ROYAL UNIBREW

Annual Report 2019

Royal Unibrew A/S CVR no. 41 95 67 12

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Royal Unibrew at a Glance

Royal Unibrew in brief

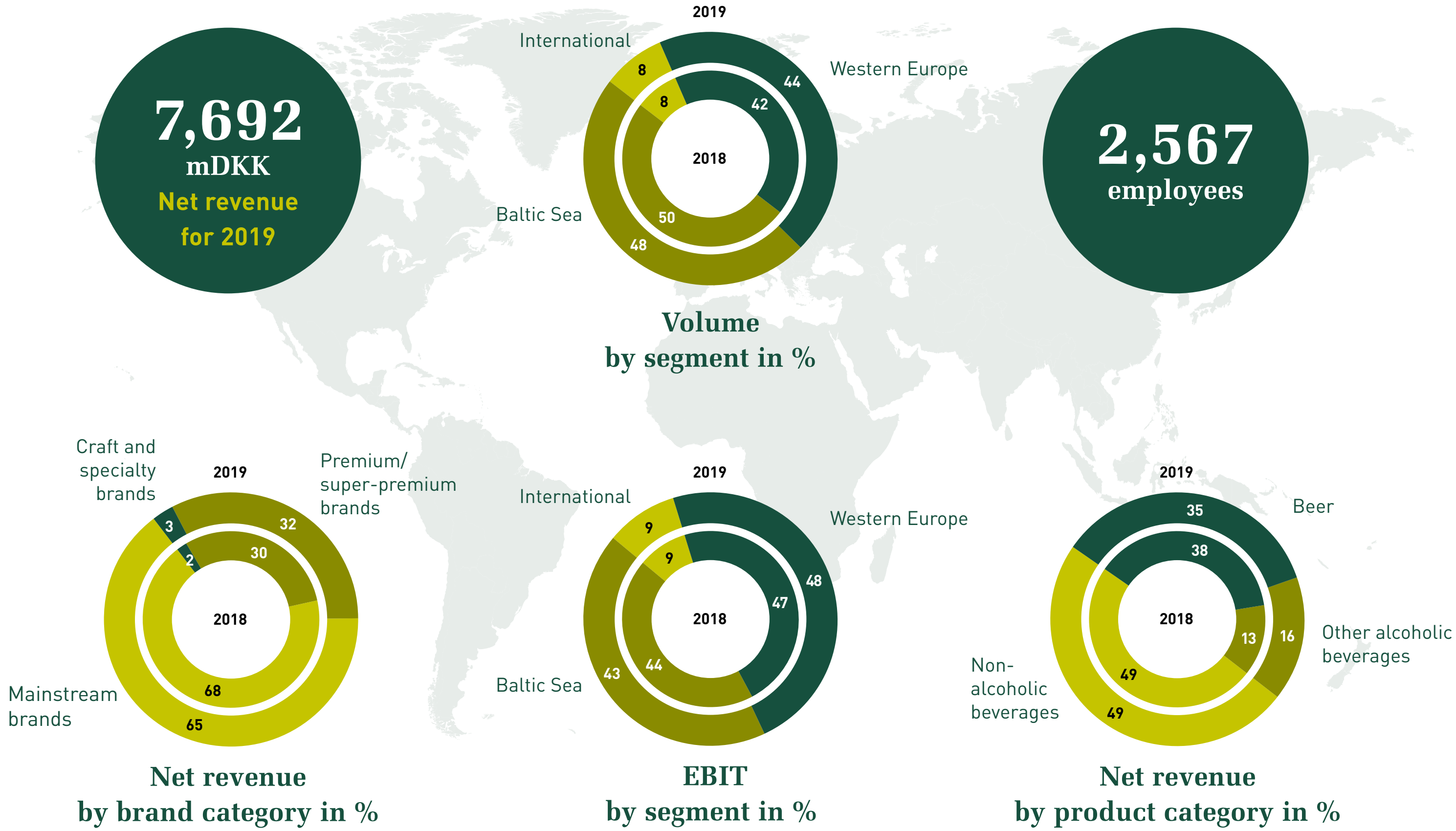
Royal Unibrew is a leading regional beverage provider in a number of markets – primarily in Northern Europe, Italy, France and in selected international markets.

We produce, market, sell and distribute quality beverages with focus on branded products within beer, malt beverages and soft drinks as well as ciders and ready-to-drink products.

Our main markets are Denmark, Finland, Italy, France and Germany as well as Latvia, Lithuania and Estonia. To these should be added the international markets comprising a number of established markets in Americas and major cities in Europe and North America as well as emerging markets in e.g. Africa.

In all of our multi-beverage markets, we offer our customers strong and locally based brands. Based on continuous development and innovation, it is our objective to meet consumer demands for quality beverages.

In addition to our own brands, we offer license based international brands of the PepsiCo and Heineken Groups in Northern Europe.



Western Europe: Denmark, Germany, Italy and France
Baltic Sea: Finland, Lithuania, Latvia and Estonia
International: the export and license business to international markets outside Denmark, Finland, Italy, France and the Baltic countries. Sales outside Italy, the Balkan countries and France from the businesses Fonti di Crodo and Lorina are included in this segment.

Results for 2019 and outlook for 2020

Dedicated execution of the well-grounded strategy delivered continued solid growth in Royal Unibrew's business and the best results ever

Developments in 2019

- Solid improvement of net revenue (+5%), EBIT (+10%) and free cash flow (+23%)
- Market shares generally increased
- Both EBITDA margin and EBIT margin increased
- Earnings per share up from DKK 20.6 to DKK 23.0 (+12%)
- Expected distribution to shareholders of DKK 1,010 million (2018: 950 million) allocated on
  - Dividend of DKK 12.20 per share (2018: DKK 10.80) (+13%)
  - New share buy-back program of DKK 400 million (2018: DKK 400 million)
- Three acquisitions completed
- Royal Unibrew focuses on sustainable growth and has joined the UN Global Compact

Outlook for 2020

In spite of the current circumstances with COVID-19, we expect to deliver an EBIT around 2019.

Medium-term EBIT margin target increased from about 18-19% to 19-20%

mDKK	Actual 2019	Actual 2018
Net revenue	7,692	7,298
EBIT	1,469	1,339

+5%

NET REVENUE INCREASE FOR 2019 TO DKK 7,692 MILLION

+10%

EBIT INCREASE FOR 2019 TO DKK 1,469 MILLION

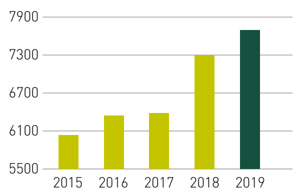
+8%

EBITDA INCREASE FOR 2019 TO DKK 1,814 MILLION

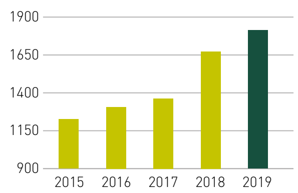
19.1%

EBIT-MARGIN FOR 2019, AN INCREASE OF 0.7 PERCENTAGE POINT

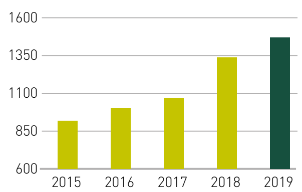
NET REVENUE
(mDKK)



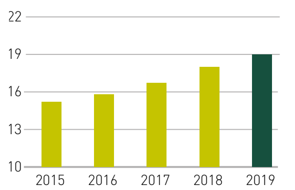
EBITDA
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



... and three more acquisitions in 2019

The acquisition of Bev.Con ApS (CULT) was concluded on 28 February 2019 and adds strong brands such as CULT Energy, MOKAÏ and SHAKER to the Danish portfolio of brands. MOKAÏ and SHAKER are both brands strongly connected to the night life occasion and close a portfolio gap.

Results for 2019 - business segments

Western Europe
DENMARK, GERMANY, ITALY AND FRANCE

4,813 tHL
VOLUME

722 mDKK
EBIT

3,691 mDKK
NET REVENUE

19.6%
EBIT-MARGIN

Further information: page 30

Baltic Sea
FINLAND, LATVIA, LITHUANIA AND ESTONIA

5,268 tHL
VOLUME

654 mDKK
EBIT

3,308 mDKK
NET REVENUE

19.8%
EBIT-MARGIN

Further information: page 34

International
65 MARKETS IN AMERICAS AND EMEAA

942 tHL
VOLUME

132 mDKK
EBIT

694 mDKK
NET REVENUE

19.0%
EBIT-MARGIN

Further information: page 37

Financial Highlights and Ratios

	2019	2018	2017	2016	2015
Volume (million hectolitres)	11.0	10.8	9.9	9.9	9.3
INCOME STATEMENT (MDKK)					
Net revenue	7,692	7,298	6,384	6,340	6,032
EBITDA	1,814	1,673	1,362	1,306	1,225
EBITDA margin (%)	*23.6*	*22.9*	*21.3*	*20.6*	*20.3*
Earnings before interest and tax (EBIT)	1,469	1,339	1,069	1,001	917
EBIT margin (%)	*19.1*	*18.4*	*16.7*	*15.8*	*15.2*
Income after tax from investments in associates	25	20	18	28	31
Other financial income and expenses, net	-36	-31	-31	-31	-46
Profit before tax	1,458	1,328	1,056	998	902
Net profit for the year	1,140	1,040	831	784	711
Parent company shareholders' share of net profit	1,142	1,041	831	784	711
BALANCE SHEET (MDKK)					
Non-current assets	7,163	6,775	5,121	5,180	5,505
Total assets	8,493	8,062	6,778	6,076	6,748
Equity	3,106	2,908	2,814	2,911	2,935
Net interest-bearing debt	2,705	2,522	975	991	1,184
Net working capital	-671	-748	-957	-881	-990
Invested capital	6,211	5,835	4,030	4,111	4,347
CASH FLOWS (MDKK)					
Operating activities	1,403	1,214	1,168	985	1,160
Investing activities	-616	-1,622	-218	38	-123
Free cash flow	1,159	942	950	1,022	1,032
SHARE RATIOS (DKK)					
Number of shares (million)	50.1	51.0	52.7	54.1	55.5
Earnings per share (EPS)	23.0	20.6	16.0	14.7	13.0
Diluted earnings per share	22.9	20.6	16.0	14.6	12.9
Free cash flow per share	23.4	18.7	17.8	18.7	18.6
Dividend per share	12.20	10.80	8.90	8.15	7.2
Year-end price per share	610.0	449.0	371.8	272.6	280.1

	2019	2018	2017	2016	2015
EMPLOYEES					
Average number of employees	2,567	2,416	2,299	2,350	2,314
FINANCIAL RATIOS (%)					
Return on invested capital including goodwill (ROIC)	19	21	21	18	16
Return on invested capital excluding goodwill (ROIC)	30	33	32	28	23
Free cash flow as a percentage of net revenue	15	13	15	16	17
Cash conversion	102	91	114	130	145
Net interest-bearing debt/EBITDA (times)	1.5	1.5	0.7	0.8	1.0
Equity ratio	37	36	42	48	43
Return on equity (ROE)	38	36	29	27	25
Dividend payout ratio (DPR)	54	53	56	56	56

Ratios comprised by the "Recommendations and Financial Ratios" issued by the Chartered Financial Analyst Society Denmark's Committee for Accounting standards have been calculated according to the recommendations.

Definitions of financial highlights and ratios are provided on page 146.

Due to adoption in 2018 of IFRS 16 (leases) using the modified retrospective approach the 2018 and 2019 highlights and ratios are not comparable with those for 2015-2017.

Strategy delivers progress once again

Since 2009, Royal Unibrew has delivered strong results every year. Our goal remains to deliver solid results and cash flow generation to secure continued return to our shareholders.

The solid result in 2019 is generated from a strong mix of organic growth and acquisitions together with continued focus on efficiency improvements, innovation, a high level of consumer and customer engagement and excellent partnerships.

The strategy since 2009 is for Royal Unibrew to be a focused and strong multi beverage provider with leading positions in the markets in which the company operates. This strategy continues to further evolve and adjust as consumers' behavior and demands change. Acquisitions remain an important part of the strategy and we will continue to consider opportunities that can create value to the benefit of our shareholders.

"Royal Unibrew is always committed to do business in an ethical, responsible and sustainable way ..."

CSR is of high priority

Royal Unibrew is always committed to do business in an ethical, responsible and sustainable way and has signed up to the UN Global Compact in 2019 to intensify and improve the efforts and ambitions even further. Royal Unibrew has identified a number of short-term and long-term CSR priorities that will be integrated further in the strategy going forward.

Strengthening of the Executive Board

In order to secure continued delivery on the strategy, the Board of Directors decided to expand the Executive Management Team by appointing the current CFO, Lars Jensen to COO and hiring Lars Vestergaard as new CFO, effective 1 April 2020. In addition, Royal Unibrew has a broad, highly experienced and high performing Senior Management Team that works together as a team across business units and countries.

On behalf of the Board of Directors I wish to thank the Executive Team, the Senior Leadership Team and all Royal Unibrew employees for their excellent contribution and passionate commitment to deliver a strong result once again. Finally, I wish to thank consumers, customers, business partners and shareholders for their continued support of Royal Unibrew.

Walther Thygesen
Chairman of the Board of Directors

Our strategy and consistent execution, building sustainable growth, delivered continued momentum of our business and solid financial results during 2019

During 2019, Royal Unibrew delivered solid growth in both revenue and earnings – while at the same time preparing our business for a future that demands new solutions from existing trusted brands, products as well as our teams and partners.

Simultaneously with the adaptation of our operations to new market demands and expectations, the sustainability of both our way of operating and of our commitment to create value for all in our value chain delivers solid and continued advances. Our EBIT margin increased from 18.4% to 19.1% and based on the strengthening of our earnings potential as well as considerations of our opportunities going forward, we increase our EBIT margin target from a range of 18-19% to a range of 19-20%. In addition, for the first time, we recommend a distribution of more than DKK 1 billion to our shareholders via an increase of the ordinary dividend to DKK 12.20 per share (2018: DKK 10.80 per share) in combination with a share buy-back program of up to DKK 400 million.

"In 2019, Royal Unibrew joined the UN Global Compact which principles govern our actions every day"

In 2019, our net revenue increased by 5% to DKK 7,692 million, our EBITDA grew by 8% to DKK 1,814 million, whereas our EBIT increased by 10% to DKK 1,469 million. And for the first time in our history we sold and delivered more than 11 million HL to consumers and customers around the globe.

As consumers and customers continue to change their habits and expectations, we adjust our strategies and portfolios to respond with agility and determination. The key factors driving our strong 2019 results have been:

- Strong advances for many of our local brand positions driven by great marketing connecting directly to the consumers and the communities we serve
- Our innovative initiatives across many of our alcoholic and non-alcoholic portfolios
- Ever increasing efforts to create products with a more sustainable environmental footprint
- Serving our valued customers with best in class In/Outlet support and service
- Increased efficiency in all parts of our supply chain
- A determined focus on leveraging our recent acquisitions in a broader arena

Sustainability and responsibility vis a vis the world we serve

In the communities in which we live and work as well as in the wider markets in which we operate become more concerned about sustainability, and we have increased our efforts on several fronts to create a more sustainable future. All our teams are working dedicated with very high ambitions and advanced tools to secure that our quality, the food safety and our environmental footprint meet the highest standards – and we constantly develop our measures.

We are committed to the principles of UN Global Compact and apply the Sustainable Development Goals in our initiatives.

To support our continuous efforts, we have ongoing dialogues with the local communities in which we operate – aiming to ensure an active and transparent participation in and contribution to the people and the environment in which we live and work.

Among our other efforts during 2019 were a new wastewater plant at Lorina in France, the introduction of 100% recycled labels, cardboard and shrink foil to our Organic Royal Pilsner product range and 100% recycled PET for Egekilde (still) in Denmark as well as the employment of a number of inclusion refugees in our local businesses.

"We have managed to reduce our CO_2 footprint with 10% per HL since 2015"

Leveraging existing brands responding to trends and changing concerns and habits

Our industry in general and Royal Unibrew tend to be regarded as traditional and relatively stable. However, we observe some major changes and distinct market trends:

There is a change away from refreshing indulgence towards a more health driven behavior. Hence, we have leveraged some of our strong local and international brands, allowing us to capture new taste experiences with 0.0% beer concepts as well as non-sugar soft drink products. We expect this core consumer behavior is here to stay, and we prepare to further extend the lead that we have taken in some of these segments.

Secondly, we note that the modern global communication platforms drive the need for authenticity and increased connection to the local communities. Local heroes such as Faxe Kondi, Hartwall Original Long Drink and Cido offer national identity combined with the greatest taste and the unique local connections of these longstanding products. Local icons such as Lorina Artisanal French Lemonade and Fonti di Crodo LemonSoda are other great examples of products/portfolios with wider authentic appeal that combine the greatest taste with rich local heritage.

Finally, concerns about the long-term impact from economic development are increasing in the more economically developed Western hemisphere – driving the demand for "good for us and our world" products.

The success of our organic products is illustrative for the changes in consumer behavior.

Also, our role in providing guidance and contributions to the recycling efforts of waste and containers in e.g. the recycling systems in Denmark and Finland is demanding more and more focus and efforts.

"In some of our core markets the opportunity for e.g. organic products is gaining momentum"

Creating value for and with our customers

In most of our markets, consumers are served via customers and outlets with whom we aim to create more value. For our customers we develop products, merchandise and other support that improve their yield on the time and money invested in their businesses. Furthermore, our teams focus on helping our customers to sell more effectively, increase rotation in the outlet and strengthen the relationship with the final consumer of our products. Our highly effective Royal Unibrew Tapwall concept that prolongs the freshness of our products is an excellent example of a sustainable, new technology driven development that renders the whole value chain more valuable. And the fact that we offer distribution to smaller craft beer suppliers through this concept underlines the open and flexible character we support with this concept.

Continued quality and efficiency improvements in all parts of our value chain

As illustrated by the above changes and examples of successful initiatives, the general beverage landscape and our portfolios become more complex. As we are fully committed to create and return value to our stakeholders and the communities we live in, we constantly invest in more knowledgeable employees, new technologies and better systems. Only a determined and focused operation that combines unique market and consumer insight with innovation can contribute to economic growth in a sustainable way – more efficiency means less waste, less energy, more sustainability and better financial and community returns. And this goes for all and everything we touch in relation to our processes, our employees, our partners and our suppliers supported by clear guidance and legal frameworks.

Continued strengthening of and through the recent acquisitions

Our strategy for sustainable growth derives from a healthy combination of value creation and improvement of our existing business, regularly enhanced by bigger and smaller acquisitions. Our mantra is to only add assets and brands that fit our core strategy of enhancing our local multi-beverage business, making sure we can run the assets better than its previous owner – and identify and capture synergies.

As our newly acquired brands and businesses have been integrated into the Royal Unibrew family, they have not been stripped from their unique connection to their original consumers and customers, and they have not been dismantled and replaced. In general, they have been streamlined and simplified, and they

"All acquisitions from 2018 have contributed to our 2019 growth in revenue and earnings"

have been reenergized benefitting from some of our broader overall industrial experience and our market insights. And in most cases the focus has been on increasing the rotation and scale of the current business, occasionally in combination with a distribution extension.

Above all though stands our focus to continuously improve and strengthen our existing businesses with the constant care and intensity that has created our current momentum.

Change in the Executive Board from two to three

From April 2020, Lars Vestergaard (member of the board since April 2018) will join the Executive Board as CFO, and Lars Jensen will move to a new position as COO with operational responsibilities for Southern Europe, the Global Overseas Export and Sales Operations, Nordic Supply Chain and M&A activities.

COVID-19 and its implications

As the COVID-19 virus has its first impacts on parts of our business, we have moved our focus towards the channels and occasions where our products support consumers and customers best. It is key for Royal Unibrew, that we keep our agility to adapt the daily market reality and preserve our "close to market" philosophy. Mid-term, we feel confident that our ability to adjust to new market realities continues to secure solid returns.

I want to thank everyone in the Royal Unibrew team for their great contribution to another solid result in 2019. It is our willingness to work together and go the extra mile developing great ideas into great experiences and products that pave the way for sustainable growth and even better results.

A special thank you to the consumers of our products, our business partners and customers and last but not least to our shareholders and members of our Board for your trust, support and involvement.

Johannes F.C.M. Savonije
President & CEO

133 brands

IN ROYAL UNIBREW PORTEFOLIO

Strategy and targets

Strategy

Royal Unibrew's overall strategy remains to be a strong regional multi-beverage provider in selected core markets and outside the core regions to establish and cement strong niche positions. The implementation of the strategy has led to continuous improvement of our earnings capacity, margins and free cash flow.

Overall strategy

Royal Unibrew strives to grow through two supplementary strategies:

1) Being a strong multi beverage provider in core markets offering a diverse portfolio, which is relevant for consumers and customers (e.g. beer, cider, long drinks (RTD), ready-made cocktails, soft drinks, energy drinks, waters and fruit juices).

2) Establishing leading and scalable niche positions through a combination of locally and anchored brands and unique export propositions (e.g. Ceres, Tempt, Faxe, Vitamalt and the recently added Fonti di Crodo, Lorina and Nohrlund products).

With own brands as well as strong international license brands our objective is to achieve leading positions in the markets or the segments in which we operate. In the coming years, we will scale up our sales and marketing efforts as well as leverage our product portfolio across markets with a view to reinforcing our market positions in the individual markets and increasing the total business of the Group – thus ensuring the long-term value of our many brands. Our strategy has been "designed" taking into account that Royal Unibrew operates in diverse markets that are characterized by different dynamics.

MAIN ELEMENTS OF THE OVERALL STRATEGY

Key market positions

Focus on markets and segments in which Royal Unibrew holds or may achieve a considerable position

Royal Unibrew focuses on further developing established market and segment positions where we hold either a leading position, such as in Denmark, Finland and the Baltic countries, or considerable and scalable niche positions, such as in Italy or France and in selected international markets. For mainstream market positions in consolidated markets, it should be possible to achieve a role as a leading player to create attractive profitability.

Royal Unibrew's core market area is characterized by considerable industry concentration. To the extent that structural growth opportunities arise, e.g. through acquisitions or by entering into partnerships, which might reinforce existing market positions or create new market positions, will be assessed, and it will be considered whether there is a strategic match and if long-term shareholder value can be created.

We will reinforce our market positions through focus on a broader beverage portfolio, with a view to enhance our customers' benefits from the partnership with Royal Unibrew.

Talent and people

Developing alert and diverse talent

Insight and strong competences are required to reach our ambitious strategic targets and to navigate in markets characterized by rapid change. Therefore, we strive to create a culture that encourages talent, develops skills and competences, recognizes achievements and values each individual.

We give high priority to retaining experienced employees and recruiting new employees who bring new momentum and knowledge.

We have an intensive focus on cross-border knowledge sharing, which in particular plays an important role when integrating new businesses and when rolling out SAP or other digital solutions.

A succession process ensures identification of talents and ensures acceleration of carreers within Royal Unibrew.

