



COMPANY ANNOUNCEMENT

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ANNUAL REPORT OF HARBOES BRYGGERI A/S **For the period 1 May 2009 - 30 April 2010**

To

NASDAQ OMX Copenhagen

The Board of Directors of Harboes Bryggeri A/S has today considered and adopted the annual report for the period 1 May 2009 - 30 April 2010.

The report is described on the following pages.

Skælskør, 29 June 2010

Anders Nielsen
Chairman of the Board

Bernhard Giese
CEO

Annual report 2009/10

2009/10 annual report of Harboes Bryggeri A/S

- Harboe's gross revenue amounted to DKK 1,804 million against DKK 1,806 million last year.
- Harboe's revenue fell by 1.3% to DKK 1,525 million. Adjusted for the weeding-out of unprofitable customer relations in the brewery sector, revenue was up.
- Consolidated profit before tax was up 65.5% at DKK 58.1 million against DKK 35.1 million last year. The profit before tax is in line with the outlook announced of a profit in the range of DKK 55-65 million.

Outlook 2010/11:

- Growth in revenue of approx. 5%.
- Profit before tax of DKK 65-75 million.

CEO Bernd Giese on the annual report:

"The results are in line with the outlook announced, and we realise markedly improved earnings in an otherwise falling and still fiercely competitive market. We are pleased with that."

"In the past financial year, we have focused on strengthening our business. We have invested in new production capacity, streamlining and not least the further development of strategic products which hold extremely interesting market potential. This has created a solid foundation for the continued creation of value, of which we are already beginning to reap the benefits. For example, the brewery sector posted a return on invested capital of 9.2% – a very satisfactory level, which we will endeavour to maintain."

"In the coming year, we will continue our endeavours to realise our growth strategy. The outlook is of increasing revenue and a further improvement of the profit before tax."

The financial year for the group in outline

- Harboe's gross revenue amounted to DKK 1,804 million against DKK 1,806 million last year.
- Revenue fell by 1.3% to DKK 1,525 million. Adjusted for the weeding-out of unprofitable customer relations in the brewery sector, revenue was up.
- The brewery sector posted revenue of DKK 1,284 million, accounting for 84.2% of consolidated revenue.
- The foodstuff sector posted revenue of DKK 241.1 million, corresponding to 15.8% of consolidated revenue.
- Sales of beer and soft drinks, including malt beverages and malt wort products, totalled 5.68 million hectolitres compared with 5.72 million hectolitres last year, representing a slight fall of 0.7%.
- Operating profit (EBIT) rose by 57.3% to DKK 64.3 million compared with last year's DKK 40.9 million.
- Consolidated profit before tax was up 65.5% at DKK 58.1 million against DKK 35.1 million last year. The results are in line with the outlook of a profit in the range of DKK 55-65 million announced in the annual report for 2008/09 and which was reiterated in connection with the interim report for Q3.
- The group's investments during the financial year totalled DKK 170.7 million. Investments were higher than expected, which is attributable to a decision to bring forward a number of strategic investment projects originally planned for the coming financial year. The return on invested capital was 8.2% for the group and 9.2% for the brewery sector.

Cash flows from operating activities and free cash flows (changes in cash and cash equivalents) amounted to DKK 103.4 million and DKK -35.7 million, respectively.

Outlook 2010/11

- For FY 2010/11, the outlook is for an EBITDA of DKK 195-205 million
- The profit before tax is expected to be in the range of DKK 65-75 million.
- Cash flows from operating activities are expected to be in the range of DKK 150-175 million.
- Investments in the order of DKK 100-120 million are planned for FY 2010/11.

Solid foundation for value creation

Looking back on the past year, a number of things are worth noting, as regards both the financial statements and our business activities. We realised the results announced in the outlook and posted a markedly improved profit relative to last year. We still have some way to go before meeting our target of a profit margin of 6-8%, but the figures show that we are on the right track. The results have been achieved despite a general fall in demand; the slightly more highly priced products have been under particular pressure. Competition remains intense, but we have nevertheless succeeded in maintaining our position in the important main markets. This is primarily thanks to the successful implementation of many strategic initiatives.

Strengthening of core business

We have continued our development of new products and new types of packaging within our core business, and expanded our sales organisation, enabling us to effectively follow up on the many products launched in recent years. We have entered into new major contracts with key customers in the retail sector, but we have also severed a number of customer relations which did not live up to our profitability requirement.

So as to maintain our position in the retail sector, it is decisive for us to deliver precisely the products and volumes demanded by our large customers. In the past year, we have therefore monitored market developments closely and made regular adjustments to our product mix and prices with a view to supplying customers on competitive terms. In this context, our modern and efficient production facilities and considerable flexibility have been huge advantages. This means optimum use of our capacity relative to sales.

Last year, we took over GourmetBryggeriet, and the company has been included in our financial statements since June last year. We have spent the year integrating and streamlining activities and making the most of the commercial synergies between the two companies. The takeover has made it possible to expand our sales channels, for example vis-à-vis the cafe and restaurant trade where we are now supplying more than 100 customers, also with Harboe's own brands. In the coming year, we will continue to focus on these activities which we expect to be a source of further value creation in future.

Strategic focus areas with considerable potential

Our export activities have also developed positively in the past year, with increasing sales of beer, energy drinks and soft drinks as well as non-alcoholic malt beverages. We market our products in a large number of markets, for example in the Middle East and Africa where demand is growing. In the course of the year, we have strengthened our sales organisation, and we are continuously seeking to strengthen our position further through continued product development and geographical expansion. We expect these markets to increasingly drive growth within the group.

Solid foundation for value creation

Another strategic focus area which is to contribute to continued growth and value creation in Harboe is our malt extract development activities. In the past year, production of our most recently developed product, clear malt extract, has been successfully tested by a number of customers within the drinks industry. Towards the end of the year, intensive and targeted sales efforts resulted in the first major contracts with several of these customers, and we expect more contracts to be signed in the coming year. We have taken out an international patent for the unique production method, and several malt extract variants are currently being developed. The malt extract can be widely used in the production of, for example, non-alcoholic malt drinks, which represent a strongly growing segment in, for example, the Middle East. Harboe will be working hard to make the most of this potential in the coming years.

Investing in long-term growth

As part of the investment strategy pursued in recent years, we have prioritised the continued expansion and streamlining of our production facilities; also considerable resources have been invested in developing and implementing new technology. Our solid financial foundations have made these investments possible. However, it goes without saying that major investments bind a lot of capital, and also the high levels of depreciation naturally entailed by such investments have an impact on the bottom line. While waiting for the results to materialise, visualising the rationale can be difficult. However, the alternative – leaving things as they are and not taking heed of developments – would hit us very soon as we would not be able to supply our core customers in as flexible and efficient a manner as we can today. And very soon both our market share and earnings would suffer. And in the slightly longer term, we are convinced that this is the right path to optimising value creation in our company. Realising a return on invested capital of 9% in the brewery sector this year is already a good step in the right direction.

We can see that our business and strategic focus areas are developing positively, and in the coming year we will continue to do our utmost to exploit the very attractive potential. Ours is a fantastic organisation of really highly skilled and committed employees who are already hard at work creating results. We therefore expect to strengthen both our cash flows from operations and our earnings in the coming year. And we are extremely eager to visualise and communicate the creation of value to our shareholders and other stakeholders in the process.

Bernhard Griese
CEO

Financial highlights

	2009/10 DKKm	2008/09 DKKm	2007/08 DKKm	2006/07 DKKm	2005/06 DKKm
Key figures					
Earnings					
Gross revenue	1,804.0	1,806.4	1,607.4	1,649.4	1,633.5
Taxes on beer and soft drinks	(279.3)	(261.8)	(236.5)	(266.6)	(272.2)
Revenue	1,524.7	1,544.6	1,370.9	1,382.8	1,361.3
Operating profit/(loss) (EBIT)	64.3	40.9	21.6	88.3	98.8
Net financials	(6.2)	(5.8)	(5.3)	(2.8)	(4.2)
Profit/(loss) before tax	58.1	35.1	16.3	85.5	94.6
Net profit/(loss) for the year	43.0	25.6	20.1	56.5	65.5
Balance sheet					
Total assets	1,645.6	1,606.4	1,199.3	1,214.9	1,143.6
Equity	730.3	664.5	696.9	685.8	677.4
Net interest-bearing debt	152.3	119.6	80.0	46.1	0
Investments etc.					
Investments in intangible assets	8.2	3.0	6.1	0.0	0.0
Investments in property, plant and equipment	166.0	115.9	180.3	73.5	96.4
Depreciation, amortisation, impairment losses and write-downs	124.6	121.9	109.0	103.0	100.9
Cash flows					
Cash flows from operating activities	94.2	148.6	56.9	86.6	124.8
Cash flows from investing activities	(152.7)	(438.9)	(97.5)	(111.0)	(118.4)
Cash flows from financing activities	22.9	259.2	(9.6)	(44.6)	(17.1)
Changes in cash and cash equivalents	(35.7)	(31.1)	(50.2)	(69.0)	(10.7)

The financial highlights have been prepared in accordance with the 'Recommendations and Financial Ratios 2005' issued by the Danish Society of Financial Analysts (*Den Danske Finansanalytikerforening*).

Financial highlights

	2009/10	2008/09	2007/08	2006/07	2005/06
Ratios in %					
Profit margin	4.3	2.6	1.6	6.4	7.3
Solvency ratio	44.4	41.4	58.2	56.4	59.2
EBITDA margin	12.4	10.5	9.5	13.8	14.7
Gearing	20.9	18.0	11.5	6.7	0.0
Current ratio	91.4	95.5	99.0	92.3	110.1
Return on invested capital (ROIC)	8.2	6.2	2.0	8.1	9.9
Share-related ratios					
Earnings per share of DKK 10, DKK (EPS)	7.3	4.4	3.4	9.5	11.0
Cash flow per share of DKK 10, DKK (CFPS)	16.1	25.5	9.6	14.6	21.0
Equity value per share of DKK 10, DKK	123.8	114.0	117.1	115.3	113.8
Share price, end of year	112.0	112.0	137.0	218.2	222.1
Price/earnings	15.4	25.4	40.4	23.0	20.2
Dividend per DKK 10 share, DKK	1.5	1.5	1.5	1.5	8.0
Employees					
Average number of full-time employees	543	520	483	486	531

The financial highlights have been prepared in accordance with the 'Recommendations and Financial Ratios 2005' issued by the Danish Society of Financial Analysts.

