	18,219	3,705	(597)	21,327
NOK	29	0	(10)	19
Other currencies	336	28	(20)	344
<b>30 April 2015</b>	<b>84,213</b>	<b>246,068</b>	<b>(331,290)</b>	<b>(1,009)</b>

## 26. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED

### **i** Sensitivity analysis concerning foreign exchange

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

DKK '000	2016	2015
<b>Equity's sensitivity to exchange rate fluctuations</b>		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	3,271	(2,353)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	(36)	(12)
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(867)	(1,526)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	2	(50)
Effect if other exchange rates were 5% lower than the actual exchange rate	(92)	(21)
	<b>2,278</b>	<b>(3,962)</b>
<b>Sensitivity of net profit or loss to exchange rate fluctuations</b>		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	(2,770)	(2,526)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	4	0
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(710)	(710)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	3	(49)
Effect if other exchange rates were 5% lower than the actual exchange rate	25	(20)
	<b>(3,448)</b>	<b>(3,305)</b>

### **i** Currency risks concerning future cash flows

The group's most significant currency exposure is also expected to concern transactions in the above-mentioned currencies in future. The transactions are expected to be at the level realised in 2014/2015.

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

### **i** Interest rate risks

Due to the Harboe group's capital structure, the risk relating to fluctuations in market rates is limited. The group's net interest-bearing debt as at 30 April 2016 was DKK 120.7 million (2015: DKK 154.4 million). The debt carries a floating rate of interest.

An increase in the market interest rate of 1% would affect the profit or loss for the year before tax negatively by approx. DKK 1.2 million (2014/2015: approx. DKK 1.5 million).

### **i** Liquidity risks

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

<b>DKK '000</b>	<b>2016</b>	<b>2015</b>
<b>The liquidity reserve comprises:</b>		
Cash	67,262	84,701
Undrawn credit facilities	195,174	159,963
<b>Liquidity reserve</b>	<b>262,436</b>	<b>244,664</b>
<b>Cash and cash equivalents in the cash flow statement comprise:</b>		
Cash	67,262	84,701
Bank debt	(4,826)	(40,037)
<b>Cash and cash equivalents</b>	<b>62,436</b>	<b>44,664</b>

### **i** Credit risks

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

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

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

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

## 26. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED

### **i** Capital structure

The company's management estimates, on a regular basis, whether the group's capital structure matches the interests of the company and its shareholders. The group's overall objective is to ensure a capital structure that maintains a high level of financial resources at all times to enable investments in continued organic growth and value creation by constantly adapting to market developments and meeting customer requirements.

The group aims for its financial resources to be made up of its own funds and for them to be flexible enough to allow for growth through acquisitions or participation in large partnerships. The group's general strategy is consistent with previous years.

See also the section in the management's review on financial objectives, page 13.

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

### **i** Breach of loan agreement terms

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

## 27. RELATED PARTIES

### Related parties with a controlling influence

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

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

### TRANSACTIONS WITH RELATED PARTIES

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

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



## 27. RELATED PARTIES, CONTINUED

2013/14 DKK '000	Owners with a controlling influence in Harboes Bryggeri A/S*	Members of the Board of Directors, Board of Executives and other key staff members	Other related parties	Total
Sale of goods	1,417	0	0	1,417
Purchase of goods	6,177	0	0	6,177
Sale of services	762	0	0	762
Purchase of services	1,240	355	381	1,976
Sale of property, plant and equipment	211	0	0	211
Sale of leases	2,002	0	0	2,002
Purchase of leases	3,489	0	0	3,489
Fees etc.	5,607	15,895	418	21,884
Deposits, leases	2,445	0	0	2,445
Trade receivables etc.	3,858	0	0	3,858
Trade payables etc.	366	0	0	366
Distribution of dividend	1,818	83	41	1,942

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

The purchase and sale of goods to related parties have been conducted at the normal selling prices of the group.

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

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

The leases (registered on the individual properties) cannot be terminated until 2022. The annual rent amounts to DKK 2,989k (2014/15: DKK 3,452k). The total future minimum lease payments in the period of non-terminability amount to DKK 17,868k.

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

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

## 28. CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

### **i Pending cases**

The group has a few pending cases as at 30 April 2016, all of which are expected to be concluded during 2016. The financial impact of the disputes is calculated to amount to DKK 8,403k of which DKK 5,006k are reserved. The reserved amount is based on an assessment of the most likely outcome of the pending cases when considering i.a. the assessments of external advisors. The management believes that the reserved amount is adequate. There were no pending cases from 2015.

## 29. ADOPTION OF ANNUAL REPORT FOR PUBLICATION

At the board meeting on 30 June 2016, the Board of Directors adopted the present annual report for publication. The annual report is presented to the shareholders of Harboes Bryggeri A/S for adoption at the annual general meeting on 22 August 2016.

# PARENT'S FINANCIAL STATEMENTS 2015/2016

INCOME STATEMENT

BALANCE SHEET

CASH FLOW STATEMENT


STATEMENT OF CHANGES IN EQUITY

NOTES

1. Production costs
2. Staff costs
3. Depreciation, amortisation, impairment losses and write-downs
4. Financial income
5. Financial expenses
6. Tax on profit/(loss) for the year
7. Intangible assets
8. Property, plant and equipment
9. Equity investments in subsidiaries
10. Financial assets available for sale and receivables from subsidiaries
11. Inventories
12. Receivables
13. Equity
14. Deferred tax
15. Mortgage debt
16. Other credit institutions
17. Deferred recognition of income
18. Other short-term payables and other liabilities
19. Operating lease commitments
20. Contingent liabilities, security and contractual obligations
21. Change in net working capital
22. Fee to auditors
23. Financial risks and financial instruments
24. Related parties
25. Accounting policies etc.