Innovation, development

Focus on innovation and development of Royal Unibrew's product portfolios

To build and maintain our strong position as a regional beverage provider of both well-known local brands and unique export propositions we need continuously to develop our product portfolio and provide opportunities to excite and enjoy our consumers – by addressing consumer trends of e.g. health and wellness, authenticity and care for the environment.

The product portfolio development includes our own development of new line extensions, products and brands within existing and new beverage categories as well as the conclusion of license agreements both as a licensee and a licensor.

A Growth Leadership Team facilitates the development and implementation of the Royal Unibrew Best Practice and knowledge sharing across the entire Group.

Local roots

Focus on local engagement and responsibility

We actively strive to be close to consumers as well as to be part of and take care of the local societies in all our markets.

The closeness to our consumers is a natural element of the local rooting of a large range of our products – and of our persistent efforts to meet consumer demands by building a solid platform for our ongoing innovation and product launches.

As a regional based beverage company founded on strong local presence in the societies of typically rural areas, Royal Unibrew aims to be a responsible member of the community not only from an environmental perspective but very importantly from a social perspective as well – this goes for both our employees, local business partners and suppliers.

Operational efficiency and sustainability

Focus on operational efficiency

We consider it a never-ending process to pursue opportunities to continuously enhancing the efficiency across the company and of all links in our value chain – and at the same time consider how to reduce our environmental impact. Operational efficiency and circular thinking have always been a part of the Royal Unibrew DNA.

A broader beverage portfolio and increased complexity continuously challenge our way of operating, and it is therefore crucial to focus on efficiency in all parts of our organization.

Through investments, applying new technology, innovation and other initiatives we aim to enhance efficiency and create value for Royal Unibrew and our stakeholders – by way of ensuring a sustainable and flexible business model.

Financial flexibility

Maintaining Royal Unibrew's financial flexibility, competitive power and scope for strategic maneuverability through an appropriate capital structure

Royal Unibrew is continuously considering its capital structure with a view to adjust it as to support the realization of the strategic and financial targets in the best possible way.

As we see M&A as an integrated part of the strategy, the management of our capital structure must be seen in the context of balance sheet readiness to onboard new businesses, as has been the case during recent years. The capital structure will be evaluated based on the financial leverage, solvency and intangibles asset compared to the equity.

Rapidly changing consumer trends

We live in times characterized by change and volatility, yet we can be certain of one thing: Consumer values, needs, and behaviors will continue to evolve.

Today consumption is based on values and beliefs and consumers expect their values to be embedded in the products – whether it is about healthier products, sustainability or any other personal interest.

Given the rapid pace of change it is vital for our future success that our business is agile and adaptable – and that we find new ways to respond to consumer trends.

"Intensified focus on the content of sugar and alcohol"

Entering into 2020, we see three key consumer trends influencing our business and strategic focus:

Health driven behavior

The consequent "less is more" attitude changes consumers awareness and attitude – implying for example, an intensified focus on the content of sugar and alcohol. Therefore, we have leveraged some of our strong local and international brands and introduced new taste experiences with 0.0% beer concepts such as Royal 0.0% as well as non-sugar soft drink products.

Authenticity and increased connection to the local community

There is an increasing demand for more individual and authentic brands. Consumers want products to which they can relate, and preferably products that have a story and local roots. The strong interest in craft and specialty beer, local beer brands with a long history as well as other non-alcoholic craft products, as for example lemonade, are good examples of this trend.

Good for us and our world

Consumers are more and more concerned about the environmental challenges. Thus, consumers demand more sustainable ingredients, more transparent and sustainable production methods and more sustainable packaging concepts etc. The success for and interest in e.g. organic products such as Royal Organic Beer and Nohrlund organic cocktails in Denmark and Lorina Organic Lemonade in the USA are illustrative for the changes in consumer behavior.

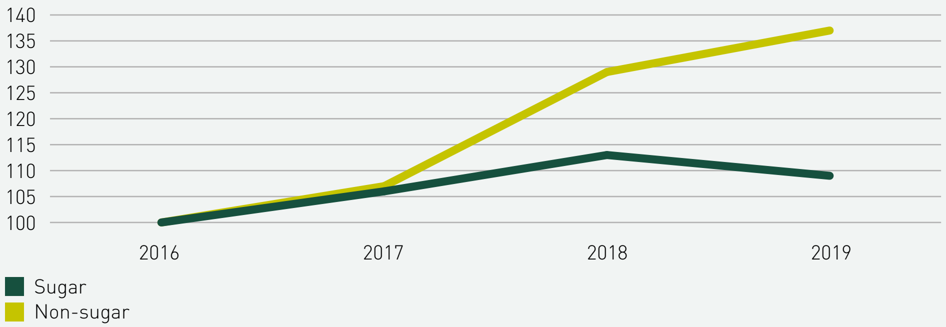
Low- or non-sugar

The low/non-sugar category is benefiting from consumer trends towards health consciousness. We offer a growing portfolio in the category such as Hartwall Jaffa Sokeriton, Faxe Kondi 0 calories, LemonSoda Zero and Pepsi Max. Over recent years, the share of low- and non-sugar products in our soft drink portfolio has increased markedly.

Demand for larger variety

Consumers constantly expect something new – preferably something authentic, sustainable and of high quality. Craft and specialty products fit this trend very well and over the past years we have built an attractive and innovative portfolio in these categories. Across our markets, we offer a range of well-known craft and specialty brands – both beers, cocktails, lemonade and soft drinks.

ACCUMULATED DEVELOPMENT 2016-2019 – SUGAR VS. NON-SUGAR
(Index 2016=100)



Acquisitions strengthen our business platform

During 2018 and 2019, we have acquired a number of new businesses and brands – which bring new attractive and iconic brands to our consumers and customers and strengthen our future growth and earnings potential. The integration of the acquired activities is progressing well with focus on streamlining, vitalizing of new brands and obtaining commercial synergies.

Fonti di Crodo – acceleration of value creation

Prime focus during 2019 has been a continuation of the 2018 agenda: Driving brand value for the consumers and value for our customers. Fonti di Crodo delivered solid results in the Italian market and was the brand with the largest value gain during the year. In 2019, the Crodo LemonSoda products were also launched in a number of new markets – with promising feed-back.

Lorina – preparing for controlled growth

2019 was in many ways a transition year for Lorina – a large investment program initiated by the previous owner was completed, the number of variants was reduced, and innovation was organized to support the 2020 plans and ambitions. In France, the sale and market share of the core artisanal clear lemonade increased in a year with tough competition and the US lemonade business continued its expansion, moving the portfolio towards the Lorina brand.

Nohrlund – launching new product lines

The past year has been very hectic for the Nohrlund start-up company. The introduction of premade cocktails at Royal Unibrew events in Denmark has been a great success delivering superb consumer experience and creating value for our customers. Towards the end of 2019, "Served By Nohrlund" was launched in the Off-Trade with great success. The "Served By Nohrlund" range focuses on well-known cocktails, making home serving easier and with the same great taste every time.

BAG – preparing for accelerated growth

After acquiring the Canadian Bruce Ashley Group (BAG) in August 2019, our view of the opportunities in the Canadian market has been confirmed and both partners and customers have appreciated our ownership of the Bruce Ashley Group. The business has outperformed market growth in our core category, which has already led to a new partnership with a local craft brewer. Building capacity and capability will be core focus areas in 2020 including both new channels and categories.

Digital transformation is pivotal for business development

We consider digital technology an important driving force behind continuous improvement. And it is not only about technology, but rather about creating new opportunities for our customers and Royal Unibrew – by strengthening customer relations and engagement, creating better customer experiences, fueling innovation and optimizing our supply chain management. In addition, new digital solutions reduce operational costs by increasing efficiency.

In recent years, we have intensified our digitalization efforts and we have implemented a range of new modern systems providing us with better tools to partner up with our customers and to develop business activities, including roll-out of the ERP system, SAP across our markets, a new CRM and e-contract system, a new e-commerce platform and a new web shop for craft products.

Craft Makers Collective well received

Digitalization is a vital component of our endeavors to establish closeness to consumers. In the Autumn of 2018, we launched the web shop Craft Makers Collective – a cooperation of passionate craft makers in Denmark and abroad offering interesting, high-quality products – which was well received by consumers. In the web shop we aim to guide, inform and inspire consumers, and through the direct contact to consumers, we get fast response and useful insight into consumers' preferences – and we improve our ability to continue providing relevant high-end products to both buyers in the web shop and our consumers in general. The next step for Craft Makers Collective is to develop and optimize the web platform and to expand the inspiration universe. We also plan to introduce the platform to other markets.

E-commerce adds value to customers

During 2019, our Finnish B2B e-commerce platform was further improved and rebranded. We have taken important steps to provide an excellent e-commerce experience for both our current and potential customers – and to provide customers a smooth and fast way to order products, manage their inventory and get inspirational insights. As part of the web store – and with the aim to increase customer value – customers are informed about product launches, promotions, campaigns, seasonal recommendations and other trends related to the beverage industry. The feedback from our customers has been very positive and after the launch in June 2019 and during the following high season, the number of visitors and buyers increased markedly as well as the average order size increased. In early 2020, a new e-commerce platform will go live in Denmark and after that other markets will follow.

Operational leverage is key

To meet evolving consumer needs and support our customers' value creation while at the same time building a sustainable and profitable business, we need to make continuous efficiency improvements across our company. This includes our production, sales and logistics as well as our administrative processes.

In recent years we have succeeded in increasing efficiency markedly across the value chain – paving the way for the continuous increase in our earnings despite the more and more complex beverage portfolio. In addition, it has contributed to building a platform for successful integration of new activities and businesses.

In our production we are focusing on technologies and solutions that either improve productivity performance, reduce the environmental impact, including the CO_2 footprint or create new opportunities for offering new products – or a combination of these. New innovative technologies also contribute to optimizing our marketing and sales channels and allow us to distribute our products more efficiently.

"New innovative technologies contributed to optimizing our marketing and sales channels"

New CRM and e-contract solution is paying off

The introduction of new modern CRM and e-contract solutions has provided us with better tools to partner up with our customers and to develop business activities – and in 2019, we experienced the benefits.

Customer meetings have become more professional and our customer-interface in all aspects has become more individualized and tailored towards the needs of individual clients, which drives our overall intend to be their beverage-partner and advisor to let their business be successful.

Onboarding of new customers has also been optimized with the new CRM solution, ensuring "first time right" during the cost intensive process. The outcome is a significant reduction of costs and time spent – and a much better customer experience.

Furthermore, we have achieved a better overview of our contracts, there is a higher degree of standardization and the renegotiation of contracts has become much more efficient and takes place in time, based on data and facts.

INVESTMENTS DRIVE PRODUCTION EFFICIENCY & SUSTAINABILITY

In 2019, we made a range of efficiency improvements in our production, among others:

- In Faxe, Denmark, we experienced the full effect of the new beer filter technology introduced in 2018, which reduces the energy and water consumption resulting in a better collection of carbonic acid, which is re-used for soft drinks and beer
- At the Albani brewery in Odense, Denmark, we invested in a new bottle filling line – providing better quality, flexibility and a higher capacity
- At Fonti di Crodo in Italy we installed a new can filling line and a new mixer for soft drinks
- At Lorina in France we got a new packaging machine for the bottle filling line and we invested in an upgrade of the wastewater treatment system

Financial targets, capital structure and distribution policy

Royal Unibrew currently publishes financial targets for EBIT margin, indebtedness and distribution policy. The capability of achieving the financial targets is conditional on continuous business development through focus on growth opportunities, partnerships, innovation, sales and marketing, and on continuous efficiency measures.

The positive development in recent years has enabled us to increase our EBIT margin target and to make considerable distributions to our shareholders. Our EBIT margin target is increased from a range of 18-19% to a range of 19-20%, whereas the capital structure and dividend targets are maintained.

EBIT margin

Because of continued strong momentum in our business and following the acquisition of a number of businesses with growth and earnings potential, we increase our EBIT margin target from a range of 18-19% to a range of 19-20% for the coming years. Among others, the target increase should be seen in the light of the planned development of our product portfolio and our expectation to generate synergies and obtain additional operational efficiency in connection with the acquisitions. The EBIT margin target of 19-20% is considered ambitious when comparing to the margins of international and regional beverage providers in Europe.

Indebtedness

It is Royal Unibrew's objective to maintain its indebtedness at a level which reflects our aim for flexibility with respect to acting on business opportunities and maintaining solid relationships with the Group's bankers, while also ensuring that Royal Unibrew is not heavily overcapitalized.

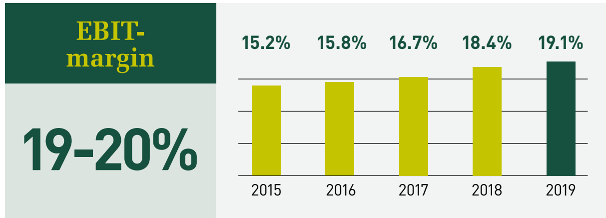
It remains the target that net interest-bearing debt should not exceed 2.5 times EBITDA and that an equity ratio of at least 30% should be maintained at year-end. Given the current composition of the balance sheet, the equity ratio is the ratio that determines the pay-out capabilities. Royal Unibrew may depart from the targeted ratios for a certain period if structural business opportunities arise.

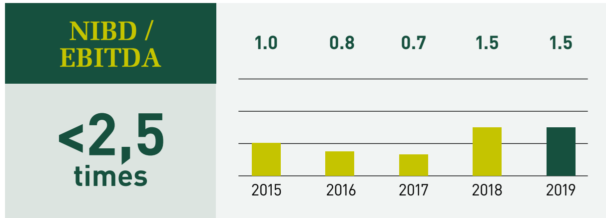
Royal Unibrew's annual investments including operational leasing (IFRS 16 implemented in 2018) are expected to be just below 5% of net revenue.

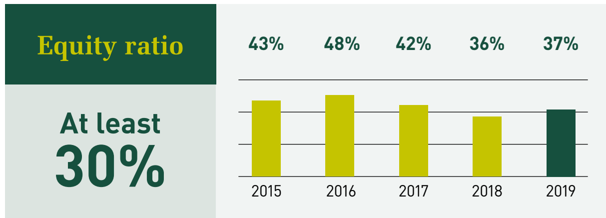
Distribution policy

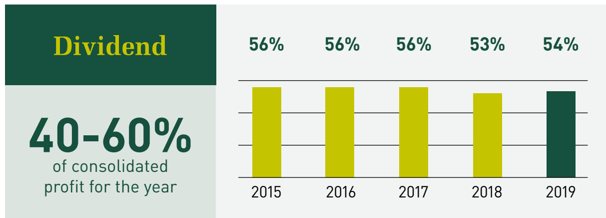
Royal Unibrew is expected to be able to generate a rather significant liquidity surplus going forward. Currently, it therefore remains the intention to make distributions to shareholders through a combination of dividend and share buy-backs taking into account the targets for the equity ratio and indebtedness, annual earnings and cash flows as well as Royal Unibrew's strategic position in general.

It remains Royal Unibrew's intention to distribute an ordinary dividend of 40-60% of the consolidated profit for the year and to launch share buy-back programs when it is considered appropriate in order to optimize the Company's capital structure. It is generally the intention that shares bought back will be cancelled.









Outlook for 2020

We feel confident that Royal Unibrew's 2020 business priorities and plans respond to the prevailing consumer and customer needs and trends, including how the Company's markets are expected to be affected by general economic activity, fiscal developments and consumer sentiment. Moreover, specific assumptions relating to the development in material expense categories as well as the effect of initiatives completed and initiated are also taken into account.

Although Royal Unibrew's business is resilient and trends have been positive until end of February, we cannot, at this time, fully assess how the COVID-19 virus will affect our Italian business and On-Trade elsewhere for the near future. We monitor the situation in our local operations with high urgency and adjust promptly where needed. In spite of the current circumstances, we expect to deliver an EBIT around 2019.

The Board of Directors has decided to initiate a share buy-back program of up to DKK 400 million as soon as possible covering the period until end October 2020. The Board of Directors will recommend to the AGM in 2020 a distribution of ordinary dividend of DKK 12.20 per share. Hence, DKK 1,010 million is expected to be distributed based on the Financial Statements for 2019. With a distribution of a total of DKK 1,010 million we maintain our strategic flexibility.

OUTLOOK FOR 2020

In spite of the current circumstances with COVID-19, we expect to deliver an EBIT around 2019.

mDKK	Actual 2019	Actual 2018
Net revenue	7,692	7,298
EBIT	1,469	1,339

Assumptions about markets and main priorities for 2020

Demand in the markets in which Royal Unibrew offers a broad beverage portfolio is generally expected to remain at the same level in 2020 as in 2019. The 2019 summer was considered a normal summer. Our efforts to defend and expand Royal Unibrew's market positions and to further strengthen customer partnerships will continue through focus on value management through innovation and price/pack strategies. At the same time, our broad beverage portfolio supports the possibilities of obtaining continued operational efficiency at all organizational levels. Our targeted efforts to create further improvements will be a core priority, including our efforts directed at investment-driven initiatives, which will contribute towards achieving both efficiency and commercial improvements. Generally, Royal Unibrew's market shares within branded products are expected to be maintained or solidified.

We expect three key consumer trends to continue in 2020: Firstly, consumers focus on more healthy or functional products, secondly on more authentic, local and indulgence-oriented products and thirdly adding the concern for the environmental impact and sustainable ingredients. For certain product categories we see the trends melting together creating even stronger propositions. We expect growth in e.g. the low and non-alcoholic beer, waters and non-sugar soft drinks categories, and as for the functional products we expect to see growth in enhanced products, including energy drinks. For the craft/artisanal, local and indulgence products we see growth opportunities for brands such as e.g. Lorina, Fonti di Crodo, Nohrlund, Kissmeyer, Aura and Lahden Erikois as they all connect to special drinking occasions.

Overall, in the multi beverage markets we will continue our efforts to create value across categories, e.g. through our price/pack strategies that focus on consumers' drinking and shopping occasions. For parts of our product range we see opportunities for improving the distribution in selected channels.

In the niche markets, which cover Italy, France and International, we continue to focus on increasing our presence in already established markets. We highly emphasize to establishing and retaining our relationships and partnerships through consumer- and customer-oriented sales and marketing investments in order to strengthen our brand positions. For our most recently acquired businesses we will focus on increasing the distribution and activation, while optimizing our price/pack strategies to secure value and premiumization of our offerings.

Financial assumptions

- As 2019 was a normal summer, the 2020 outlook has been made under same assumption.
- Net selling prices are assumed to be slightly increasing during 2020 as a result of our overall premiumization efforts and price/pack strategies in each segment and country. These efforts are unchanged and include optimization of the product mix as well as the channel mix.
- The full year effects of the acquisitions made in 2019 (two months of Cult, seven months of BAG and ten months of Bauskas in 2020) are expected to affect net revenue positively by approx. DKK 100 million and EBIT by approx. DKK 16 million.
- Generally, costs are expected to follow the inflation in 2020. Commercial costs are expected to increase in connection with growth initiatives and investments in the existing business.
- We will continue our focus on generating continuous improvements and enhancing efficiency across the business and in all entities.
- Royal Unibrew has entered into hedging agreements for a large part of the expected consumption of key raw and packaging materials for 2020.
- Exchange rates between DKK and other currencies are expected to remain unchanged as compared to the end of February 2020.
- COVID-19 is assumed to have limited impact on our Off-Trade business and we expect it to have less impact on the On-Trade business from June and onwards.
- Net investments, including operating leases (IFRS 16 implemented already in 2018) are expected to stay just below 5% of net revenue.
- Corporate income tax rate is expected to amount to 22-23% of profit before tax excluding income after tax from investments in associates.

TOTAL DISTRIBUTION FOR THE YEAR

mDKK	2019	2018	2017	2016	2015
Dividend	538	451	426	386	374
Share buy-back	433	484	508	443	293
Total distribution	971	935	934	829	667
as a % of prior year consolidated profit	*93*	*113*	*119*	*117*	*107*

Performance

Financial review

In 2019, Royal Unibrew achieved its best results ever reflecting the good momentum in the business and a dedicated execution of the well-grounded strategy. As well the existing business as the acquisitions contributed to the improvement of the results in 2019. Many innovative initiatives across the business reinforced Royal Unibrew's position and contributed to the good results.

Business development

Royal Unibrew generally increased its market shares in 2019. The volumes sold increased by 2%, while the net revenue showed a 5% increase. The highest net revenue growth was achieved in the Western Europe and the International segments, in which net revenue increased by 9% and 19% respectively on 2018. The positive development in the two segments is partly due to the acquisition of Bev.Con (Cult) and the full-year impact from the acquisition in 2018 of Etablissements Geyer Frères (Lorina). The organic development (excluding impact from acquisitions) in volumes and net revenue were negatively impacted due to a normal summer in 2019 compared to the historically warm summer in 2018 and due to the absence of extraordinary campaigns in Finland in 2019. Organically, the net revenue increased by 1% and the volumes decreased by 1 %.

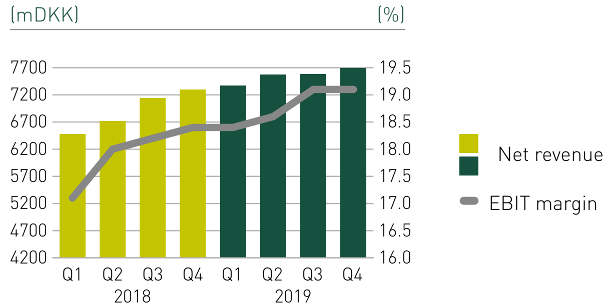
In 2019, Royal Unibrew improved EBIT (earnings before interest and tax) by 10% compared to last year. Besides the acquisitions, EBIT was positively affected by the outcome of higher and focused investments in sales and marketing to support the commercial agenda across products and sales channels. Furthermore, an improved market and product mix contributed to the higher earnings. Exchange rate developments only affected earnings to a limited extent as purchases were mainly made in the Group's revenue currencies.

EBIT amounted to DKK 1,469 million, which is DKK 130 million above the 2018 figure. EBIT increased in all segments compared to 2018, and the acquisitions contributed positively. The profit before tax amounting to DKK 1,458 million for 2019 was DKK 130 million above the 2018 figure. Free cash flow for 2019 amounted to DKK 1,159 million compared to DKK 942 million in 2018. In 2019, dividend distribution and share buy-backs totaling DKK 971 million (2018: DKK 935 million) were made, while net interest-bearing debt increased by DKK 183 million to DKK 2,705 million primarily due to the completed acquisitions. The NIBD/EBITDA debt multiple was unchanged 1.5 as in 2018.

AS COMPARED TO THE OUTLOOK ANNOUNCED IN MARCH AND NOVEMBER 2019, ACTUAL NET REVENUE AND EBIT WERE AS FOLLOWS:

mDKK	Actual 2019	Outlook november 2019	Outlook march 2019
Net revenue	7,692	7,575-7,650	7,400-7,650
EBIT	1,469	1,440-1,465	1,340-1,465

RUNNING 12-MONTH DEVELOPMENT



Acquisitions

The acquisition of Bev.Con ApS (CULT) was completed on 28 February after approval from the Danish competition authorities, and as a part of the integration CULT merged with Royal Unibrew A/S.