Management's review

Core business

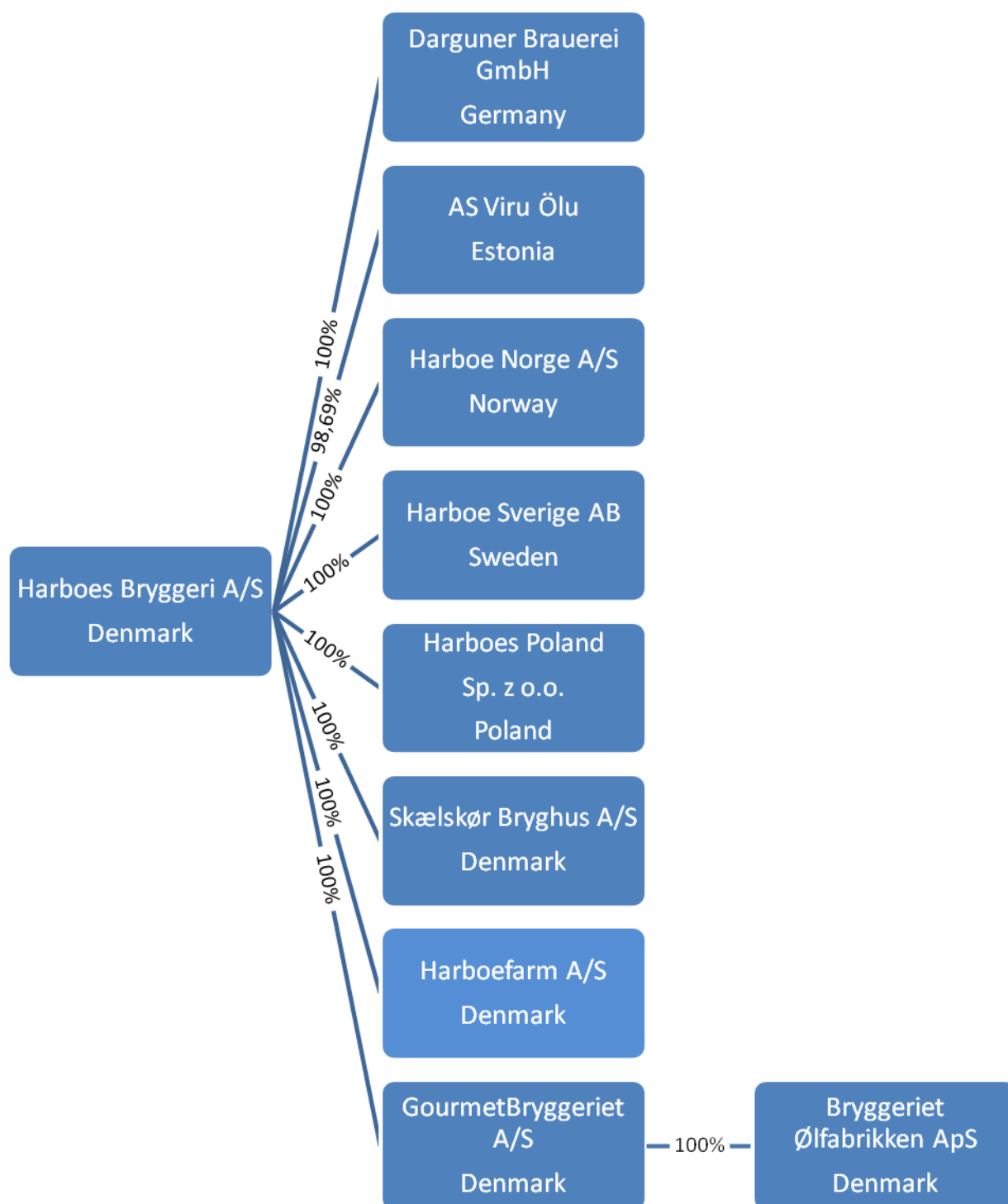
Harboes Bryggeri A/S is listed on the stock exchange and is the parent of the Harboe group.

The group's core business, constituting more than 86.6% 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 sales of centrally packaged fresh and processed meat for the retail sector constitute the remaining 13.4% of revenue.

Management's review

Group chart



Management's review

Group's business development – financial report

Revenue

Consolidated revenue totalled DKK 1,525 million in 2009/10 against DKK 1,545 million the year before. This equates to a fall of 1.3%. Adjusted for revenue from unprofitable customer relations which were severed in Q4 2008/09, revenue was up.

Revenue in the brewery sector fell by 2.7% to DKK 1,284 million, while revenue in the foodstuff sector was up 7.1% at DKK 241.1 million.

Developments are described in further detail under the different sectors.

Earnings

EBITDA totalled DKK 188.9 million.

Operating profit (EBIT) amounted to DKK 64.3 million against DKK 40.9 million last year, up DKK 23.4 million or 57.2%.

Depreciation of property, plant and equipment etc. is included in the operating profit with DKK 124.6 million compared with DKK 121.9 million the year before.

Profit before tax was DKK 58.1 million against DKK 35.1 million the year before, up 65.5%.

The profit before tax is in line with the outlook for a profit in the range of DKK 55-65 million announced in the annual report for 2008/09 and which was maintained in the interim report for Q3, although it was by then expected to be in the lower end of the interval.

Net profit for 2009/10 amounted to DKK 43.0 million compared to DKK 25.6 million the year before.

Equity

As at 30 April 2010, equity amounted to DKK 730.3 million against DKK 664.5 million the year before.

In 2009/10, the company used 227,367 treasury shares in connection with the acquisition of GourmetBryggeriet A/S, corresponding to a share market value of DKK 29.5 million.

Management's review

Investments

Investments in property, plant and equipment amounted to DKK 166.0 million for the year. The investments include a substantial expansion of the facilities and investments aimed at increasing malt extract production capacity. Moreover, a major investment has been made in expanding the capacity of Harboes Bryggeri's waste-water treatment plant and in environmental optimisation. These investments are described in further detail in the section on production and capacity in the annual report.

In addition to the investments in property, plant and equipment, a sum of DKK 34.0 million has been invested in connection with the acquisition of GourmetBryggeriet A/S. A sum of DKK 29.5 million was paid in the form of treasury shares, while the remaining sum of DKK 4.5 million was paid in cash.

Liquidity and net interest-bearing debt

Cash flows from operating activities in the period amounted to DKK 94.2 million against DKK 148.6 million last year. Harboe usually has a lot of funds tied up in inventories at the end of the financial year in preparation for the summer high season. At the same time, the conclusion of agreements with a number of major new customers has increased trade receivables relative to the end of last year. However, Harboe is continuously working to strengthen cash flows from operating activities, which will remain a strategic focus area in the coming year.

Operating profit before depreciation and amortisation (EBITDA) amounted to DKK 188.9 million compared with last year's DKK 162.8 million, up DKK 26.1 million.

The change in working capital amounted to DKK -43.9 million.

Trade receivables were up DKK 30 million, while trade payables fell by DKK 20.9 million.

Cash flows from investing activities totalled DKK -152.7 million, and cash flows from financing activities amounted to DKK 22.9 million.

Free cash flow – changes in cash and cash equivalents – amounted to DKK -35.6 million against DKK -31.1 million the year before.

Cash resources

The group's cash resources, which are composed of cash and credit facilities granted but not yet activated, amounted to DKK 65.6 million as at 30 April 2010.

In addition to this comes the holding of 64,945 treasury shares amounting to DKK 7.3 million stated at share market value as at 30 April 2010.

Management's review

Moreover, the fair value of the portfolio of bonds is added, amounting to DKK 278.5 million as at 30 April 2010.

The portfolio of bonds represents strategic cash resources established with a view to guaranteeing the necessary manoeuvrability for Harboe to make interesting acquisitions, engage in strategic partnerships and realise similar investments underpinning the group's strategy. Due to market conditions, using this facility to repay other debt has not been an attractive option.

As at 30 April 2010, the group's net interest-bearing debt amounted to DKK 474.6 million against DKK 462.7 million last year.

Adjusted for the portfolio of bonds of DKK 278.5 million, the group's net interest-bearing debt amounted to DKK 149.4 million as at 30 April 2010 against DKK 119.6 million last year.

Events occurring after the end of the financial year

With reference to the authorisation granted by the annual general meeting on 20 August 2009 to acquire treasury shares with a nominal value of up to 10% of the company's share capital, Harboe, on 2 June 2010, acquired 62,000 shares at a price of 107.50, corresponding to a share market value of DKK 6,665k. Harboes Bryggeri A/S now holds a total of 178,945 Harboe Class B shares with a nominal value of DKK 10, corresponding to 2.98% of the share capital and 1.52% of votes.

No other material events have occurred after the balance sheet date.

Management's review

Outlook 2010/11

In line with the group's strategy, Harboe will continue to focus on providing customers with a high level of quality and reliable deliveries of the group's core products.

Harboe's continued growth and earnings must be secured through continued intense focus on innovation and the targeted pursuit of the product development strategy laid down.

A strengthened organisation within important areas will ensure that new and interesting markets and market segments can contribute positively to Harboe's continued growth.

Harboe expects its core business to continue to develop positively in 2010/11, and the investments which have been made in innovation, product development and the expansion of capacity over the past years will contribute to strengthening growth in both volume and revenue.

Extended collaboration with a number of large customers and new customers is expected to contribute to high capacity utilisation at the group's production facilities.

More marketing and the development of malt extract are expected to contribute positively to growing an attractive segment of customers within the drinks industry.

Harboe expects competition in the main markets to remain fierce. Pressure on sales prices within the core business can only to a limited extent be compensated by higher prices. Raw material prices have stabilised at a more normal level in the past year. As regards important raw materials, Harboe has entered into long-term agreements with suppliers with a view to minimising sensitivity to future fluctuations in raw material prices.