## EXPLANATION OF SYMBOLS

 Accounting policies

 Additional information

## INCOME STATEMENT

DKK '000	Note	2015/16	2014/15
<b>Revenue</b>		<b>599,459</b>	<b>560,141</b>
Production costs	1, 2, 3	(484,486)	(463,873)
<b>Gross profit/(loss)</b>		<b>114,973</b>	<b>96,268</b>
Other operating income		994	877
Distribution costs		(67,853)	(76,480)
Administrative expenses		(35,893)	(33,951)
<b>Operating profit/(loss) (EBIT)</b>		<b>12,221</b>	<b>(13,286)</b>
Income from equity investments in subsidiaries		(13,187)	(47)
Financial income	4	3,257	2,232
Financial expenses	5	(7,811)	(4,801)
<b>Profit/(loss) before tax</b>		<b>(5,520)</b>	<b>(15,902)</b>
Tax on profit/(loss) for the year	6	(3,227)	3,617
<b>Net profit/(loss) for the year</b>		<b>(8,747)</b>	<b>(12,285)</b>

## STATEMENT OF COMPREHENSIVE INCOME

<b>Net profit/(loss) for the year</b>		<b>(8,747)</b>	<b>(12,285)</b>
Other comprehensive income:			
Items which may be reclassified to the income statement:			
Fair value adjustment of financial assets available for sale		56	129
Fair value adjustment of financial assets available for sale, recirculation upon disposal		2,750	0
Tax on other comprehensive income	6	(12)	(30)
<b>Other comprehensive income</b>		<b>2,794</b>	<b>99</b>
<b>Total comprehensive income</b>		<b>(5,953)</b>	<b>(12,186)</b>

## BALANCE SHEET AS AT 30 APRIL

DKK '000	Note	2015/16	2014/15
<b>ASSETS</b>			
Intangible assets	7	21,892	19,286
Property, plant and equipment	8	320,166	323,282
Equity investments in subsidiaries	9	95,784	108,971
Financial assets available for sale	10	5,449	8,391
Receivable from subsidiary	10	29,291	24,242
<b>Non-current assets</b>		<b>472,582</b>	<b>484,172</b>
Inventories	11	64,853	54,164
Receivables	12	85,829	66,436
Receivables from subsidiaries		0	617
Prepayments		3,837	3,838
Cash		1,826	18,738
<b>Current assets</b>		<b>156,345</b>	<b>143,793</b>
<b>Assets</b>		<b>628,927</b>	<b>627,965</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		60,000	60,000
Other reserves		(1,715)	(4,509)
Retained earnings		121,135	139,013
<b>Equity</b>	<b>13</b>	<b>179,420</b>	<b>194,504</b>
Mortgage debt	15	4,282	4,448
Deferred tax liabilities	14	23,362	20,453
Deferred recognition of income	17	1,960	2,981
<b>Non-current liabilities</b>		<b>29,604</b>	<b>27,882</b>
Deferred recognition of income	17	904	877
Bank debt and mortgage debt	15, 16	4,992	40,201
Trade payables		59,070	47,444
Payables to subsidiaries		299,057	254,130
Prepayments received from customers		3,365	0
Other short-term payables and other liabilities	18	52,178	62,347
Income tax, joint taxation contribution		337	580
<b>Current liabilities</b>		<b>419,903</b>	<b>405,579</b>
<b>Liabilities</b>		<b>449,507</b>	<b>433,461</b>
<b>Equity and liabilities</b>		<b>628,927</b>	<b>627,965</b>

## CASH FLOW STATEMENT

DKK '000	Note	2015/16	2014/15
Operating profit/(loss) (EBIT)		12,221	(13,286)
Depreciation, amortisation, impairment losses and write-downs		42,343	40,968
Grants recognised as income		(994)	(877)
Other adjustments		1,674	1,602
Change in net working capital	21	(25,259)	27,216
<b>Cash flows from primary operating activities</b>		<b>29,985</b>	<b>55,623</b>
Financial income received		3,188	2,178
Financial expenses paid		(1,664)	(4,801)
Income tax paid		(554)	(413)
<b>Cash flows from operating activities</b>		<b>30,955</b>	<b>52,587</b>
Purchase of intangible assets		(7,616)	(1,888)
Purchase of property, plant and equipment		(36,085)	(33,927)
Sale of property, plant and equipment		908	1,282
Purchase of financial assets		(1,400)	(689)
Sale of financial assets		275	2,516
Dividend received from subsidiaries		0	457
Dividend received from financial assets available for sale		69	54
Change in loan to subsidiary/capital reduction		(5,049)	13
<b>Cash flows from investing activities</b>		<b>(48,898)</b>	<b>(32,064)</b>
Dividend paid to shareholders of the parent		(9,131)	(9,373)
Purchase/sale of treasury shares		0	(11,247)
Investment grant received		0	404
Repayment of mortgage debt		(171)	(166)
<b>Cash flows from financing activities</b>		<b>(9,302)</b>	<b>(20,382)</b>
<b>Changes in cash and cash equivalents</b>		<b>(27,245)</b>	<b>141</b>
Cash and cash equivalents as at 1 May		(274,812)	(274,953)
<b>Cash and cash equivalents as at 30 April</b>	<b>23</b>	<b>(302,057)</b>	<b>(274,812)</b>



