



## **STOCK EXCHANGE ANNOUNCEMENT**

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

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### **HARBOES BRYGGERI A/S**

#### **Announcement of financial results for the year ended 30 April 2008**

To

#### **OMX The Nordic Exchange Copenhagen**

The Board of Directors of Harboes Bryggeri A/S today considered and approved the financial statements for the year ended 30 April 2008.

The report is reviewed on the following pages.

Skælskør, 1 July 2008

Anders Nielsen  
Chairman

Bernhard Griese  
CEO

## STOCK EXCHANGE ANNOUNCEMENT



### HARBOES BRYGGERI A/S

#### Annual report for the year ended 30 April 2008

#### Highlights:

- Revenue fell by 0.9 per cent to DKK 1.37 billion.
  - Revenue in the brewery business fell by 4.4 per cent to DKK 1.14 billion.
  - Revenue in the foodstuff business increased by 20.6 per cent to DKK 233.6 million.
- Sales of beer and soft drinks, including malt beverages and malt wort products make up 5.3 million hectolitres compared to 5.7 million hectolitres last year.
- Operating profit (EBIT) was DKK 21.6 million from DKK 88.3 million last year.
  - Operating profit (EBIT) for the brewery business was down DKK 67.6 million to DKK 20.6 million.
  - The foodstuff business recorded an operating profit (EBIT) of DKK 1.0 million, compared to an operating loss (EBIT) of DKK 0.1 million last year.
- Consolidated profit before tax amounted to DKK 16.3 million as against DKK 85.5 million last year.
- The profit before tax lived up to the guidance in the range of DKK 15–20 million provided in the Q3 interim report.
- The group made investments of DKK 201.1 million during the financial year, of which DKK 122.4 million was recognised as assets under construction as of 30 April 2007.
- Cash flows from operating activities were an inflow of DKK 56.9 million and the free cash flows were an outflow of DKK 50.2 million.
- The board of directors proposes a dividend of DKK 1.50 per share, equivalent to DKK 9 million, equal to a pay-out ratio of 15.

**For further information, call**  
CEO Bernhard Giese  
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## Financial highlights

	2007/08 DKKm	2006/07 DKKm	2005/06 DKKm	2004/05 DKKm	2003/04 <sup>*)</sup> DKKm
<b>Key figures</b>					
<b>Earnings</b>					
Gross revenue	1,607.4	1,649.4	1,633.5	1,753.7	1,671.5
Taxes on beer and soft drinks	(236.5)	(266.6)	(272.2)	(302.0)	(312.7)
Net revenue	1,370.9	1,382.8	1,361.3	1,451.7	1,358.8
Operating profit (EBIT)	21.6	88.3	98.8	136.7	105.1
Profit before tax	16.3	85.5	94.6	130.2	97.3
Net profit for the year	20.1	56.5	65.5	86.1	64.4
<b>Balance sheet</b>					
Non-current assets	809.7	840.9	777.2	803.0	697.4
Current assets	389.5	374.0	366.4	391.6	326.5
Long-term liabilities	108.7	124.0	133.3	149.3	119.0
Current liabilities	393.7	405.1	332.8	425.8	303.9
Equity	696.9	685.8	677.4	619.4	486.7
Total assets	1,199.3	1,214.9	1,143.6	1,194.6	1,023.9
Interest-bearing debt	92.3	73.5	70.4	86.3	137.3
Net interest-bearing debt	80.0	46.1	0	0	104.2
<b>Investments, etc.</b>					
Investments in intangible assets	6.1	0	0	0	0
Investments in tangible assets	180.3	73.5	96.4	187.2	124.0
Depreciation and impairment losses	109.0	103.0	100.9	95.6	95.6
<b>Cash flows</b>					
Cash flows from operating activities	56.9	86.6	124.8	197.4	129.4
Cash flows from investing activities	(97.5)	(111.0)	(118.4)	(153.4)	(127.0)
Cash flows from financing activities	(9.6)	(44.6)	(17.1)	44.5	22.0
Changes in cash	(50.2)	(69.0)	(10.7)	88.5	24.4

## Financial highlights

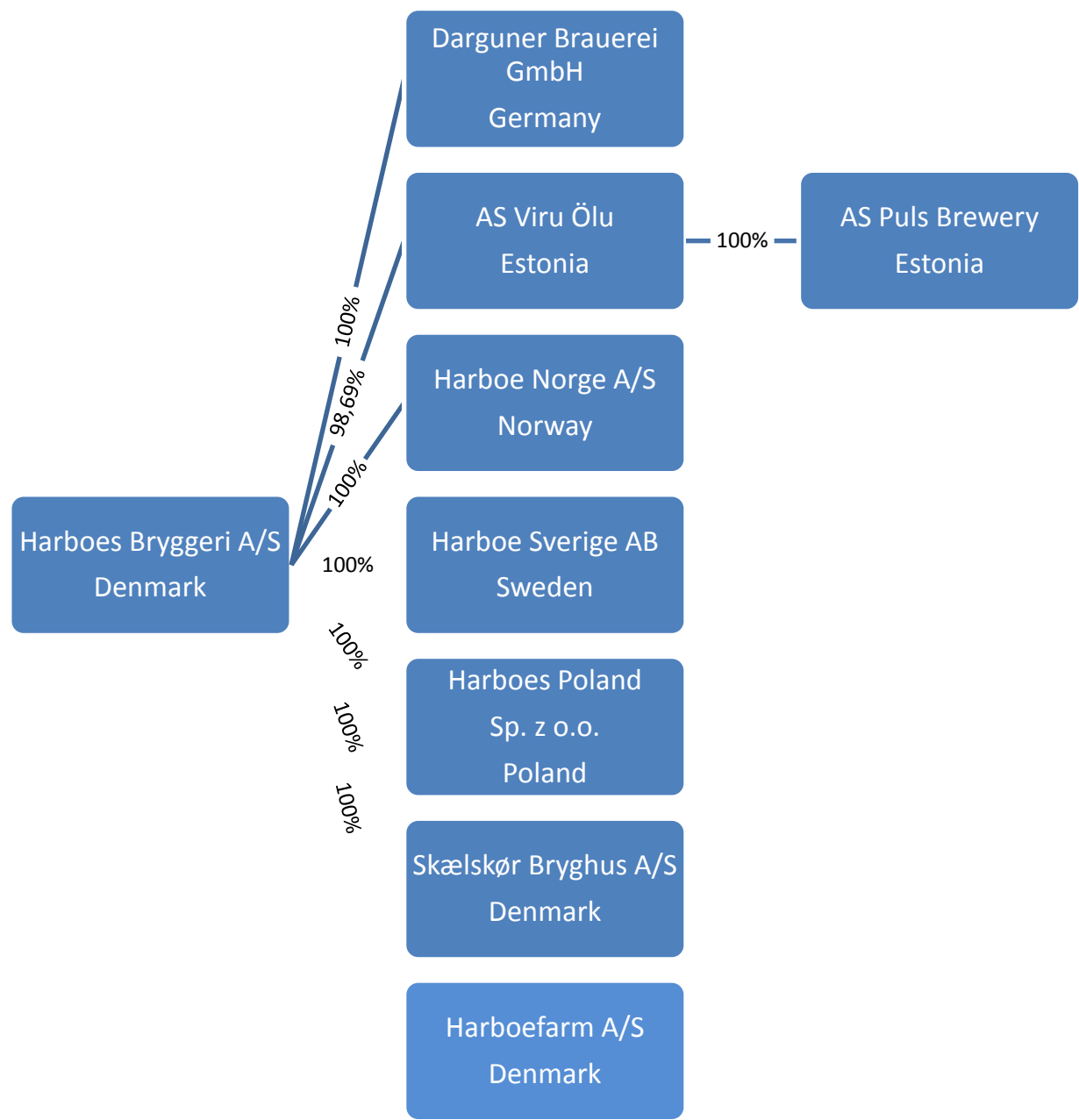
	2007/08	2006/07	2005/06	2004/05	2003/04 <sup>*)</sup>
<b>Ratios in %</b>					
Operating margin	1.6	6.4	7.3	9.4	7.7
Return on net assets	1.8	7.9	9.2	13.1	10.9
Return on equity	2.9	8.3	10.1	15.6	14.5
Equity ratio	58.2	56.4	59.2	51.9	47.5
Gearing	11.5	6.7	0.0	0.0	28.2
Cash ratio	99.0	92.3	110.1	92.0	107.4
Return on invested capital	2.0	8.6	9.9	14.7	10.8
<b>Market-related ratios <sup>**</sup></b>					
Earnings per share of DKK 10, DKK	3.4	9.5	11.0	14.8	10.7
Cash flow per share of DKK 10, DKK	9.6	14.6	21.0	34.0	21.6
Net asset value per share of DKK 10, DKK	116.1	114.2	112.9	103.2	86.0
Share price, year end	137.0	218.2	222.1	207.1	142.0
Price/earnings	40.4	23.0	20.2	14.0	12.5
Dividend per share of DKK 10, DKK	1.5	-	8.0	1.5	1.0
<b>Employees</b>					
Average number of employees (FTE)	483	486	531	624	694