Harboe expects consolidated earnings to be positively impacted by the anticipated growth and increasing sales of new and innovative products, including malt extract.

Based on the existing mix of business activities and the above-mentioned assumptions, Harboe expects to achieve the target of a 5% increase in revenue while at the same time improving profit margins. Harboe thus expects the consolidated results for 2010/11 to improve relative to the results for 2009/10.

The outlook is for a profit before depreciation and amortisation, financial items and tax (EBITDA) in the range of DKK 195-205 million and a profit before tax in the range of DKK 65-75 million.

Management's review

Cash flows from operating activities are expected to be in the range of DKK 150-175 million. Harboe is continuously working to strengthen cash flows from operating activities, which will remain a strategic focus area in the coming year.

Investments in the order of DKK 100-120 million are planned for the financial year. Following the substantial investments in recent years in new technology and production facilities, investments in the coming financial year will primarily be focused on regular maintenance and improved efficiency.

Management's review

Strategy and financial targets

Developing markets

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. Harboe's products are marketed in Denmark, Germany, Sweden, Norway and the Baltic countries and are also exported to an ever-growing number of markets in the rest of Europe, the Middle East, Africa, the USA and Asia.

Total beer sales have been declining in Europe in recent years, and sales of soft drinks have been diminishing as well. The increased focus on diet and health in recent years has led to marked increases in sales of sugar-free soft drinks in particular. In Denmark alone, sugar-free soft drinks account for about 30% of the soft drinks market. Developments in sales of soft drinks are also driven by continued product development within this segment with new variants such as energy and sports drinks, ice tea and fruit juices advancing in the market.

Maintain solid position in retail sector

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.

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

Developing product range

Harboe's continued growth must also be created through the further development of the group's specialty products within less price-sensitive product segments, underpinned by the acquisition of GourmetBryggeriet. The large retail chains usually welcome new products from Harboe, and the marketing of the specialty products adds value to Harboe's product programme as a whole, contributing to further cementing relations with core customers. The continued marketing of these products will be a strategic focus area in the coming years, and Harboe's juice and cider products are also key products in this context.

Moreover, Harboe focuses on the continued expansion and strengthening of its position through the use of new sales channels, for example the cafe and restaurant trade, canteen/catering services and the convenience segment, which comprises kiosks, petrol stations etc. Harboe has in recent years intensified the marketing of its products to these channels, and this will remain an area for development. Furthermore, Harboe is focusing on the continued cultivation of selected and particularly interesting export markets which hold considerable potential within both beer and non-alcoholic malt drinks as well as energy and soft drinks.

Management's review

Product development with growth potential

Harboe's continued growth must also be created through targeted product development within the categories and segments which are seeing a growth in demand.

In recent years, Harboe has invested considerable resources in development activities, especially within malt extract. This has, among other things, resulted in the development of a clear malt extract which has a wide range of applications within the drinks segment. Production of the clear malt extract is based on a patented production method. The unique product can both be used in the further development of Harboe's own products and also be marketed as a highly processed raw material to other drinks producers. From the outset, the product has attracted considerable interest among collaboration partners in the drinks industry. It has been included in test productions with several of these partners, and the first major supply contracts have been concluded with interesting customers in, for example, the Middle East, the USA and South America. The continued marketing of malt extract vis-à-vis an extremely attractive segment of customers in the drinks industry will be a central element in the strategic development in the coming years.

Also, the clear malt extract can be used to develop new variants of non-alcoholic malt beverages, which are already being marketed by Harboe in a growing number of export markets. The market for non-alcoholic malt drinks is a particularly interesting segment, especially in the Middle East and Africa where it constitutes a large and fast-growing category. Harboe expects to take an active part in the further development of this segment.

Investing in long-term value creation

In the coming years, Harboe will maintain its intensive focus on innovation and to a very large extent target future investments at further strengthening activities within packaging and product development.

Efficient and flexible production facilities capable of supplying a high and reliable level of quality and volume are a prerequisite for maintaining the group's market position within the core area, while at the same time realising an ambitious product development strategy. Consequently, the investments in new production capacity and technology seen in recent years will continue, although with primary focus on ongoing maintenance and optimisations of efficiency.

Positive contribution from foodstuff sector

The strategic aim of Harboe's foodstuff company, Harboefarm A/S, is to maintain the company's high quality and food safety standards and to ensure that the company makes a positive contribution to the group's earnings.

Management's review

Financial objectives of the group

Harboe expects the group's core areas of activity to remain characterised by intense competition, and although prices of Harboe's key raw materials have normalised in the current financial year, the competitive situation will make it difficult to permanently increase earnings margins within Harboe's traditional business. However, expectations are that the continued launch of new products will contribute to a further strengthening and anchoring of Harboe's customer relations within its core business, while at the same time contributing positively to Harboe's continued growth and value creation.

Harboe's objective is to create annual growth in revenue of 5% and to ensure a long-term profit margin of more than 6-8% through the continued development of the group's production facilities, products and packaging. This is also to contribute to maintaining a return on the invested capital of an attractive 8-10%.

The group's objectives as regards its capital structure have been determined based on a desire to maintain a high level of financial resources at all times. This will enable the investments in continued organic growth and value creation which are necessary for the group to be at the forefront of market trends and customer requirements.

Furthermore, the group aims for its financial resources to be made up of its own funds and for them to be flexible enough to allow for growth through acquisitions or participation in large partnerships. In step with the increased creation of value, the group aims to repay its debt, while at the same time ensuring an attractive return for shareholders through the distribution of dividend or share buy-back programmes.

Management's review

Customers and market development

Harboe mainly sells its products in selected main markets in Northern Europe, including Denmark, Norway, Sweden, the Baltic countries and Germany as well as the Danish-German border area, which constitutes a special segment.

In recent years, Harboe has also increased its focus on the export of a number of specialty products to more than 50 selected markets in the rest of Europe, the Middle East, Africa, Asia and the USA.

Focus on the retail sector

In the main markets, Harboe primarily sells its products to the retail sector, which has seen ongoing consolidation in recent years, especially among the discount chains. Ongoing consolidation has also taken place among Harboe's competitors, which has further increased competition in these markets.

Harboe's core products are primarily aimed at the private-label segment, which is mainly marketed by the discount chains. In most of Europe, this segment is increasing its relative share of the traditional beer and soft drinks market in relation to the more expensive branded products in the same categories. The products in the private-label segment are marketed at discount prices, and competition is fierce in all markets. Competitors are both local and regional players, and the private-label segment is regularly also challenged by branded products which are periodically marketed at discount prices.

New product categories

In the past year, the markets for the most highly priced specialty products have been impacted by the economic downturn, with Harboe's markets generally seeing a decline in demand. This applies, for example, to Harboe's juice and cider products. However, the speciality products continue to play an important role in the marketing of the product portfolio as a whole, both adding value to the core products and opening doors to new customer segments in the market.

Spurred by the malt extract development activities, Harboe has also been working in a targeted fashion to position itself within an entirely new and attractive segment of customers in the drinks industry. This has provided access to new and interesting markets, also outside the geographical focus area of the core business.

Denmark

In Denmark, total beer sales have been falling in the past ten years, and the market saw a further decline in the past financial year. Sales of soft drinks have also fallen in the past year, although not as markedly as beer sales. Competitors in the Danish market are primarily other Danish breweries. Despite intensive competition, Harboe succeeded in developing relations with core customers and was thereby able to expand its market position despite the phasing-out of unprofitable contracts.

Management's review

With Harboe's acquisition of GourmetBryggeriet A/S in June last year, access has been created to a number of customers within the cafe and restaurant segment, which is expected to see positive development in future.

Germany

A downward trend in total beer sales has also been evident in the German market in recent years. Sales of soft drinks have also been declining. Competition is fierce and is characterised by both local and international players.

The retail sector in Germany has been characterised by consolidations in recent years, and this trend continued in 2009/10. This is particularly evident within the discount segment, which is seeing continued growth. At the same time, private-label products are accounting for an increasing share of the market. This has created new opportunities for Harboe, and the group succeeded in further expanding its position in the German market in the course of the year.

Sweden

As is the case in the other markets, sales of beer and soft drinks are declining in Sweden, and the relative consumption of beer per capita is already somewhat lower in the Swedish market than in Harboe's other main markets. Competition is primarily local, and Harboe has continued its targeted efforts to develop its product portfolio within both the beer and soft drinks segments. Based on strengthened sales efforts, Harboe has therefore seen a positive development in the Swedish market.

Baltic countries

The Baltic market has been particularly hard hit by the economic recession, and this has impacted sales of both beer and soft drinks, which fell further in the past year.

However, Harboe continued to focus on developing its product portfolio within both the beer and soft drinks segment. Combined with increased marketing of the PULS brand, this led to a satisfactory development in an otherwise difficult market.

On 1 January 2011, the local currency in Estonia will be replaced by the euro, which is expected to contribute positively to economic developments.

Exports

Harboe exports a wide range of beers, energy drinks and soft drinks as well as non-alcoholic malt beverages to more than 50 markets the world over. The products are sold through local distributors and international trade partners, with which long-term contracts are concluded.

Management's review

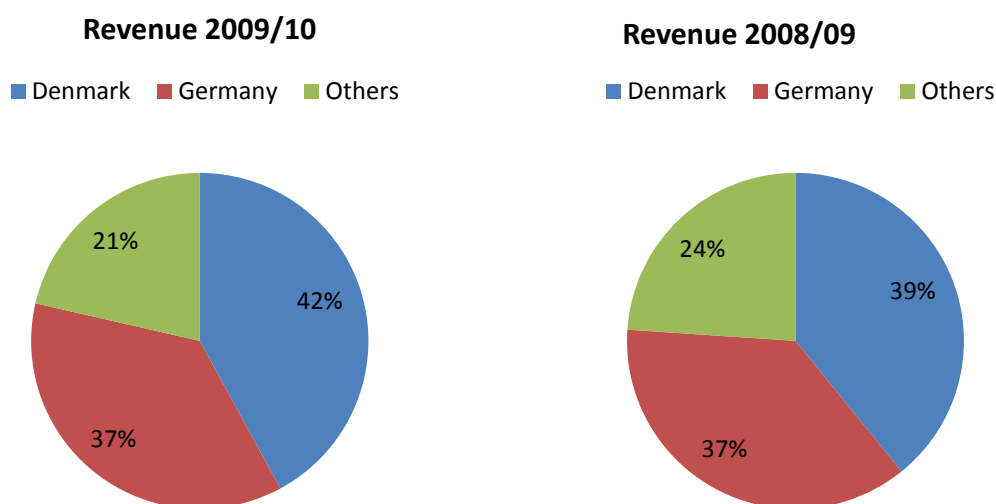
The products are to a considerable extent marketed under Harboe's own brands and are aimed at price segments that are higher than the discount segments in the group's main markets. The products are sold in retail shops and in the restaurant sector where Danish-produced beer enjoys a special position in several markets.