## STATEMENT OF CHANGES IN EQUITY

DKK '000	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity as at 30 April 2015</b>	<b>60,000</b>	<b>(4,509)</b>	<b>139,013</b>	<b>194,504</b>
<b>Changes in equity 2015/16</b>				
Net profit/(loss) for the year	0	0	(8,747)	(8,747)
Other comprehensive income after tax	0	2,794	0	2,794
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>2,794</b>	<b>(8,747)</b>	<b>(5,953)</b>
Distributed dividend	0	0	(12,000)	(12,000)
Dividend from treasury shares	0	0	2,869	2,869
<b>Total changes in equity</b>	<b>0</b>	<b>2,794</b>	<b>(17,878)</b>	<b>(15,084)</b>
<b>Equity as at 30 April 2016</b>	<b>60,000</b>	<b>(1,715)</b>	<b>121,135</b>	<b>179,420</b>
<b>Equity as at 30 April 2014</b>				
<b>Equity as at 30 April 2014</b>	<b>60,000</b>	<b>(4,608)</b>	<b>171,918</b>	<b>227,310</b>
<b>Changes in equity 2014/15</b>				
Net profit/(loss) for the year	0	0	(12,285)	(12,285)
Other comprehensive income after tax	0	99	0	99
<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>99</b>	<b>(12,285)</b>	<b>(12,186)</b>
Purchase of treasury shares	0	0	(11,247)	(11,247)
Distributed dividend	0	0	(12,000)	(12,000)
Dividend from treasury shares	0	0	2,627	2,627
<b>Total changes in equity</b>	<b>0</b>	<b>99</b>	<b>(33,905)</b>	<b>(32,806)</b>
<b>Equity as at 30 April 2015</b>	<b>60,000</b>	<b>(4,509)</b>	<b>139,013</b>	<b>194,504</b>

### OTHER RESERVES

Other reserves comprise reserve for value adjustment of financial assets available for sale

# NOTES FOR THE FINANCIAL STATEMENTS OF THE PARENT

## 1. PRODUCTION COSTS

DKK '000	2015/16	2014/15
Cost of sales	417,868	390,920
Depreciation, amortisation, impairment losses and write-downs; see note 3	33,130	32,311
Other production costs	33,488	40,642
	<b>484,486</b>	<b>463,873</b>

## 2. STAFF COSTS

Remuneration to the Board of Directors	750	690
Wages and salaries	95,106	91,179
Defined-contribution plans	8,134	7,544
Other social security costs	1,455	1,386
Other staff costs	1,924	2,683
Refunds from public authorities	(338)	(307)
	<b>107,031</b>	<b>103,175</b>

Staff costs comprise:		
Production costs	56,643	55,091
Distribution costs	31,672	31,520
Administrative expenses	18,716	16,737
Recognised in the cost of technical plant	0	(173)
	<b>107,031</b>	<b>103,175</b>

<b>Average number of employees</b>	<b>212</b>	<b>204</b>
------------------------------------	------------	------------

DKK '000	Board of Directors		Board of Executives		Other key staff members	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>Remuneration paid to members of the management</b>						
Remuneration to the Board of Directors	750	690	0	0	0	0
Wages and salaries etc.	0	0	4,806	4,576	12,582	11,153
Pension	0	0	0	0	1,148	1,333
<b>Total remuneration</b>	<b>750</b>	<b>690</b>	<b>4,806</b>	<b>4,576</b>	<b>13,730</b>	<b>12,486</b>

### **BONUS PROGRAMMES AND EMPLOYMENT TERMINATION PROGRAMMES**

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

### **PENSION PLANS**

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

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

DKK '000	2015/16	2014/15
Intangible assets	5,010	4,674
Land and buildings	6,626	6,484
Plant and machinery	25,837	25,401
Other plant etc.	5,241	5,213
Profit/(loss) from the sale of property, plant and equipment	(371)	(804)
	<b>42,343</b>	<b>40,968</b>
Depreciation, amortisation, impairment losses and write-downs comprise:		
Production costs	33,130	32,311
Distribution costs	2,736	2,223
Administrative expenses	6,477	6,434
	<b>42,343</b>	<b>40,968</b>

### 4. FINANCIAL INCOME

Interest on bank deposits etc.	119	17
Interest on receivables from subsidiaries	2,151	2,053
Interest on investment – assets available for sale	62	108
<b>Interest income from financial assets not measured at fair value via net profit/(loss) for the year</b>	<b>2,332</b>	<b>2,178</b>
Dividend from financial assets available for sale	69	54
Foreign exchange gain	856	0
	<b>3,257</b>	<b>2,232</b>