<sup>\*)</sup> The financial highlights and key ratios for 2007/08, 2006/07, 2005/06 and 2004/05 have been prepared in accordance with IFRS. See the description in note 1 to the financial statements. Comparative figures for 2003/04 have not been restated to reflect the change of accounting policies on transition to IFRS reporting, but have been stated in accordance with the previous accounting policies based on the provisions of the Danish Financial Statements Act and Danish accounting standards.

<sup>\*\*</sup> Comparative figures have been restated to reflect the redenomination of the shares from DKK 100 to DKK 10 nominal value.

Group Chart

At 30 April 2008, the group consisted of the following companies:



## **Management's review**

### **Core business**

Harboes Bryggeri A/S is listed on the Copenhagen Stock Exchange and is the parent of the Harboe Group.

The group's core business, constituting more than 85.5 per cent of the total gross revenue of the group, is the production and sale of beer, soft drinks, malt beverages and malt wort products.

The Harboefarm A/S foodstuff company and its sale of centrally packaged fresh and processed meat for the retail sector contributes the remaining 14.5 per cent of revenue.

### **Economic development of the group**

#### **Investments in growth and added value**

In the past financial year, we have faced challenges in a large number of areas. The first challenge – and the one most obviously impacting the bottom line – concerned market developments that put our results under considerable pressure. Demand was generally falling, to a large extent influenced by the unusually wet and cold summer in 2007. This had a very negative impact on our sales which were under additional pressure from intensifying competition from branded beers which were, to a very large extent, being sold at discounted prices by virtually all retail chains in the Danish market.

At the same time, intense competition meant that we could only, to a limited extent, compensate for the effects of the dramatically increasing prices of both raw materials, consumables, pay and distribution by increasing our sales prices. Earnings margin for our core products, which do not leave much flexibility as it is, were therefore reduced further.

Moreover, we encountered several unexpected challenges in connection with the commissioning of our new processing plant in Germany, which ended up being delayed for six months. This resulted in further additional costs and loss of revenue as the planned launch of new products was delayed.

All in all, these challenges meant lower revenue and a markedly lower net profit compared with last year. Which, of course, is not satisfactory.

However, it takes more than difficult market conditions and unforeseen challenges for our courage to fail and for us to give up on our ambitions. On the contrary, developments have underlined the importance of realising the strategy which we have laid down. A strategy which will enable Harboe to create new growth and more added value in future, and which has further boosted energy levels and our eagerness to move on.

## Management's review

In the past year, we have therefore devoted intensive efforts to the targeted development of a whole range of new products. A significant number of these products have been made possible by the new production technology which has been introduced at the new processing plant in Germany. And the market's initial reaction to these products combined with the increased flexibility which the new plant adds to our production capacity underpins our belief that this investment was right and will add value. Intensive development activities have also meant that, in the course of the coming financial year, we will be able to launch several other exciting new beer and soft drink products, all targeted at special segments where price levels – and thereby earnings margins – are more attractive.

However, we have also worked to strengthen Harboe's strategic foundation and potential in other areas. The sales organisation has been strengthened and is undergoing constant development. This is, among other things, taking place as part of a strategic development of Harboe's existing customer segments, and the work has already resulted in several important contracts within, e.g., the convenience segment.

As a natural element in the implementation of Harboe's growth strategy, a new and ambitious marketing strategy has also been formulated. This is intended to support the launch of new products and includes, to a much greater extent than previously, a whole new range of consumer-targeted activities.

Innovation and new knowledge has generally been pivotal to Harboe's strategic initiatives in the past year. And the same will, to at least the same extent, be the case in the coming years as we continue to strengthen and develop Harboe's organisation, products and results.

One initiative is our plan to renew and strengthen the Board of Directors with new and competent resources in the coming year. At the annual general meeting in August, Harboe's shareholders will elect three new members who, each in their own way, will add valuable and relevant competencies to the Harboe top management. The three candidates are described elsewhere in this report, but let me mention that they are all professional businessmen and women who will add new and valuable knowledge to Harboe within product development as well as sales and marketing.

Many challenges lie ahead of us – both in the coming year and when looking further into the future. However, I feel that in 2007/2008 we took an important step towards realising our strategy, while at the same time becoming more geared to tackling the challenges which the future may throw at us, and when I meet employees in the organisation, I sense a tremendous enthusiasm and strong commitment. Altogether this makes me feel confident that we will achieve our goals.

## **Management's review**

### **Brewery sector**

The retail sector is the primary market segment for all three breweries – Harboes Bryggeri A/S in Denmark, Darguner Brauerei GmbH in Germany and AS Viru Õlu in Estonia.

The considerable investments made in recent years in expanding production facilities in the breweries sector, most recently the new production facilities for the production of cold-tapped products such as juices and smoothies, have resulted in greater flexibility in terms of both production and sales, as well as increasing the combined production capacity by 1 million hectolitres to approx. 9 million hectolitres.

This has paved the way for further organic growth in both existing and new markets.

### **The foodstuff sector**

In FY 2007/08, the foodstuff business Harboefarm A/S saw a continued positive development in sales with continued focus on packaged fresh products for the retail sector.



## **Management's review**

### **Group**

#### **Gross revenue**

In 2007/08, gross revenue for the group was DKK 1.60 billion compared with DKK 1.65 billion the year before.

#### **Earnings**

Operating profit (EBIT) amounted to DKK 21.6 million compared with last year's DKK 88.3 million, down DKK 66.7 million or 75.6 per cent.

Depreciation on property, plant and equipment etc. is included in the operating profit with DKK 109.0 million compared with DKK 103.0 million the year before.

Consolidated profit before tax was DKK 16.3 million against DKK 85.5 million last year.

The profit before tax is in line with the outlook outlined in the interim report for Q3 2007/08 (cf. company announcement of 26 March 2008), in which a profit of DKK 15-20 million was expected against a profit of DKK 35-45 million announced in the company announcement of 5 December 2007 and against an original outlook of DKK 50-60 million.

The downward adjustments for the year are attributable to the effect of declining sales and additional increases in the prices of important raw materials.

Moreover, the delayed start-up of the company's strategic processing facilities for the tapping of sterile (aseptic) products has negatively affected revenue.

Net profit for 2007/08 amounted to DKK 20.1 million compared to DKK 56.5 million the year before.

The tax for the year is positively impacted by an adjustment of deferred tax amounting to DKK 9.1 million following a reduction in the corporate tax rate in Denmark and Germany.

#### **Equity**

As at 30 April 2008, equity amounted to DKK 696.9 million against DKK 685.8 million the year before.