The demand for Harboe's products is showing a positive development, and Harboe has identified a continued attractive potential for both existing and new markets. Especially the market for non-alcoholic malt beverages holds considerable growth potential, and Harboe is working in a targeted way to gain a strong foothold in, for example, the Middle East and Africa where these products constitute a very large and continuously growing category.

Considerable focus has been devoted to the export markets in the past year, and following an expansion of the sales organisation, sales have developed positively.

The export markets within drinks still account for a small part of the group's total revenue, but Harboe expects them to contribute increasingly to the group's growth, for which reason this will remain a strategic focus area for Harboe in the coming years.

The continued introduction of new products and variants is to drive this development in combination with targeted, ongoing geographical expansion.



Management's review

Innovation and product development

For several years, innovation has been the driving force behind Harboe's growth, both in the form of investments in new production technologies and through ongoing dynamic development of new products and packaging. In the past year, Harboe has also invested in innovation which strengthens the company's ability to accommodate the continued growth and, at the same time, challenge new market segments with innovative products.

New results with malt extract

The innovation activities undertaken in 2009/10 were also largely concentrated on malt extract, which represents a highly interesting business area.

Harboe has been producing malt extract for the production of malt beverages for several years, and the company has also sold malt extract to selected production industries, including, in particular, bakeries and other food manufacturers. However, in recent years, Harboe has worked intensively to further develop the production processes with a view to producing malt extract with new and interesting uses.

Additional resources have been devoted to the development activities undertaken in the past year, which involved collaboration with groups of researchers from both Denmark and abroad. This work has now resulted in a new and unique product – a clear malt extract – that can be used as a stable ingredient in the production of several beverages. Harboe has patented the production method.

Interesting market opportunities

Malt extract has a number of natural and positive properties which makes it suitable for use as a basic component of beverages, including non-alcoholic malt beverages. The latter is a very large and ever-growing category, especially in the Middle East, where the market comprises both children and adult consumers. At the same time, the growing awareness of lifestyle problems and health in general has increased the demand for products made using natural ingredients and flavourings.

Following test production with a number of potential customers within the drinks industry, the first major supply contracts have been concluded with interesting customers in the Middle East, the USA and South America.

Deliveries started in the last months of FY 2009/10 – and are continuing this year.

The malt extract development activities are continuing, and these activities are expected to make a substantial contribution to the group's results in the coming years.

Management's review

Production and capacity

In 2009/10, the three breweries in Denmark, Germany and Estonia invested DKK 162 million, among other things in the further expansion of the production facilities.

In 2008/09, Harboe invested DKK 50 million in a new evaporation plant for the production of malt extract. Within this area, an additional DKK 25 million has been invested, among other things in aseptic production facilities. These investments are providing Harboe with a solid foundation and the necessary capacity to meet the expected considerable demand for the new products. The new production facilities have been reviewed and quality-approved by those customers in the drinks industry with whom Harboe has concluded the first supply contracts. At the same time, the expansion has made it possible for Harboe to cultivate new customer segments within the food industry.

Moreover, Harboe has invested in a new bottling column at the factory in Germany, which replaces the old equipment and dramatically increases capacity. The new plant also ensures more energy-efficient and flexible production, which also comprises a number of new and attractive types of packaging. The new production plant has created a basis for attracting new customers and accessing new segments.

In addition to investing in new production facilities, the group's units have made a number of further investments aimed at improving efficiency and environmental profiles. In 2008, Harboe invested in a CO₂ capture system at the German production unit with extremely good results. The payback time of the investment has thus been a mere 18 months, and, this year, the group has made a similar investment at the production unit in Skælskør. Moreover, the same facility has initiated a major expansion of its own waste-water treatment plant, both to ensure more effective environmental protection and to cater for the increasing production volumes expected in the coming years.

In the past five years, Harboe has invested DKK 618 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 group's main markets, and they are creating a very solid foundation for realising the group's strategy and for further value creation in both the core business and within new product categories.

Harboe will also in future assess the need for further investments in efficiency and capacity.

Management's review

Employees

For four generations and more than 125 years, Harboe has based its business on fundamental values such as accountability, cooperation, quality and performance. These values form the basis of Harboe's management philosophy and are, at the same time, the cornerstones of the corporate culture which the group's 543 executives and employees leave their mark on every day. As Harboe has continued its expansion, it has been an important strategic priority to maintain and pursue these values across national borders and organisational units.

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

Recruitment of competencies

Recruitment of staff for management and development functions is a special focus area, and during the year Harboe brought in fresh talent to strengthen these areas. Staff have also been recruited for other parts of the organisation on an ongoing basis. The organisation has been strengthened by additional key competencies and resources.

In recent years, highly qualified staff have been recruited for key operating functions in the group's new production facilities. This proved to be a success, for example in connection with the installation and validation of new facilities where operations managers and team leaders have contributed actively, thereby gaining deep insight into technology and functionality, which ensures a subsequent high level of operating reliability.

All new employees undergo introduction programmes focusing on production and safety, among other things, and the new employees have settled in well in the organisation.

Focus on training

Harboe's organisation is based on each employee assuming responsibility and having an active attitude to how this responsibility is best fulfilled – individually or with others. Recent years' streamlining and technological developments in production place increasing demands on each employee's competencies and ability to handle quality assurance and problem solving. Harboe is therefore committed to ongoing employee development and training at all levels of the organisation.

Management's review

Strategic focus remains on the continuous development of employees and building of competencies, and again this year, Harboe conducted a management seminar and management courses for the group's key managers. Work has also gone into the continued roll-out and implementation of the group strategy in the individual units and the sales organisation as a whole.

To ensure the presence of qualified managers and specialists in the organisation also in the long term, Harboe conducted trainee programmes in Germany and Estonia where future managers are trained to fulfil a number of specialist functions in the organisation. The programme is a success, and new managers have completed the programme this year, too.

In recent year, Harboe has also organised team leader training for production unit employees. The purpose has been to ensure efficient and close follow-up on the quality and efficiency of individual production processes, and the results have been extremely positive. At the same time, the increased delegation of managerial responsibilities has boosted motivation and commitment within 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.

Employee satisfaction and occupational health and safety

As part of the competency development of each employee, Harboe conducts annual performance interviews which follow up on goals and results, and performance plans are defined for the coming year. The performance interviews also provide an opportunity to follow up on employee satisfaction, which is largely supported by a strong corporate culture. In this connection, Harboe is pleased that its staff turnover is low and that seniority for both production workers and specialists is at a level which ensures continuity and maintains the valuable knowledge gathered in the company. At the same time it is extremely satisfactory that the number of employees with very few or no days off sick is extremely high.

At the beginning of 2010, a formal review and assessment of the psychological working environment at Harboe's production unit in Skælskør was carried out. The review did not give rise to any qualifications, and in the past year, preparations have started with a view to having the company certified in accordance with international occupational health and safety standards. The work will continue in the coming financial year under the guidance of external consultants. However, it should be noted that the number of accidents at work is already extremely low.

Management's review

Corporate responsibility

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 value creation. At the same time, being conscious of its responsibilities as an integrated part of society is a key element in Harboe's values.

As a member of the Danish Brewers' Association (*Bryggeriforeningen*), Harboe participates in the continuous reporting within the industry's focus areas and in the ongoing development of industry standards for corporate social responsibility.

Harboe aims to continuously optimise results within the group's focus areas, and Harboe is working to implement a reporting system designed to ensure more systematic monitoring and target follow-up on selected indicators across the group's units. Harboe will thus start reporting within this area in connection with the group's interim report for the first half of 2010/11 at the latest.

Environment and resources

Sustainable development 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 Harboe's ambition to ensure the continued reduction in resources consumed and in environmental impact relative to the 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.

For a number of years, Harboe has prepared green accounts for the group's factory in Skælskør. As part of this project, Harboe has, in the course of the year, continued its preparations aimed at ensuring that the group's units can – in addition to the existing quality and environmental certifications – be certified in accordance with international occupational health and safety standards.

Harboe is pleased to see 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.

In Skælskør, Harboe's focus on energy utilisation has resulted in continuous optimisations. The establishment of the new evaporation plant for the production of malt extract is an example of how efficiency and environmental optimisation can be equal factors in the group's investment strategy. The efficient use of energy has led to an energy subsidy from DONG Energy of DKK 2.0 million in the past financial year.

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Management's review

In the course of the year, Harboe also invested in a CO₂ capture system as well as the expansion and optimisation of the brewery's waste-water treatment plant, which is expected to be completed in summer 2010. In addition to an optimisation of waste-water quality, the expansion also ensures a marked increase in capacity which will make it possible to accommodate the expected growth in production volume in the coming years.

The group's German production unit has also implemented capacity increases, including the installation of a new bottle column, which also ensures a marked increase in energy efficiency.

All in all, Harboe invested approx. DKK 166 million in 2009/10 in the further development and optimisation of the group's production facilities. Investment grants received for the financial year totalled DKK 40.0 million.

Harboe will also in future analyse the scope for optimising the group's use and utilisation of resources throughout the production-related value chain. Priority will also be given to these strategic activities in the group's investment plans for the coming year. As part of this work, a number of energy ambassadors have been appointed, initially at the group's production unit in Skælskør. The ambassadors are charged with assessing how environmental concerns can be incorporated into the ongoing operations and maintenance, while at the same time collecting and driving ideas in the organisation with a view to further optimising processes and energy consumption.