On 12 August 2019, Royal Unibrew acquired 100% of the share capital of the Bruce Ashley Group Inc. (BAG) in Canada. BAG is an agency business and has during the last 25 years built a strong portfolio of Japanese sake and European beer brands, including the Faxe Brand. BAG has an organization of 25 people within sales and marketing. The acquisition price was DKK 5 million based on an enterprise value of DKK 9 million. Following the acquisition an DKK 5 million capital injection to BAG was made.

On 28 May 2019, Royal Unibrew agreed to acquire the Latvian craft brewery SIA Bauskas Alus based on an enterprise value of DKK 65 million. The acquisition was completed on 1 November 2019 after approval by the Latvian competition authorities. The acquisition price was DKK 67 million.

For further information on the acquisitions we refer to page 29-38 re the performance in the business segments and to the Consolidated Financial Statements, note 25, page 119-120.

Status on share buy-back program

On 6 March 2019, Royal Unibrew launched a share buy-back program with a view to adjusting the capital structure of Royal Unibrew A/S. The share buy-back program was carried out in accordance with the "Safe Harbour" method and was completed on 31 October 2019 after buy-back of 790,000 shares at a market value of DKK 400 million.

Under this program as well as the program launched in 2018, Royal Unibrew has bought back 860,112 shares at a market value of DKK 433 million in 2019.

At the Annual General Meeting of Royal Unibrew in April 2019, a resolution was made to reduce the capital by nominal DKK 1.8 million, and subsequently, 900,000 shares were cancelled. As of 31 December 2019, Royal Unibrew held 883,509 treasury shares, 87,727 of which are expected to be used for share-based payments to the Executive Board, whereas 750,000 of the remaining shares are expected to be cancelled following the Annual General Meeting of the Company in April 2020.

Income Statement

	2019	2018	Change, %	Q4 2019	Q4 2018	Change, %
Volumes, beverages (THL)	11,024	10,805	2.0%	2,534	2,404	5.4%
Net Revenue (mDKK)	7,692	7,298	5.4%	1,787	1,674	6.8%
Gross Profit (mDKK)	4,081	3,827	6.6%	908	836	8.6%

Volumes for 2019 show an aggregated sale of 11 million hectolitres of beverages, which is 2% above the 2018 figure. The acquisitions contributed positively by 3% but mainly due to a lower campaign activity in Finland and normal weather in Q2 and Q3 compared to great weather 2018, the organic decrease was -1%.

Net revenue for 2019 increased by 5% and amounted to DKK 7,692 million (beverages account for DKK 7,573 million) compared to DKK 7,298 million in 2018 (beverages accounting for DKK 7,189 million). The acquisitions contributed to a 4% net revenue increase (Q4: 1%) whereas the organic growth contributed with an increase of 1% (Q4: 6%). Compared to 2018, the average selling price per volume unit for 2019 has increased by 3% driven by an overall improved product and market mix.

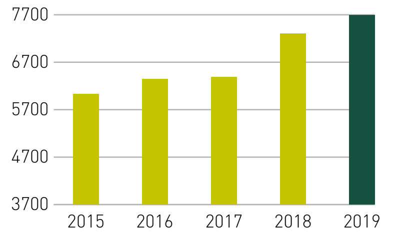
The gross profit for 2019 was DKK 254 million above 2018 figure and amounted to DKK 4,081 million equivalent to a 7% increase (Q4: 9%). The gross margin was 0.6 percentage point above the 2018 margin (Q4: 0.7pp) and represented 53.0% compared to 52.4% in 2018. Gross profit per volume unit was 4% higher (Q4: 3%) than in 2018 and was positively affected by the focus on portfolio premiumization and the changed market mix.

	2019	2018	Change, %	Q4 2019	Q4 2018	Change, %
Sales and distribution expenses (mDKK)	2,262	2,167	4.4%	541	512	5.7%
Administrative expenses (mDKK)	349	320	9.1%	100	77	29.9%

Sales and distribution expenses for 2019 were DKK 95 million above the 2018 figure and amounted to DKK 2,262 million compared to DKK 2,167 million in 2018. DKK 94 million relate to the acquisitions. As planned, both sales and marketing expenses in 2019 were higher due to a number of growth initiatives and investments in the existing business.

Administrative expenses for 2019 showed a DKK 29 million increase compared to 2018 and amounted to DKK 349 million compared to DKK 320 million for 2018. DKK 17 million relates to the acquisitions. The increase relates to e.g. digital investments and capability expansions.

NET REVENUE
(mDKK)



	2019	2018	Change, %	Q4 2019	Q4 2018	Change, %
EBITDA (mDKK)	1,814	1,673	8.4%	361	330	9.4%
EBIT (mDKK)	1,469	1,339	9.7%	267	247	8.1%
Net financials	-36	-31	16.1%	-9	-10	-10.0%
Income after tax from investments	25	20	25%	9	11	-18.0%

Earnings before interest, tax, depreciation and amortization (EBITDA) for 2019 showed a DKK 141 million increase and amounted to DKK 1,814 million compared to DKK 1,673 million for 2018. In Q4, EBITDA increased by DKK 31 million compared to the same period in 2018. EBIT for 2019 amounted to DKK 1,469 million, which is DKK 130 million above the 2018 figure. The positive developments in both EBITDA and the EBIT are primarily attributable to the Western Europe and the Baltic Sea segments, whereas the EBIT result was negatively impacted by DKK 7 million from impairment in the International segment.

The EBIT margin for 2019 showed an increase of 0.7 percentage points to 19.1% (2018: 18,4%). Product and market mix was the primary reason for the higher EBIT margin.

Net financials for 2019 were DKK 5 million higher than in 2018 aggregating an expense of DKK 36 million. Financial expenses were DKK 41 million on a net basis compared to DKK 36 million in 2018, due to higher interest expenses from the higher interest-bearing debt as a consequence of the acquisitions.

	2019	2018	Change, %	Q4 2019	Q4 2018	Change, %
Profit before tax (mDKK)	1.458	1.328	9.8%	267	248	7.7%
Tax on profit (mDKK)	318	288	10.4%	45	60	-25.0%
Net profit (mDKK)	1,140	1,040	9.6%	222	188	18.1%
Earnings per share (DKK)	23.0	20,6	11.7%	4.3	3.7	16.2%

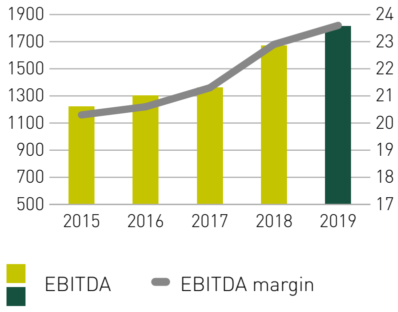
Profit before tax for 2019 was DKK 130 million above the 2018 figure and amounted to DKK 1,458 million compared to DKK 1,328 million for 2018, equivalent to an increase of 10%.

Tax on the profit for 2019 was an expense of DKK 318 million and corresponds to a tax rate of 21.8% on the profit excluding income after tax from investments in associates, which is 0.7 pp better than estimated in the outlook.

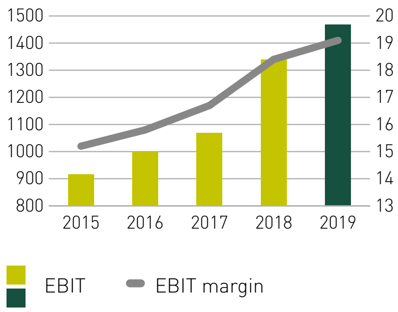
The net profit for 2019 amounted to DKK 1,140 million, which is DKK 100 million above the 2018 figure, equivalent to an increase of 10%.

In 2019, the earnings per share increased to DKK 23.0 per share compared to 20.6 in 2018, equivalent to an increase of 12%.

EBITDA AND EBITDA MARGIN
(mDKK) (%)



EBIT AND EBIT MARGIN
(mDKK) (%)



The Parent Company's profit for the year amounted to DKK 1,074 million compared to DKK 899 million in 2018. Dividend income from subsidiaries and associates amounted to DKK 559 million compared to DKK 379 million in 2018.

Balance Sheet

Royal Unibrew's balance sheet at 31 December 2019 amounted to DKK 8,493 million, which is DKK 431 million above the 31 December 2018 figure. DKK 500 million of the increase is attributable to acquisitions, whereas the organic development decreased by DKK 69 million, of which DKK 65 million was due to amortisation and depreciation of non-current assets exceeding investments. The development in current assets, a decrease of DKK 4 million was due to DKK 73 million reduced cash, while receivables increased by DKK 69 million.

Invested capital increased by DKK 376 million in 2019, of which DKK 372 million are related to acquisitions. ROIC excluding goodwill calculated on a running 12 months basis decreased by 3 percentage points to 30% in 2019, and ROIC including goodwill decreased by 2 percentage points to 19%. The primary reason for the decrease in ROIC is EBIT relating to the acquisitions not being recognized for the full period. Further, the acquisitions have not yet delivered the same return as the base business.

Compared to 31 December 2018, the equity ratio increased by 1 percentage points in 2019 amounting to 37% at 31 December 2019 compared to 36% at the end of 2018.

At the end of December 2019, equity amounted to DKK 3,106 million compared to DKK 2,908 million at the end of 2018. The DKK 198 million increase comprised the positive comprehensive income of DKK 1,157 million (2018: DKK 1,037 million), added DKK 2 million related to a capital injection from minority shareholders in Nohrlund and DKK 10 million (2018: DKK 8 million) the value of the share-based payments to the Executive Board and tax on these, whereas, as planned, it was reduced by distribution to shareholders of DKK 971 million (2018: DKK 935 million) by way of dividend and share buy-back. The comprehensive income comprises the profit of DKK 1,140 million added a DKK 7 million positive exchange rate adjustments and a positive development in the value net of tax of hedging instruments of DKK 10 million.

Net interest-bearing debt in 2019 showed a DKK 183 million increase and amounted to DKK 2,705 million at 31 December 2019 compared to DKK 2,522 million at the end of 2018. The increase in net interest-bearing debt was as expected and comprised the positive free cash flow of DKK 1,159 million less distribution to shareholders of DKK 971 million, the acquisition price of DKK 365 million paid for the acquired activities and DKK 6 million related to fixed asset investments less proceeds from minority shareholders. The net interest-bearing debt to EBITDA ratio (running 12 months basis) was 1.5x (2018: 1.5x).

Funds tied up in working capital showed a negative DKK 671 million at the end of December 2019 compared to a negative DKK 748 million at the end of 2018. The increase in working capital is primarily related to receivables, as we have entered into markets with a tradition for longer payment terms compared to the existing markets. Funds tied up in working capital thus increased by DKK 77 million in 2019 (2018: increase of DKK 209 million) of which DKK 15 million related to acquisitions.

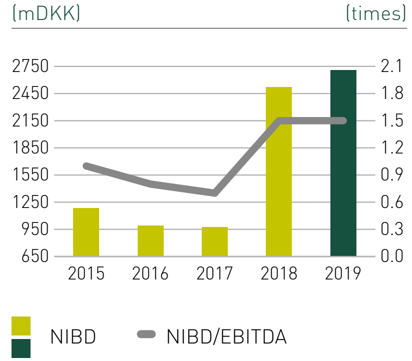
Funds tied up in inventories, trade receivables and trade payables showed an increase of DKK 55 million (2018: increase of DKK 225 million primarily due to ending campaign activities) of which DKK 20 million related to acquisitions, whereas funds tied up in the other elements of working capital decreased by DKK 23 million (2018: decrease of DKK 16 million).

Cash Flow Statement

Cash flows from operating activities for 2019 amounted to DKK 1,403 million (2018: DKK 1,214 million) comprising DKK 1,820 million (2018: DKK 1,681 million) of profit for the period adjusted for non-cash operating items, negative working capital cash flow of DKK 43 million (2018: a negative DKK 185 million), net interest paid of DKK 36 million (2018: DKK 31 million) and taxes paid of DKK 338 million (2018: DKK 251 million). The increase in receivables was partly compensated for only by the decrease in inventories and payables, which caused the negative impact of DKK 43 million from working capital.

The free cash flow for 2019 amounted to DKK 1,159 million, which was an increase of DKK 217 million compared to 2018. Cash flows from operating activities and dividend from associates showed a DKK 192 million increase compared to the 2018 figures, and net investments in property, plant and equipment showed a DKK 25 million decrease, comprising DKK 23 million higher gross investments and DKK 48 million higher revenues from asset divestments. The free cash flow has, above normal, been impacted positively by e.g. asset sales, hence the normalized level in 2019 is just above DKK 1,100 million.

NIBD AND NIBD/EBITDA

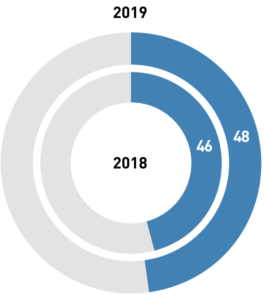


Overview business segments

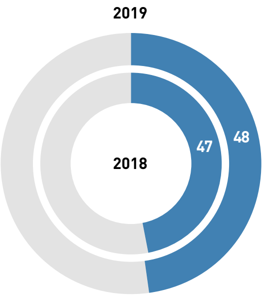
Western Europe

DENMARK, GERMANY, ITALY AND FRANCE

SHARE OF NET REVENUE



SHARE OF EBIT

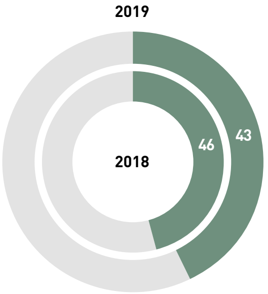


Further information: page 30

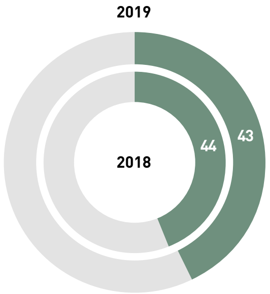
Baltic Sea

FINLAND, LATVIA, LITHUANIA AND ESTONIA

SHARE OF NET REVENUE



SHARE OF EBIT

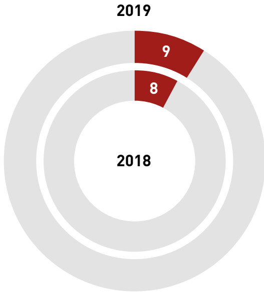


Further information: page 34

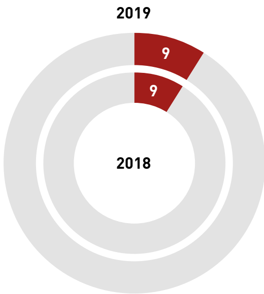
International

65 MARKETS IN AMERICAS AND EMEAA

SHARE OF NET REVENUE



SHARE OF EBIT



Further information: page 37

Western Europe

4.8 m.HL
VOLUME

722 mDKK
EBIT

3.7 bDKK
NET REVENUE

19.6 %
EBIT-MARGIN

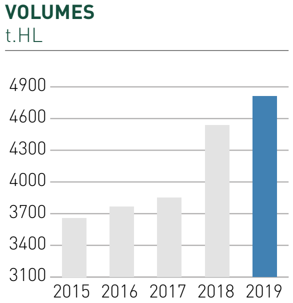
- **9% net revenue increase based on solid baseline development and positive affect from acquisitions**
- **Moderate market share growth in Denmark, Germany and Italy**
- **Launch of a number of craft and specialty products as well as products with low/non-alcohol or low/non sugar**
- **Integration of the French lemonade business Lorina progressed as planned**
- **Acquisition of the Danish energy drink and RTD company CULT**

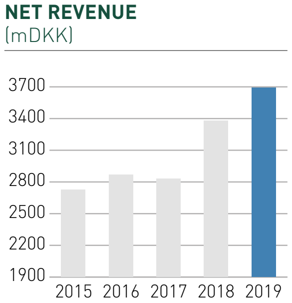
Development in 2019

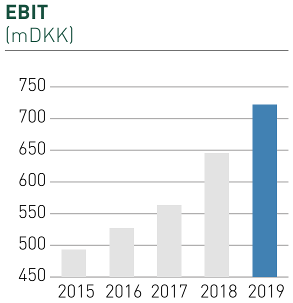
In Western Europe, total volumes showed a 6% increase in 2019 and reached 4.8 million HL.

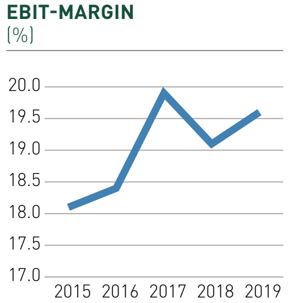
Net revenue from beverages was 9% higher than in 2018, and we experienced a positive development in the net selling price per volume.

Earnings before interest and tax (EBIT) for 2019 showed a DKK 77 million increase from DKK 645 million in 2018 to DKK 722 million in 2019. The EBIT increase was due to a strengthening of the market position as well as a favorable development of the product mix as well as a good price pack execution across countries. The EBIT margin increased by 0.5 percentage points to 19.6%.









WESTERN EUROPE

	2019	2018	% changes	Q4 2019	Q4 2018	% changes
Volume	4,813	4,536	6	1,085	1,062	2
Net revenue	3,691	3,378	9	831	789	5
EBIT	722	645		132	119	
EBIT-margin	19.6	19.1		15.8	15.0	

Denmark and Germany

Development in 2019

For **Denmark and Germany**, it is estimated that the underlying Danish consumption of branded beer and soft drinks remained unchanged in 2019 in spite of a great summer in 2018.

Royal Unibrew's volumes showed a 3% increase in 2019. It is estimated that Royal Unibrew increased its market shares across categories, due to, e.g. focus on value creation by matching consumer demands for more specialized, organic and low/non-alcohol products. Together with PepsiCo we advanced the snack portfolio to a number two position in Denmark with a net revenue increase of 10%.

In 2019, Royal Unibrew continued to invest in marketing and new commercial activities in Denmark. The integration of CULT is progressing as planed and CULT was merged with Royal Unibrew in May 2019 and will be fully implemented in the Danish commercial plans from 2020. The positive development of the organic and low/non-alcoholic and sugar portfolio continues. During the year, the Royal beer 0.0% with a new updated taste, was awarded best in test. Growth in the non-sugar soft drink category was driven by Faxe Kondi 0 calories and Pepsi Max. As in previous years, Royal Unibrew took part in a large number of events and celebrated the 40th anniversary of the Skanderborg festival.

Market outlook

We foresee the beverage market in Denmark to remain relatively stable with a continued shift in the demand for beer and soft drinks into the 'better for you" territory. Thus, we expect low/non-alcohol beers will continue to gain ground and in the soft drink categories, we expect that the low/non-sugar segments will continue to grow, as will the indulgence, enhanced and organic categories.

DENMARK AND GERMANY

	2019	2018	% changes	Q4 2019	Q4 2018	% changes
Volume	3,690	3,596	3	895	857	4
Net revenue, beverages	2,548	2,381	7	613	562	9
Net revenue	2,668	2,490	7	645	594	9

Profile

Royal Unibrew is the second largest multi-beverage provider to Danish consumers; furthermore, Faxe beer is sold to the German consumers.

We offer a combination of strong local, national and international beer brands. Royal Beer, Schiøtz, Lottrup, Kissmeyer, Anarkist and the international license brand Heineken are offered to all Danish consumers, whereas our other brands, such as Albani, Ceres and Thor, are primarily offered in areas with strong local connection/heritage.

Within soft drinks, we offer our own brands as well as license-based brands of PepsiCo. Our own brands comprise Faxe Kondi, which is the leading brand in the lemon/lime segment and Nikoline. The license-based portfolio includes Pepsi, Pepsi Max, 7UP, Mountain Dew and Mirinda. Within spring water and natural mineral water, Egekilde is a leading Danish brand which is offered in a number of taste varieties, still as well as sparkling. Moreover, we offer the Faxe Kondi Booster and CULT energy drink as well as a number of Cider, ready-to-drink and cocktail products under the brands Tempt, Mokaï, Shaker and Nohrlund.

Our beverage offer is supplemented by a selection of strong PepsiCo snack brands and products.

Royal Unibrew has three production facilities in Denmark – one in Faxe and one in Odense, which also include the Anarkist Beer and Food Lab and Craft brewery, and one i Hvidovre for the Nohrlund production .

Both Off-Trade and On-Trade channel customers are served with an industry Best in Class direct delivery operation.

Southern Europe

Development in 2019

Southern Europe comprises Italy, the Lorina business in France and the Fonti di Crodo business in the Balkan countries.

During 2019, the market environment in Southern Europe has developed positivly for our business in both Italy and France compared to last year.

Royal Unibrew's volumes for 2019 showed a 19% increase on 2018, whereas net revenue showed a 15% increase and was positively affected by the Lorina acquisition. The organic growth was 5% in volumes and 6% in net revenue. The selling price per volume unit was lower than in 2018 driven by the full-year effect from the Lorina business and higher share of soft drinks.

ITALY

In **Italy**, Royal Unibrew is estimated to have maintained its market shares in the beer segment, where we have seen the Ceres Strong Ale growing with the market through the successful introduction of Ceres products in cans. We estimate to have increased our market shares in the soft drink category with our Crodo portfolio and in particular measured in value, where LemonSoda and OranSoda were top performers in their categories. During the year, we introduced new packaging formats and designs and increased our in-store activation and digital communication.

Market outlook

With the lowest beer per capita in Europe, we expect the market to advance during the coming years. The soft drink consumption is expected to stay relatively stable, however with migration towards less sugar, indulgence and locally manufactured products.

With an outspoken 'Restaurant and Bar' culture, we expect some moderation and shifts towards 'in home' consumption, yet we are confident that our innovation minded Fonti di Crodo portfolio will connect positively with consumers and customer across the entire peninsula. Focus on top quality and locally anchored propositions, satisfying prevailing needs for local pride and a strong match of the famed local culinary traditions, seem to complement our strong beer foundation well.

SOUTHERN EUROPE

	2019	2018	% changes	Q4 2019	Q4 2018	% changes
Volume	1,123	940	19	190	205	-7
Net revenue	1,023	888	15	186	195	-5

Profile

ITALY

Ceres Strong Ale is among the market leaders in the super-premium beer segment, and Royal Unibrew holds a considerable market share in this segment. We also offer a range of Ceres endorsed sub brands such as Red Erik in the super-premium segment as well as lager type, Ceres Top Pilsner and Faxe in the premium segment.

LemonSoda from Fonti di Crodo is sold in a niche category of the soft drinks segment. Moreover, we offer e.g. products such as OranSoda, PelmoSoda and TonicSoda in other niche soft drink categories.

The Italian beer market is supplied through exports from our Danish breweries, whereas as the soft drinks market is supplied from Fonti di Crodo's production facilities in Italy.

Southern Europe

FRANCE

In **France**, the integration of the Lorina business into Royal Unibrew goes according to plan while at the same time preserving its strong and proud local artisanal edge with focus on simplifying the business, strengthen the relationship to our customers and harvesting synergies from the SAP implementation completed in April 2019. We have made additional investments in marketing through an increase in store activation and the first TV commercial for Lorina ever. In 2020, Lorina will celebrate its 125th anniversary.