Equity has been increased by the net profit for the period, value adjustments and foreign currency translation adjustments and less distributed dividend.

## **Management's review**

### **Investments**

Total gross investments in property, plant and equipment for the financial year amounted to DKK 194.7 million. Important investments include a new factory unit in Darguner Brauerei GmbH amounting to an investment of DKK 135 million.

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

Cash flows from operating activities amounted to DKK 56.9 million compared with DKK 86.6 million last year.

Free cash flows (changes in cash and cash equivalents) amounted to DKK -50.2 million compared with DKK -69.0 million last year.

Cash resources, which are composed of cash and credits granted but not yet activated, amount to DKK 107.8 million as at 30 April 2008. Added to this is the holding of treasury shares amounting to DKK 6.9 million stated at stock market value as at 30 April 2008.

The net interest-bearing debt was DKK 80.0 million as at 30 April 2008.

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

After the end of the financial year, the group has added long-term credit facilities of DKK 300 million to its cash resources.

However, the objective of the group is still to expand primarily through organic growth financed for the most part through the company's own funds.

## Management's review

### Outlook

Increased globalisation has spurred the establishment of a number of large European purchasing organisations which demand large capacity, high quality, reliable deliveries and the best possible prices from their suppliers.

Considerable investments in recent years in new production facilities and increased capacity at all three breweries have allowed the brewery sector to broaden its strategic platform as an attractive supplier to retail stores in Denmark and abroad.

The investment in a new aseptic plant has underpinned the company's position and resulted in a stronger platform from which to develop sales of new products to existing customers in the retail trade, as well as creating an opening in relation to customer segments within convenience and food service.

Thanks to the new facilities, the company can further strengthen its focus on innovation and its activities within the development of products and packaging.

In FY 2008/2009, a number of new products will thus be launched which, together with the new marketing strategy, will support sales of these value-adding products.

Given the competitive situation for the foodstuff business Harboefarm A/S in a market which is focusing on food safety, Harboefarm A/S is expected to maintain activity levels.

Investments planned for 2008/2009 are in the order of DKK 100-120 million.

In view of the company's aim of keeping abreast of developments within important product areas, investments will be subject to constant scrutiny and assessed both in relation to maintaining the current market share and expanding it.

Given the fact that competition remains fierce in important key markets and given the increasing commodity prices, the company does not expect to be able to increase sales prices to reflect the increased production costs in full.

In 2008/2009, depreciation and amortisation will increase by an additional DKK 12 million.

Under the given circumstances, consolidated profit for 2008/2009 is expected to be in the range of DKK 35-45 million.

In 2008/09, cash flows from operating activities are expected to be in the range of DKK 140-150 million.

## **Management's review**

The Board of Directors proposes that dividend of DKK 1.50 be paid per share, corresponding to a payout ratio of 15 per cent or total dividend of DKK 9 million.

To ensure continued growth and earnings, the company must follow developments and international trends, for which reason a high level of financial resources remains of decisive importance.

After the end of the financial year, the company has thus entered into an agreement concerning a long-term credit facility of DKK 300 million.

However, the company still aims for organic growth to be financed to a very large extent by its own funds.

## **Management's review**

### **Objectives and strategy**

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

Harboe produces and sells beer, soft drinks, malt drinks and malt wort products, its primary geographical focus being Germany, Scandinavia and the other countries bordering the Baltic Sea. Today, Harboe's products are marketed in Denmark, Germany, Sweden, Norway and the Baltic states as well as in a number of export markets around the world.

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

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

#### **Focus on innovation and added value**

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

However, Harboe's continued growth will primarily be created through targeted product development and establishment within new and less price-sensitive product segments. The strategy is based on the strong position enjoyed by the group among the large retail chains which usually welcome new products from Harboe, providing the basis for a number of obvious synergies within sales and distribution. In the coming years, Harboe will therefore focus intensely on innovation, and the group's investment focus will to a large extent be aimed at a further strengthening of activities within the development of products and packaging. Innovation will also be a keyword in Harboe's sales and marketing activities. Focus will be on establishing a position for itself within new customer segments, and a new marketing strategy has been laid down which will be implemented in connection with the launch of new products in collaboration with customers and with a large number of activities targeted directly at consumers.

## Management's review

### Strategic growth initiatives in 2007/2008

Efficient and flexible production facilities are a precondition for maintaining the company's market position within its core business, while at the same time realising an ambitious product development strategy.

In FY 2007/2008, Harboe therefore implemented phase one of an approx. DKK 300 million investment into a new factory unit for cold-sterile (aseptic) production in the group's new German company. The process plant was commissioned in November 2007.

The process plant enables Harboe to produce cold-tapped products based on fresh fruit and raw ingredients in an aseptic (alkaline) and sterile environment. Among other things, this makes it possible to make products without adding preservatives. At the same time, the plant has provided Harboe with a strategically important expansion of capacity for existing products. In this way, a solid platform has been established for new growth as well as markedly increased flexibility in relation to seasonal fluctuations.

The new production technology has initially been used for the production of juices and smoothies, which will be supplemented by a number of additional fruit varieties in the coming financial years. Harboe has also progressed considerably with its preparations for the launch of a number of other products within new product segments, including e.g. cider products, energy drinks and ice tea. Common to the new products is that they address special segments in which prices are generally higher than for private-label products, thus having potential for less sensitive earnings margins. A central element in the development activities is also the company's ambition to keep developing innovative packaging which will lead the way from the point of view of quality and marketing, while at the same time meeting the demands for cost-efficient production.

Concurrently with these activities, Harboe is also focusing on product development within the group's core segments. In this context, developments include an organic soft drinks series and several new beer products which will be pivotal to the execution of Harboe's new marketing strategy. In connection with Harboe's 125th anniversary in August 2008, a special anniversary beer has also been developed for launching over the summer. An innovation initiative which has already been successfully implemented is the launch of Skælskør Bryghus. In the past financial year, a number of specialty beers were launched which have been positively received by the market, and several new types of beer are in the pipeline.

Concurrently with these development activities, Harboe is continuing to push the boundaries within the drinks segment. In the coming years, the group will invest DKK 50 million in the establishment of an evaporation plant in conjunction with Harboe's existing facilities in Skælskør. With the new plant, which will be commissioned in November 2008, Harboe's capacity for producing malt extract will be quadrupled. With the plant, Harboe will have its own cost-efficient production of malt extract, while also being able to sell a number of variants of finished malt extracts to various manufacturers within the food industry.

## **Management's review**

Harboe will also in future continue to make important strategic investments in product development with a view to constantly strengthening its core business and increasing the share of specialty products as a primary means of ensuring continued growth and the addition of value.

### **The foodstuff sector**

The strategic aim of Harboe's foodstuffs business is to maintain the company's high quality and food safety standards and to ensure that the business makes a positive contribution to the group's earnings.

### **Financial targets**

The launch of new products is expected to contribute positively to maintaining customer relations, and will already from 2008/2009 be a central element in the company's continued growth.

However, in the coming financial year, considerable resources will also be invested in the launch of new products, while Harboe also expects to further strengthen its development organisation. Harboe expects to see an increase in revenue in 2008/2009 and improved results compared to 2007/2008.

After this period, it is Harboe's ambition – through an additional strengthening of customer relations, development activities and the streamlining of production and through continued targeted innovation – to achieve an annual growth in revenue of more than 5 per cent within the next few years and a profit margin of more than 8 per cent.

The group's objective for its capital structure is based on a wish to maintain a high level of financial resources at all times to enable investments in continued organic growth and the addition of value through 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 larger partnerships. At the same time, the financial resources must ensure that the group can live up to its objective of guaranteeing a regular return for shareholders through the distribution of dividend or share buy-back programmes.

## **Management's review**

### **Customers and main markets**

The brewery sector's main markets continue to comprise Denmark, Norway, Sweden, the Baltic countries and Germany, including the Danish-German border area.