Responsible operations

Harboe's strategic focus on sustainability is also reflected in its fundamental business ethics and the principles according to which Harboe operates.

Harboe believes that it is important for the group's staff and employment policy to reflect this through terms of employment which are in compliance with collective agreements and which mirror good practice and international standards. Furthermore, the company is committed to the health and safety of its employees by offering training and staff benefits, including attractive canteen arrangements etc.

In relationships with suppliers and other collaboration partners, Harboe attaches importance to agreements and contracts being prepared in accordance with international standards and that the ongoing dialogue is based on mutual professionalism, openness and respect. Harboe has formulated a number of standard requirements which form part of negotiations and agreements with subsuppliers.

Management's review

Harboe also seeks to assume an active role in the communities in which the group operates, and Harboe regularly participates in activities benefiting economic and social growth, locally as well as internationally. In the past year, Harboe has thus been actively involved in, for example, research projects and a number of different sponsorships. In the past year, the group's 'Icebeer Climate Fund', the purpose of which is to fund research and initiatives for the benefit of the climate, supported a climate project for children in Greenland with a view to attracting more attention to global warming.

Caring for consumers

As a drinks producer, Harboe attaches considerable importance to maintaining a high level of quality assurance throughout production. All the group's production units are certified in accordance with international quality standards, and systematic follow-up and internal control are carried out.

Harboe's products are first and foremost marketed via the retail sector to consumers in Europe and in the group's export markets. Harboe supports the industry's standards for the responsible marketing of alcohol and the information activities carried out under the auspices of the Danish Brewers' Association.

Also, in its product development activities, Harboe is seeking to take account of nutritional concerns, for example by offering light alternatives to most of the group's beer and soft drink products.

Management's review

Brewery sector

Brewery sector – key figures:

	2009/10 DKKm	2008/09 DKKm	2007/08 DKKm	2006/07 DKKm	2005/06 DKKm
Volume (million hectolitres)					
Beer, soft drinks and malt wort products	5.68	5.72	5.30	5.70	5.31
Earnings					
Gross revenue	1,563.0	1,581.3	1,373.8	1,455.8	1,432.9
Taxes on beer and soft drinks	(279.3)	(261.8)	(236.5)	(266.6)	(272.2)
Revenue	1,283.6	1,319.5	1,137.3	1,189.2	1,160.7
Operating profit/(loss) (EBIT)	58.3	36.1	20.5	88.5	93.2
Profit/(loss) before tax	56.8	30.4	15.9	86.6	91.1
Tax on profit/(loss) for the year	(13.9)	(8.7)	4.8	(29.3)	(27.0)
Net profit/(loss) for the year	42.9	21.7	20.7	57.3	64.2
Balance sheet					
Total assets	1,515.0	1,472.3	1,062.6	1,052.5	997.8
Equity	613.8	547.5	584.5	572.8	563.6
Non-current liabilities	388.4	422.1	102.9	112.5	117.6
Current liabilities	512.8	502.7	375.2	367.2	316.5
Investments etc.					
Investments in intangible assets	8.2	3.0	6.1	0	0
Investments in property, plant and equipment	157.8	115.9	175.7	72.6	96.3
Depreciation and amortisation	114.9	110.1	97.7	90.7	86.9
Cash flows					
Cash flows from operating activities	80.0	126.4	66.0	66.5	110.8
Cash flows from investing activities	(141.2)	(442.6)	(92.3)	(110.8)	(120.8)
Cash flows from financing activities	29.0	(265.1)	(4.0)	(39.1)	(11.6)
Changes in cash and cash equivalents	(32.2)	(51.0)	(30.3)	(83.4)	(21.5)
Ratios in %					
Profit margin	4.5	2.7	1.8	7.4	8.0
Solvency ratio	40.5	37.2	55.0	54.4	56.5
EBITDA margin	13.5	11.1	10.4	15.1	15.5
Current ratio	85.8	91.1	93.6	85.7	106.0
Return on invested capital	9.2	6.5	2.3	10.3	10.8
Employees					
Number of employees	514	492	457	467	504

The financial highlights have been prepared in accordance with the 'Recommendations and Financial Ratios 2005' issued by the Danish Society of Financial Analysts.

Management's review

Brewery sector

Total sales of beer and soft drinks, including malt beverages and malt wort products, totalled 5.68 million hectolitres in FY 2009/10 against 5.72 million hectolitres last year, representing a slight fall of 0.7%.

The fall in sales is attributable to the strategically motivated weeding-out of unprofitable customers in Q4 2008/09. Adjusted for the effect of this, sales have increased throughout the year. The above also affected revenue, which fell by 2.7% to DKK 1,283.6 million.

The general economic recession in the group's main markets has influenced consumption, and these main markets are seeing a decline within both beer and soft drinks. Especially the demand for the more highly priced speciality products has been under pressure.

However, Harboe continuously seeks to adapt prices and product mix to developments in the market and has managed to conclude new major agreements with key customers, both retail customers and within new segments.

Sales thus developed satisfactorily, and Harboe managed to maintain its market position in a declining and highly competitive market.

The strategic focus area within malt extract also developed positively in the period.

The development activities were intensified, and the organisation was strengthened by additional key competencies and resources. During the year, Harboe conducted a series of successful test productions at new customers within the drinks industry in both established and new markets. Further to this, several new agreements on major deliveries of malt extract were concluded. These deliveries were initiated in 2010 and will be executed successively in the coming financial year.

Strategic focus has been given to the work initiated to expand the market for malt extract and non-alcoholic malt beverages. Based on the additional investments made within the area, malt extract sales to both the traditional food industry and the drinks industry are expected to contribute highly positively to continued growth.

The product and packaging development within both the beer and soft drink segment has been appreciated and welcomed by our customers and collaboration partners in all relevant markets, and the activities have helped strengthen Harboe's profile as a modern and dynamic company which is capable of supplying the whole range of conventional quality products while also ensuring innovation and the setting of new standards in new categories. Investments in new and more efficient plants combined with a number of energy-saving investments have contributed to a positive development in earnings. In total, they have contributed to a return on invested capital in the brewery sector of 9.2%, which is highly satisfactory.

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Management's review

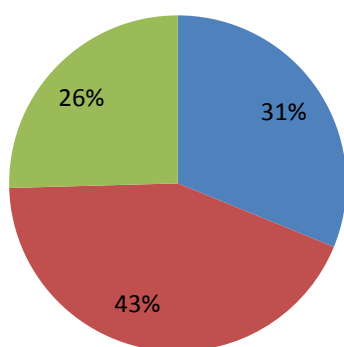
A profit before depreciation, amortisation, net financials and tax – EBITDA – of DKK 173 million was returned against DKK 146 million last year.

Profit before tax was DKK 56.8 million against DKK 30.4 million last year, up DKK 26.4 million or 86.8%.

In FY 2009/10, the brewery sector employed 514 people compared with 492 last year.

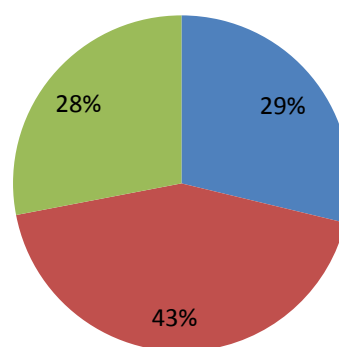
Revenue 2009/10

■ Denmark ■ Germany ■ Others



Revenue 2008/09

■ Denmark ■ Germany ■ Others



Management's review

Foodstuff sector

Foodstuff sector – key figures:

	2009/10 DKKm	2008/09 DKKm	2007/08 DKKm	2006/07 DKKm	2005/06 DKKm
Earnings					
Revenue	241.1	225.2	233.6	193.7	200.7
Operating profit/(loss) (EBIT)	6.1	4.8	1.0	(0.1)	5.7
Profit/(loss) before tax	1.4	4.7	0.4	(1.3)	3.3
Tax on profit/(loss) for the year	(1.2)	(0.9)	(1.0)	0.5	(1.0)
Net profit/(loss) for the year	0.2	3.9	(0.6)	(0.8)	1.3
Balance sheet					
Non-current assets	94.0	96.3	109.0	113.5	126.3
Current assets	56.0	58.1	38.4	59.2	30.7
Equity	116.4	116.3	112.4	113.0	113.8
Non-current liabilities	4.7	10.8	16.4	21.8	26.9
Current liabilities	28.9	27.3	18.6	37.9	16.3
Balance sheet total	150.0	154.4	147.4	172.7	157.0
Investments etc.					
Investments	8.2	0.0	4.6	0.9	0.1
Depreciation and amortisation	9.7	11.4	11.3	12.3	14.5
Cash flows					
Cash flows from operating activities	14.2	22.2	(9.0)	20.1	13.9
Cash flows from investing activities	(11.5)	3.6	(5.2)	(0.2)	2.4
Cash flows from financing activities	(6.2)	(5.9)	(5.6)	(5.6)	(5.5)
Changes in cash and cash equivalents	(3.5)	19.9	(19.8)	14.4	10.7
Employees					
Number of employees	29	28	26	19	27

The financial highlights have been prepared in accordance with the 'Recommendations and Financial Ratios 2005' issued by the Danish Society of Financial Analysts.

Management's review

Foodstuff sector

Harboefarm A/S continues to base its business concept on its position within the category of fresh retail products.

Revenue totalled DKK 241.1 million in 2009/10 against DKK 225.2 million the year before, up 7.1%.

Operating profit amounted to DKK 6.1 million against DKK 4.8 million last year.

Profit before tax was DKK 1.4 million in 2009/10 against DKK 4.7 million the year before.

Net profit for the year amounted to DKK 0.2 million against DKK 3.9 million last year.

During the year, Harboefarm A/S has maintained a positive development in sales to existing customers as well as the influx of new customers, also within the catering segment.

Close collaboration with customers on product development and the tailoring of products to meet customer wishes have resulted in the development of the product portfolio with new high-quality products and variations in size.

In FY 2009/10, the foodstuff sector employed 29 people against 28 the year before.