Market outlook

In France, we note a shift towards more artisanal, local brands and more speciality products. In addition, we note a trend towards "better for you" concepts driving a rapid growth of organic and functional segments. All in all, this in combination with a life-long tradition of culinary and gastronomic indulgence brings a shift out of mainstream products towards "less is more", premium consumption.

Profile

FRANCE

Lorina artisanal French lemonade is market leading in the growing lemonade category, supported by the growing interest in authenticity, not only in France.

The Lorina lemonades are produced at the production facilities in Munster in the North-Eastern part of France.

Beer and malt beverages (primarily produced in Denmark) are offered to the French market and are mainly sold through bars.

Baltic Sea

5.3 m.HL
VOLUME

654 mDKK
EBIT

3.3 bDKK
NET REVENUE

19.8 %
EBIT-MARGIN

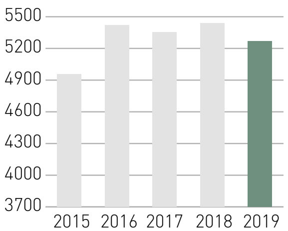
- Net revenue only slightly below last year despite no extraordinary beer campaign in 2019 and a great summer weather in 2018
- Earnings increase – EBIT margin continues to expand
- Positive product mix development
- Increased market shares
- Launch of several craft/specialty products as well as low/non-calorie products

Development in 2019

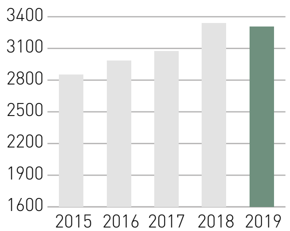
In Baltic Sea, volumes for 2019 showed a 3% decrease on 2018 due to lower beer campaign activities in Finland and warm summer weather in 2018. Net revenue showed a 1% decrease affected by the volume development. The net revenue was positively affected by higher net selling prices in all countries, mostly attributable to a better product mix.

Earnings before interest and tax (EBIT) amounted to DKK 654 million and were DKK 55 million above the 2018 figure. The EBIT margin went up by 1.8 percentage point from 18.0% to 19.8%. The earnings development was positively affected by a better product and packaging mix.

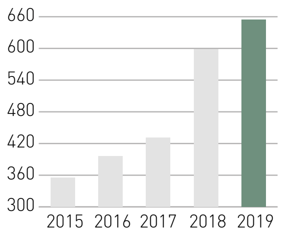
VOLUMES
t.HL



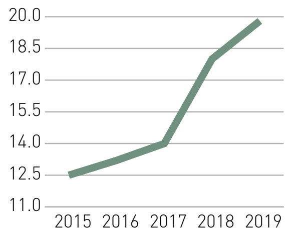
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



BALTIC SEA

	2019	2018	% changes	Q4 2019	Q4 2018	% changes
Volume	5,268	5,441	-3	1,229	1,142	8
Net revenue	3,308	3,338	-1	787	735	7
EBIT	654	599		127	107	
EBIT-margin	19.8	18.0		16.2	14.5	

Finland

Development in 2019

For **Finland**, it is estimated that our market shares have increased during 2019 – in continuation of an exceptional 2018.

Hartwall has maintained a high level of innovation in all categories in order to continuously being able to offer the strongest beverage portfolio in the market. We have delivered on our strategic priorities with introduction of an Original Long Drink with orange flavor, focus on the non-sugar soft drink category with strong performance of both Pepsi Max and Jaffa Sokeriton, and premiumization of the beer and cider portfolio. In the beer category, new variants have been launched during the year such as the organic beer, Lapin Kulta Pure and a new variant of the iconic brand, Lahden Erikois, including the low alcohol beer Lahden Erikois IPA 0.5%.

During the year, Hartwall carried out a wide range of commercial activities and communication with consumers such as after-ski events, and the event "Greyest Day of the Year" was even bigger than last year and confirmed the connection between the Original Long Drink and the Finnish consumers.

Other key focus areas have been projects aimed at increasing the supply chain efficiency in order to drive performance despite increasing complexity.

Market outlook

The Finnish beverage market is influenced by a range of factors such as the macroeconomic development, the regulatory framework, fiscal tightening, health concerns and a culture where intimate moments are often celebrated with some form of alcohol consumption.

The more global trend of mainstream beer category gradually loosing territory to craft and specialty beers persists also in Finland, as well as the growth of low/ non-alcoholic beer and cider is expected to accelerate.

Within the soft drink category, we expect the current migration towards low/non-sugar products to continue.

Profile

Hartwall is a strong multi-beverage provider with a broad product range holding a clear runner-up position in Finland, and with several category market leader positions. In the Finnish beer and soft drinks market, we offer a combination of our own strong local and national brands and international brands as well as a number of international spirits and wine brands.

In the beer segment, we offer our own brands such as Karjala, Lapin Kulta, Aura, Lahden Erikois and Mattson as well as the international portfolio from Heineken. Moreover, we offer a number of alcoholic products rooted in Finland such as Original Long Drink in the RTD category as well as Upcider and Happy Joe in the cider category. In the soft drink category, we offer our own brands such as Jaffa, ED and Booster within energy drinks, Novelle in the water/enhanced water category and international brands from the PepsiCo product portfolio. Hartwall offers a number of international spirits and wine brands such as Johnny Walker, Captain Morgan, Lanson, Baileys and JP. Chenet on an agency basis.

Hartwall has two production facilities in Finland – one in Lahti producing all products but mineral water, and one in Karijoki producing mineral water. A craft/specialty beer brewery was established adjacent to the Lahti brewery in 2017.

A highly effective and efficient national distribution network serves our customers with Best in Class service levels.

The Baltic countries


Development in 2019

The beer sale in **the Baltic market** started to recover in 2019, supported by radlers and beer with low or non-alcohol. Royal Unibrew is estimated to have maintained its market shares in the beer segment, whereas it is estimated that we have gained market shares in the broad soft drink and water segments.

Royal Unibrew's activities in the Baltic countries contributed positively to the segment result and the net selling prices increased in all countries due to an improved product mix.

With a strong marketing agenda, Royal Unibrew has succeeded to grow the business in a challenging market through new innovative products in the premium segment and in the low/non-alcohol category and strong execution in the soft drink market with Pepsi and our local brands such as Enjoy. In the Energy category CULT Energy was introduced to the Baltic market.

Further, Royal Unibrew supported the Riga Marathon, the largest running event in the Baltics, and we conducted a range of campaign activities related to the Mangali water product.

The acquisition of the Latvian craft brewery Bauskas was completed in the beginning of November 2019 and the onboarding into Royal Unibrew is progressing as planned.

Market outlook

In the Baltic countries, the demographic flow of the workforce towards other EU countries is expected to moderate.

Pressure from salary increases continue to be demanding for businesses and it is combined with ever increasing excise taxes and sales restrictions. Consumer pricing for beer and ciders is already at relatively high levels and further tax hikes may drive consumption towards 'tax-free' and 'grey imports'.

The non-alcoholic beverage segment is expected to have further growth potential.

Profile

Royal Unibrew is a significant beverage provider in the Baltic countries, and we offer a combination of our own strong national brands as well as international Heineken and PepsiCo brands.

Our brewery business Kalnapilio-Tauro Grupe is the second largest in Lithuania with the national beer brands Kalnapilis and Taurus, the Vilkmerges craft beer brand as well as Faxe and Heineken as international brands. In the soft drink category, our offerings comprise Cido, which is the second largest fruit juice brand, PepsiCo products and Kalnapilis Norte in waters.

The Cido Grupa in Latvia is the largest low/non-alcohol beverage provider in Latvia. We offer a complete portfolio of fruit juice products under the Cido brand, mineral water under the Mangali brand and nectar drinks under the Fruts brand as well as PepsiCo soft drinks. Our beer offerings comprise the national beer brands Lacplesa Alus and Livu Alus, the Lielvardes craft beer brand and the newly acquired Bauska portfolio as well as Heineken as an international brand.

The primary brands in Estonia are Cido and Pepsi in the soft drink category and Meistriti Gildi, Faxe and Heineken in the beer category.

Royal Unibrew has four production facilities in the Baltic countries – one in Lithuania producing beer, and three in Latvia; one producing soft drinks and two producing craft beer, including the newly acquired Bauskas brewery.

Sales are made business-to-business, and distribution is made directly to the individual Off-Trade and On-Trade customers from own terminals.

International

0.9 m.HL
VOLUME

132 mDKK
EBIT

0.7 bDKK
NET REVENUE

19.0 %
EBIT-MARGIN*

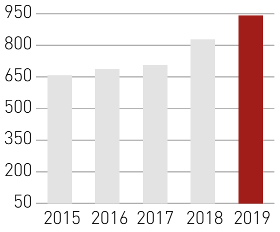
- **Net revenue supported by brands from acquisitions**
- **Focus on strengthening presence in core markets**
- **Challenging market conditions in some core markets due to macroeconomic development**
- **Strong performance of the Faxe brand**
- **Crodo products launched in a number of markets**

Development in 2019

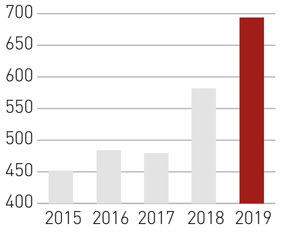
Volumes in 2019 showed a 14% increase and net revenue increased by 19%. The positive development is partly due to the acquisition of Lorina. Furthermore, the revenue increase was supported by introduction of the Fonti di Crodo portfolio in core markets, growth in the Faxe brand across regions and increased sales to Asia. The Malt business has been challenged by the macro economic development in a couple of core markets, however, the Vitamalt brand continues to expand.

Net revenue per volume unit increased in the segment and was positively affected by the development in Americas supported by the US dollar. Africa also contributed positively, whereas the European market was negatively affected by the product mix.

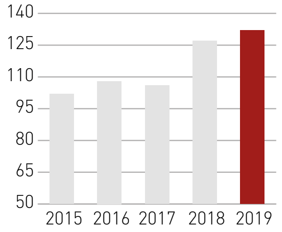
VOLUMES
t.HL



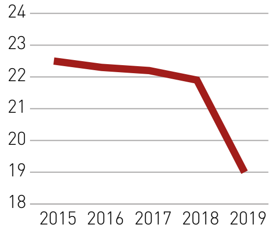
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



INTERNATIONAL

	2019	2018	% changes	Q4 2019	Q4 2018	% changes
Volume	942	828	14	220	200	10
Net revenue	694	582	19	170	150	13
EBIT	132	127		24	29	
EBIT-margin	19.0*	21.9		14.0*	19.5	

* (adjusted for impairment 2019: 20.0%; Q4 2019: 18.2%)

International

Sales in the segment are characterized by large volumes being exported to distributors simulanously, meaning that inventory changes should be taken into account when comparing periods. It is estimated that distributors' organic sales to customers increased by a high single-digit percentage in 2019. Distributors' sales to consumers were higher than Royal Unibrew's deliveries for the year as a whole, however, with differences across markets. All in all, there was a slight market de-stocking at distributor level. The shortage of "hard currency" continues to represent a challenge, especially in the African continent.

Earnings before interest and tax (EBIT) for 2019 amounted to DKK 132 million, which is DKK 5 million above the 2018 figure. EBIT is negatively impacted by an impairment of DKK 7 million. Thus, the EBIT result is up by DKK 12 million exclusive of impairment.

The integration of the Bruce Ashley Group Inc., acquired in August 2019, is progressing as planned, focusing on professionalization of the organization as well as strengthening of the existing partnerships. In addition, we entered into a new partnership with a local craft brewer.

Market outlook

In the International market segment, which comprises many countries and market dynamics, we see good opportunities to grow our franchise. Our focus remains on the core countries where we currently do business as well as a few selected markets are expected to be added. Our core focus is to perform even better with the current portfolios that exist in markets, but also selectively to broaden the portfolio.

Profile

The business area International comprises the export and license business to international markets outside Denmark, Finland, Italy, France and the Baltic countries. From 2018, sales outside Italy, the Balkan countries and France from the recently acquired businesses Fonti di Crodo and Lorina have been included in the segment. The business is relating to non-alcoholic malt beverages, beer predominately under the Faxe brand as well as the new soft drink products from Lorina and Fonti di Crodo.

The key market areas for our beverages are countries in the Americas and Africa as well as, in the case of malt beverages, among ethnic groups from these areas living in and around major cities in Europe and the US. In Asia, focus is on few selected markets. We have several internationally strong dark malt beverage brands, which are sold in the premium segment. Vitamalt is assessed to be the malt brand with the broadest global distribution, whereas Supermalt and Powermalt hold strong regional positions.

The key market areas for the soft drinks from Fonti de Crodo and the Lorina craft lemonade are Central Europe and the Americas.

The International markets are primarily supplied by exports from our Danish breweries, but also in certain cases on the basis of license agreements with local breweries, whereas, Fonti di Crodo and Lorina products are delivered from the production sites in Italy and France.

The sales organization is primarily located in the individual markets and cooperates closely with our distribution partners on commercial priorities and marketing initiatives.

Governance

Shareholder information

Royal Unibrew is committed to having an open dialogue with its shareholders and strives to keep them continuously up-to-date on the Company's development. Therefore, Royal Unibrew emphasizes providing timely and adequate information on its objectives and strategy, business activities, the development in the Company's markets as well as the financial results.

Share information

The Royal Unibrew share is listed on Nasdaq Copenhagen, and Royal Unibrew is included in the C25 index.

In 2019, a total of 33,720,027 (2018: 40,978,928) shares were traded, corresponding to 67% (2018: 80%) of the total number of shares traded (at year end), through Nasdaq Copenhagen A/S (source: Bloomberg). The trading value amounted to DKK 17.4 billion (2018: DKK 18.9 billion) representing a 8% decrease.

At the end of 2019, the price of the Royal Unibrew share was 610.0 compared to 449.0 per share of DKK 2 at the end of 2018. Royal Unibrew's market capitalization amounted to DKK 30.6 billion at the end of 2019 compared to DKK 22.9 billion at the end of 2018. Each share carries one vote, and all shareholders registered in the Company's register of shareholders are entitled to vote.

At the AGM on 25 April 2019 the Board of Directors were authorized to increase the Company's share capital by up to a total nominal amount of DKK 20,000,000 in the period up to and including 24 April 2024.

Change of control

The realization of a takeover bid resulting in change of control of the Company will entitle a few trading partners and lenders to terminate trading agreements entered. The Executive Board will not be entitled to any compensation. However, members of the Executive Board may choose to consider themselves dismissed.

Treasury shares in 2019

At the AGM on 24 April 2018, the Board of Directors was authorized to acquire treasury shares for up to 10% of the total share capital in the period up until the AGM on 25 April 2019.

On 6 March 2019, the Board of Directors initiated a share buy-back program of a maximum market value of DKK 400 million and for a term until 31 October 2019. After completion on 31 October 2019, Royal Unibrew had bought back 790,000 shares representing a market value of DKK 400 million. The initiated share buy-back program was carried out in accordance with the "Safe Harbour" method.

In 2019, Royal Unibrew bought back a total of 860,112 shares at a market value of DKK 433 million and as of 31 December

BASIC INFORMATION

Share capital, DKK	100,200,000
Number of shares	50,100,000
Denomination	DKK2
Number of share classes	1
Restriction of voting right	None
Place of listing	Nasdaq Copenhagen A/S
Short name	RBREW
ISIN code	DK0060634707
Bloomberg code	RBREW DC
Reuter code	RBREW.CO
Index	OMXC25

Royal Unibrew held 883,509 treasury shares of a nominal value of DKK 2 each, corresponding to 1.8% of the Company's share capital – 87,727 of which are for the purpose of covering the incentive program offered to the Executive Board. In 2019, 900,000 shares were cancelled.

At the end of 2019, the total number of shares of the Company was 50,100,000, including treasury shares.

DEVELOPMENT IN ROYAL UNIBREW'S SHARE CAPITAL

DKK '000	2019	2018	2017	2016	2015
Share capital 1/1	102,000	105,400	108,200	110,985	110,985
Capital reduction	-1,800	-3,400	-2,800	-2,785	
Capital increase					
Share capital 31/12	**100,200**	**102,000**	**105,400**	**108,200**	**110,985**

Ownership

At the end of 2019, Royal Unibrew had approx 20,900 registered shareholders holding together 94% of the total share capital. According to the latest Company Announcements or other public announcements, the following shareholders hold more than 5% of the share capital:

Shareholder	End of February 2020
Chr. Augustinus Fabrikker A/S, Denmark	15.02%
	(reported on 22 September 2017)
BlackRock, Inc., USA	10.01%
	(reported on 23 July 2019)

Share transactions made by members of the Board of Directors and the Executive Board are governed by Royal Unibrew's insider rules, and their transactions as well as those of their connected persons are subject to a notification requirement according to the Market Abuse Regulation. Individuals on Royal Unibrew's insider lists as well as their spouses and children below the age of 18 may trade Royal Unibrew shares only when the Board of Directors has announced that the window for trading shares is open (and provided that they do not have inside information). This normally applies for a period of four weeks following an announcement of financial results.

As of 31 December 2019, board members held 14,362 shares of the Company, and members of the Executive Board held 234,464 shares, corresponding to a total of 0.5% of the share capital.

AGM

The Company's AGM will be held on 28 April 2020, at 5 pm CET at Studie 1 in Aarhus.

The AGM will be convened electronically, and information on the registration for electronic communication is provided at Royal Unibrew's website www.royalunibrew.com under "Investor".

Registration of shareholder's name is effected by contacting the bank holding the shares in safe custody.

AGM resolutions proposed by the Board of Directors

The Board of Directors will propose:

- That the AGM authorizes the Board of Directors to acquire shares for treasury corresponding to up to 10% of the share capital, such authorization being in force for the period up until the next AGM
- A distribution of dividend of DKK 12.20 per share of DKK 2 for the 2019 financial year as well as cancellation of 750.000 of the shares bought back in 2019

DIVIDEND DATES FOR 2020

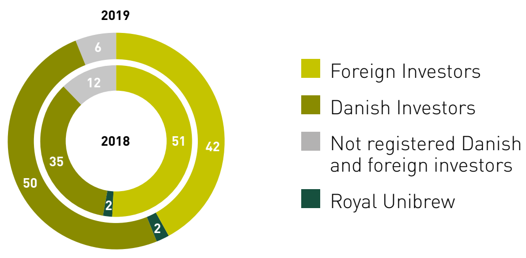
APRIL 28 — **Resolution at AGM**

APRIL 28 — **Last trading date with right to dividend for 2019**

APRIL 29 — **First trading date without right to dividend for 2019**

MAY 1 — **Distribution of dividend**

BREAK-DOWN OF SHAREHOLDERS AT THE END OF 2019



FINANCIAL CALENDAR FOR 2020

28 April 2020 Trading Statement for the period 1 January - 31 March 2020

28 April 2020 Annual General Meeting at Studie 1 in Aarhus

24 August 2020 Interim Report for the period 1 January - 30 June 2020

1 November 2020 Trading Statement for the period 1 January - 30 September 2020

Investor relations activities

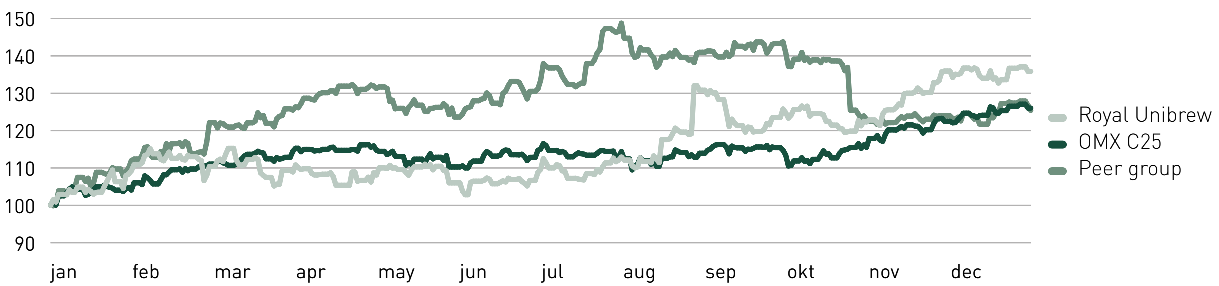
Royal Unibrew aims at ensuring open and timely information to its shareholders and other stakeholders.

A number of activities are carried out continuously to ensure good contacts with the Company's stakeholders. In 2019, Royal Unibrew facilitated three audio casts in connection with the publication of the Annual Report 2018 as well as the H1 Report and Q3 Report 2019.

Moreover, Royal Unibrew has analyst and investor meetings in both Denmark and abroad in connection with the publication of Interim and Annual Reports. In total, about 250 individual meetings with investors have taken place in 2019.

SHARE PERFORMANCE 2019

(index)



Note: The peer group consists of Anheuser-Busch InBev, Carlsberg, Heineken, Molson Coors Brewing Company, Britvic, Olvi and AG Barr (Source: Bloomberg)

IN 2019, ROYAL UNIBREW PARTICIPATED IN

- SEB Nordic Seminar in Copenhagen
- Deutsche Bank's Access Global Consumer Conference in Paris
- Carnegie Small/Mid Cap Seminar in Stockholm
- Kepler Cheavreaux Autumn Conference in Paris
- ABG Sundal Collier Nordic Opportunities Seminar in London
- Danske Bank's Copenhagen Winter Seminar in Copenhagen

Audio casts and presentations from audio casts and seminars are accessible at Royal Unibrew's website, www.royalunibrew. com under "Investor".

THE ROYAL UNIBREW SHARE IS FOLLOWED BY:

- ABG Sundal Collier, Fredrik Ivarsson
- Bryan, Garnier & Co, Nikolaas Faes
- Carnegie, Lars Topholm
- Danske Bank, Jonas Guldborg Hansen
- Deutsche Bank, Andrea Pistacchi
- DNB Bank, Jesper Ingildsen
- Handelsbanken, Frans Høyer
- Jefferies, Elsa Hannar
- Kepler Cheuvreux, Richard Withagen
- Nordea Bank, Marcus Bellander
- SEB Enskilda, Søren Samsøe

SHARE RATIOS

Per share of DKK 2 – DKK	2019	2018	2017	2016	2015
Parent Company shareholders' share of earnings per share	23.0	20.6	16.0	14.7	13.0
Parent Company shareholders' diluted share of earnings per share	22.9	20.6	16.0	14.6	12.9
Free cash flow per share	23.4	18.7	17.8	18.7	18.6
Year-end price per share	610.0	449.0	371.8	272.6	280.1
Dividend per share	12.20	10.80	8.90	8.15	7.20
Number of shares	50,100,000	51,000,000	52,700,000	54,100,000	55,492,500

Shareholders, analysts, investors, stockbrokers and other stakeholders who have questions concerning Royal Unibrew may contact:

Royal Unibrew A/S
Faxe Alle 1
DK-4640 Faxe

Contacts
Lars Jensen, CFO (responsible for IR)
Lars.Jensen@royalunibrew.com

Stine Felten (daily IR contact)
Stine.Felten@royalunibrew.com
Telephone +45 29 23 04 93

Corporate governance

Royal Unibrew has focus on running its business and designing its management systems in accordance with good corporate governance practices. The objective is to ensure that Royal Unibrew meets its obligations to shareholders, customers, employees, authorities and other stakeholders in the best possible way and that long-term value creation is pursued.