In addition, specialty products are being exported to a large number of countries which have seen growth in recent years.

The past year has seen further consolidation among the company's customers and among competing suppliers, which has led to a further strengthening of the competition in the company's main markets.

The company sells its products to the retail sector, primarily within the private-label segment, which is continuing to see growth throughout much of Europe.

Despite the extremely difficult market conditions, the brewery sector has chosen to maintain its strategic focus and has continued to drive developments in these markets and to provide customers with quality, reliable supplies and an up-to-date product programme. In step with the introduction of the company's new product portfolio within the juice and smoothies segment, new sales channels within convenience and food service have been opened; a customer segment which the company expects to develop further.

### **Denmark**

Beer consumption has been falling in Denmark over the past ten years and continued to fall further in 2007. Further intensifying price competition, which has meant, that branded beer is being sold at discount prices, has led to a drop in sales of private label products by an estimated 6 per cent within the beer segment in 2007.

It is estimated that the Danish soft drinks market fell by 4 per cent in 2007, which is also reflected in Harboe's soft drinks sales.

### **Germany**

Beer sales are believed to be falling in Germany.

The soft drinks market is continuing to grow and is believed to have increased by approx. 8 per cent. Growth within the soft drinks segment is based on innovation and new products. Focus on new product areas and new trends spurred investments in a new factory unit for the production of aseptic products such as juices, smoothies and milk-based products.

In 2007/08, Darguner Brauerei's total revenue in the German market was affected by a wet and not very sunny summer, but otherwise saw positive development with the influx of new customers and sales of an extended product programme to existing customers.



## **Management's review**

Intensifying competition in the border trade across the German/Danish border has led to a fall in sales.

### **Sweden**

The Swedish market has seen a fall in beer sales as well as a fall in sales of soft drinks.

New customers and extended collaboration with existing customers will continue to strengthen Harboe's position in the Swedish market.

A strengthened sales organisation, together with a network of skilled distributors, will ensure the continued development of the company's position, leading to further growth and expansion – helped also by the introduction of new and innovative products.

### **Baltic countries**

The Baltic countries have seen a slight increase in beer sales, while the soft drinks market is growing and open to new products. With Viru Ölu's focus on new and innovative products, the Estonian market has seen particularly positive developments.

To underpin continued expansion and wider distribution, Viru Ölu acquired the rights to the locally well-known PULS beer brand at the end of FY 2007/08. PULS has been marketed intensely in Estonia in the past three years, which has resulted in a high level of consumer recognition. The rights to the beer brand also come with rights to soft drinks and cider products.

The new PULS products and their inherent potential are expected to contribute further to Viru Ölu's positive development.

### **Exports**

The company exports a wide range of beers and non-alcoholic beverages. The export market comprises more than 50 countries on all continents. Distribution is primarily via local distributors with whom long-term agreements have been made.

The export markets, which are a strategic focus area, have developed positively in recent years. This development is expected to continue – also in step with the development of new and innovative products intended for the overseas markets.

## **Management's review**

### **Innovation and product development**

The brewery sector has in the past ten years made investments amounting to DKK 1.1 billion.

Investments are important to fulfilling the company's strategy of continuing to ensure a high level of sales within the beer and soft drinks segments, while at the same time focusing on developments and new trends within these categories with regard to product types and quality as well as packaging and package solutions.

As part of this strategy, the company has invested in a new high-tech process plant for the manufacture of aseptic products, which makes it possible to manufacture products without the use of preservatives. With the new production technology, the company has been able to produce a large number of new quality products targeted at a fast-growing segment of consumers who are demanding innovative products within the beverages segment; products which meet consumers' and the market's increasing demand for products which are both healthy and natural.

The company has decided to focus on four product categories: juice, smoothies, ice coffee and milk-based beverages.

In January 2008, the new juice and smoothies variants were introduced in the Danish and German markets, and the products have most recently been launched in Sweden.

In Denmark and Sweden, the products have been launched under the PURE name, while they are primarily sold within the private label segment in Germany. Product development continues within this segment, and a large number of new and exciting variants are due to be introduced in 2008.

The development and launch of the new juice and smoothies products have naturally attracted considerable attention, while new soft drinks products without preservatives have also been developed, based at the new aseptic plant. These products are seeing increasing demand in the German market. Moreover, a children's series containing 50 per cent juice and without preservatives has been introduced, while a large number of new specialty products have also been developed.

In 2007/08, Skælskør Bryghus developed and launched a product range within the specialty beer segment; a series which in 2008 will be supplemented by new and exciting variants.

In the German market, additional variants of beer mix products have been introduced, now also based on wheat beer.

## **Management's review**

As part of the company's strategy of pursuing targeted product development to create continued growth, the development of more new specialty products has been initiated in the past year. These products have already been or are due to be introduced to the company's main markets.

More new and exciting packagings have been developed and are ready for introduction. Thus, two new alcoholic cider products were launched in June, and a new alcoholic energy drink – X-Ray Fire – has been introduced in a new slim tin.

Based on investments already initiated, 2008/09 will see the development and launch of a large number of new products within both the beer and the soft drinks segment.

## **Management's review**

### **Production and capacity**

Harboe's three breweries in Denmark, Germany and Estonia produced and sold a total of 5.3 million hectolitres of beer and soft drinks. It is of decisive strategic importance for the breweries to have modern production facilities which can ensure high quality, flexible capacity and the highest possible efficiency with a view to keeping production costs at a competitive level. Capacity must be adequate, also during the peak season, and the delivery rate must be first-class.

In 2007/08, phase one of the company's new strategic process plant for the tapping of sterile (aseptic) products was thus implemented. The process plant has increased the brewery's combined capacity by 1 million hectolitres, bringing the total production capacity to approx. 9 million hectolitres.

The plant, the commissioning of which was delayed for six months, is now fully up and running and displaying very satisfactory functionality.

The delayed start-up of production meant that the introduction of new products was postponed in certain markets.

The plant is therefore not yet working to full capacity, but has meant more reliable deliveries as it has freed up capacity at other plants.

The total investment in the aseptic plant has amounted to DKK 135 million, of which an amount of DKK 34.5 million is covered by an investment grant. In FY 2007/08, an amount of DKK 4.8 million was received, whereas the rest of the investment grant, approx. DKK 30.0 million is expected to be paid out at the end of 2008. Due to the delayed launch of the first aseptic products and on account of the unutilised capacity at the plant, the management does not expect phase two of the strategic investment to be initiated until FY 2009/10 at the earliest.

In addition to the investment in the new plant, the year has seen improvements, optimisations and expansions of the plants in Denmark, Germany and Estonia amounting to approx. DKK 60 million

With reference to the strategic focus on innovation and the development of new and value-adding products, investments are being made and production plants are being streamlined with a view to delivering solutions which are geared to the future.

In FY 2008/2009, investments are expected to total DKK 100-120 million, with the investment in a new processing plant for the production of malt extract amounting to DKK 50 million.

## **Management's review**

### **Risks**

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

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

### **Production and quality**

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

### **Competition and prices**

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

### **Season and capacity**

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

### **Customers and agreements**

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

## **Management's review**

### **Product development and sales**

The successful introduction of new products is an important precondition for Harboe's continued growth. It is therefore decisive that the market comes to accept the new products, and that the products meet or can help drive demand in the markets. Harboe's product development strategy is therefore based on a close and ongoing dialogue with customers, detailed market analyses combined with the targeted exploitation of new production technologies and innovative product design. Moreover, in 2007/08 Harboe formulated a new marketing strategy, comprising among other things a marked increase in activities targeted at consumers.

### **Financial risks**

Due to Harboe's capital structure, the risk relating to developments in market interest rates is limited. At the end of the financial year, the company's net interest-bearing debt amounted to DKK 80 million. At this level, a 1 percentage point change in market interest rates would reduce Harboe's profit before tax by DKK 0.8 million.