In the financial year, the company made investments of DKK 8.2 million, including for production equipment and improvement of stables for letting. Furthermore, the company rebuilt its existing production facilities in connection with the conclusion of a long-term letting agreement.

In the financial year, the company divested its investments in all associates. This affected the company's results negatively by DKK 3.5 million.

Harboefarm A/S's strategy is to ensure the continued flexibility and competitiveness required to create sales development and growth.

Segment information per quarter

	Q1 2008/09 DKK '000	Q2 2008/09 DKK '000	Q3 2008/09 DKK '000	Q4 2008/09 DKK '000	Q1 2009/10 DKK '000	Q2 2009/10 DKK '000	Q3 2009/10 DKK '000	Q4 2009/10 DKK '000
Revenue								
Brewery sector	374,174	340,181	291,453	313,631	366,321	302,681	311,308	303,323
Foodstuff sector	57,413	68,021	48,170	51,563	47,508	58,303	65,371	69,912
Group	431,587	408,202	339,623	365,194	413,829	360,984	376,679	373,235
Operating profit/(loss)								
Brewery sector	16,863	7,269	401	11,584	21,084	11,437	3,405	22,324
Foodstuff sector	210	571	2,361	1,645	(714)	1,064	2,275	3,965
Group	17,073	7,840	2,762	13,229	20,370	12,501	5,680	26,289
Net financials								
Brewery sector	(1,016)	(1,931)	(1,479)	(1,310)	520	(1,166)	(722)	(121)
Foodstuff sector	(486)	(346)	(378)	(322)	(354)	(326)	(215)	(380)
Profit/(loss) in associates	0	0	0	1,493	0	0	0	(3,458)
Group	(1,502)	(2,277)	(1,857)	(139)	166	(1,493)	(937)	(4,457)
Profit/(loss) before tax								
Brewery sector	15,847	5,338	(1,078)	10,274	21,604	10,271	2,683	22,203
Foodstuff sector	(276)	225	1,983	2,816	(1,068)	738	2,060	(371)
Group	15,571	5,563	905	13,090	20,536	11,009	4,743	21,832
Net profit/(loss) for the year								
Brewery sector	11,601	3,762	(1,419)	7,775	16,606	7,616	1,611	17,047
Foodstuff sector	(207)	168	1,488	2,453	(701)	454	1,545	(1,149)
Group	11,394	3,930	69	10,228	15,905	8,070	3,156	15,898

Management's review

Corporate governance

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 an optimum manner 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.

The major part of Harboe's management is thus carried out in accordance with the recommendations on corporate governance issued by NASDAQ OMX København A/S. 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. The company's website provides easy access to current and detailed information about the company's strategy, business and results.

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. Until further notice, the general meeting is held with physical attendance. The group's annual report is published on the Harboe website and is also available in a print version. All documents concerning the company's general meeting are available on the company website. In connection with the general meeting, Harboe draws up powers of attorney which allow the shareholders to consider each item on the agenda. The members of the Board of Directors and the Board of Executives participate in the general meeting.

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.

Management's review

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. The company's primary stakeholders and the relations with them are considered at appropriate intervals by the Board of Directors. Harboe has laid down a policy for the relations with the company's investors, which is included in the shareholder information section of the annual report.

In addition, Harboe is working systematically with corporate social responsibility, and developments in this area are included in the annual report. As a member of the Danish Brewers' Association, the company participates in the continuous reporting and development of industry standards for corporate social responsibility.

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 on the Harboe website.

Harboe 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. Presentations from these meetings are made available on the company website.

Harboe publishes quarterly reports.

Tasks and responsibilities of the Board of Directors

The Board of Directors of Harboe lays down the company's strategy and approves policies, systems and procedures for the group's risk management and controls. The Board of Directors follows up on strategic initiatives and the realisation of the targets set at appropriate intervals.

The capital base and liquidity of the group are considered at regular intervals by the Board of Directors with a view to ensuring the necessary level of financial resources and flexibility to be able to make long-term investments and launch business initiatives on an ongoing basis in line with the company's strategy. In addition, the Board of Directors regularly assesses the company's management competencies with a view to ensuring a strong business development – both in the short term and in the long term.

Following the annual general meeting, the Board of Directors defines its most important tasks in connection with the company's strategic management and financial controls for the coming year.

Management's review

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

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. The Chairman of the Board of Directors is not involved in the day-to-day management of the company. The distribution of tasks between the Board of Directors and the Board of Executives is also laid down in the rules of procedure of the Board of Executives, which are considered annually.

Composition and organisation of the Board of Directors

The members of the Board of Directors and their individual competencies and other memberships of boards of executives, boards of directors, supervisory boards etc. are described in more detail in the annual report. The shareholders receive a description of the candidates standing and their competencies prior to the general meeting. In the process of identifying new candidates for the Board of Directors, emphasis is placed on adding relevant competencies within strategic management, product development and sales to the Harboe management. At the same time, the Board of Directors finds it important that the Board be composed such that its members match each other in the best possible way in terms of experience, age, gender etc. in order to ensure a competent and versatile contribution to Harboe's management.

New members are given a thorough introduction to the company's business and strategy, and the board members' needs for further professional and competency development are assessed by the Board of Directors at regular intervals.

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

Management's review

More than half of the members of the Board of Directors elected by the general meeting are independent.

According to the company's Articles of Association, there may be up to three staff representatives on the Board of Directors. The staff representatives are elected among the employees of the group's Danish entity for a term of four years at a time, and the rules governing such elections are laid down in accordance with the collaboration agreement between the Danish Confederation of Trade Unions (*LO*) and the Confederation of Danish Industry (*Dansk Industri*). 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. In 2009/10, five board meetings and a strategy seminar were held.

The Board of Directors emphasises and assesses on an ongoing basis whether the individual members' other tasks and responsibilities prevent the members from performing their duties on the Board of Directors of Harboe in a satisfactory way. Further to this, the Board of Directors does not consider the fact that several board members hold more than the recommended number of positions outside the group to be a limiting factor.

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

Members of the Board of Directors are elected for a term of four years, and at least one member is up for election every year. The Board of Directors believes that a term of service of four years contributes positively to ensuring continuity in the company management and that the shareholders' influence on the composition of the Board of Directors is ensured by an annual election.

The Board of Directors has not set up a management committee, but assesses the need for this at regular intervals. An audit committee has been set up by the Board of Directors. The composition of the committee is described in more detail in the sections on risks and management. The Board of Directors believes that the members of the audit committee are jointly competent to perform the tasks defined for the committee.

Based on the new recommendations on corporate governance, the Board of Directors will, in the coming year, consider the need for setting up a nomination committee and a remuneration committee, respectively.

The Board of Directors has not established a formal evaluation procedure for the Board of Directors and the Board of Executives. The Chairman of the Board of Directors ensures that meetings are characterised by constructive dialogue and that individual members contribute in line with their competencies. Furthermore, the Board of Directors regularly assesses the work and results of the management in connection with the ongoing financial and business reporting.

Management's review

Remuneration to the management

Harboe's Board of Directors emphasises that the company should offer competitive terms of employment to the members of the Board of Executives and the rest of the management and regularly assesses elements which can help motivate and retain skilled and performance-oriented managers. The Board of Directors has, for the time being, decided not to introduce share-related incentive schemes. 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. The remuneration policy is described in more detail in the Chairman's report at the annual general meeting.

The remuneration paid to the Board of Executives and the Board of Directors is specified in the annual report.

The remuneration to the Board of Directors is based on a fixed fee and does not comprise any share options.

Presentation of annual report

Harboe's annual report is presented in accordance with statutory requirements according to IFRS and on the assumption that the company is a going concern.

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

Risk management and internal controls

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

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

Management's review

Audit

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

Harboe's Board of Directors and Board of Executives monitor the company's audit activities on an ongoing basis, and the audit engagement letter is concluded with the company's Board of Directors. Every year, the Board of Directors lays down the scope of the auditors' provision of non-audit services.

Management's review

Harboe's deviations from the recommendations on corporate governance issued by NASDAQ OMX

Recommendations	Comments by Harboe
It is recommended that members of the Board of Directors who, at the same time, are a manager in a company do not hold more than three non-executive directorships or one chairmanship and one non-executive directorship in a company which is not part of the group.	The Board of Directors emphasises and assesses on an ongoing basis whether the individual members perform their duties and contribute to the work of the Board of Directors in a satisfactory way. Consequently, the Board of Directors does not consider the fact that some of the board members do not meet this recommendation to be a limiting factor.
It is recommended that the company set an age limit for members of the Board of Directors.	No upper age limit has been set for members of the Board of Directors as this has not yet been a relevant issue. The age of the individual members appears from the annual report.
It is recommended that members of the Board of Directors elected by the general meeting be up for election every year at the annual general meeting.	For the time being, the term of service is four years, and, normally, one board member is up for election every year. The Board of Directors believes that this ensures the continuity of the work of the Board of Directors which Harboe finds very valuable.
It is recommended that the Board of Directors set up a nomination committee.	In the coming year, the Board of Directors of Harboe will consider the need for setting up a nomination committee.
It is recommended that the Board of Directors set up a remuneration committee.	In the coming year, the Board of Directors of Harboe will consider the need for setting up a remuneration committee.
It is recommended that the Board of Directors establish an evaluation procedure under which the contributions and results of the Board of Directors as a whole and the individual members are evaluated.	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. Furthermore, the Board of Directors regularly assesses the work and results of the management in connection with the ongoing financial and business reporting.

Management's review

Risks, financial reporting and controls

Harboe is constantly analysing and considering the business and financial risks affecting the company's development and results. The Board of Directors and the Board of Executives are generally responsible for the risk assessment, risk management and internal controls of the group in connection with the financial reporting. The Board of Directors of Harboe has set up an audit committee consisting of the externally elected, independent members of 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. During the past financial year, the committee has also laid down updated policies for, among other things, IT security in connection with both the administrative processes and the total production processes at the group's production units.