### 5. FINANCIAL EXPENSES

Interest on mortgage debt	52	74
Interest on bank debt etc.	1,612	2,520
Interest on payables to subsidiaries	0	1,252
<b>Financial expenses of financial liabilities not measured at fair value via net profit/(loss) for the year</b>	<b>1,664</b>	<b>3,846</b>
Net foreign exchange gains and losses	0	955
Fair value adjustment of financial assets available for sale	3,397	0
Fair value adjustment transferred from equity via other comprehensive income from financial assets available for sale	2,750	0
	<b>7,811</b>	<b>4,801</b>

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

DKK '000	2015/16	2014/15
Current tax	349	1
Change in deferred tax	2,887	(3,359)
<b>Total tax for the year</b>	<b>(3,236)</b>	<b>(3,358)</b>
Adjustment of deferred tax regarding previous financial years	22	(322)
Adjustment of current tax regarding previous financial years	(31)	63
<b>Total adjustment</b>	<b>(9)</b>	<b>(259)</b>
<b>Total tax</b>	<b>3,227</b>	<b>(3,617)</b>

DKK '000	2015/16	2015/16 %	2014/15	2014/15 %
<b>Profit/(loss) before tax</b>	<b>(5,520)</b>		<b>(15,902)</b>	
Calculated tax thereon	(1,215)	22.0	(3,737)	23.5
Non-deductible income and expenses as well as depreciation, amortisation, impairment losses and write-downs	4,451	(80.7)	379	(2.4)
Effect of adjustments, previous years	(9)	0.2	(259)	1.6
<b>Tax for the year/effective tax rate</b>	<b>(3,227)</b>	<b>(58.5)</b>	<b>(3,617)</b>	<b>22.7</b>

DKK '000	2015/16	2014/15
<b>Tax on other comprehensive income</b>		
Fair value adjustment of financial assets available for sale	12	30
	<b>12</b>	<b>30</b>
<b>Joint taxation contribution payable to jointly taxed enterprises with tax losses</b>	<b>3</b>	<b>1</b>
Joint taxation contribution receivable from jointly taxed enterprises with tax profits	0	0
<b>Income tax receivable</b>	<b>0</b>	<b>0</b>

### **i** TAX FOR THE YEAR/EFFECTIVE TAX RATE

The effective tax rate is extraordinarily affected by a write-down of the use of capital in subsidiaries and of financial assets available for sale.

## 7. INTANGIBLE ASSETS

DKK '000	Rights	projects	Development Software	Plant under construction	Total
Cost as at 1 May 2015	0	7,121	29,697	26	36,844
Transfer	0	0	26	(26)	0
Additions	6,610	0	1,006	0	7,616
<b>Cost as at 30 April 2016</b>	<b>6,610</b>	<b>7,121</b>	<b>30,729</b>	<b>0</b>	<b>44,460</b>
Amortisation and impairment losses as at 1 May 2015	0	3,086	14,472	0	17,558
Amortisation for the year	0	1,424	3,586	0	5,010
<b>Amortisation and impairment losses as at 30 April 2016</b>	<b>0</b>	<b>4,510</b>	<b>18,058</b>	<b>0</b>	<b>22,568</b>
<b>Carrying amount as at 30 April 2016</b>	<b>6,610</b>	<b>2,611</b>	<b>12,671</b>	<b>0</b>	<b>21,892</b>
Cost as at 1 May 2014	0	7,121	27,755	80	34,956
Transfer	0	0	80	(80)	0
Additions	0	0	1,826	26	1,888
<b>Cost as at 30 April 2015</b>	<b>0</b>	<b>7,121</b>	<b>29,697</b>	<b>26</b>	<b>36,844</b>
Amortisation and impairment losses as at 1 May 2014	0	1,662	11,222	0	12,884
Amortisation for the year	0	1,424	3,250	0	4,674
<b>Amortisation and impairment losses as at 30 April 2015</b>	<b>0</b>	<b>3,086</b>	<b>14,472</b>	<b>0</b>	<b>17,558</b>
<b>Carrying amount as at 30 April 2015</b>	<b>0</b>	<b>4,035</b>	<b>15,225</b>	<b>26</b>	<b>19,286</b>



## 8. PROPERTY, PLANT AND EQUIPMENT

DKK '000	Land and buildings	Production plant and machinery	Other plant etc.	Spare parts for own machinery	Plant under construction	Total
Cost as at 1 May 2015	258,670	558,311	58,464	2,779	1,727	879,951
Transfers	0	1,142	0	0	(1,142)	0
Additions	3,785	11,350	1,621	0	19,329	36,085
Disposals	0	0	(2,957)	(840)	(121)	(3,918)
<b>Cost as at 30 April 2016</b>	<b>262,455</b>	<b>570,803</b>	<b>57,128</b>	<b>1,939</b>	<b>19,793</b>	<b>912,118</b>
Depreciation and impairment losses as at 1 May 2015	157,176	357,982	41,511	0	0	556,669
Depreciation for the year	6,626	25,837	5,241	0	0	37,704
Reversal in connection with disposals	0	0	(2,421)	0	0	(2,421)
<b>Depreciation and impairment losses as at 30 April 2016</b>	<b>163,802</b>	<b>383,819</b>	<b>44,331</b>	<b>0</b>	<b>0</b>	<b>591,952</b>
<b>Carrying amount as at 30 April 2016</b>	<b>98,653</b>	<b>186,984</b>	<b>12,797</b>	<b>1,939</b>	<b>19,793</b>	<b>320,166</b>
Cost as at 1 May 2014	251,915	530,181	57,332	3,619	10,474	853,521
Reclassification from intangible assets	(25)	0	0	0	25	0
Transfers	25	10,474	0	0	(10,499)	0
Additions	6,755	19,244	6,201	0	1,727	33,927
Disposals	0	(1,588)	(5,069)	(840)	0	(7,497)
<b>Cost as at 30 April 2015</b>	<b>258,670</b>	<b>558,311</b>	<b>58,464</b>	<b>2,779</b>	<b>1,727</b>	<b>879,951</b>
Depreciation and impairment losses as at 1 May 2014	150,692	333,819	41,239	0	0	525,750
Depreciation for the year	6,484	25,401	5,213	0	0	37,098
Reversal in connection with disposals	0	(1,238)	(4,941)	0	0	(6,179)
<b>Depreciation and impairment losses as at 30 April 2015</b>	<b>157,176</b>	<b>357,982</b>	<b>41,511</b>	<b>0</b>	<b>0</b>	<b>556,669</b>
<b>Carrying amount as at 30 April 2015</b>	<b>101,494</b>	<b>200,329</b>	<b>16,953</b>	<b>2,779</b>	<b>1,727</b>	<b>323,282</b>