As Harboe's sales and purchases in foreign currencies are primarily denominated in EUR, currency risks for the group are considered limited. The company assesses the need for hedging of other currencies on a regular basis.

## Management's review

### Shareholder information

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

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

Only the company's class B shares are listed at the OMX Nordic Exchange in Copenhagen. During the period, the Harboe share has moved from the MidCap segment to the SmallCap segment. Trading for the period amounted to DKK 929 million, corresponding to average trading per day of DKK 3.7 million.

During the year, the Harboe share traded at prices ranging between 227 and 114. This development must be seen in the context of the general development in both the MidCap and the SmallCap indices and among Harboe's Danish peer group which has also seen an increasing pressure on the price of their stock, in line with general market trends.

### Ownership

At the end of the financial year, Harboes Bryggeri A/S had 4,555 registered shareholders. This represents an increase of 261 shareholders relative to the same time last year. The registered shareholders represent DKK 53.5 million of the total share capital, corresponding to 89.1 per cent.

As at 30 April 2008, the following shareholders have registered a shareholding exceeding 5 per cent of the share capital in accordance with Section 29 of the Danish Securities Trading Act (Værdipapirhandelsloven):

Kirsten and Bernhard Giese  
Spegerborgvej 4, 4230 Skælskør, Denmark  
Capital share: 13.1%, votes: 52.1%

Lønmodtagernes Dyrtidsfond  
Vendersgade 28, 1363 Copenhagen K., Denmark  
Capital share: 20%, votes: 10.2%

Julius Bär Investment Management LLC  
NY 10017, USA  
Capital share 11.4%, votes 5.9%

## **Management's review**

As at 30 April 2008, members of the Board of Directors and the Board of Executives held a total of 783,365 shares.

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

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

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

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

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

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

At the general meeting held on 23 August 2007, the Board of Directors was authorised to acquire treasury shares with a nominal value of up to 10 per cent of the share capital at a price corresponding to the listed price plus/minus 10 per cent. This authorisation is valid until the next general meeting.

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

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

### **Investor relations policy**

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

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



## **Management's review**

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

In FY 2007/08, Harboes Bryggeri A/S published two webcasts in connection with the interim report for the first half and the annual report. These can be seen at the company website.

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

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

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

## Management's review

### Analysts

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

Danske Equities	Søren Samsøe
Enskilda Securities	Michael K. Rasmussen
Kaupthing Bank	Peter Kondrup
Handelsbanken	Kitty Grøn
Carnegie	Casper Blom
Capinordic Bank	Peter Friis
Gudme Raaschou Bank	Stig Nymann

### Dividend

The Board of Directors recommends to the annual general meeting that a dividend be paid in the amount of DKK 1.5 per share, corresponding to a total of DKK 9.0 million.

### Financial calendar

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

Interim report – Q1 2008/09	10 September 2008
Interim report – H1 2008/09	9 December 2008
Interim report – Q3 2008/09	11 March 2009

The AGM of Harboes Bryggeri A/S will be held on Thursday, 21 August 2008 in Skælskør, Denmark.

## Management's review

### Company announcements

Company announcements issued in the period 1 May 2007 to 30 April 2008:

<b>Date</b>	<b>Announcement</b>
4 June 2007	Changes in share capital and votes
21 June 2007	Financial calendar
5 July 2007	Annual Report 2006/07
13 August 2007	Notice of annual general meeting
23 August 2007	Interim report, Q1 2007/08
24 August 2007	Minutes of general meeting
30 October 2007	Financial calendar
5 December 2007	Interim report, H1 2007/08
26 March 2008	Interim report, Q3 2007/08
2 May 2008	Financial calendar

## **Management's review**

### **Corporate governance**

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

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

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

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

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

The company's general meeting is called subject to at least one week's notice, the notice being accompanied by the full agenda and the group's printed annual report.

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

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

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

### **Openness and transparency**

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

## **Management's review**

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

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

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

Harboe publishes quarterly reports.

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

Harboe's Board of Directors lays down the company's strategy and follows up on strategic initiatives and the realisation of the set targets at appropriate intervals.

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

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

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

## **Management's review**

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

Members of the Board of Directors are elected for a term of four years, and shareholders receive a description of the candidates standing prior to the general meeting. So far, the earliest elected member of the Board of Directors has been up for election each year. In connection with the general meeting in 2008, Vibeke Harboe Malling, Kirsten Griese and Karina Harboe Laursen have, however, decided to step down as members of the Board of Directors. Out of a desire to professionalise Harboe's Board of Directors with a view to strengthening the company's strategic and commercial development, the Board of Directors is recommending three new independent candidates. In the process of identifying new candidates for the Board of Directors, emphasis has been placed on adding relevant competences within strategic management, product development and sales to the Harboe management.

The candidates recommended by the Board of Directors are presented on page 40.

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

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

With the election of three new members to the Board of Directors, Harboe will, in future, follow the recommendation that most members of the Board of Directors should be independent. On the other hand, Harboe still does not comply with the recommendation that members of the Board of Executives should not at the same time be members of the Board of Directors. Harboe has decided that the Board of Directors should, for the time being at least, to some extent continue to reflect the historical ownership of the company. At the same time, the composition of the Board of Directors and their term of service ensure a continuity which Harboe finds very valuable. The optimum composition of the Board of Directors is, however, being considered at appropriate intervals, and the most recent change is an important element in these considerations.

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

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

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

It has not been necessary to appoint committees to assist the Board of Directors, but the Board of Directors will, of course, consider this option should a situation arise which would require special efforts.

## **Management's review**

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

In FY 2007/08 the Board of Directors held a total of four meetings.

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

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

This policy is described in the chairman of the Board of Director's report at the ordinary general meeting. The remuneration paid to the Board of Executives and the Board of Directors is specified in the annual report.

Members of the Board of Directors receive a fixed fee only.

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

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

### **Auditors**

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

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

So far, it has not been necessary to establish an audit committee, but Harboe's Board of Directors will consider the possibility at appropriate intervals should complex auditing and accounting matters arise which may require special preparation.

## **Management's review**

### **Harboe group staff culture**

#### **Organisation**

Harboe has a very strong corporate culture emphasising accountability, teamwork, quality and results. Our corporate culture reflects the basic values established during almost 125 years of running a family-owned and family-run company, where the management takes an active interest in the employees, their working conditions and the local environment of which Harboe is an important part. This corporate culture has been retained in step with the company having developed its international activities.

The foundation for realising Harboe's strategy and objectives is a dynamic, professional and efficient organisation. Harboe is therefore investing considerable resources in attracting and retaining the right employees, among other things by offering attractive terms of employment and considerable scope for professional and personal development at all levels within the organisation. Harboe generally attaches great importance to creating good and motivating conditions for its employees. The well-being of the company's employees is an important precondition for its success, for which reason Harboe is constantly focusing on maintaining and strengthening both its social and physical environment.

#### **Training, efficiency and quality**

The development of the competencies of its employees is a strategic focus area in Harboe, and the group is working systematically with development programmes and the training of managers and employees to be at the forefront of developments in market conditions, product innovation and production technology at all times.

In 2007/2008, training programmes were implemented as part of this strategy for team leaders in all the group's operating units. The programmes are organised with a view to increasing both the efficiency and the quality of the work routines in production. The trained team leaders are made directly responsible for the performance and quality standards achieved by their respective units, and regular follow-up on targets and results is carried out. This ensures a swift response to and follow-up on irregularities and close action-oriented management of optimisation programmes and any changes implemented. The experience from the programme is extremely positive, and the increased job content and responsibilities at team leader level have also had a positive impact on job satisfaction among employees.

In the group's new production unit at Darguner Brauerei in Germany, all employees have completed technical training programmes and, supplemented with practical experience and trouble-shooting in connection with the validation and commissioning of the plant, the production team has now attained a very high level of competencies.