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

Important business risks

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

Production and quality

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

Management's review

Suppliers

It is decisive that the quality of the raw materials which Harboe uses for its products meets the highest standards for food safety. At the same time, Harboe is dependent on the raw materials being delivered on time and in the agreed quantities. The majority of Harboe's subsuppliers are based in the EU. The collaboration with suppliers is often based on long-term relations and agreements which are adjusted and renegotiated for one to two years at a time. Harboe evaluates the quality and reliability of deliveries of its suppliers at regular intervals, and, for all primary raw materials, Harboe has two suppliers to ensure the highest possible reliability of delivery.

Competition, prices and taxes

In all the group's main markets, the beer and soft drinks segments are characterised by intense competition, leading to a constant pressure on prices. Harboe is therefore very sensitive to market fluctuations in the prices of raw materials and consumables as increasing production costs cannot simply be added to the sales prices. This is true, in particular, of the group's core products. To counter such fluctuations as much as possible, Harboe is systematically seeking to conclude 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.

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

Season and capacity

Sales of beer and soft drinks are characterised by seasonal and weather-dependent fluctuations. The summer is normally the high season when demand is very high, but a cold and wet summer can change this picture considerably and thus affect the group's operating profit. Fluctuations in demand require 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 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.

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. The marketing of Harboe's products will increasingly be backed by the company's own sales-promoting activities aimed at consumers.

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 152.3 million.

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

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

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 on the NASDAQ OMX Copenhagen SmallCap segment. Trading for the period totalled DKK 225 million, corresponding to an average trading per day of DKK 0.85 million.

In the course of the year, the Harboe share was traded at a maximum price of 142 and a minimum price of 106.5. This development must be seen in the context of the general development in both the MidCap and the SmallCap indices and in Harboe's Danish peer group, which has also seen increasing pressure on the price of their shares, in line with general market trends.

Movements in share price 2009/10



Management's review

Ownership

In FY 2009/10, Harboes Bryggeri A/S got 1,267 new shareholders, including former shareholders in GourmetBryggeriet A/S, who, in connection with their disposal of shares in this company, chose to convert their shares into Harboe shares.

At the end of the financial year, Harboes Bryggeri A/S had 5,788 registered shareholders. The registered shareholders represent DKK 53.3 million of the total share capital, corresponding to 88.78%.

As at 30 April 2010, the following shareholders have registered a shareholding exceeding 5% of the share capital in accordance with Section 29 of the Danish Securities Trading Act (*Værdipapirhandelsloven*):

Kirsten and Bernhard Griesse
Spegerborgvej 4, 4230 Skælskør, Denmark
Capital share: 13.1%, voting share: 52.1%

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

Management's review

J.P. Morgan Chase Bank
60 Victoria Embankment
GB-London EC4Y 0JP
Capital share: 6.0%, voting share: 3.1%

As at 30 April 2010, members of the Board of Directors and the Board of Executives held a total of 797,349 shares. Of these, 786,820 shares were owned by the Board of Executives.

Management's review

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 are subject to the general provisions of the Danish Companies Act (*Selskabsloven*).

At the forthcoming general meeting, a number of proposed amendments will be presented following amendments to the Danish Companies Act.

Election of members to 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 years at a time, with the earliest elected member standing down each year. Members standing down may be re-elected.

Authorisations of the Board of Directors

At the general meeting held on 19 August 2009, the Board of Directors was authorised to acquire treasury shares with a nominal value of up to 10% of the share capital at a price corresponding to the listed price plus/minus 10%. This authorisation is valid until the next general meeting.

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 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 a 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.

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

Management's review

The electronic communication of Harboe's shareholder information is a new step towards quicker and more efficient communication with the shareholders which allows the company to cut costs and reduce its environmental impact.

As a result of these efficiency measures, Harboe will not send printed annual reports to all registered shareholders. However, on the InvestorPortal, which gives the shareholders quick and easy electronic access to Harboe's shareholder information, shareholders may chose to continue to receive printed versions of notices of general meetings and annual reports.

Management's review

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 the further development of its investor relations.

IR contact:

Ruth Schade, President

Tel.: +45 58 16 88 88

Email: rs@harboes.dk

Analysts

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

Danske Equities	Søren Samsøe
Enskilda Securities	Michael K. Rasmussen
Carnegie	Casper Blom

Dividend

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

Financial calendar

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

Interim report, Q1 2010/11	7 September 2010
Interim report, H1 2010/11	14 December 2010
Interim report, Q3 2010/11	8 March 2011

Management's review

Company announcements

Company announcements issued in the period 1 May 2009 to 30 April 2010:

Date	Announcement
1 May 2009	Harboes Bryggeri A/S has concluded a conditional agreement with the principal shareholders of GourmetBryggeriet A/S on the transfer of approx. 75% of the share capital
4 June 2009	Harboes Bryggeri A/S acquires 75.51% of the share capital in GourmetBryggeriet A/S
19 June 2009	Major shareholder announcement in accordance with Section 29 of the Danish Securities Trading Act
29 June 2009	Annual report
1 July 2009	Reporting in accordance with Section 28a of the Danish Securities Trading Act
3 July 2009	Purchase offer for the shareholders of GourmetBryggeriet A/S
10 July 2009	Reporting in accordance with Section 28a of the Danish Securities Trading Act
24 July 2009	Reporting in accordance with Section 28a of the Danish Securities Trading Act
20 August 2009	Minutes of general meeting
31 August 2009	Harboes Bryggeri A/S acquires 16.9% of the share capital in GourmetBryggeriet A/S
1 September 2009	Quarterly report
14 September 2009	Ground-breaking innovation from Harboe – climate-friendly beer – a new method for producing beer and soft drinks more quickly
28 October 2009	Compulsory redemption of shares in GourmetBryggeriet A/S
8 December 2009	Interim report
11 March 2010	Quarterly report

Management's statement

Today, we have presented the annual report of Harboes Bryggeri A/S for the financial year 1 May 2009 to 30 April 2010.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of 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 parent's assets and liabilities and financial position as at 30 April 2010 as well as of the results of their operations and cash flows for the financial year 1 May 2009 to 30 April 2010.

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

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

Skælskør, 29 June 2010

Board of Executives

Bernhard Griesse
CEO

Board of Directors

Anders Nielsen
Chairman

Bernhard Griesse

Mads O. Krage

Mette Kirstine Agger

Thøger Thøgersen

Carl Erik Kjærsgaard

Jens Bjarne Jensen *

* Staff representative

Independent auditor's report

To the shareholders of Harboes Bryggeri A/S

Auditor's report on consolidated financial statements and financial statements

We have audited the consolidated financial statements and financial statements of Harboes Bryggeri A/S for the financial year 1 May 2009 to 30 April 2010, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies applied, for the group as well as for the parent. The consolidated financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Board of Directors and Board of Executives' responsibility for the consolidated financial statements and financial statements

The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of the consolidated financial statements and financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Auditor's responsibility and basis of opinion

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 Danish and international auditing standards. 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 procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing 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 evaluating the overall presentation of the consolidated financial statements and financial statements.

Independent auditor's report

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 parent's assets and liabilities and financial position as at 30 April 2010 as well as of the results of their activities and cash flows for the financial year 1 May 2009 to 30 April 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Statement on the management's review

The management is responsible for preparing a management's review that includes a fair review in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*).

Our audit did not include the management's review, but 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, 29 June 2010

Deloitte

Statsautoriseret Revisionsaktieselskab

Jens Jørgen Simonsen
State-Authorised Public Accountant

Freddi Nielsen
State-Authorised Public Accountant

Members of the Board of Directors

Agger, Mette Kirstine

CEO (46 years old)

Member of the audit committee.

Independent member of the Board of Directors since 2008. Term of service to expire in 2012.

Directorships

Lifecycle Pharma A/S

Klifo A/S (Chairman)

EpiTherapeutics ApS

Institutrådet, Statens Serum Institut

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

Nielsen, Anders

Lawyer, Chairman (60 years old)

Chairman of the audit committee.

Independent member of the Board of Directors since 2001. Re-elected in 2005 and 2009. Term of service to expire in 2013.

Directorships

Privathospitalet Sorana A/S (Chairman)

Sorana Invest A/S (Chairman)

Danfrugt Invest A/S (Chairman)

Budde Schou A/S (Chairman)

Budde Schou Int. A/S (Chairman)

Harboefarm A/S

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

Members of the Board of Directors

Griese, Bernhard

CEO (68 years old)

Member of the Board of Directors since 1968. Re-elected in 2007. Term of service to expire in 2011.

Directorships

GourmetBryggeriet A/S

Copenhagen DesignByg A/S (Chairman)

FCS 2008 A/S

Danfrugt Invest A/S

Visbjerggården A/S (Chairman)

Skælskør Bryghus A/S

Keldernæs A/S (Chairman)

Lundegård A/S (Chairman)

Buskysminde A/S (Chairman)

Rugbjerggård A/S (Chairman)

Danfrugt Skælskør A/S (Chairman)

Executive posts

Harboes Bryggeri A/S

Danfrugt Invest A/S

Skælskør Bryghus A/S

Harboefarm A/S

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 was employed with Harboes Bryggeri in 1973, where he came into contact with all parts of the company during the following years. He was appointed manager in 1981 and CEO in 1984. Bernhard Griese's broad experience within production and management combined with a strong innovation and entrepreneurial power makes him a valuable asset to the group.

Jensen, Jens Bjarne Søndergaard

Staff representative (55 years old)

Member of the Board of Directors since 1997. Term of service to expire in 2012.

Members of the Board of Directors

Kjærsgaard, Carl Erik

CEO (52 years old)

Member of the audit committee.

Member of the Board of Directors since 2008. Term of service to expire in 2012.

Directorships

Hundred Percent Film Production A/S

Future Lab Business A/S (Chairman)

Mannov Holding A/S (Chairman)

WPP Holding Denmark A/S

Trunk Images A/S (Chairman)

Cohn & Wolfe A/S (Chairman)

Grey Shared Services A/S (Chairman)

Computer Camp A/S

Uncle Grey A/S

Dyhr/Hagen A/S

Nordic Retail Group A/S

Grey Worldwide København A/S

G2 Copenhagen A/S

Future Lab Business Consulting A/S

Møller & Rothe A/S

KGM Production A/S (Chairman)

Future Lab Business Group A/S

Executive posts

Grey Nordic ApS

Hundred Percent Film Production A/S

Since 1985, Carl Erik Kjærsgaard has primarily worked in the advertising industry, and, since 1996, he has worked for the Grey group, first as the CEO of Grey Worldwide in Copenhagen and later as the CEO of Grey Global Group's activities in Denmark. In 2004, he became responsible for Grey Nordic and was appointed member of Grey Global Group's Executive Committee. Carl Erik Kjærsgaard's extensive experience and talent within marketing constitute a valuable contribution to the implementation of Harboe's marketing strategy and continued strategic growth.