## 9. EQUITY INVESTMENTS IN SUBSIDIARIES

DKK '000	2016	2015
Cost as at 1 May	375,419	375,419
<b>Cost as at 30 April</b>	<b>375,419</b>	<b>375,419</b>
Impairment as at 1 May	(266,448)	(265,944)
Impairment for the year	(13,187)	(504)
<b>Impairment as at 30 April</b>	<b>(279,635)</b>	<b>(266,448)</b>
<b>Carrying amount as at 30 April</b>	<b>95,784</b>	<b>108,971</b>

### Equity investments in subsidiaries comprise:

Darguner Brauerei GmbH, Dargun, Germany, ownership interest of 100.00%, voting share of 100.00%

AS Viru Ölu, Haljala, Estonia, ownership interest of 98.69%, voting share of 98.69%

Harboe Norge AS, Moss, Norway, ownership interest of 100.00%, voting share of 100.00%

Harboe Ejendomme A/S, Slagelse, Denmark, ownership interest of 100.00%, voting share of 100.00%

Skælskør Bryghus A/S, Slagelse, Denmark, ownership interest of 100.00%, voting share of 100.00%

Harboe Sverige AB, Mölnlycke, Sweden, ownership interest of 100.00%, voting share of 100.00%

Harboe Poland sp. Z O.O., Warsaw, Poland, ownership interest of 100.00%, voting share of 100.00%

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

### Impairment for the year can be specified as follows:

Harboe Norge AS Norway	0	504
AS Viru Ölu, Estonia	13,187	0
	<b>13,187</b>	<b>504</b>

### EQUITY INVESTMENTS IN SUBSIDIARIES

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

### ADDITIONAL INFORMATION

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

As of 30 April 2016, the parent's investment in AS Viru Ölu in Estonia was impaired by DKK 13.2 million based on an individual assessment of the recoverable amount of the investment. The company generated a loss over a number of financial years. The activities of the company in the Estonian market were subject to fierce competition, and two substantial contracts expired at the end of 2015. Furthermore, the result was impacted by extraordinary costs for the write-down of inventories and packaging etc.

The recoverable amount means the asset's value in use and is expected to cover the value of the parent's balances with the company, cf. the value of the amount receivable of DKK 29.3 million recognised in the balance as a long-term asset. See also note 1 in the consolidated financial statements.

The fair values are determined on the basis of the value in use of the assets based on future earnings and calculated using the calculated net cash flows on the basis of budgets approved by the management and an estimated market-specific discount rate of 6-15% (30 April 2015: 6-15%).

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

Other subsidiaries are audited by Deloitte.

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

DKK '000	Financial assets available for sale	Receivable from subsidiary
Cost as at 1 May 2015	13,462	24,242
Adjustment, beginning of year	0	(73)
Additions	1,400	5,122
Disposals	(275)	0
<b>Cost as at 30 April 2016</b>	<b>14,587</b>	<b>29,291</b>
Revaluation and impairment losses as at 1 May 2015	(5,071)	0
Adjustments for the year	(4,067)	0
<b>Revaluation and impairment losses as at 30 April 2016</b>	<b>(9,138)</b>	<b>0</b>
<b>Carrying amount as at 30 April 2016</b>	<b>5,449</b>	<b>29,291</b>
Cost as at 1 May 2014	13,039	24,245
Adjustment, beginning of year	0	(3)
Additions	689	0
Disposals	(266)	0
<b>Cost as at 30 April 2015</b>	<b>13,462</b>	<b>24,242</b>
Revaluation and impairment losses as at 1 May 2014	(4,438)	0
Adjustments for the year	(633)	0
<b>Revaluation and impairment losses as at 30 April 2015</b>	<b>(5,071)</b>	<b>0</b>
<b>Carrying amount as at 30 April 2015</b>	<b>8,391</b>	<b>24,242</b>

### FINANCIAL ASSETS AVAILABLE FOR SALE

The share holding in FCS 2008 A/S was written down in full as the company went into liquidation.

### RECEIVABLE FROM SUBSIDIARY

Receivable from subsidiary is stated in EUR. No due date has been set for the receivable. The receivable carried a floating rate of interest of approx. 2.1% in 2015/2016. (2014/2015: 2.1%).