The recommendations of the Committee on Corporate Governance, current legislation and regulation within the area, best practices and internal rules provide the framework for Royal Unibrew's corporate governance.

For the financial year 2019, Royal Unibrew has prepared a remuneration report in accordance with section 139b of the Danish Companies Act and the draft European Commission Guidelines on the standardized presentation of the remuneration report. The report concludes that the remuneration of the Board of Directors and the Executive Board has been provided in accordance with the remuneration policy and incentive guidelines of Royal Unibrew adopted by the AGM on 25 April 2019.

In 2019, Royal Unibrew established a whistleblower scheme for expedient and confidential notification of possible or suspected wrong doings. One whistleblower case was reported in 2019, investigations were initiated, and appropriate actions were taken.

Royal Unibrew complies with the Danish Corporate Governance Recommendations with one exception. For the long-term incentive plan related to the financial years 2017-2019 and based on restricted (conditional) shares, the vesting period for the residual part of the incentive plan related to the financial year 2020 is less than minimum three years as recommended.

Royal Unibrew's website http://investor.royalunibrew.com/corporate-governance provides a detailed description of the Board of Directors' approach to the Corporate Governance Recommendations issued by the Committee on Corporate Governance and designated by Nasdaq Copenhagen.

Diversity

The statement below is made in accordance with section 99 b of the Danish Financial Statements Act.

Royal Unibrew aims to promote diversity based on a conviction that diversity leads to a higher level of cohesion and supports long term value creation. This includes a more equal representation of both genders, both within the Board of Directors as well as in our respective management teams and our workforce in general. We believe that a diversified organization increases the versatility and total competences of the Company and improves decision-making processes.

The international management team of Royal Unibrew – a total of 142 leaders – comprises 68% (2018: 69%) men and 32% (2018: 31%) women. Our target is a more balanced gender representation of at least 40% of each gender. When recruiting new executives, we prioritize identifying candidates of both genders without discrimination and aim to encourage female candidates' interest in taking on managerial tasks.

Currently, the Board of Directors consists of eight Board members elected by the AGM and three Board members elected by the Danish based employees (all males). Four of the members elected by the AGM are Danish and four are non-Danish. Two of the AGM elected board members are females and both were elected at the AGM in April 2019.

We aim for the Board of Directors to consist of expert members who should, to the widest extent possible, complement each other in terms of age, background, nationality, gender, etc., with a view to ensuring a competent and versatile contribution to the board duties at Royal Unibrew. These matters are taking into consideration when the Nomination and Remuneration Committee identifies new candidates for the Board of Directors, and it is an objective of the committee to identify both male and female candidates. However, recommendation of candidates will always be based on an assessment of the individual candidate's competences and how he/she will match Royal Unibrew's needs and contribute to the overall efficiency of the Board.

Shareholder and stakeholder relations

Royal Unibrew's Management strives and works actively to maintain a good and transparent communication and dialogue with its shareholders and other stakeholders. We believe that a high level of transparency in the communication of information on the Company's development supports our work and a fair valuation of the Company's shares. Our openness is limited only by the duties of disclosure of Nasdaq Copenhagen and by competitive considerations.

The dialogue with and communication to shareholders and other stakeholders take place in connection with the publishing of Annual and Interim Reports and other announcements communicated via audio casts, meetings with investors, analysts and the media. Annual and Interim Reports and other announcements are available at Royal Unibrew's website immediately after being published. Our website also includes material used in connection with investor presentations and audio casts.

According to the Articles of Association of the Royal Unibrew, general meetings shall be convened not more than five weeks and not less than three weeks prior to the general meeting. It is an objective to formulate the notice convening the meeting and the agenda in a way that gives shareholders an adequate presentation of the business to be transacted at the general meeting. Proxies are limited to a specific general meeting and are formulated also to allow absent shareholders to give specific proxies for individual items of the agenda – either to the Board of Directors or to a person attending the general meeting. All documents relating to general meetings are published at Royal Unibrew's website.

Each share of a nominal value of DKK 2 entitles the holder to one vote. Royal Unibrew's shares are not subject to any restrictions of voting rights, and the Company has only one class of shares.

All shareholders may submit proposals for resolutions to the Board of Directors to be considered at the AGM; such proposals for resolutions are to be received by the Board of Directors no later than six weeks prior to the date of the AGM.

Board of Directors

The Board of Directors oversees the company's overall strategy and supervises the organizational, financial and performance management of the Company as well as continuously evaluates the work performed by the Executive Board on behalf of the shareholders.

The Board of Directors performs its tasks in accordance with the Rules of Procedure of the Company governing the Board of Directors and the Executive Board. These Rules of Procedure are reviewed and updated annually by the Board of Directors.

The Board of Directors usually meets for six annual ordinary board meetings, of which at least one focuses on the Company's strategy and prospects and one takes place in a market in which the Company operates. In addition, the Board members meet when required. In 2019, 9 board meetings were held, and the following absentees were noted:

Heidi Kleinbach-Sauter 1 time absent
Lars Vestergaard 1 time absent

The Board of Directors has established the following committees:

Nomination and Remuneration Committee

The committee consists of the Chairman and the Deputy Chairman of the Board of Directors. In 2019, the primary activities of the committee were the preparation of the annual evaluation of the Board of Directors, the selection and nomination of potential new candidates for the Board of Directors, the overall succession planning of the Board of Directors and the Executive Board as well as the assessment and recommendation of remuneration of the Board of Directors and the Executive Board. Furthermore, the committee considered the implications of the implementation of the revised Shareholder Rights Directive and prepared the remuneration report to be presented at the AGM in 2020. The committees had 20 meetings in 2019.

Audit Committee

The committee consists of two members; the Chairman (Lars Vestergaard) and one member (Christian Sagild). The low level of complexity of the business and wide usage of standard and automated IT tools are the prime reasons for the size of the committee. It is the Audit Committee's objective to secure quality and integrity in the Company's presentation of Financial Statements, audit and financial reporting. Further, the Audit Committee monitors accounting and reporting processes, the audit of the Company's financial reporting, risk issues and the external auditor's performance and independence.

Moreover, the Audit Committee assesses and recommends to the Board of Directors re-election of external auditors. The external auditor has participated in all meetings of the Audit Committee. The committee had four meetings in 2019.

Evaluation of the work of the Board of Directors

Evaluation of the work of the Board of Directors takes place annually. The evaluation focuses on ensuring that the Board of Directors (as a body) has expertise and experience within Fast Moving Consumer Goods (FMCG), production, sales and marketing of brands globally and in business-to-business markets, strategic and general management and within economic, financial and capital market issues, including those relating to listed companies. The evaluation is facilitated by the Chairman of the Board of Directors. For this purpose, the Chairman receives written replies to a questionnaire distributed to all members of the Board. The findings of the evaluation were presented and discussed at a Board meeting and it was concluded that the Board of Directors possesses the necessary competencies taken Royal Unibrew's business model and strategy into consideration.

An external consultant is involved in the evaluation at least every third year which will take place in 2020.

Both the performance of the Executive Board and the cooperation between the Board of Directors and the Executive Board are evaluated annually as a minimum.

Composition of the Board of Directors
When composing the Board of Directors, we emphasize that the members have the competences required. The Board of Directors assesses its composition annually, ensuring that the combined competences and diversity of the members match the Group's activities.

Candidates for the Board of Directors are recommended for election by the general meeting supported by motivation in writing by the Board of Directors as well as a description of the recruiting criteria. The individual members' competences and credentials are described in the below section on the Board of Directors and the Executive Board. Upon their election, the new Board members are introduced to the company through a focused program.

Election of members by the employees takes place in compliance with the company law rules described at the Company's website. When joining the Board of Directors, the members elected by the employees are offered relevant training in serving on a board.

Risk management

Risk is an inherent part of our business and we take an active approach to risk management, ensuring that our key risks are identified and managed in a structured and prioritized manner. Royal Unibrew has defined clear risk management processes, including policies and procedures, to strive to minimize the effect of our key risks as well as to protect our reputation and values.

The key risk categories related to Royal Unibrew's activities are:

- Market risks
- Industry and partnerships
- Exposure hazard and third-party risks
- Financial risks (currency, interest rates, liquidity, credit and commodity risk)

A detailed description of the financial risks is included in note 3.

Risk management structure
Royal Unibrew's risk management structure is based on a systematic process of risk identification, risk analysis and risk assessment. This structure provides a detailed overview of key risks relating to the realization of our strategies in the short and long term and enables Royal Unibrew to take the required measures to address risks.

The overall risk management structure is outlined below.

RISK MANAGEMENT STRUCTURE

Key risk factors in 2020

In addition to financial risks, the following risk factors are considered key risks in 2020:

Area	Description	Risk mitigation
Commodity prices	The prices of a large number of key commodities fluctuate in line with world market prices. To the extent that higher unit costs cannot be compensated for by higher selling prices per unit or in other ways of increasing the average selling price per unit correspondingly, Royal Unibrew's earnings will decrease.	Royal Unibrew monitors the trend in commodity prices. Hedging against short-term price increases takes place through agreements with suppliers and through commodity hedges with financial institutions. The Group's policy for hedging commodity risks involves a smooth and time-differentiated effect of commodity price increases.
Industry	In most markets, the product categories beer and soft drinks are characterized by tough price competition and intensive marketing from a number of suppliers. At the same time, continuous consolidation is seen among our customers who handle the distribution of products to consumers, which is to an increasing extent also centralizing internal distribution and product range decisions. Furthermore, the growth of local e-commerce and entry of global e-commerce providers open new routes to customers.	Royal Unibrew's earnings and competitiveness are ensured through constant focus on markets and segments in which Royal Unibrew holds or may achieve a significant position. Our investment in digital solutions and the continuous improvements across the business will contribute towards limiting the negative effect from the changes in the industry. Moreover, Royal Unibrew focuses on value management through the development of products, containers and packaging, cooperation with customers and communication with consumers.
IT risks	Royal Unibrew's activities are to a large extent dependent on the use of the established IT systems and the quality of the applied IT security solutions. A prolonged breakdown, unintended maloperation or an unauthorized break-in into the systems supporting sales and supply processes as well as internal information systems may involve a significant risk of interruption of Royal Unibrew's activities.	Royal Unibrew works consistently to improve its IT security and has established procedures to ensure: • day-to-day operation of the IT systems supporting the key business processes, • protection against data loss, • protection against unauthorized access to and distribution of confidential data, and • general protection against cybercrime. When acquiring companies, it is our risk philosophy to adopt the companies into our existing IT system landscape as we for example integrated Lorina into SAP 2019.
Macro-economic uncertainty	Royal Unibrew's product portfolio is sold in markets and market areas where market developments are usually determined by long-cycle trends. Macroeconomic uncertainty, including changes of free trade agreements or low growth of long duration or outbreaks causing a threat to the public health, may affect earnings negatively. As a consequence to this we might experience declining consumption or shifts in product mix towards products with lower earnings.	By focusing on flexibility in its action plans, Royal Unibrew is striving to get some leeway for reducing the effect of macroeconomic uncertainty and changes to consumption patterns. The efforts directed at continuous improvements across the business will contribute towards limiting the negative effect of macroeconomic changes.
Partnership	Royal Unibrew cooperate with different partners across markets and product categories. Changes to these relationships may affect the Group's sales and net revenue, and thus earnings.	Royal Unibrew has in general a long history with our partners and mitigate the partnership risk by entering into long term agreements and by providing adequate business results.
Statutory restrictions	Royal Unibrew's activities are subject to national legislation in the markets in which Royal Unibrew operates. Any legislative changes may impact the ability to operate, e.g. by way of restrictions in respect of the sale, marketing, packing material and production of Royal Unibrew's products or due to increasing consumption taxes. Such restrictions may affect the Group's sales and earnings significantly.	Royal Unibrew participates in local and international cooperation fora within the brewery industry with a view to influencing legislative decision makers to ensure that conditions for producing and marketing beer and soft drinks do not deteriorate, and that consumption taxes are applied in a balanced manner. Royal Unibrew has increased its effort within the sustainability area and more details can be found in the CSR section on page 58.
Weather	The sale of Royal Unibrew's products is dependent on weather conditions. Usually, the consumption of Royal Unibrew's products is highest in the summer months. However, this presupposes dry and fair weather. The weather in the summer of 2019 is regarded as normal.	Through focus on flexibility of action plans and production capacity, Royal Unibrew aims at getting some leeway to respond to lower earnings caused by unfavorable weather conditions in the summer months, and at the same time ensuring the agility to support the customers in years with favorable weather.

Risk management and management structure

At least once a year, the Board of Directors assesses the overall risk factors relating to Royal Unibrew's activities. Risks are assessed under a two-dimensional "heat map" assessment system which estimates the significance of the risk in relation to EBITDA, damage to Royal Unibrew's reputation, violation of legislation or environmental implications as well as the probability of the risk resulting in an incident. Based on this assessment, the existing "heat map" is updated so as to reflect changes in the understanding of business risks. Following this registration of risks relating to Royal Unibrew's activities, the risks which may materially impact the realization of strategic objectives in the short and long term are identified.

Royal Unibrew's Treasury and Group Accounting department is responsible for facilitating and for continuously following up according to the annual wheel and reporting on risk-mitigating activities/action plans relating to the key risks in accordance with the decisions made by the Board of Directors, Audit Committee and the Executive Board.

Risk assessment in 2019

In 2019, Royal Unibrew's Executive Board closely monitored the development in market-related risks and made the necessary changes to risk-mitigating activities to realize budgeted earnings. In 2019, Royal Unibrew joined the UN Global Compact and has strengthened the governance structure and procedures for non-financial data reporting across the Group. The CSR and Risk Management organizations are working closely together to strengthen the overall risk assessment.

Centrally, the identified risks and proposed action plans were reviewed and assessed by the Company's Executive Board, whereas, the Audit Committee reviewed the adequacy and the effectiveness of the risk management system. Based on this, the Executive Board presented the key risks to the Board of Directors and recommended the necessary risk-mitigating activities/action plans for approval. The Board of Directors then resolved to implement the necessary risk-mitigating measures with a view to ensuring optimum realization of Royal Unibrew's strategic objectives.

Control and risk management activities relating to the financial reporting process

Royal Unibrew's internal control and risk management systems relating to the financial reporting process are described below.

Control activities

Royal Unibrew has established a formalized group reporting process comprising monthly reporting, including budget follow-up, assessment of performance and achievement of established targets.

Moreover, a central corporate function is responsible for controlling the financial reporting from the subsidiaries, which also includes a statement from each reporting group entity in relation to compliance with adopted group policies and internal control measures. In 2019, controlling visits were paid to key subsidiaries.

In 2019, the Board of Directors has again assessed that establishment of a separate internal audit department is not required at this time considering the moderate complexity of the Group and the transparency of its reporting.

Information and communication

The Board of Directors emphasizes the importance of the Group communicating openly, with due regard to the confidentiality required for listed companies, and of the individual knowing his/her role with respect to internal control. In 2019, Royal Unibrew established a whistleblower scheme and encouraged employees and partners to use the system. The reporting method is approved by the Danish Data Protection Agency. One report was submitted and processed in 2019.

Royal Unibrew's accounting manual as well as other reporting instructions are continuously updated and are available at Royal Unibrew's intranet, where they can be accessed by all relevant employees. The instructions include account coding instructions and procedures for financial reconciliation and analyses, verifying the existence of assets as well as policy for credit granting and approval of fixed asset investments. The responsible finance officers of the group enterprises are informed in writing of changes. Moreover, internal update courses are organized for accounting staff.

Monitoring

Monitoring is affected by continuous assessments and controls at all group levels. The scope and frequency of the periodic assessments depend primarily on a risk assessment and the efficiency of the continuous controls.

The auditors appointed by the general meeting report in the Auditor's Long-form Report to the Board of Directors material weaknesses in the Group's internal control systems in connection with the financial reporting process. Less material issues are reported in management letters to the Executive Board, after which the Executive Board informs the Board of Directors of the issues reported.

The Board of Directors meets three times annually with the auditors without the Executive Board attending.

Remuneration

The overall objective of the remuneration is to attract, motivate and retain qualified members of the Board of Directors and the Executive Board.

The remuneration of the Board of Directors and Executive Board during the past financial year has been provided in accordance with the remuneration policy and incentive guidelines of Royal Unibrew adopted by the Annual General Meeting on 25 April 2019.

The complete Remuneration Policy and Remuneration Report for the Board of Directors and the Executive Board are disclosed at the Company's website at http://investor.royal-unibrew.com/corporate-governance.

The Overall Guidelines for Incentive Pay adopted at the Company's Annual General Meeting are available at http://investor.royalunibrew.com/corporate-governance.

Read our full Remuneration Report here

Comparison of remuneration and company performance over the past two years

1,000 DKK	2019	*Change*	2018
Executive board - remuneration			
Johannes F.C.M. Savonije	14,496	8%	13,363*
Lars Jensen	9,407	-1%	9,540*
Board of directors - remuneration			
Walther Thygesen, chairman	1,333	54%	868
Jais Valeur, deputy chairman	791	31%	604
Martin Alsø	380	25%	304
Einar Esbensen Nielsen (from april 2018)	381	81%	210
Heidi Kleinbach-Sauter (from april 2019)	260		0
Claus Kærgård (from april 2018)	380	82%	209
Christian Sagild (from april 2018)	505	107%	244
Karsten Mattias Slotte	434	24%	349
Catharina Stackelberg-Hammarén (from april 2019)	265		0
Lars Vestergaard (from april 2018)	571	120%	260
Floris van Woerkom (from april 2018)	404	78%	226
Financial performance (consolidated)			
Net revenue	7,692,479	5%	7,298,086
EBIT	1,469,095	10%	1,339,391
Average remuneration of employees			
Royal Unibrew employees (group)	415	0%	414

* Due to the change in the plan for restricted (conditional) shares, the recognised value in the financial year 2019 is less than one third of the total value and less than the value recognized in the financial year 2018.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

Remuneration component	Purpose	Level of granting	Granting criteria
Fixed salary	Attract and retain the right Executive Board members by offering a salary that reflects their competences and experience.	Must reflect the level of peer companies.	Assessed annually based on individual responsibilities, qualifications and results.
Benefits	Offer a competitive package that supports attraction and retention.	Benefits corresponding to market practice.	N/A
Pension	The Executive Board members make their own pension contributions.	N/A	N/A
Ordinary bonus	Ensure the achievement of Royal Unibrew's short-term targets.	May not exceed 60% of the fixed salary (gross salary).	Bonus grants and their size depend on the achievement of targets agreed for one year at a time - primarily relating to Royal Unibrew's budgeted targets and results, financial key figures or other measurable individual results.
Long-term bonus	Ensure the achievement of Royal Unibrew's long-term targets.	For the period 2017-2019, the total number of restricted shares is 69,806 shares granted in connection with the publication of Royal Unibrew's Annual Report for 2019 in March 2020. The initial expected number of shares has been adjusted based on the actual distributed dividend in the vesting period. For the period 2020, the total number of restricted shares is expected to be 17,921 granted in connection with the publication of Royal Unibrew's Annual Report for 2020 in March 2021.	The number of shares granted as well for the vesting period 2017-2019 as for the vesting period 2020 is subject to the level of achievement in the vesting period of the EBIT and free cash flow targets determined by the Board of Directors for financial years 2017-2019 respectively 2020.
Extraordinary bonus	Ensure the objectives of attracting and retaining key executives are met and secure shareholder value	May not exceed 100% of the fixed salary (gross salary), e.g. in the form of a retention bonus, loyalty bonus, restricted shares or bonus.	The bonus is granted to remunerate a special effort.

BOARD OF DIRECTORS REMUNERATION

	Base fee, DKK '000	Additional fee, % of base fee
All members of the Board	380	
Chairman of the Board		200%
Deputy Chairman of the Board		75%
Nomination- and Remuneration Committee and Audit Committee:		
Chairmen		50 %
Members		33 %

Board of Directors and Executive Board

Royal Unibrew's Board of Directors has eight members elected at the Annual General Meeting and three employee-elected members

From left: Lars Vestergaard, Claus Kærgaard, Einar Esbensen, Walther Thygesen, Jais Valeur, Heidi Kleinbach-Sauter, Christian Sagild, Catharina Stackelberg-Hammarén, Martin Alsø, Hans Savonije (President and CEO), Karsten Slotte, Floris van Woerkom and Lars Jensen (CFO)

Board of Directors and Executive Board

Board of Directors

Walther Thygesen
Chairman of the Board
Chairman of the Nomination and Remuneration Committee

Position
Professional board member in a number of enterprises

Special competences
Special expertise in general management with experience from both Denmark and abroad as well as sales and marketing expertise, especially in the business to business market

Independence
Considered independent

Chairman of the board of directors
Sonion Holding A/S
Kartago Development ApS

Member of the board of directors
German High Street Properties A/S (GHSP)

Jais Valeur
Deputy Chairman of the Board
Member of the Nomination and Remuneration Committee

Position
Group CEO of Danish Crown

Special competences
Special expertise in general management of international enterprises within FMCG (Fast Moving Consumer Goods)

Independence
Considered independent

Member of the board of directors
Foss A/S

Martin Alsø
Elected by the employees

Position
Business Unit Manager

Einar Esbensen Nielsen
Elected by the employees

Position
Terminal worker

Board of Directors (continued)

Heidi Kleinbach-Sauter
Member of the Board

Position
Professional board member

Special competences
Broad international experience within general management and special expertise within the food and beverage industry.

Independence
Considered independent

Member of the board of directors
Chr. Hansen Holding A/S, Denmark

Claus Kærgaard
Elected by the employees

Position
Sales Development Manager

Christian Sagild
Member of the Board
Member of the Audit Committee

Position
Professional board member

Special competences
Special expertise within general management of listed enterprises, including in-depth insight within finance and risk management

Independence
Considered independent

Member of the board of directors
Ambu A/S
Blue Ocean Robotics ApS
Danske Bank

Chairman of the board of directors
Nordic Solar Energy A/S
Nordic Solar Global A/S

Board of Directors (continued)

Karsten Mattias Slotte
Member of the Board

Position
Professional board member in a number of enterprises, primarily in Finland and Sweden

Special competences
Special expertise in general management, including of international enterprises within FMCG (Fast Moving Consumer Goods)

Independence
Considered independent

Member of the board of directors
Ratos Ab (publ), Sweden
Scandi Standard Ab (publ), Sweden
Conficap Oy, Finland
Antti Alström Perilliset Oy, Finland
Finsk-Svenska Handels-Kammaren

Karsten Mattias Slotte is not available for election at the AGM in 2020

Catharina Stackelberg-Hammarén
Member of the Board

Position
Executive Chairman of the Board, Marketing Clinic

Special competences
Special expertise in strategy and marketing within the food and beverage industry for FMCG (Fast Moving Consumer Goods) in the Nordic markets.