At group level, managerial courses have also been organised, focusing on strategy and values, and the contents of these courses have subsequently been rolled out in all parts of the organisation through monthly information meetings, workshops and active involvement in development and streamlining activities.



## **Management's review**

As part of this, targeted Lean projects have been implemented within the area of inventory management in preparation of a number of planned Lean projects across the organisation.

In addition to the strategic projects implemented, managers and employees from across the organisation have participated in both internal and external training programmes during the financial year. The general development of competencies is supported by a formalised programme of follow-ups with each employee through annual appraisal interviews and the establishment of development plans.

## **Environmental information**

### **Sustainable development**

It is a central element in Harboe's strategy that the group's continued growth and development should be sustainable. The efficient utilisation of resources is of decisive importance to the group's financial results and continued creation of value. At the same time, being conscious of the company's responsibilities as an integrated part of society is a key element in Harboe's values. Sustainable development therefore plays a central role in Harboe's development activities, and all investments in new production technology, optimisations of existing production facilities and all product and packaging development take account of the resources involved and the general impact of activities on the environment. Moreover, Harboe is constantly investing in training and development activities to ensure that the group's employees are optimally geared to carrying out their duties in a safe and efficient manner.

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

Harboe has for a number of years prepared green accounts for the group's factory in Skælskør and has launched a strategic development project aimed at establishing common goals and reporting standards within the area of sustainability for the whole group. As part of this project, preparations are, among other things, under way for all group units to be certified in accordance with international occupational health and safety standards. This is in addition to the existing quality and environmental certifications.

It can generally be observed that continuous investments in increased efficiency and optimisation of the group's production facilities are having a positive effect on both resource consumption and emissions relative to the concurrent development in production volume. At the production unit in Skælskør, Harboe was thus in 2007/08 able to meet the requirements for general reductions in a number of central areas.

In the coming financial year, Harboe will continue its targeted efforts to analyse and map focus areas throughout the company's value chain from the point of view of sustainability, the aim being to strengthen the group's financial results and to achieve further reductions in the environmental impact of its activities. In connection

with the annual report for 2008/09, Harboe will thus be reporting according to a common standard within the focus areas identified for all the group units.

## Members of the Board of Directors, other managerial posts

Name	Managerial post	Executive post
Anders Nielsen, Lawyer Chairman	Budde Schou Int. A/S, (chairman) Danfrugt Invest A/S (chairman) Klinik Sorana A/S (chairman) Budde Schou A/S (chairman) Finn Andersen og Søn A/S (chairman) Creditreform A/S	
Mads O. Krage, Executive Officer	Løgismose NIMB A/S (chairman) Femilet A/S (chairman) Thiele Partner A/S F.A. Thiele A/S Hans Just A/S Løgismose Vin A/S Toms Gruppen A/S Danish Crown Incorporated A/S OBH Nordica Denmark A/S Holdingselskabet af 17. december 2004 A/S	
Bernhard Giese, CEO	Best Poultry International A/S (chairman) APM Danmark A/S Keldernæs A/S, (chairman) Visbjerggården A/S (chairman) Lundegård A/S, (chairman) Buskysminde A/S, (chairman) Rugbjerggård A/S, (chairman) Danfrugt Skælskør A/S, (chairman) Danfrugt Invest A/S FCS 2008 A/S	Harboes Bryggeri A/S
Karina Harboe Laursen, Business Manager	Danfrugt Invest A/S	

## Proposed candidates for the Board of Directors

### **Mette Kirstine Agger (44)**

CEO of 7TN Pharma

#### Education:

Biologist from the University of Copenhagen

MBA

#### Professional experience:

Mette Kirstine Agger worked for a number of years first as a patent agent and subsequently as a licence consultant with Plougmann, Vingtoft & Partners. In 1996-2002, she became a member of the management group of NeuroSearch and also Head of Function responsible for licence and collaboration agreements and patents. In this capacity, Mette Kirstine Agger was responsible for concluding a number of contracts with international pharmaceutical companies, participating also in the establishment of a number of new enterprises based on research projects at NeuroSearch. In 2000, Mette Kirstine Agger co-founded 7TM Pharma. Concurrently with these activities, she has completed an MBA and also held various board memberships. Mette Kirstine Agger's considerable and combined technical and business experience is expected to inject a dose of strategic vitamins into the continued development of Harboe's products and production technology.

#### Other managerial posts:

Chairman of the Board of Directors of Klifo A/S

Member of the Board of Directors of Symbion Forskerpark

### **Thøger Thøgersen (54)**

CEO of Bruuns Bazaar A/S

#### Education:

MSc in Business Administration (marketing/finance)

#### Professional experience:

Thøger Thøgersen started his professional career as a manager recruit with Dansk Supermarked A/S and in 1979 was appointed Head of Sales and Distribution in Netto A/S. In 1983, he moved on to Magasin du Nord/Illum and a position as Head of Purchasing which he held for seven years. In 2005, he became CEO of Buksesnedkeren ApS, before taking over as CEO of Bruuns Bazaar A/S the following year. Given Thøger Thøgersen's extensive knowledge and experience within sales, Harboe's Board of Directors expects him to make a competent contribution to the company's continued strategic development.

## **Proposed candidates for the Board of Directors, continued**

Other managerial posts:

Chairman of the Board of Directors of Active Sportswear

Member of the Board of Directors of Femilet A/S

### **Carl Erik Kjærsgaard (50)**

CEO of Grey Global Group Nordic

Education:

BSc in Business Administration, Copenhagen Business School

Professional experience:

Carl Erik Kjærsgaard started out in 1982 as Head of Administration with Lasse Hjortnæs A/S, in 1985 moving to the advertising industry where he became Account Manager at Dot Zero Advertising Agency A/S. In 1987, he moved to Scan Vega ApS as Product Manager, but one year later he found his way back as Account Director of FCB Advertising A/S. In 1989, he was appointed Account Director & Client Service Director at DDB NEEDHAM WORLDWIDE A/S, taking over as CEO of Grey Worldwide in Copenhagen in 1996. In 2000, he took over as CEO of Grey Global Group's Danish activities, and in 2004 he was made responsible for Grey Nordic and also became a member of Grey Global Group's Executive Committee. Carl Erik Kjærsgaard's extensive experience and talent within marketing will provide a valuable contribution to the implementation of Harboe's new marketing strategy and continued strategic growth.

Other managerial posts:

Chairman of the Board of Directors of Trunk Images A/S

Member of the Board of Directors of Computer Camp A/S

Member of the Board of Directors of Møller og Rothe A/S

Member of the Board of Directors of Zoomie A/S

## Management's review

### THE BREWERY BUSINESS – HIGHLIGHTS

	2007/08 DKKm	2006/07 DKKm	2005/06 DKKm	2004/05 DKKm	2003/04 <sup>*)</sup> DKKm
<b>Key figures</b>					
<b>Volume (millions of hectolitres)</b>					
Beer, soft drinks and malt wort products	5.30	5.70	5.31	5.15	4.46
<b>Earnings</b>					
Gross revenue	1,373.8	1,455.8	1,432.9	1,501.4	1,416.1
Taxes on beer and soft drinks	(236.5)	(266.6)	(272.2)	(302.0)	(312.7)
Net revenue	1,137.3	1,189.2	1,160.7	1,199.4	1,103.4
Operating profit (EBIT)	20.6	88.5	93.2	127.2	113.0
Profit before tax	15.9	86.6	91.1	124.0	110.0
Tax on the profit for the year	4.8	(29.3)	(27.0)	(42.3)	(36.8)
Net profit for the year	50.7	57.3	64.2	81.7	73.2
<b>Balance sheet</b>					
Non-current assets	711.3	737.7	662.1	670.6	534.3
Current assets	351.3	314.8	335.7	343.9	306.7
Equity	584.5	572.8	563.6	498.3	378.6
Long-term liabilities	102.9	112.5	117.6	131.0	81.9
Short-term liabilities	375.2	367.2	316.5	385.1	266.2
Total assets	1,062.6	1,052.5	997.8	1,014.5	841.0
<b>Investments, etc.</b>					
Investments in intangible assets	6.1	0	0	0	0
Investments	175.7	72.6	96.3	182.4	103.0
Depreciation and amortisation	97.7	90.7	86.9	81.0	81.0
<b>Cash flows</b>					
Cash flows from operating activities	66.0	66.5	110.8	171.4	95.5
Cash flows from investing activities	(92.3)	(110.8)	(120.8)	(150.7)	(100.6)
Cash flows from financing activities	(4.0)	(39.1)	(11.6)	46.4	17.7
Change in cash	(30.3)	(83.4)	(21.5)	67.1	13.5