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

#### Listed bonds

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

#### Listed shares

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

#### Unlisted shares and securities

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

## 10. FINANCIAL ASSETS AVAILABLE FOR SALE AND RECEIVABLE FROM SUBSIDIARIES, CONTINUED

DKK '000	Level 1	Level 2	Level 3	Total
<b>2015/16</b>				
Listed shares	457	0	0	457
Unlisted shares and securities	0	2,400	2,592	4,992
	<b>457</b>	<b>2,400</b>	<b>2,592</b>	<b>5,449</b>
<b>2014/15</b>				
Listed shares	401	0	0	401
Unlisted shares and securities	0	2,400	5,590	7,990
	<b>401</b>	<b>2,400</b>	<b>5,590</b>	<b>8,391</b>

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

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

DKK '000	Financial assets available for sale
<b>Carrying amount as at 1 May 2015</b>	<b>5,590</b>
Gains/(losses) in net profit/(loss) for the year	(4,123)
Purchase	1,400
Sale	(275)
<b>Carrying amount as at 30 April 2016</b>	<b>2,592</b>
<b>Carrying amount as at 1 May 2014</b>	<b>5,929</b>
Gains/(losses) in net profit/(loss) for the year	(762)
Purchase	689
Sale	(266)
<b>Carrying amount as at 30 April 2015</b>	<b>5,590</b>

## 11. INVENTORIES

DKK '000	2016	2015
Raw materials, consumables and disposable packaging	20,057	20,769
Work in progress	8,487	5,482
Finished goods and goods for resale	36,309	27,913
	<b>64,853</b>	<b>54,164</b>

## 12. RECEIVABLES

DKK '000	2016	2015
Trade receivables	84,187	64,862
Other receivables	1,641	1,574
	<b>85,828</b>	<b>66,436</b>
<b>Write-downs for expected losses</b>	<b>309</b>	<b>594</b>

### **i** PROVISIONS ACCOUNT

A provisions account is used to reduce the carrying amount of receivables which have been written down due to a loss risk.

### **i** WRITE-DOWNS

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

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

DKK '000	2016	2015
Provisions account as at 1 May	594	754
Ascertained losses and payments received concerning claims previously written off for the year	(187)	(25)
Reversed write-downs	(98)	(311)
Write-downs for bad debts for the year	0	176
<b>Provisions account as at 30 April</b>	<b>309</b>	<b>594</b>
<b>Write-downs for the year recognised in the income statement</b>	<b>103</b>	<b>126</b>
<b>Overdue receivables not written off:</b>		
Overdue by up to one month	10,465	3,563
Overdue by between one and three months	3,309	678
Overdue by between three and six months	2,398	1,789
Overdue by more than six months	1,753	150
	<b>17,925</b>	<b>6,180</b>

## 13. EQUITY

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

## 14. DEFERRED TAX

DKK '000	Deferred tax assets	Deferred tax liabilities
<b>Deferred tax assets and tax liabilities as at 30 April 2014</b>	<b>0</b>	<b>23,782</b>
Change in deferred tax recognised in the income statement	0	(3,359)
Change in deferred tax recognised in other comprehensive income	0	30
<b>Deferred tax assets and tax liabilities as at 30 April 2015</b>	<b>0</b>	<b>20,453</b>
Change in deferred tax recognised in the income statement	0	(2,909)
Change in deferred tax recognised in other comprehensive income	0	0
<b>Deferred tax assets and tax liabilities as at 30 April 2016</b>	<b>0</b>	<b>23,362</b>

DKK '000	1 May	Recognised in the income statement	Recognised in other comprehensive income	Transferred to current tax	30 April
Non-current assets	18,877	2,140	0	0	21,017
Current assets	1,966	550	0	0	2,516
Liability	(849)	219	0	0	(630)
Unutilised tax losses	459	0	0	0	459
<b>Deferred tax liabilities 2016</b>	<b>20,453</b>	<b>2,909</b>	<b>0</b>	<b>0</b>	<b>23,362</b>
Non-current assets	21,858	(3,011)	30	0	18,877
Current assets	2,466	(500)	0	0	1,966
Liability	(962)	113	0	0	(849)
Unutilised tax losses	420	39	0	0	459
<b>Deferred tax liabilities 2015</b>	<b>23,782</b>	<b>(3,359)</b>	<b>30</b>	<b>0</b>	<b>20,453</b>

### DEFERRED TAX

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



## 15. MORTGAGE DEBT

DKK '000	2016	2015
<b>Mortgage debt secured on real property</b>	<b>4,448</b>	<b>4,612</b>
<b>Mortgage debt falls due as follows:</b>		
On demand within one year from the balance sheet date	166	164
Between two and five years from the balance sheet date	1,104	970
After five years from the balance sheet date	3,178	3,478
<b>Mortgage debt is recognised in the balance sheet as follows:</b>		
Current liabilities	166	164
Non-current liabilities	4,282	4,448
<b>Carrying amount of mortgaged properties</b>	<b>6,637</b>	<b>6,808</b>

### **i** SECURITY

Mortgage debt is secured on real property.