Independence
Considered independent

Member of the board of directors
Alma Media, Finland
Marimekko, Finland
Marketing Clinic Oy (including subsidiaries)
Scansecurities Oy, Finland

Lars Vestergaard
Member of the Board.
Chairman of the Audit Committee

Position
CFO, Royal Unibrew as of 1 April 2020

Special competences
Special expertise within IT, M&A as well as finance and risk management in international corporations, including experience within FMCG (Fast Moving Consumer Goods)

Independence
Considered independent

Lars Vestergaard is not available for election at the AGM in 2020

Board of Directors (continued)

Floris van Woerkom
Member of the Board

Position
Entrepreneur and independent consultant

Independence
Considered independent

Special competences
Broad international experience, including experience within FMCG (Fast Moving Consumer Goods) as well as special expertise within finance, strategy and management of international corporations.

THE BOARD OF DIRECTORS OF ROYAL UNIBREW

Name	Year of birth	Initially elected	Term of office	Position	Number of Royal Unibrew shares held at 1 January 2020	Change from 1 January 2019
Walther Thygesen	1950	2010	2019-2020	Chairman	9,500	-
Jais Valeur	1962	2013	2019-2020	Deputy Chairman	-	-
Martin Alsø	1974	2014	2018-2022	Board member elected by the employees	1,900	-
Einar Esbensen Nielsen	1954	2018	2018-2022	Board member elected by the employees	47	-
Heidi Kleinbach-Sauter	1957	2018	2019-2020	Board member		
Claus Kærgaard	1968	2018	2018-2022	Board member elected by the employees	-	-
Christian Sagild	1959	2018	2019-2020	Board member	1,500	-
Karsten Mattias Slotte	1953	2013	2019-2020	Board member	-	-
Catharina Stackelberg-Hammarén	1972	2018	2019-2020	Board member	-	-
Lars Vestergaard	1974	2018	2019-2020	Board member	415	-
Floris van Woerkom	1963	2018	2018-2020	Board member	1,000	

Executive Board

Johannes F.C.M. Savonije
President and CEO as of September 2017

Qualifications
BA Business Administration

Chairman of the board of directors
Advantage/Smollan, the UK

Member of the board of directors
Dansk Retursystem Holding A/S including subsidiaries

Lars Jensen
CFO as of November 2011
COO as of 1 April 2020

Qualifications
Diploma in business economics, informatics and management accounting, Copenhagen Business School

Member of the board of directors
Hansa Borg Holding AS including subsidiaries, Norway

THE EXECUTIVE BOARD OF ROYAL UNIBREW

Navn	Year of birth	Position	Number of Royal Unibrew shares held at 1 January 2020	Change from 1 January 2019
Johannes F.C.M. Savonije	1956	CEO	192,889	-
Lars Jensen	1973	CFO	41,575	-

Corporate Social Responsibility

This section is prepared in accordance with section 99a of the Danish Financial Statements Act and it is at the same time our first Communication On Progress report in accordance with UN Global Compact.

Managing Corporate Social Responsibility

At Royal Unibrew, we are committed to conducting our business in an ethical, responsible and sustainable way – and we aim to make a positive contribution to the environment, the local communities and the wider society.

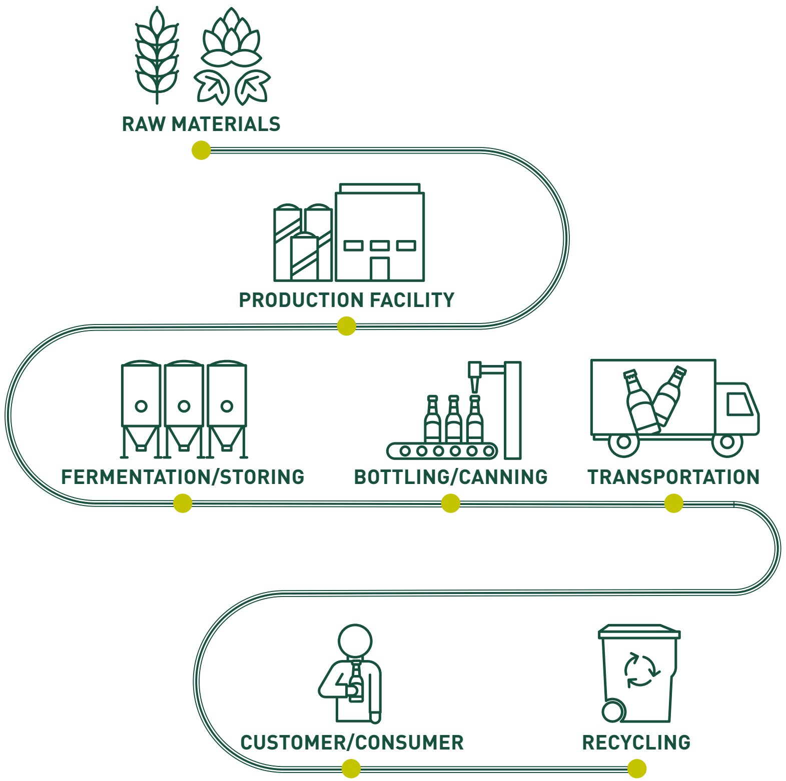
In 2019, we intensified our efforts, improved our transparency and defined new ambitious short-term corporate social responsibility targets. We also continued to build the platform for our longer-term sustainability strategy – and as part of this process we plan to present more specific long-term targets during 2020.

Royal Unibrew is a strong regional beverage company, founded on local anchored facilities, employees and sourcing of materials and services. We aim to provide successful brands that people trust and therefore, we have always been committed to contributing positively to the development in the areas in which we operate, to limiting our environmental impact, to establishing safe and good working conditions for our employees and to delivering high quality products to consumers.

We also realize that being regional but with global markets, we continuously need to improve our efforts and expand our sustainability scope to encompass the entire value chain across our markets.

We seek to drive improvements through innovation, operational excellence, and by partnering with our end-to-end supply chain.

ROYAL UNIBREW'S VALUE CHAIN/PROCESS FLOW



THE GLOBAL COMPACT
WE SUPPORT

"We signed up to UN Global Compact in 2019 – emphasizing our commitment to take responsibility and to ensure ongoing progress. During 2020, we will integrate sustainability more explicitly in our business strategy."

UN Global Compact and SDGs commitments

During 2019, we continued our endeavors towards establishing a well-defined and transparent corporate social responsibility framework.

In 2019, we defined which of the 17 UN SDGs (Sustainability Development Goals) to focus on, based on the materiality assessment conducted in 2018 and also taking into account the composition and nature of our business.

As planned, we also decided to sign up to UN Global Compact to further emphasize that we take responsibility and are committed to CSR (Corporate Social Responsibility) – and continuously strive to improve our efforts in accordance with the 10 principles of the UN Global Compact regarding: Human Rights, Labor Rights, Environment and Anti-corruption.

The 10 principles of UN Global Compact are incorporated in our objectives and actions and in order to ensure ongoing progress we have defined a range of short-term objectives for 2022, which only mark the start of our more systematic, documented and data driven journey. The objectives are categorized within four main areas: Consumers, Environment, People and Business integrity. By working systematically within this framework, and reporting publicly about our efforts, we aim to improve our performance.

UN SUSTAINABLE DEVELOPMENT GOALS

We apply the 17 SDGs as a framework for defining our targets and measuring on our progress with a special focus on the following goals:

SDG 3: Good health and well-being
SDG 6: Clean water and sanitation
SDG 7: Affordable and clean energy
SDG 8: Decent work and economic growth
SDG 12: Responsible consumption and production
SDG 13: Climate action
SDG 16: Peace, justice and strong institutions

OUR POLICIES AND SYSTEMS

For many years, Royal Unibrew has been working in accordance with European and national legislation as well as international guidelines, conventions and standards for corporate social responsibility (CSR) and sustainability. Our policies and systems at either Group or country level ensures that we conduct our business in accordance with regulatory requirements and guidelines.

All our production sites are operating in accordance with internationally recognized quality standards and all sites are food safety certified. In addition, we have a systematic approach to environment, health and safety, where several sites are certified, too.

All employees conduct mandatory e-learning program and training in the company procedures and policies.

POLICIES AND SYSTEMS

	Consumers	Environment	People	Business integrity
Policy	Country level: Quality policy Country level: Food Safety policy	Country level: Environmental policy	Country level: Occupational health and safety (OHS) policy	Ethics policy Remuneration policy
Systems, procedures and guidelines	ISO 9001 (4 sites) Global Food Safety (GFSI) recognized standards at all production sites (10)	ISO 14001 (5 sites) Energy assessment at all production sites	ISO 45001 (2 sites) Employee satisfaction survey	GDPR mandatory e-learning Mandatory training and procedures for Competition & Marketing law Tax compliance and Transfer Pricing documentation

OBJECTIVES AND SDGs

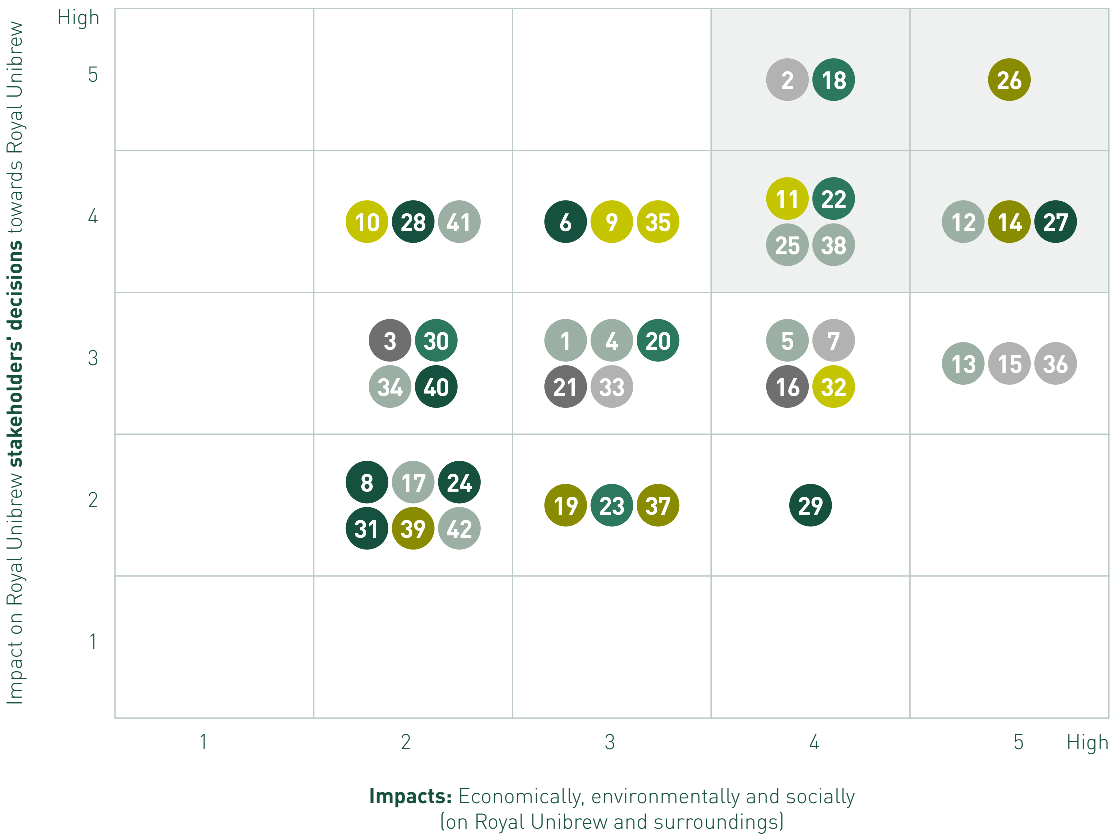
The top 10 priorities of our materiality assessment conducted in 2018, including consumer interests, packaging materials, transportation, operational efficiency, employee satisfaction and well-being, constitute the framework for our objectives and prioritized initiatives, which links into action plans aligned with several of the 17 SDGs.

	Consumers Health and enjoyment	**Environment** Improvements in the entire value chain	**People** Well-being, development and engagement	**Business integrity** Fair and responsible
2020–2022 objectives	Ensuring variety and choice in our assortment Launching new low/non sugar/alcohol products or as a minimum establishing balance between regular, low/non sugar/alcoholic beverages Increasing number of product variants within beer, ciders and RTD (ready-to-drink) categories	Changing all packaging material to recycled material when possible Supporting returnable systems Reducing CO_2 emissions from operations through concrete approved projects Reducing CO_2 emissions from electrification when distributing e.g. forklifts, leased cars, vans and trucks Reducing potential packaging waste in Americas, Africa and Asia Reducing water and material consumption by implementing circular initiatives	Reducing lost time incident frequency Enhancing reporting, management commitment and behavior-based safety	Ensuring as a minimum compliance to legal and other requirements
SDGs	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Materiality assessment (Consumers, Environment, People) — **Prerequisite** (Business integrity)

MATERIALITY ASSESSMENT

In the 2018 materiality assessment, we identified and rated 42 material issues based on stakeholders' expectations and impact on Royal Unibrew. The top 10 priorities are related to consumer health, environment & climate, employee satisfaction and well-being as well as improving communications.



- Society
- Employees
- Environment
- Customers, consumers, products
- Organization, ethics, conducts
- Suppliers
- Management and communications

1 Reuse/recycle material and scraps
2 Communicate CSR performance
3 Local sourcing
4 Water usage
5 Waste
6 Tax behavior
7 Responsible communications
8 Participate in public debate on CSR
9 Human rights in business
10 Stakeholder dialogue
11 Anti-corruption
12 Packaging footprint
13 Energy consumptions
14 Consumer health and wellbeing
15 CSR goals in incentive metrics
16 Responsible procurement management
17 Environmental damage
18 Workspace health and safety
19 CSR at sales agents
20 Employee competence development
21 Sustainability requirements for equipment
22 Employee satisfaction
23 Dangerous substances
24 Local community engagement
25 Climate impacts
26 Customers CSR focal points
27 Transportations and logistics
28 Trainees and students
29 Data security
30 Equal opportunities and diversity
31 Inclusion
32 Sustainability as part of decision processes
33 CSR partnerships
34 Water discharge
35 Code of Conduct
36 Our sustainability governance
37 Food waste
38 Overall environmental manufacturing optimizations
39 CSR at customers
40 Sustainable farming
41 Engage directly in renewable energy production
42 Deforestation and preservation of natural resources

Sustainable strategy ready in 2020

With the materiality assessment in 2018 and the 2019 initiatives we have established a platform for our future sustainability efforts and in 2020, we will integrate sustainability more explicitly in our business strategy.

Although Royal Unibrew needs to consider global developments and potential impacts and risks in a long-term perspective (2030), we believe that it is very important for our continuous progress and performance to define shorter-term objectives and measure on our actions and results on an ongoing basis. Our inherent values and culture, our policies and procedures as well as our competencies and business set-up are also fundamental enablers for our sustainability journey.

We have established short term objectives (2020 to 2022) within selected areas such as alcohol and sugar content in new products, CO_2 emission for activities "inside our fence", packaging material and packaging waste as well as lost time incident frequency.

Improved accountability and transparency

Signing up to the UN Global Compact was the starting point for further formalization of our CSR efforts, including further improvement of transparency in our CSR policies, systems and due diligence processes.

Establishing clear accounting policies for CSR and sustainability indicators and thus establishing the basis for transparency and external assurance has been an integral part of this process. When measuring the development of the indicators, we have selected 2015 as the baseline year – in line with the time frame of the international and national agreements on climate as well as common industry practice. The choice of specific indicators and the way we measure our results are still work in progress, and the indicators and our reporting will be further fine-tuned in the coming years.

We strive to work with a balanced approach towards our stakeholders, both by disclosing potential risks to our business and how we control these, as well as by showing the opportunities for Royal Unibrew; commercially, as a trusted partner in the local community and not least as a great place to work.

We have implemented policies and procedures to minimize risks from our activities and to ensure our freedom to operate. Compliance with legal and other requirements, including our ethical policy, is fundamental. Potential risks may include food safety incidents, workplace incidents, human rights violations in the value chain or failure to attract and retain the right employees preventing our business from expanding. Market availability of recycled packaging material, lack of well-functioning waste collection and recycling systems, unintentional emissions or inefficient processes are the main risks for our environmental footprint.

GOVERNANCE

Our CSR activities, including our CSR objectives and targets, are anchored at the Board of Directors, which sets the direction for our strategy, targets and Group policies together with the Executive Management. The targets are aligned by and implemented through the Growth Leadership Team.

Consumers

Being a responsible company, Royal Unibrew is aware of the global challenges formulated by WHO regarding obesity and the associated risks of cardiovascular diseases, cancer and diabetes as well as risk of alcohol abuse, linked to excess consumption of food and beverages.

Royal Unibrew supports national and international trade associations, such as Brewers' of Europe's views and guidelines on responsible drinking. We also participate actively in innovation partnerships looking at ways to reduce calorie content in soft drinks. In addition, we support a large variety of sports and health initiatives through sponsorships regionally and locally. In Finland, for example, all beer sponsorships will be converted into 0.0% alcohol beer.

Royal Unibrew strives to offer consumers and customers sustainable enjoyment through a broad variety of beverages, complementing the setting/situation whether the individuals find themselves at a music venue, dining with family and friends, exercising, travelling or at other occasions. The purpose is to provide energy, refreshment, quenching thirst or simply a good time. Consequently, we develop, launch and supply products with great taste and with regular, low/non-alcohol and calorie content, all clearly declared.

Consumers

Increasing the "low or non" varieties

During recent years, Royal Unibrew has across the group introduced more low-sugar or non-sugar alternatives compared to regular products in the soft drink, water and energy categories. The volume of low/non sugar products increased by 37% from 2016 to 2019, while regular products increased by only 9% in the same period.

We apply state-of-the-art process technology for low or non-alcohol beverages through e.g. the 2019 implementation of a new de-alcoholizing process in Denmark. The production of 0.0% and low alcohol products increased across the Group in 2019 accommodating the general consumer trend. The increase in volume of non-alcoholic beer resulting in at least double-digit growth from 2018 to 2019 in Denmark, Finland and the Baltic, and the low alcohol/non-alcohol volume increase outperformed the growth for alcohol containing beers by at least 5 percentage points in Finland and 65 percentage points in the Baltic.

Over the coming years, we will continue with a balanced development and launch of regular and reduced – both low and no – content of alcohol and sugar in our beverages.

In 2020, we plan to expand our tap wall concept (an innovative draught beer system with many taps) to include a choice of water and other products with reduced or no sugar/alcohol. In Off-Trade we will support a better overview of beverage choices for the consumers through co-development of new category-based sales displays.

We will continue to support and participate in relevant programs and partnerships regarding responsible beverages regionally and strive to identify relevant partnerships at Group level.

37% increase

"THE LOW/NON SUGAR PRODUCTS INCREASED BY 37% IN VOLUME FROM 2016 TO 2019 COMPARED TO 9% FOR REGULAR PRODUCTS."

TARGETS FOR 2020-2022

New product development

Balanced between regular, low, non for soft drinks (kcal and sugar content)

Increase number of products with 0.0% and low alcohol in the beer, cider and ready-to-drink (RTD) categories

Environment

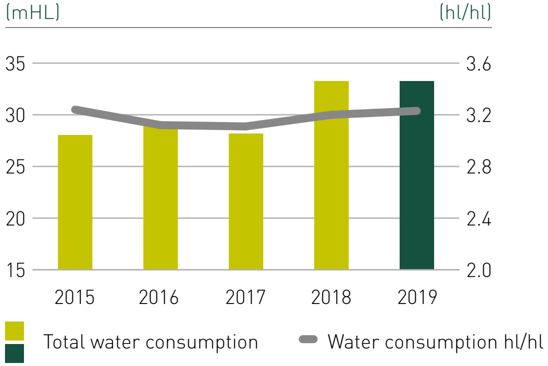
Operational efficiency and circular thinking have always been a part of the Royal Unibrew's DNA. Optimizing resource consumption by reducing, reusing and recycling is relevant for all materials, including energy, water and waste (residuals from brewing) both at our production sites but also very importantly in other parts of our value chain such as raw materials, malting, packaging and distribution.

Several projects were implemented in 2019 and many will follow in 2020 and beyond. More information is available in "Future proofing Royal Unibrew".

Royal Unibrew's efficiency on energy per produced volume has improved by 12% compared to 2015 irrespective of the acquisitions in 2018 and 2019. The performance on water consumption has also improved, however, the effect of the recent acquisitions was more significant on our water efficiency than on our energy efficiency. Between 2018 and 2019, the energy and water consumption per hl increased slightly.

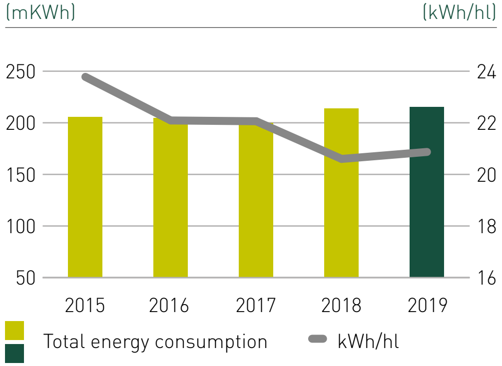
Environment

WATER CONSUMPTION



Royal Unibrew's production facilities are not located in water scarce areas, but as energy efficiency also is driven by water being pumped from the source to the point of consumption reducing water and energy consumption remains a priority to us. Wastewater is never discharged without treatment.

ENERGY CONSUMPTION



Well-functioning deposit return systems (DRS) are in place in Denmark, Finland and Lithuania. Similar systems are currently being discussed in France, Latvia and Italy. In the Danish deposit return system, at least 9 out of 10 glass bottles, PET bottles and cans are collected and in Finland, the return system rate is even higher. The deposit return systems are continuosly improved to increase the recyckling rates further. Thus, to ensure availability of recycled packaging material, the Danish DRS is working towards establishing a closed loop food grade recycling system where the materials may be either reused or recycled for food packaging material.

Furthermore, in many of our markets, infrastructure for recycling of material is provided by the local governments, supporting additional collection of material for recycling. The EU waste directive and the extended producer responsibility will enhance this as well. In fact, access to recycled food grade PET will be highly dependent on governments' ability to deliver on the infrastructure, where deposit return systems are not yet available.

TARGETS FOR 2020

Packaging material (minimum level - average)
- >50% recycled paper labels per unit
- >70% recycled carton/corrugated cardboard per volume
- >15% recycled PET per volume

Test of electricity-based transportation vehicles: Trucks, cars and vans, forklifts, etc.