## Management's review

	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>	<u>2004/05</u>	<u>2003/04<sup>*)</sup></u>
<b>Ratios in %</b>					
Operating margin	1.8	7.4	8.0	10.6	10.2
Return on net assets	2.0	9.2	10.1	14.6	14.7
Return on equity	3.6	10.1	12.3	19.6	22.2
Equity ratio	55.0	54.4	56.5	49.1	45.0
Current ratio	93.6	85.7	106.0	89.3	115.2
Return on invested capital	2.0	10.3	10.8	16.9	15.2
<b>Employees</b>					
Number of employees	457	467	504	540	560

<sup>\*)</sup> The financial highlights and key ratios for 2007/08, 2006/07, 2005/06 and 2004/05 have been prepared in accordance with IFRS. See the description in note 1 to the financial statements. Comparative figures for 2003/04 have not been restated to reflect the change of accounting policies on transition to IFRS reporting, but have been stated in accordance with the previous accounting policies based on the provisions of the Danish Financial Statements Act and Danish accounting standards.

## **Management's review**

### **Brewery sector**

Total sales of beer and soft drinks, including malt beverages and malt wort products, totalled 5.3 million hectolitres in the financial year, corresponding to a fall of 7.0 per cent. 71.7 per cent of the total volume was sold outside Denmark.

The fall in revenue can be attributed to the effects of a wet summer with little sunshine as well as intense competition in some of the company's main markets where branded beer and soft drinks are sold at discount prices, which has led to a fall in sales of private label products.

In the 2007/08 financial year, the brewery sector's share of gross revenue totalled DKK 1.37 billion compared with DKK 1.46 billion the year before. This represents a fall of 6.3 per cent.

The brewery sector's operating profit amounted to DKK 20.6 million compared with last year's DKK 88.5 million.

The falling sales have had a significant impact on the net profit. Moreover, additional increases in important raw ingredients and auxiliary materials as well as increasing pay and distribution costs have reduced the net profit by approx. DKK 45-50 million.

The commissioning of the company's new strategic process plant for the tapping of sterile (aseptic) products was delayed by more than six months. This delay meant that the company has had to invest considerable resources while at the same time realising a loss of earnings during this period on top of increased production costs.

Profit before tax for the brewery sector was DKK 15.9 million against DKK 86.6 million the year before.

Investments by the brewery sector totalled DKK 175.7 million and comprised the expansion and extension of production units, primarily a new aseptic production facility in Germany. Other investments made during the financial year amounted to approx. DKK 45 million.

In the 2007/08 financial year, the brewery sector employed 457 people compared with 467 in the same period last year.



## Management's review

### THE FOODSTUFF BUSINESS – HIGHLIGHTS

	2007/08 DKKm	2006/07 DKKm	2005/06 DKKm	2004/05 DKKm	2003/04 <sup>*)</sup> DKKm
<b>Key figures</b>					
<b>Earnings</b>					
Net revenue	233.6	193.7	200.7	252.3	255.5
Operating profit (EBIT)	1.0	(0.1)	5.7	9.5	(8.0)
Profit before tax	0.4	(1.1)	3.3	6.3	(12.7)
Tax on the profit for the year	(1.0)	(0.3)	(1.0)	(1.9)	3.9
Net profit for the year	(0.6)	(0.8)	1.3	4.4	(8.8)
<b>Balance sheet</b>					
Non-current assets	109.0	113.5	126.3	146.2	163.0
Current assets	38.4	59.2	30.7	47.7	49.7
Equity	112.4	113.0	113.8	112.5	108.1
Long-term liabilities	16.4	21.8	26.9	32.1	37.1
Short-term liabilities	18.6	37.9	16.3	49.3	67.5
Total assets	147.4	172.7	157.0	193.9	212.7
<b>Investments, etc.</b>					
Investments	4.6	0.9	0.1	4.8	29.9
Depreciation and amortisation	11.3	12.3	14.5	15.1	14.6
<b>Cash flows</b>					
Cash flows from operating activities	(9.0)	20.1	13.9	26.0	32.9
Cash flows from investing activities	(5.2)	(0.2)	2.4	(2.7)	(26.4)
Cash flows from financing activities	(5.6)	(5.6)	(5.5)	(1.9)	4.4
Change in cash	(19.8)	14.4	10.7	21.4	10.9
<b>Employees</b>					
Number of employees	26	19	27	84	134

<sup>\*)</sup> The financial highlights and key ratios for 2007/08, 2006/07, 2005/06 and 2004/05 have been prepared in accordance with IFRS. See the description in note 1 to the financial statements. Comparative figures for 2003/04 have not been restated to reflect the change of accounting policies on transition to IFRS reporting, but have been stated in accordance with the previous accounting policies based on the provisions of the Danish Financial Statements Act and Danish accounting standards.

## **Management's review**

### **Foodstuff sector**

Harboefarm A/S's share of revenue was DKK 233.6 million in 2007/08 compared with DKK 193.7 million the year before.

Harboefarm A/S's share of operating profit was DKK 1.0 million compared to an operating loss of DKK 0.1 million last year.

The profit before tax for 2007/08 was DKK 0.4 million against a loss of DKK -1.3 million the year before.

During the year, Harboefarm A/S has maintained a positive development in sales in the form of increasing sales to existing customers and the influx of new customers.

Close collaboration with customers on product development and the tailoring of products to meet consumer wishes have resulted in new and exciting products.

In FY 2007/08, the foodstuff sector had a total of 26 employees against nineteen the year before.

## Management's statement

Today, we have reviewed and approved the annual report of Harboes Bryggeri A/S for the financial year 1 May 2007 to 30 April 2008.

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

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the group's and the parent's assets, equity and liabilities and financial position as at 30 April 2008 and of the results of their operations and cash flows for the financial year 1 May 2007 to 30 April 2008.

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

Skælskør, 1 July 2008

## Board of Executives

Bernhard Giese  
CEO

## Board of Directors

Anders Nielsen  
Chairman

Bernhard Giese

Mads O. Krage

Vibeke Harboe Malling

Kirsten Giese

Karina Harboe Laursen

Jens Bjarne Jensen \*

\* Staff representative

## Consolidated income statement

(DKK '000)	2007/2008	2006/2007
Gross revenue	1,607,373	1,649,489
Taxes on beer and soft drinks	(236,475)	(266,557)
<b>Revenue</b>	<b>1,370,898</b>	<b>1,382,932</b>
Production costs	(1,159,156)	(1,115,029)
<b>Gross profit</b>	<b>211,742</b>	<b>267,903</b>
Other operating income	14,768	18,120
Distribution costs	(155,389)	(150,902)
Administrative costs	(38,059)	(35,393)
Other operating expenses	(11,467)	(11,400)
<b>Operating profit</b>	<b>21,595</b>	<b>88,328</b>
Share of profit after tax, associates	1,298	302
Financial income	861	865
Financial expenses	(7,444)	(3,964)
<b>Profit before tax</b>	<b>16,310</b>	<b>85,531</b>
Estimated tax on profit for the period	(4,637)	(28,809)
Adjustment of prior-year tax charge	8,435	(219)
<b>Net profit</b>	<b>20,108</b>	<b>56,503</b>
Distribution of net profit		
Parent company shareholders	20,153	56,511
Minority interests	(45)	(8)
Earnings per share and diluted earnings per share (DKK per share of DKK 10)	<b>3.4</b>	<b>9.5</b>