DKK '000	Currency	Expiry	Fixed/ Floating	Amor- tised cost	Nominal value	Fair value
Mortgage debt	DKK	2026	Floating	1,740	1,800	1,884
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,720
<b>30 April 2016</b>				<b>4,448</b>	<b>4,508</b>	<b>4,604</b>
Mortgage debt	DKK	2026	Floating	1,904	1,970	2,075
Mortgage debt	DKK	2038	Floating	2,708	2,708	2,741
<b>30 April 2015</b>				<b>4,612</b>	<b>4,678</b>	<b>4,816</b>

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

## 16. OTHER CREDIT INSTITUTIONS

DKK '000	2016	2015
<b>Overdraft facility</b>	<b>4,826</b>	<b>40,037</b>
<b>The bank debt falls due as follows:</b>		
On demand within one year from the balance sheet date	4,826	40,037

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

## 17. DEFERRED RECOGNITION OF INCOME

DKK '000	2016	2015
<b>Deferred recognition of income from investment grants</b>	<b>2,864</b>	<b>3,858</b>
<b>Deferred recognition of income is recognised in the balance sheet as follows:</b>		
Long-term deferral of recognition of income	1,960	2,981
Short-term deferral of recognition of income	904	877



### Government grants – repayment obligation

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

## 18. OTHER SHORT-TERM PAYABLES AND OTHER LIABILITIES

DKK '000	2016	2015
Other public debt	3,018	7,617
Staff costs payable	14,074	14,325
Other short-term payables	26,492	31,544
Repurchase of returnable packaging	8,594	8,861
	<b>52,178</b>	<b>62,347</b>

### REPURCHASE OF RETURNABLE PACKAGING

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



THE CARRYING AMOUNT OF OTHER SHORT-TERM PAYABLES CORRESPONDS TO THE FAIR VALUE OF THE LIABILITIES.

## 19. OPERATING LEASE COMMITMENTS

For the years 2016-2021, operating leases concerning the lease of properties, machinery and other plant have been entered into. The leases have been concluded for a minimum of 3-10 years with fixed lease payments to be indexed annually. The leases cannot be terminated within the period stated, after which they may be renewed for periods of one year.

DKK '000	2016	2015
<b>Minimum lease payments recognised in the income statement</b>	<b>1,414</b>	<b>1,421</b>
The minimum lease payments comprise:		
Production costs	561	722
Distribution costs	508	326
Administrative expenses	345	373
The total future minimum lease payments for non-terminable leases fall due as follows:		
Within one year from the balance sheet date	1,457	1,036
Between two and five years from the balance sheet date	2,428	1,716
After five years from the balance sheet date	0	24
	<b>3,885</b>	<b>2,776</b>

The company leases land and buildings from companies having Bernhard Griese, CEO, and his close relatives as main shareholders. The annual rent amounts to DKK 63k (2014/2015: DKK 175k).

## 20. CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

DKK '000	2016	2015
<b>Contingent liabilities</b>		
The parent has provided a guarantee for the mortgage debt of its subsidiaries. The guarantee has been maximised to cover the remaining debt.		
<b>Debt of subsidiaries</b>	<b>179,900</b>	<b>195,857</b>

### **Pending cases**

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

### **Joint taxation**

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

### **Contingent liability**

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

## 21. CHANGE IN NET WORKING CAPITAL

DKK '000	2016	2015
Change in inventories	(10,689)	10,538
Change in receivables	(19,392)	28,489
Change in trade payables etc.	14,991	(20,175)
Change in other payables	(10,169)	8,364
	<b>(25,259)</b>	<b>27,216</b>

## 22. FEE TO AUDITORS

DKK '000	2016	2015
Statutory audit	1,155	1,282
Other assurance engagements	16	6
Tax advice	122	190
Other services	85	52
	<b>1,378</b>	<b>1,530</b>

## 23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

DKK '000	2015/2016	2014/2015
<b>Categories of financial instruments</b>		
Receivables	85,829	66,436
Receivables from subsidiaries, short-term	0	617
Receivables from subsidiaries, long-term	29,291	24,242
Cash	1,826	18,738
<b>Loans and receivables</b>	<b>116,946</b>	<b>110,033</b>
<b>Financial assets available for sale</b>		
Mortgage debt	4,448	4,612
Other credit institutions	4,826	40,037
Trade payables	62,435	47,444
Payables to subsidiaries	299,057	254,130
Other payables	52,178	62,347
<b>Financial liabilities measured at amortised cost</b>	<b>422,944</b>	<b>408,570</b>

### **Financial risk management policy**

Please refer to the risk section in the management's review, page 35 and note 26, in the consolidated financial statements.

### **Currency risks concerning recognised assets and liabilities**

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

DKK '000	Cash and cash equivalents	Receivables	Liabilities	Net position
EUR	68	64,310	(299,487)	(235,109)
SEK	1,425	3,546	(1,011)	3,960
NOK	0	0	(397)	(397)
Other currencies	64	3	(1)	66
<b>30 April 2016</b>	<b>1,557</b>	<b>67,859</b>	<b>(300,896)</b>	<b>(231,480)</b>
EUR	68	52,395	(274,385)	(221,922)
SEK	18,169	3,705	(627)	21,247
NOK	0	0	(495)	(495)
Other currencies	3	2	(20)	(15)
<b>30 April 2015</b>	<b>18,240</b>	<b>56,102</b>	<b>275,527</b>	<b>201,185</b>