15% CO_2 reduction (Green House Gas Protocol, Scope 1 and 2) per hl compared to 2015

Reduction of potential packaging waste in Americas, Africa and Asia
- Reduce plastic usage

TARGETS FOR 2022

Packaging material (minimum level - average)
- >90% recycled paper labels per unit
- >90% recycled carton/corrugated cardboard per volume
- >30% recycled PET per volume

Implementation of prioritized electricity-based transportation vehicles

30% CO_2 reduction (Green House Gas Protocol, Scope 1 and 2) per hl compared to 2015

Reduce potential packaging waste in Americas, Africa and Asia
- Documented reduction

Environment

Carbon footprint and renewables

We are well-aware, that the brewing industry's main CO_2 footprint is outside the facilities. When we look at industry averages, the brewing/filling, production and recycling of packaging material as well as distribution account for approximately 75% of the total carbon footprint of our products, where raw material and sales refrigeration contributes the rest.

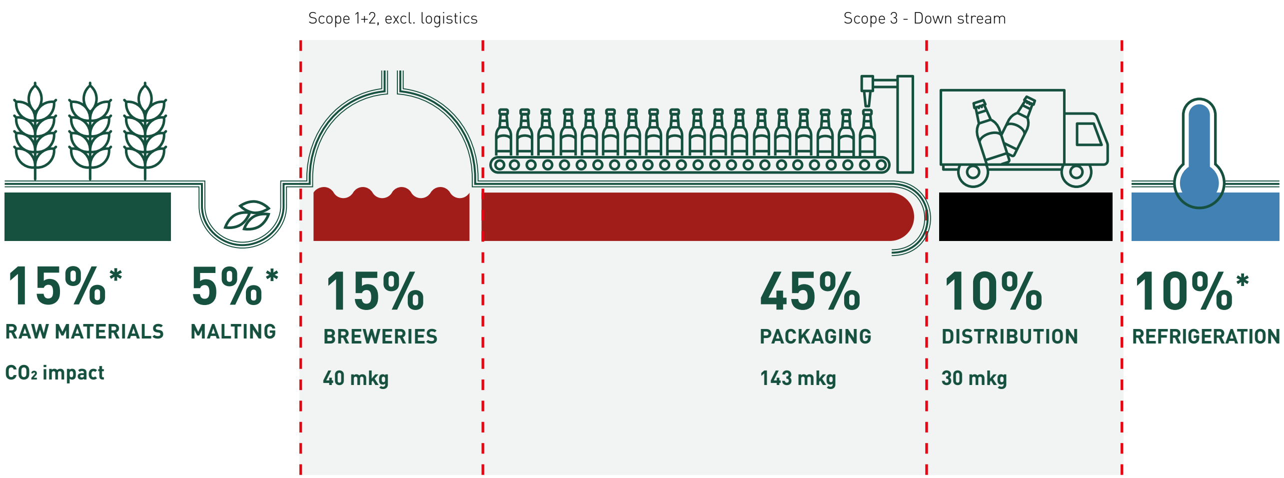
With reference to the Green House Gas Protocol (GHG), we are confident that the calculated production footprint corresponding to the GHG protocol's scope 1 and 2 (direct emissions from our activities and indirect emissions from electricity purchased) as it is directly calculated from our energy consumption. Regarding Scope 3 emissions (all other indirect emissions) from sources we do not own or control – in this case packaging material and distribution – we have used industry standards for our initial calculation of the CO_2 impact. Other significant Scope 3 contributors such as raw material, including malting and sales refrigeration will be established in the coming years.

For 2019, the initial calculation of the CO_2 impact from production, packaging material and distribution was 40, 143, 30 million kg CO_2, respectively.

The carbon footprint for our production was reduced by 10%, measured as kg CO_2 per produced volume, from the base year 2015 to 2019. Between 2018 and 2019, the kg CO_2 per produced volume increased slightly.

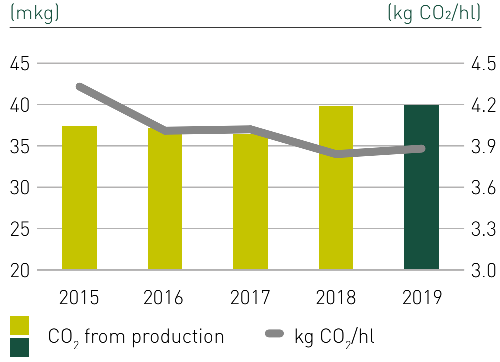
EMISSIONS THROUGHOUT THE LIFE CYCLE

Proportion of greenhouse gas emissions in each stage of the life cycle of our products.



* Approx industry average

CO_2 FROM PRODUCTION



EXAMPLES OF CO_2 DILEMMAS

- Smaller pack sixes produce more CO_2 per unit
- Move from plastic to glass bottles result in more CO_2
- Producing beer with 0.0% alcohol creates more CO_2 because of a more sophisticated production process

Environment

Royal Unibrew is working on investing in renewable energy as a mean to reduce our carbon footprint. In 2020, we will continue the journey of becoming carbon neutral by reducing our Danish, Baltic, Finnish and Italian footprint of electricity consumption via purchase of "green" electricity, corresponding to more than 99% of our consumption. In parallel, we will continue to explore and decide on our investment approach as to renewable energy.

At the same time, Royal Unibrew is working on reducing the impact from packaging material by reducing weight (down weighing) and changing from virgin material to recycled material on e.g. PET and cardboard. In 2019, we introduced recycled: paper labels, corrugated trays and shrink film for several brands.

Our target in the Danish production is a recycled PET fraction of at least 50% on average of our PET bottles in 2021. We have increased the fraction of recycled material steadily in 2019 and our Egekilde Still is now in a 100% recycled PET bottle. Thus, we expect the overall Danish target to be met already in 2020.

Royal Unibrew has been carbon neutral on the Egekilde products for several years based on externally verified CO_2 calculations and CO_2 credits. We are now applying the environmental life cycle assessment (LCA) methodology for selected materials and categories, among others plastic cups used for events, to meet consumer demands and provide our customers with environmental data for making an informed choice.

Replacement of older distribution vehicles is ongoing in Denmark where we own the distribution vehicles, and likewise, we are looking into electrification of transportation equipment and vehicles at all sites. Increasing the use of renewable energy beyond the national grid mixes is also in the pipeline for 2020. Furthermore, we plan to install charging stations at our headquarter in 2020.

"We continuously strive to identify new measures to reduce our carbon footprint. Therefore, optimizing resource consumption by reducing, reusing and recycling is relevant both at our production sites and in other parts of our value chain such as raw materials, malting, packaging and distribution."

Environment

Future proofing Royal Unibrew

Royal Unibrew strives for continuous improvement. In 2019, we initiated smaller and larger projects at all our production sites.

Water is our most important raw material. Water preservation and water quality therefore remains a key priority, which is why we are extra careful with regard to our wastewater discharge. All our wastewater is treated before emission either at our site or at the municipal treatment plant to meet the requirements. At Lorina in France we have invested in the existing wastewater treatment plant on site to further improve the efficiency. The water is emitted via an on-site aquarium with fish to a small creek outside the facility. The aquarium is more than just a gimmick, as it reminds us of the importance of clean water and help us to make sure that the treatment plant is running optimally.

"High water quality is crucial for us. Therefore, we continuously aim to reduce our water consumption and all our wastewater is treated before emission"

At our production site in Lahti, Finland, we joined forces with the Lake Vesijärvi Foundation in 2019 to protect the lake and to promote all efforts to improve its water quality. Lake Vesijärvi's wellbeing affects a large ecosystem in the Lahti area. Together with local restaurants, we released more than 2,000 trouts and pikeperches into the lake aiming to restore the eco system. In 2020, the collaboration will be expanded even further.

At several of our sites in the Baltics and Denmark, we have implemented improvements to our cooling/heating systems. For example, cooling systems are upgraded to more energy efficient systems from temporary and decentralized cooling facilities to centralized permanent systems. Many projects will be continued in 2020 and beyond.

People

Employee well-being
A good working environment is a safe and healthy working environment, and that is a top priority for Royal Unibrew. We focus on minimizing risks and raising awareness about health and safety for all our employees and take preventive measures to avoid employees being worn out and incurring work-related injuries – and we recognize that one accident is one to many. Ensuring well-being and promoting job satisfaction is a priority as well.

At most production sites near-misses are registered and followed up daily in order to establishing preventive measures as quickly as possible to avoid accidents. When accidents with or without lost time unfortunately occur, we conduct thorough root cause assessments and implement the necessary improvements.

At all production sites, occupational health and safety (OHS) activities are adapted to the local production site and work area. In Denmark, for example, joint OHS discussions, an OHS day as well as courses with focus on stress were carried out in 2019. At group level, project execution in operations includes an OHS assessment. In 2019 and 2020, expansion and capacity driven projects will reduce heavy lifting and improve access for safe operations, maintenance and cleaning further.

8 DECENT WORK AND ECONOMIC GROWTH

People

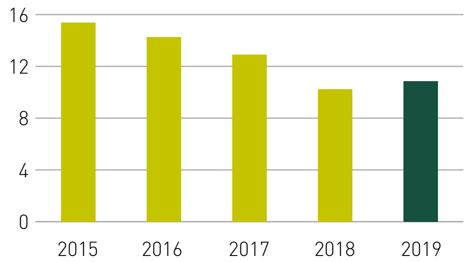
Local focus and initiatives have resulted in a continued reduction in Lost Time Incidents per 1 million working hours (LTI frequency) by 30% from 2015 to 2018 and has leveled out between 2018 and 2019. Root cause assessments indicate that behavior is the main reason for incidents. Therefore, we have planned to enhance our behavioral-based safety training and awareness across the Group to reduce the LTI frequency by 40% in 2022 compared to 2018.

Employee satisfaction
In 2019, Royal Unibrew conducted an Employee Satisfaction Survey, as we do every second year. Our overall engagement score was 4.0 (scale 1-5) or 80%. Generally, 72% is considered a market average. Employees see more opportunities to develop compared to previous surveys and they emphasize that their tasks are meaningful. They also rate their managers better than before, indicating that our focus on leadership and employee development has an effect.

Employee and organizational development
It is Royal Unibrew's ambition to attract and retain competent and talented people who are result-oriented, adaptable, innovative, creative and having the right mindset. This is a prerequisite for realizing our ambitious business objectives. It is achieved by supporting and promoting diversity and inclusion and investing in our employees – both by way of learning and by upgrading of skills, and by empowering them to have influence on their jobs and by listening to their ideas and wishes for the future.

We believe that we need to foster an agile and flexible organization to adapt to the changing needs of our consumers and customers. We change, re-organize and fine-tune our

WORKING ACCIDENTS
Accidents per million work hours



"It is our aim to reduce the LTI frequency by 40% in 2022 compared to 2018 – among other things through intensified behavioral-based safety training and awareness across the Group".

TARGETS FOR 2020

Health and safety:
- Training and awareness campaign established
- Reporting all LTI on a monthly basis
- 20% reduction in LTIF compared to 2018

TARGETS FOR 2022

Health and safety:
- Training and awareness campaigns repeated every year
- Reporting all LTI on a monthly basis
- 40% reduction in LTIF compared to 2018

People

internal structures and processes on an ongoing basis and expect our employees to adapt to new methods and tasks quickly. It puts demands on the individual employee and on our ability to collaborate across the organization while at the same time it offers opportunities for new assignments and/or responsibilities within or outside the business area. We believe that trust and responsibility foster great results.

In 2019, we continued a range of activities focusing on developing our talent pool and succession management. Various leadership competence development activities have been put in place focusing on developing the basic leadership skills, cross-organizational collaboration as well as building high performing leadership teams. Mentoring of young/inexperienced managers and key employees continued.

In Denmark, our production workers (blue collar) are being upgraded continuously. Since 2013, more than 10% have been through a train-the-trainer program for "Industrial instructors", where they learn how to teach new colleagues in safety, quality and machine operations in a standardized way to ensure the right focus. In 2018, we added a training course for "Technical Operators" aiming at developing selected employees from filling and warehouse to master safe failure investigations and minor maintenance on filling lines and conveyors. In addition, appointed Line Coordinators have been trained in handover of status and challenges at white board meetings between shifts.

In addition, all our employees were offered a number of courses that give the individual concrete tools to handle a more complex and changeable workday, as well as on-the-job training.

Diversity and inclusion

We want our organization to reflect the diversity of today's society and we believe that diversity creates the best and most dynamic workplace climate – and supports long term value creation for all our stakeholders.

Continuous efforts are made to ensure workplace diversity and inclusion. Traditionally, the beverage industry is relatively male-dominated, but Royal Unibrew strives on an ongoing basis to ensure a more equal gender representation. We measure gender diversity in international management teams and at the Board of Directors. In 2019, the number of women of the Board of Directors increased from 0 to having 2 out of 8 general assembly elected members. In our international management teams, we improve gender diversity year after year. We also work on promoting other diversity aspects such as initiatives to include people that for various reasons, struggle to maintain or get a foothold on the job market. For more information see "Promoting diversity and inclusion".

Our target is a more balanced gender representation of at least 40% of each gender. When recruting new executives, we prioritize identifying without discrimination and aim to encourage female candidates' interest in taking on managerial tasks.

INTERNATIONAL MANAGEMENT TEAM

Gender %	2019	2018	2017
Women	32	31	30
Men	68	69	70

People

Promoting diversity and inclusion

Being a regional based beverage company founded on strong local presence in the societies of typically rural areas, Royal Unibrew strives to be a responsible member of the community – not only from an environmental perspective but also and very importantly from a social perspective. Our employees, local business partners and suppliers, their families and close relatives often live close by.

"We believe that diversity and inclusion create the most dynamic working climate and support value for all our stakeholders."

Royal Unibrew needs access to skilled employees to develop. We value diversity and support inclusion. Therefore, we participate in local initiatives for various job provisions, including helping people to maintain or gain a foothold on the labor market, helping young people looking for internships, offering apprenticeships and other on-the-job training as well as integration of refugees.

As an example, our Lorina site in France currently directly employs people with mental challenges in special operations at our packing line. In addition, we employ indirectly through our supplier of outdoor services, who has several employees that need to get a foothold on the job market and where lawn moving, landscaping and other duties prospers by their commitment.

Inclusion is also about the way we articulate ourselves. Therefore, in Denmark we are going to launch a campaign with our Albani brand, where awareness of thoughtful wording and an appreciative approach is the focal point.

Business integrity

Ethics
At Royal Unibrew business ethics are an integral and important part of the corporate culture. By respecting a set of ethical principles and guidelines, we believe we create stronger relationships with all our stakeholders.

Royal Unibrew's ethics policy and our Code of Conduct provide guidance for our employees, third parties acting on behalf of the Company and suppliers regarding anti-corruption, environment, human rights and labor standards but also GDPR, competition and marketing law. The basic requirement for all Royal Unibrew's actions and interactions is being in legal compliance, i.e. having the right mechanisms to ensure that we have no violations.

Internal controls and the whistle-blower scheme are important means for controlling and reporting potential irregularities also by external stakeholders. Regular training is among the tools to ensure compliance internally, thus employees are trained in relevant aspects depending on their function inside and outside of the Company. All employees were GDPR trained by e-learning and had to pass an exam in 2019.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Business integrity

In 2020, we plan to expand our e-learning capacity by encompassing competition law and anti-corruption in the platform.

One whistle-blower case was managed in 2019.

Responsible sourcing

We aim to ensure that our suppliers meet our high standards. A Code of Conduct targeting suppliers was developed in 2019, whereas the ethical policy has been integrated in our contractual agreements for a long time. Our suppliers' product safety performance has been evaluated systematically during 2019 and in 2020, we will through a risk-based approach enhance our supplier management to explicitly include further relevant CSR aspects, including carbon footprint, employee well-being and safety and human rights, in our evaluation as well.

Tax

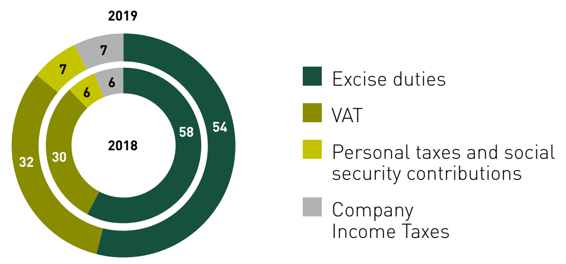
Royal Unibrew operates in a number of predominately European countries and is therefore subject to both national and international tax rules. At the same time, the nature of Royal Unibrew's business implies that both direct and excise duties are paid in the individual markets. Through its tax payments, Royal Unibrew contributes positively to the societies in which it operates – as well as by creating jobs and using predominately local suppliers and thereby supporting the UN's Sustainability Development Goals.

The following general principles apply to Royal Unibrew's management of tax issues:

- Royal Unibrew pays taxes on its activities in the countries in which the activities are carried out, and no special tax structures for the purpose of tax optimization are applied.
- Royal Unibrew always aim to comply with national and international tax legislation and sets out to enter into an open and constructive dialogue with the tax authorities.
- Royal Unibrew has an internal organization which monitors and controls procedures designed to ensure compliance with tax legislation.
- Royal Unibrew wants to communicate openly and fairly about its tax policy and tax payments.
- Royal Unibrew was not involved in any cases of non-compliance with tax legislation in 2019.

In 2019, the effective tax rate was 22% of profit for the year (2018: 22%). Royal Unibrew paid corporation tax of DKK 338 million on its operating activities (2018: DKK 251 million). In addition, Royal Unibrew's activities generate other considerable tax payments, including excise duties on beer, mineral water and other items, VAT, personal taxes and social security contributions. The total contribution through taxes in 2019 amounted to DKK 4.8 billion (2018: 5.0 billion). The decrease in tax contribution relates to changes in excise duty rates, lower campaign activity in Finland and a shift in product mix from alcoholic beverages to non-alcoholic beverages.

BREAKDOWN OF TAXES



Business integrity

Supporting sustainable business development in On-Trade

In 2019, we actively promoted our new tap wall concept. Tap walls were installed at more than 100 bars and have room for offering several taps to local microbreweries. The purpose is to avoid outcompeting the smaller breweries and to support bar owners, microbreweries and Royal Unibrew to meet the great interest in specialty beverages. We call it sustainable business development.

We plan to expand the concept to include water and soft drinks. We expect tap walls to be installed more broadly in hotels and restaurants – implying an environmental benefit as more beers, ready-to-drink and/or soft drinks are sold in reusable kegs.

"With our tap wall concept, we are able to achieve more goals at the same time; offering consumers larger variety, reducing our environmental footprint and supporting microbreweries."

In addition to backing the craft beer market, Royal Unibrew supports bar and café owners' development and optimization of their business, enabled by Royal Unibrew's knowledge of customer sales of individual beverages, in combination with an in-depth market knowledge of the neighborhood, area or city. Our sales consultants have access to these data via our CRM (Customer Relation Management) system and may provide the insight on the fly or may offer a more detailed conversation.

Non-financial highlights and ratios

		2019	2018	2017	2016	2015
Production figures						
Production sites		9	9	7	7	7
Production volume, total	million hl	10.3	10.4	9.1	9.3	8.7
Environment & Climate						
Purchased Electricity	GWh	81.4	81.2	73.7	75.4	76.4
Natural gas	GWh	94.2	88.9	80.1	82.1	84.1
Purchased Heat/steam/cooling	GWh	37.8	40.8	43.7	46.5	43.5
Other	GWh	1.9	2.9	2.5	0.7	1.6
Energy, total	**GWh**	**215.2**	**213.8**	**200.0**	**204.7**	**205.7**
CO_2 from production	million kg CO_2	40.0	39.8	36.5	37.1	37.4
Total water consumption	million hl	33.3	33.3	28.2	29.0	28.1
Total amount of wastewater discharge	million hl	22.3	22.7	18.5	19.3	19.2
Total Hazardous waste	million kg	0.1	0.1	0.1	0.1	0.0
Total waste for landfill	million kg	0.4	0.5	0.4	0.4	0.4
Total incinerated waste	million kg	1.5	1.1	0.9	0.9	0.8
Total recycled waste	million kg	5.9	5.4	3.1	4.3	5.1
Solid Waste, total	**million kg**	**7.9**	**7.1**	**4.4**	**5.7**	**6.3**
Spent grain and yeast	million kg	77.4	80.9	91.3	96.7	87.5
Relative production figures						
Energy	kWh/hl	20.87	20.60	22.06	22.09	23.78
CO_2	Kg CO_2/hl	3.88	3.84	4.02	4.01	4.33
Water	hl/hl	3.23	3.20	3.11	3.12	3.24

		2019	2018	2017	2016	2015
People well-being & development						
Occupational Health & Safety						
Total number of lost-time incidents (LTIs)		42	39	46	52	55
Lost time incident frequency		10.8	10.2	12.9	14.3	15.4
Number of Lost days		1,594	687	n/a	n/a	n/a
Lost day rate		412	180	n/a	n/a	n/a
Fatalities		0	0	0	0	0
Employee engagement						
Employee turnover	%	17.5	20.6	n/a	n/a	n/a
Leave of absence due to illness (not work related)	%	3.9	3.5	n/a	n/a	n/a
Diversity						
Percentage of employees by gender, total						
Female	%	25	26	24	24	24
Male	%	75	74	76	76	76
Employees by gender, Int. Managment teams						
Female	%	32	31	30	35	35
Male	%	68	69	70	65	65

Descriptive notes for the non-financial highlights and ratios

Note 1: Basis for preparation

Royal Unibrew A/S has developed a CSR data reporting manual encompassing roles and responsibilities, data scope, reporting, controls and documentation requirements as well as a detailed description of each key performance indicator.

Note 2: Environment & Climate data

Royal Unibrew has reported on environmental performance for a number of years. Therefore, data are available from 2015 to 2019. The data has been corrected to the new reporting requirements mentioned in Note 1.

The increase in consumption of energy and water and generation of waste including wastewater is due to the increased production volume and to acquisitions in 2018 (Terme di Crodo and Lorina) and 2019 (Bauskas Alus). Whereas consumption of energy per hectoliters has improved as has the associated CO_2 emission due to a keen focus on energy reduction projects, the water consumption per hectoliter has from a steady reduction, increased in 2018 and 2019, mainly due to lower efficiency at the acquired sites. If corrected for the acquired sites, a 9% reduction would have been obtained within the same time period.

For the first time, we have calculated the CO_2 emission for transportation (downstream), including GHG Scope 1 and Scope 3, i.e. owned and leased vehicles as well as third party forwarders measured as kg CO_2 equivalent. The calculation is based on industry standards and direct input from our forwarders. It is estimated that at least 80% of the footprint is accounted for, but further data development is needed. The same applies to our CO_2 emission from packaging material.

Note 3: People wellbeing & development data

Royal Unibrew A/S has for 2015 to 2019 collected data for lost time incidents (LTI) and disclosed information in our annual report. The data has been corrected to the new reporting requirements mentioned in Note 1. The acquisitions in 2018 and 2019 have a negative impact on our LTI performance (by 6% and 8%, respectively), but the performance would have declined anyway between 2018 and 2019.

There may be underreporting of LTIs as the focus traditionally has been on registering incidents for production/ware housing and to a lesser degree distribution, sales and administration. We will enhance the awareness in this area in 2020 and beyond.

As it may be noted other relevant data for occupational health and safety performance has only been collected for 2018 and 2019, as the recording has been lacking at some entities before that time. The same applies to employee engagement and diversity. We are working on improving recording and reporting.