## Balance sheet - assets

(DKK '000)	2007/2008	2006/2007
Rights	5,723	-
Software	320	-
Intangible assets under construction	289	-
<b>Intangible assets</b>	<b>6,332</b>	<b>-</b>
Land and buildings	329,773	301,666
Plant and machinery	401,417	360,277
Other fixtures and fittings, tools and equipment	44,096	45,375
Spare parts for own machinery	4,707	5,298
Property plant and equipment under construction	13,216	122,381
<b>Property, plant and equipment</b>	<b>793,209</b>	<b>834,997</b>
Investments in associates	3,490	791
Securities	2,461	3,047
Deposits and leases	2,148	2,113
<b>Financial assets</b>	<b>8,099</b>	<b>5,951</b>
<b>Accrued tax</b>	<b>2,093</b>	<b>-</b>
<b>Non-current assets</b>	<b>809,733</b>	<b>840,948</b>
Raw material, intermediates and packaging	64,359	56,689
Finished goods and goods for re-sale	50,286	45,334
<b>Inventories</b>	<b>114,645</b>	<b>102,023</b>
Trade receivables	237,393	218,858
Receivables from associates	5,053	3,051
Other recievables	10,853	19,604
Prepayments	9,274	3,104
<b>Receivables</b>	<b>262,573</b>	<b>244,617</b>
<b>Cash</b>	<b>12,310</b>	<b>27,360</b>
<b>Current assets</b>	<b>389,528</b>	<b>374,000</b>
<b>Total assets</b>	<b>1,199,261</b>	<b>1,214,948</b>

## Balance sheet – liabilities and equity

(DKK '000)	2007/2008	2006/2007
Share capital	60,000	60,000
Share premium	51,000	51,000
Reserves	3,125	1,569
Retained earning	582,580	572,836
<b>Equity attributable to shareholder in Harboes Bryggeri A/S</b>	<b>696,705</b>	<b>685,405</b>
<b>Equity attribtuable to minority interests</b>	<b>242</b>	<b>414</b>
<b>Equity</b>	<b>696,947</b>	<b>685,819</b>
Mortgage debt	23,112	25,501
Other credit institutions	3,439	9,173
Deferred tax	37,776	51,081
Deferred income	44,335	38,275
<b>Non-current liabilities</b>	<b>108,662</b>	<b>124,030</b>
Mortgage debt	5,559	9,061
Oter credit institutions	60,196	29,722
Trade payables	186,087	213,100
Repurchase obligation, returnable packaging	36,298	31,489
Payables to associates	6,473	20,665
Other payables	71,913	61,674
Deferred income	10,066	8,972
Income tax	17,060	30,416
<b>Current liabilities</b>	<b>393,652</b>	<b>405,099</b>
<b>Liabilities</b>	<b>502,314</b>	<b>529,129</b>
<b>Total liabilities</b>	<b>1,199,261</b>	<b>1,214,948</b>

## Consolidated cash flow statement

(t.kr.)	2007/2008	2006/2007
Operating profit	21,595	88,328
Depreciation and impairment losses	109,102	101,155
Government grants recognised as income	(9,271)	(10,854)
Changes in working capital	(33,400)	(62,956)
<b>Cash flows from operating activities before changes in working capital</b>	<b>88,026</b>	<b>115,673</b>
Financial income received	1,089	865
Financial expenses paid	(7,146)	(3,399)
Income tax, paid	(25,025)	(26,546)
<b>Cash flows from operating activities</b>	<b>56,944</b>	<b>86,593</b>
Investments i intangible assets	(658)	-
Investments in property, machinery and equipment	(89,536)	(121,640)
Sales of property, machinery and equipment	322	10,543
Acquisition of subsidiaries	(6,108)	-
Changes in financial assets available for sale, net	(1,517)	121
<b>Cash flows from investing activities</b>	<b>(97,497)</b>	<b>(110,976)</b>
Dividends distributed to shareholders	(8,925)	(47,600)
Repayments of long-term debt	(20,239)	(16,662)
Proceeds from incurring financial liabilities	3,164	-
Investment grant received	16,360	19,616
<b>Cash flows from financing activities</b>	<b>(9,640)</b>	<b>(44,646)</b>
<b>Change in cash and cash equivalents</b>	<b>(50,193)</b>	<b>(69,029)</b>
Cash and cash equivalents at 1 May	8,213	77,556
Currency translation adjustments	(159)	(314)
<b>Cash and cash equivalents at 30 April</b>	<b>(42,139)</b>	<b>8,213</b>

## Consolidated statement of changes in equity 2006/07

(DKK '000)	Share capital	Share premium	Currency translation reserve	Net revaluation reserve according to the equity method	Reserve for adjustments to fair value of financial assets available for sale	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to minority interests	Total equity
<b>Equity at 1 May 2006</b>	<b>60,000</b>	<b>51,000</b>	<b>1,138</b>	<b>-</b>	<b>664</b>	<b>564,179</b>	<b>676,981</b>	<b>422</b>	<b>677,403</b>
Currency translation differences from foreign subsidiaries	-	-	(668)	-	-	-	(668)	-	(668)
Adjustment to fair value of financial assets available for sale	-	-	-	-	181	-	181	-	181
<b>Recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(668)</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>(487)</b>	<b>-</b>	<b>(487)</b>
Profit for the period	-	-	-	254	-	56,257	56,511	(8)	56,503
<b>Total net income</b>	<b>-</b>	<b>-</b>	<b>(668)</b>	<b>254</b>	<b>181</b>	<b>56,257</b>	<b>56,024</b>	<b>(8)</b>	<b>56,016</b>
Dividends distributed						(48,000)	(48,000)	-	(48,000)
Dividend from treasury shares						400	400	-	400
<b>Equity at 30 April 2007</b>	<b>60,000</b>	<b>51,000</b>	<b>470</b>	<b>254</b>	<b>845</b>	<b>572,836</b>	<b>685,405</b>	<b>414</b>	<b>685,819</b>



## Consolidated statement of changes in equity 2007/08

(DKK'000)	Share capital	Share premium	Currency translation reserve	Net revaluation reserve according to the equity method	Reserve for adjustments to fair value of financial assets available for sale	Retained earnings	Equity attributable to parent company shareholders	Equity attributable to minority interests	Total equity
<b>Equity at 1 May 2007</b>	<b>60,000</b>	<b>51,000</b>	<b>470</b>	<b>254</b>	<b>845</b>	<b>572,836</b>	<b>685,405</b>	<b>414</b>	<b>685,819</b>
Currency translation differences from foreign subsidiaries	-	-	655	-	-	-	655	-	655
Adjustment to fair value of financial assets available for sale	-	-	-	-	(583)	-	(583)	-	(583)
<b>Recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>655</b>	<b>-</b>	<b>(583)</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>72</b>
Profit for the period	-	-	-	1,484	-	18,669	20,153	(45)	20,108
<b>Total net income</b>	<b>-</b>	<b>-</b>	<b>655</b>	<b>1,484</b>	<b>(583)</b>	<b>18,669</b>	<b>20,225</b>	<b>(45)</b>	<b>20,180</b>
Indfrielse af minoritetsaktionærer	-	-	-	-	-	-	-	(127)	(127)
Dividends distributed						(9,000)	(9,000)	-	(9,000)
Dividend from treasury shares						75	75	-	75
<b>Equity at 30 April 2007</b>	<b>60,000</b>	<b>51,000</b>	<b>1,125</b>	<b>1,738</b>	<b>262</b>	<b>582,580</b>	<b>696,705</b>	<b>242</b>	<b>696,947</b>