Members of the Board of Directors

Krage, Mads O.

Executive Officer (66 years old)

Member of the audit committee.

Independent member of the Board of Directors since 2007. Term of service to expire in 2011.

Directorships

IMERCO A/S

IMERCO Holding A/S

F.A. Thiele A/S

Thiele Partner A/S

Hans Just A/S

OBH Nordica Danmark A/S

Femilet A/S (Chairman)

Danish Crown Incorporated A/S

Toms Gruppen A/S

Holdingselskabet af 17. december 2004 A/S

Investeringsforeningen LD Invest (Chairman)

Fair Trade Mærket Danmark (Chairman)

Mads O. Krage has long-term experience within the retail sector, e.g. as the 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.

Members of the Board of Directors

Thøgersen, Thøger

CEO (56 years old)

Member of the audit committee.

Independent member of the Board of Directors since 2008. Term of service to expire in 2012.

Directorships

Femilet A/S

Executive posts

Active Sportswear International Holding A/S

Active Sportswear International A/S

H2O Sportswear A/S

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. Since 2009, Thøger Thøgersen has held the position of CEO in Active Sportswear International A/S. Given his extensive knowledge and experience within sales, Thøger Thøgersen makes a competent contribution to Harboe's continued strategic development.

All members of the Board of Directors are shareholders in the company.

Bernhard Griesse personally holds 13.1% of the share capital and 52.1% of the votes in Harboes Bryggeri A/S.

Members of the Board of Directors

Harboe's audit committee

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

Company information

Company

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

Board of Directors

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

Board of Executives

Bernhard Griese

Auditors

Deloitte Statsautoriseret Revisionsaktieselskab

General meeting

Annual general meeting to be held on 24 August 2010 at 5 pm in Skælskør Hallen, Skælskør, Denmark.

Income statement for 2009/10

	Group	
	2009/10 DKK '000	2008/09 DKK '000
Gross revenue	1,804,047	1,806,440
Taxes on beer and soft drinks	(279,320)	(261,834)
Revenue	1,524,727	1,544,606
Production costs	(1,247,451)	(1,299,143)
Gross profit/(loss)	277,276	245,463
Other operating income	18,394	22,369
Distribution costs	(175,022)	(173,455)
Administrative expenses	(46,037)	(42,841)
Other operating expenses	(10,269)	(10,632)
Operating profit/(loss) (EBIT)	64,342	40,904
Income from investments in associates	(3,458)	1,493
Financial income	11,180	18,285
Financial expenses	1 (13,944)	(25,553)
Profit/(loss) before tax	58,120	35,129
Tax on profit/(loss) for the year	(15,247)	(9,443)
Adjustment of tax regarding previous years	156	(65)
Net profit/(loss) for the year	43,029	25,621
Distribution of net profit/(loss) for the year		
Shareholders of parent	43,028	25,673
Minority interests	1	(52)
	43,029	25,621
Earnings per share and diluted earnings per share (DKK per share of DKK 10)	7.3	4.4

Statement of comprehensive income for 2009/10

	Group	
	2009/10 DKK '000	2008/09 DKK '000
Net profit/(loss) for the year	43,029	25,621
Foreign currency translation adjustment regarding foreign enterprises	(443)	(1,153)
Adjustment to fair value of financial assets available for sale	(3,247)	(21,599)
Adjustment to fair value of financial instruments entered into for hedging future cash flows	165	(1,004)
Tax on share of comprehensive income	5,607	251
Share of comprehensive income	2,082	(23,505)
Comprehensive income	45,111	2,116
Distribution of comprehensive income for the year		
Shareholders of parent	45,110	2,168
Minority interests	1	(52)
	45,111	2,116

Balance sheet as at 30 April 2010

	Group	
	2010 DKK '000	2009 DKK '000
Goodwill	3,573	0
Development projects	1,572	2,274
Rights	5,707	5,712
Software	4,881	1,332
Intangible assets under construction	688	2,068
Intangible assets	16,421	11,386
Land and buildings	331,848	319,406
Plant and machinery	447,405	405,989
Other plant, fixtures and fittings, tools and equipment	41,206	36,246
Spare parts for own machinery	3,887	4,210
Property, plant and equipment under construction	33,247	35,338
Property, plant and equipment	857,593	801,189
Investments in associates	0	4,609
Financial assets available for sale	283,738	288,768
Deposits, leases	2,234	2,186
Financial assets	285,972	295,563
Deferred tax assets	1,299	1,575
Non-current assets	1,161,285	1,109,713

Balance sheet as at 30 April 2010

	Group	
	2010 DKK '000	2009 DKK '000
Inventories	122,211	118,468
Trade receivables	304,155	267,427
Receivables from associates	0	4,377
Other receivables	3,964	34,929
Prepayments	7,219	8,393
Receivables	315,338	315,126
Cash	43,774	59,864
Assets held for sale	2,992	3,242
Current assets	484,315	496,700
Assets	1,645,600	1,606,413

Balance sheet as at 30 April 2010

	Group	
	2010 DKK '000	2009 DKK '000
Share capital	60,000	60,000
Share premium	51,000	51,000
Other reserves	(20,036)	(18,886)
Retained earnings	639,095	572,159
Equity owned by the shareholders of parent	730,059	664,273
Equity owned by minority interests	191	190
Equity	730,250	664,463
Mortgage debt	290,920	317,441
Other credit institutions	0	1,185
Deferred tax liabilities	33,555	39,580
Deferred income	61,088	63,627
Non-current liabilities	385,563	421,833
Mortgage debt	26,377	5,682
Other credit institutions	154,340	135,436
Trade payables	187,556	200,136
Repurchase obligation, returnable packaging	33,350	35,637
Payables to associates	0	11,377
Other payables	100,526	105,678
Deferred income	8,279	8,654
Income tax	16,372	14,530
Current liabilities	526,800	517,130
Liabilities in respect of assets held for sale	2,987	2,987
Liabilities	915,350	941,950
Equity and liabilities	1,645,600	1,606,413

Cash flow statement for 2009/10

	Group	
	2009/10	2008/09
	DKK '000	DKK '000
Operating profit/(loss) (EBIT)	64,342	40,904
Depreciation, amortisation, impairment losses and write-downs	125,719	118,190
Grants recognised as income	(13,188)	(14,042)
Changes in net working capital	(73,485)	23,416
Cash flows from primary operating activities	103,388	168,468
Financial income received	11,559	20,719
Financial expenses paid	(15,036)	(28,522)
Income tax paid	(5,729)	(12,037)
Cash flows from operating activities	94,182	148,628
Purchase of intangible assets	(3,262)	(4,761)
Purchase of property, plant and equipment	(160,954)	(134,583)
Sale of property, plant and equipment	1,560	8,452
Acquisition of enterprises	2,163	0
Changes in financial assets	7,809	(308,037)
Cash flows from investing activities	(152,684)	(438,929)
Dividend paid to shareholders of parent	(8,840)	(8,925)
Repayment of mortgage debt	(8,662)	(12,843)
Proceeds from the raising of financial liability	388	303,955
Investment grant received	39,964	2,359
Purchase of treasury shares	0	(25,301)
Cash flows from financing activities	22,850	259,245
Changes in cash and cash equivalents	(35,652)	(31,056)
Cash and cash equivalents as at 1 May	(73,324)	(42,139)
Translation adjustment, beginning of year	(406)	(129)
Cash and cash equivalents as at 30 April	(109,382)	(73,324)

Statement of changes in equity

	Group									
	Share capital DKK '000	Share premium DKK '000	Reserve for foreign currency translation adjustments DKK '000	Reserve for net revaluation according to the equity method DKK '000	Reserve for adjustment to fair value of financial assets available for sale DKK '000	Reserve for value ad- justments of hedging instruments DKK '000	Retained earnings DKK '000	Equity owned by the share- holders of parent DKK '000	Equity owned by minority interests DKK '000	Total equity DKK '000
Equity as at 1 May 2008	60,000	51,000	1,125	1,738	262	0	582,580	696,705	242	696,947
Changes in equity 2008/09										
Comprehensive income for the year	0	0	(1,153)	0	(21,599)	(753)	25,673	1,168	(52)	2,116
Reserve for net revaluation according to the equity method	0	0	0	1,494	0	0	(1,494)	0	0	0
Dividend paid	0	0	0	0	0	0	(9,000)	(9,000)	0	(9,000)
Dividend from treasury shares	0	0	0	0	0	0	75	75	0	75
Purchase of treasury shares	0	0	0	0	0	0	(25,675)	(25,675)	0	(25,675)
Total changes in equity	0	0	(1,153)	1,494	(21,599)	(753)	(10,421)	(32,432)	(52)	(32,484)
Equity as at 30 April 2009	60,000	51,000	(28)	3,232	(21,337)	(753)	572,159	664,273	190	664,463
Changes in equity 2009/10										
Comprehensive income for the year	0	0	(443)	0	2,400	125	43,028	45,110	1	45,111
Reserve for net revaluation according to the equity method	0	0	0	(3,232)	0	0	(3,232)	0	0	0
Distributed dividend, cf. note 13	0	0	0	0	0	0	(9,000)	(9,000)	0	(9,000)
Dividend from treasury shares	0	0	0	0	0	0	160	160	0	160
Sale of treasury shares	0	0	0	0	0	0	29,516	29,516	0	29,516
Total changes in equity	0	0	(443)	(3,232)	2,400	125	66,936	65,786	1	65,787
Equity as at 30 April 2010	60,000	51,000	(471)	0	(18,937)	(628)	639,095	730,059	191	730,250

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