## 23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED

### **i** Sensitivity analysis concerning foreign exchange

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

DKK '000	2015/2016	2014/2015
<b>Equity's sensitivity to exchange rate fluctuations</b>		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	1,447	1,438
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(864)	(1,523)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	15	(28)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	1	0
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	23	(21)
Effect if the GBP exchange rate was 5% lower than the actual exchange rate	2	(20)
	<b>624</b>	<b>(154)</b>
<b>Sensitivity of net profit or loss to exchange rate fluctuations</b>		
Effect if the EUR exchange rate was 1% lower than the actual exchange rate	(387)	(259)
Effect if the SEK exchange rate was 5% lower than the actual exchange rate	(710)	(710)
Effect if the NOK exchange rate was 5% lower than the actual exchange rate	0	(46)
Effect if the USD exchange rate was 5% lower than the actual exchange rate	4	0
Effect if the CHF exchange rate was 5% lower than the actual exchange rate	23	(21)
Effect if the GBP exchange rate was 5% lower than the actual exchange rate	2	(20)
	<b>(1,068)</b>	<b>(1,056)</b>

### **i** Currency risks concerning future cash flows

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

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

### **i** Interest rate risks

Due to the Harboe group's capital structure, the risk relating to fluctuations in market rates is limited. The parent's net interest-bearing debt as at 30 April 2016 was DKK 276.0 million (2015: DKK 254.4 million). The debt carries a floating rate of interest.

An increase in the market interest rate of 1% would affect the profit or loss for the year before tax negatively by approx. DKK 2.8 million (2014/2015: approx. DKK 2.5 million).

## 23. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED

### **Liquidity risks**

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

DKK '000	2016	2015
<b>The liquidity reserve comprises:</b>		
Cash	1,826	18,738
Undrawn credit facilities (group)	195,174	159,963
<b>Liquid reserves</b>	<b>197,000</b>	<b>178,701</b>
<b>Cash and cash equivalents in the cash flow statement comprise:</b>		
Cash	1,826	18,738
Bank debt	(4,826)	(40,037)
Intercompany balance, payables	(299,057)	(253,513)
<b>Cash and cash equivalents</b>	<b>(302,057)</b>	<b>(274,812)</b>

### **Credit risks**

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

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

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

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

### **Capital structure**

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

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

### **Non-fulfilment of loan agreements**

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



## 24. RELATED PARTIES

### Related parties with a controlling influence

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

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

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

### Transactions with related parties

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

DKK '000	Subsidiaries	Owners with a controlling influence in Harboes Bryggeri A/S*	Members of the Board of Directors, the Board of Executives and other key staff members	Other related parties	Total
<b>2015/16</b>					
Sale of goods	128,707	2,391	0	0	131,098
Purchase of goods	42,330	4,035	12	0	46,377
Sale of non-current assets	0	655	0	0	655
Purchase of non-current assets	6,610	9,581	0	0	16,191
Sale of services	11,102	1,064	0	0	12,166
Purchase of services	999	1,608	180	336	3,123
Sale of leases	518	167	0	0	685
Purchase of leases	145	157	0	0	302
Dividend received	0	0	0	0	0
Fees etc.	0	5,230	14,390	572	20,192
Trade receivables etc.	43,241	273	0	0	43,514
Trade payables etc.	312,817	542	0	0	313,359
Security; see note 20	179,900	0	0	0	179,900
Distribution of dividend	0	1,858	93	42	1,993
<b>2014/15</b>					
Sale of goods	96,872	1,417	0	0	98,289
Purchase of goods	40,750	166	0	0	40,916
Sale of non-current assets	156	211	0	0	367
Purchase of non-current assets	0	0	0	0	0
Sale of services	8,075	762	0	0	8,837
Purchase of services	2,714	1,240	355	378	4,687
Sale of leases	386	264	0	0	650
Purchase of leases	122	534	0	0	656
Dividend received	458	0	0	0	458
Fees etc.	0	5,004	13,098	418	18,520
Trade receivables etc.	36,321	2,996	0	0	39,317
Trade payables etc.	265,592	330	0	0	265,922
Security; see note 20	195,857	0	0	0	195,857
Distribution of dividend	0	1,818	83	41	1,952

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

### **i** Additional information

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

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

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

## 25. ACCOUNTING POLICIES ETC.

---

### ACCOUNTING POLICIES

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

### SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

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

### ADDITIONAL INFORMATION

## COMPANY INFORMATION

---

### COMPANY

Harboes Bryggeri A/S

Spegerborgvej 34, 4230 Skælskør, Denmark

CVR no.: 43 91 05 15

Registered in: Municipality of Slagelse, Denmark

Financial year: 1 May – 30 April

[www.harboes.dk](http://www.harboes.dk)

### BOARD OF DIRECTORS

Anders Nielsen, Chairman, Lawyer

Bernhard Griese, CEO

Mads O. Krage, Executive Officer

Karina Harboe Laursen, CEO

Thøger Thøgersen, CEO

Carl Erik Kjærsgaard, CEO

Jens Bjarne Søndergaard Jensen, Brewery Worker\*

\*) Staff representative

### BOARD OF EXECUTIVES

Bernhard Griese

### AUDIT

Deloitte Statsautoriseret Revisionspartnerselskab

### GENERAL MEETING

The annual general meeting will be held on 22 August 2016 at 10.00 am at Harboes Bryggeri A/S, Skælskør, Denmark