Signatures and statements

Management's Statement on the Annual Report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Royal Unibrew A/S for 1 January - 31 December 2019.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 as well as of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2019.

In our opinion, Management's Review gives a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year, cash flows and of the Parent Company's financial position, as well as a description of the key risks and uncertainties facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Faxe, 10 March 2020

Executive Board

Johannes F.C.M. Savonije
President & CEO

Lars Jensen
CFO

Board of Directors

Walther Thygesen
Chairman

Jais Valeur
Deputy Chairman

Martin Alsø

Einar Esbensen Nielsen

Heidi Kleinbach-Sauter

Claus Kærgaard

Christian Sagild

Karsten Mattias Slotte

Catharina Stackelberg-Hammarén

Lars Vestergaard

Floris van Woerkom

Independent auditor's report

To the shareholders of Royal Unibrew A/S

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Board or Directors and the Audit Committee.

Audited financial statements

Royal Unibrew A/S' consolidated financial statements and separate financial statements for the financial year 1 January – 31 December 2019 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

Appointment as auditors

We were appointed auditors of Royal Unibrew A/S for the first time on 24 April 2018 for the financial year 2018. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of two years including the financial year 2019.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2019 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Valuation of intangible assets Goodwill and trademarks represent 50% of the Group's assets. Management conducts annual impairment test to determine whether the carrying values of recognised goodwill and trademarks are considered to be impaired and, hence, should be written down to the recoverable amount. Management determines the recoverable amount of the Cash Generating Units (CGUs) using a discounted cash flow model (value in use). Management uses key assumptions in respect of market and country risks, revenue and margin development and discount rate for the CGUs. The audit of the recoverable amount has been considered a key audit matter as the determination of the recoverable value is associated with significant estimation uncertainty. The carrying amount of investments in subsidiaries in the parent company's separate financial statements and the values of intangible assets contained therein is also tested to identify any impairment. This is the same test as described above. Reference is made to note 12 in the consolidated financial statement and note 10 in the Parent Company financial statements.	For the purpose of our audit, the procedures we carried out included the following: • We have discussed with Management and evaluated the internal controls and procedures for preparing impairment tests and the budget and forecasts. • We have focused our audit on the models and the appropriateness of key assumptions used by Management to calculate the values in use, as well as defined CGUs and assessed the consistency of the assumptions applied. • We have assessed the appropriateness of the discount rates applied and underlying assumptions, as well as benchmarking to market data and external information. • Our internal valuation specialists have supported the audit where relevant. • In addition, we have assessed whether the disclosures; Note 12 Intangible Assets in the consolidated financial statements meet the requirements of IFRS.
Revenue recognition There are a significant number of transactions and contracts with customers. Sales contracts with customers are relatively complex with discounts and agreements with marketing contributions etc. Furthermore locally imposed duties and fees are complex. Overall this introduce an inherent risk to revenue recognition process. Therefore we have considered this as a Key Audit Matter. Reference is made to note 5 in the consolidated financial statements.	For the purpose of our audit, the procedures we carried out included the following: • We have considered the appropriateness of the Group's revenue recognition policy and assessed the compliance with IFRS 15 Revenue from Contracts with Customers. • We have evaluated the systems and key controls, designed and implemented by Management, related to revenue recognition. • We have discussed with Management the key assumptions related to recognition, measurement and classification of revenue • In addition, we have performed substantive procedures. We have discussed significant and complex customer contracts, locally imposed duties and fees and the development in discounts and the treatment of marketing contribution to ensure that accounting policies are applied correctly. • We have performed journalentries testing and verification of proper cut-off at year-end.
Purchase price allocation In 2019, the Group has acquired Bev.Con ApS including Cult A/S and finalised the purchase price allocations for the acquistions made in 2018 for Etablissements Geyer Fréres, France and 51% of Nohrlund ApS, Denmark. Acquisitions including the required purchase price allocation have a significant impact on the consolidated financial statements for 2019. The purchase price allocations are based on a number of management assumptions and estimates related to measurement of all acquired assets and liabilities at fair value. Due to the significant impact on the consolidated financial statement and allocation based on management assumptions, we have considered this as a Key Audit Matter. Reference is made to note 25 in the consolidated financial statements.	For the purpose of our audit, the procedures we carried out included the following: • We have assessed the purchase price allocations made including assessing whether the assumptions and estimates made by Management are reasonable and documented. • We have reconciled the purchase price allocation to supporting documentation including share purchase agreements, calculations of fair value of brands and other intangibles, and opening balances from the acquired entities. • In assessing the assumptions and estimates as well as the fair value calculations, we have involved our internal valuation specialists. • In addition, we have assessed the appropriateness of the disclosures; Note 25 Acquisition of subsidiaries.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 10 March 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Lau Bent Baun State Authorised Public Accountant MNE no. 26708	Niels Vendelbo State Authorised Public Accountant MNE no. 34532

Consolidated financial statements

2019

Consolidated Income Statement

Consolidated Income Statement for 1 January - 31 December

DKK '000	Note	2019	2018
Net revenue	5	**7,692,479**	**7,298,086**
Production costs	6,7	-3,611,977	-3,471,098
Gross profit		**4,080,502**	**3,826,988**
Sales and distribution expenses	6,7	-2,262,428	-2,167,325
Administrative expenses	6,7	-348,979	-320,272
EBIT		**1,469,095**	**1,339,391**
Income after tax from investments in associates	14	25,145	19,607
Financial income	8	5,078	5,074
Financial expenses	9	-41,423	-36,346
Profit before tax		**1,457,895**	**1,327,726**
Tax on the profit for the year	10	-317,536	-287,780
Net profit for the year		**1,140,359**	**1,039,946**
Profit for the year is attributable to:			
Equity holders of Royal Unibrew A/S		1,141,973	1,040,915
Non-controlling interests		-1,614	-969
Net profit for the year		**1,140,359**	**1,039,946**
Earnings per share (DKK)	18	23.0	20.6
Diluted earnings per share (DKK)	18	22.9	20.6

Consolidated Statement of Comprehensive Income for 1 January - 31 December

DKK '000	Note	2019	2018
Net profit for the year		**1,140,359**	**1,039,946**
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange adjustment of foreign group enterprises		4,030	9,738
Value adjustment of hedging instruments, beginning of year		17,315	1,416
Value adjustment of hedging instruments, end of year		-3,019	-17,315
Tax on other comprehensive incomen (fair value adjustment)	10	-3,273	3,154
Total		**15,053**	**-3,007**
Items that may not be reclassified to the income statement			
Actuarial gain on pension schemes		1,875	314
Tax on actuarial gain on pension schemes		-438	-62
Total		**1,437**	**252**
Other comprehensive income after tax		**16,490**	**-2,755**
Total comprehensive income		**1,156,849**	**1,037,191**
Comprehensive income for the year is attributable to:			
Equity holders of Royal Unibrew A/S		1,158,463	1,038,160
Non-controlling interests		-1,614	-969
Net profit for the year		**1,156,849**	**1,037,191**

Consolidated Balance Sheet

Assets at 31 December

DKK '000	Note	2019	2018
NON-CURRENT ASSETS			
Intangible assets	12	4,516,102	4,107,884
Property, plant and equipment	13	2,500,946	2,529,777
Investments in associates	14	125,953	124,462
Other fixed asset investments	15	19,546	12,390
Non-current assets		**7,162,547**	**6,774,513**
CURRENT ASSETS			
Inventories	16	462,673	439,676
Receivables	17	735,864	666,478
Prepayments		59,471	35,842
Cash and cash equivalents		71,985	145,151
Current assets		**1,329,993**	**1,287,147**
Assets		**8,492,540**	**8,061,660**

Liabilities and Equity at 31 December

DKK '000	Note	2019	2018
EQUITY			
Share capital	18	100,200	102,000
Other reserves		745,702	738,082
Retained earnings		1,639,925	1,508,191
Proposed dividend		611,220	550,800
Equity contributable to equity holders of Royal Unibrew A/S		**3,097,047**	**2,899,073**
Non-controlling interests		9,449	9,083
Equity		**3,106,496**	**2,908,156**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	19	546,128	542,328
Mortgage debt	3, 21	851,080	855,347
Credit institutions	3, 21	1,302,727	1,709,582
Other payables		105,292	44,485
Non-current liabilities		**2,805,227**	**3,151,742**
CURRENT LIABILITIES			
Mortgage debt	3, 21	3,708	3,572
Credit institutions	3, 21	619,087	98,383
Trade payables		1,018,119	974,930
Provisions		16,433	16,428
Corporation tax	10	29,356	9,761
Other payables	20	894,114	898,688
Current liabilities		**2,580,817**	**2,001,762**
Liabilities	**23**	**5,386,044**	**5,153,504**
Liabilities and equity		**8,492,540**	**8,061,660**

Consolidated Cash Flow Statement

for 1 January - 31 December

DKK '000	Note	2019	2018
Net profit for the year		1,140,359	1,039,946
Adjustments for non-cash operating items	22	679,629	641,052
		1,819,988	**1,680,998**
Change in working capital:			
Receivables		-67,826	15,855
Inventories		2,076	-27,599
Payables		23,145	-173,082
Cash flows from operating activities before financial income and expenses		**1,777,383**	**1,496,172**
Received financial income		5,078	5,074
Paid financial expenses		-39,594	-33,774
Financial expenses related to leasing		-1,910	-2,095
Cash flows from operating activities before tax		**1,740,957**	**1,465,377**
Corporation tax paid		-338,367	-251,120
Cash flows from operating activities		**1,402,590**	**1,214,257**
Dividends received from associates		25,234	21,412
Sale of property, plant and equipment*		74,891	27,199
Corporation tax paid, sale of project development properties			
Purchase of property, plant and equipment*		-344,144	-320,877
Free cash flow excluding IFRS 16 impact		1,158,571	941,991
Free cash flow including impact from IFRS 16 (lease assets)		*1,219,767*	*998,991*

* Including DKK 37 mill. sale of leasing assets (2018: DKK 3 mill.) and DKK 99 mill. purchase of leasing assets (2018: DKK 60 mill.)

DKK '000	Note	2019	2018
Business acquisitions	25	-365,219	-1,327,395
Acquisition/sale of intangible assets and fixed asset investments		-6,589	-21,863
Cash flows from investing activities		**-615,827**	**-1,621,524**
Debt financing:			
Proceeds from increased drawdown on credit facilities		546,430	1,215,548
New leasing facilities		99,384	60,250
Repayment on credit facilities		-434,938	-421,559
Repayment on leasing facilities		-102,103	-55,601
Shareholders:			
Dividends paid to shareholders		-537,996	-450,874
Acquisition of shares for treasury		-433,078	-484,090
Capital increase, minority shareholders		1,980	0
Cash flows from financing activities		**-860,321**	**-136,326**
Change in cash and cash equivalents		-73,558	-543,593
Cash and cash equivalents at 1 January		145,151	684,626
Exchange adjustment		392	4,118
Cash and cash equivalents at 31 December		**71,985**	**145,151**

Consolidated Statement of Changes in Equity

for 1 January - 31 December 2019

DKK '000	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Parents company share of equity	Minority share	Total
Equity at 31 December 2018	**102,000**	**786,553**	**-31,156**	**-17,315**	**738,082**	**1,508,191**	**550,800**	**2,899,073**	**9,083**	**2,908,156**
Changes in equity in 2019										
Net profit for the year					0	1,141,973		**1,141,973**	-1,614	**1,140,359**
Other comprehensive income			7,204	14,296	**21,500**	-1,299		**20,201**		**20,201**
Tax on other comprehensive income					0	-3,711		**-3,711**		**-3,711**
Total comprehensive income	**0**	**0**	**7,204**	**14,296**	**21,500**	**1,136,963**	**0**	**1,158,463**	**-1,614**	**1,156,849**
Minority shareholders' share of acquired businesses								**0**	1,980	**1,980**
Dividends paid to shareholders					0		-537,996	**-537,996**		**-537,996**
Dividend on treasury shares					0	12,804	-12,804	**0**		**0**
Acquisition of shares for treasury					0	-433,078		**-433,078**		**-433,078**
Proposed dividend					0	-611,220	611,220	**0**		**0**
Capital reduction	-1,800	-13,880			**-13,880**	15,680		**0**		**0**
Share-based payments					0	5,991		**5,991**		**5,991**
Tax on changes in equity, shareholders					0	4,594		**4,594**		**4,594**
Total shareholders	**-1,800**	**-13,880**	**0**	**0**	**-13,880**	**-1,005,229**	**60,420**	**-960,489**	**1,980**	**-958,509**
Total changes in equity in 2019	**-1,800**	**-13,880**	**7,204**	**14,296**	**7,620**	**131,734**	**60,420**	**197,974**	**366**	**198,340**
Equity at 31 December 2019	**100,200**	**772,673**	**-23,952**	**-3,019**	**745,702**	**1,639,925**	**611,220**	**3,097,047**	**9,449**	**3,106,496**

The share capital at 31 December 2019 amounts to DKK 100,200,000 (2018: DKK 102,000,000) and is distributed on shares of DKK 2 each.
Proposed dividend for the year amounts to DKK 12.20 per share (2018: DKK 10.80 per share).

Consolidated Statement of Changes in Equity

for 1 January - 31 December 2018

DKK '000	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Parents company share of equity	Minority share	Total
Equity at 31 December 2017	**105,400**	**812,771**	**-41,217**	**-1,416**	**770,138**	**1,469,583**	**469,030**	**2,814,151**	**0**	**2,814,151**
Changes in equity in 2018										
Net profit for the year					**0**	1,040,915		**1,040,915**	-969	**1,039,946**
Other comprehensive income			10,061	-15,899	**-5,838**	-9		**-5,847**		**-5,847**
Tax on other comprehensive income					**0**	3,092		**3,092**		**3,092**
Total comprehensive income	**0**	**0**	**10,061**	**-15,899**	**-5,838**	**1,043,998**	**0**	**1,038,160**	**-969**	**1,037,191**
Minority shareholders' share of acquired businesses								**0**	10,052	**10,052**
Liability upon acquisition					**0**	-29,000		**-29,000**		**-29,000**
Dividends paid to shareholders					**0**		-450,874	**-450,874**		**-450,874**
Dividend on treasury shares					**0**	18,156	-18,156	**0**		**0**
Acquisition of shares for treasury					**0**	-484,090		**-484,090**		**-484,090**
Proposed dividend					**0**	-550,800	550,800	**0**		**0**
Capital reduction	-3,400	-26,218			**-26,218**	29,618		**0**		**0**
Share-based payments					**0**	7,700		**7,700**		**7,700**
Tax on changes in equity, shareholders					**0**	3,026		**3,026**		**3,026**
Total shareholders	**-3,400**	**-26,218**	**0**	**0**	**-26,218**	**-1,005,390**	**81,770**	**-953,238**	**10,052**	**-943,186**
Total changes in equity in 2018	**-3,400**	**-26,218**	**10,061**	**-15,899**	**-32,056**	**38,608**	**81,770**	**84,922**	**9,083**	**94,005**
Equity at 31 December 2018	**102,000**	**786,553**	**-31,156**	**-17,315**	**738,082**	**1,508,191**	**550,800**	**2,899,073**	**9,083**	**2,908,156**

Notes to Consolidated Annual Report

Descriptive notes

Notes referring to Income Statement, Balance Sheet and Cash Flow Statement

Other notes

Descriptive notes to Consolidated Annual Report

Note 1 Basis of preparation of Consolidated Annual Report

Basis of preparation
Royal Unibrew A/S is a limited liability company registered in Denmark. The Financial Statements for the period 1 January - 31 December 2019 presented in the Annual Report comprise both Consolidated Financial Statements of Royal Unibrew A/S and its subsidiaries (Group) and separate Parent Company Financial Statements.

The Financial Statements of Royal Unibrew for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for financial statements, cf the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The Board of Directors and the Executive Board considered and adopted the Annual Report of Royal Unibrew A/S for 2019 on 10 March 2020. The Annual Report will be submitted for adoption by the shareholders of Royal Unibrew A/S at the Annual General Meeting on 28 April 2020.

The Financial Statements are presented in Danish kroner (DKK).

Accounting policies are unchanged from last year except from implementation of IFRIC 23.

§ Significant accounting policies

This section describes the general accounting policies applied by Royal Unibrew. A detailed description of the accounting policies applied and critical estimates made with respect to specific reported amounts is presented in the relevant notes. The purpose of this is to create full transparency of the disclosed amounts by providing a total description of the relevant accounting policy, the critical estimates and the numerical information for each note.

The description of accounting policies in the notes constitutes part of the overall description of Royal Unibrew's accounting policies.

New and amended standards and interpretations that have not yet taken effect
At the time of publication of this Annual Report, the IASB has issued new and amended financial reporting standards and interpretations which are potentially relevant, but not mandatory, for Royal Unibrew A/S at the time of preparation of the Annual Report for 2019.

The adopted, not yet effective standards and interpretations will be implemented as they become mandatory for Royal Unibrew A/S. None of the new standards or interpretations are expected to have a significant impact on recognition and measurement for Royal Unibrew A/S.

IFRIC 23 - Uncertainty over Income Tax Treatment
IFRIC 23 has been implemented as of 1 January 2019. The Group follows the guidelines in IFRIC 23, which clarifies the accounting for uncertain tax positions.

IFRIC 23 specifically addresses whether an entity considers each uncertain tax position separately or together with one or more other uncertain tax positions. The approach that better predicts the resolution of the uncertainty is followed, and uncertain tax positions are measured at the most likely outcome. No material changes in estimates for uncertain tax positions is expected from the implementation of IFRIC 23.

Consolidated Financial Statements
The Consolidated Financial Statements comprise Royal Unibrew A/S (the Parent Company) and enterprises in which the Parent Company exercises control (subsidiaries).

Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

The Consolidated Financial Statements are prepared on the basis of Financial Statements of all group enterprises prepared under the Group's accounting policies by combining accounting items of a uniform nature. Elimination is made of intercompany income and expenses, unrealised intercompany profits and losses, balances and shareholdings. Comparative figures are not adjusted for newly acquired, sold or wound-up enterprises.

Acquired enterprises are recognised as of the date of acquisition. Enterprises disposed of are recognised in the consolidated income statement up until the date of disposal.

Non-controlling interests's share of profit/loss for the year and of the equity in subsidiaries is included as part of Royal Unibrew's profit and equity respectively, but shown as separate items.

Translation policies
For each of the reporting entities of the Group, a functional currency is determined. The functional currency is the currency of the primary economic environment in which the reporting entity operates. Transactions in other currencies than the functional currency are transactions in foreign currencies.

Transactions in other currencies than the functional currency are initially translated into Danish kroner at the exchange rates at the dates of transaction. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment or the rates at the balance sheet date, respectively,

Note 1 Basis of preparation of Consolidated Annual Report (continued)

are recognised in financial income and expenses in the income statement. Property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured at historical cost are translated at the transaction date rates.

On recognition in the Consolidated Financial Statements of enterprises with another functional currency than Danish kroner (DKK), income statements are translated at average annual exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange adjustments arising on the translation of the opening balance sheet items of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income. Similarly, exchange adjustments arising due to changes made directly in equity of foreign enterprises are recognised in other comprehensive income.

On recognition in the Consolidated Financial Statements of associates with a functional currency that differs from the presentation currency of the Parent Company, the share of results for the year is translated at average exchange rates, and the share of equity including goodwill is translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the share of the opening equity of foreign associates at exchange rates at the balance sheet date and on the translation of the share of results for the year from average exchange rates to exchange rates at the balance sheet date are recognised in other comprehensive income and classified in equity under a separate translation reserve.

Note 2 Significant accounting estimates and judgements

In connection with the preparation of the Parent Company and Consolidated Financial Statements, Management makes estimates and judgements as to how recognition and measurement of assets and liabilities should take place based on the accounting policies applied.

🔧 Judgements as an element in significant accounting policies

The calculation of carrying amounts of certain assets and liabilities requires judgement as to how assets and liabilities should be classified in the Financial Statements and how future events will affect the value of these assets and liabilities at the balance sheet date. In connection with the financial reporting for 2019, the following judgments have been made materially affecting the related items as described in relevant notes, see list below.

⚖ Critical accounting estimates

Management's estimates are based on assumptions which Management considers reasonable but which are inherently uncertain and unpredictable. In connection with the financial reporting for 2019, the following critical estimates have been made as desribed in the notes, see list below.

Accounting policies §, judgements as an element in significant accounting policies 🔧 as well as critical accounting estimates ⚖ are described in the notes:

				Note
Derivative financial instruments	§			3
Segment reporting	§			4
Net revenue	§	🔧		5
Share-based payments	§			6
Expenses	§			7
Financial income and expenses	§			9
Corporation tax	§			10
Intangible assets	§		⚖	12
Property, plant and equipment	§	🔧		13
Investments in associates	§			14
Other fixed asset investments	§			15
Inventories	§		⚖	16
Receivables	§		⚖	17
Equity	§			18
Deferred tax	§			19
Deposit returnable packaging	§			20
Debt	§			21
Cash Flow Statement	§			22
Purchase Price Allocation (PPA)	§	🔧	⚖	25

Note 3 Financial risk management

The Group's financial risks are managed centrally according to the Treasury Policy approved by the Board of Directors, which includes guidelines for the handling of currency, interest rate, liquidity and credit risks. Commodity risks are also managed under a commodity risk policy approved by the Board of Directors.

Currency risk
Royal Unibrew is exposed to currency risks through the geographic spread of the Group's activities. This currency exposure is reflected through the activities in the subsidiaries and the Parent Company's export activities where cash flows are earned in foreign currencies, and in connection with the purchase of raw materials primarily in EUR and USD, including purchases which involve an indirect USD risk on the part of the purchase price related to the raw material element. Purchases are in all materiality made in the currencies in which the Group has income, which results in a total reduction of the currency risk. Furthermore, the translation of loans to/from subsidiaries as well as the Group's net debt is subject to currency risk where these are not established in DKK.

The above describes Royal Unibrew's transaction risks, which are hedged actively according to the Treasury Policy. EUR is not hedged as the risk is immaterial provided that the existing 0.5% band of DKK to EUR under Denmark's monetary policy is maintained. The objective is to reduce negative effects on the Group's profit and cash flows. The risk is therefore monitored and hedged continually. The Group's cash flows are primarily in EUR, USD, CAD and GBP.

The total gross currency risk (before hedging) on the balance sheet items was calculated at 31 December 2019. The following table shows the sensitivity to a positive change in the cross rates at 31 December 2019 with all other variables remaining unchanged. A negative change has a corresponding effect merely with the sign reversed.

DKK '000	Change	Earnings impact before tax 2019	Earnings impact before tax 2018	Equity impact 2019	Equity impact 2018
EUR	0.1%	-733	-645	-733	-645
USD	10%	3,594	2,315	3,594	2,315
GBP	10%	-335	318	-335	318
CAD	10%	1,314	1,002	1,314	1,002

Royal Unibrews translation risk relates primarily to France, Italy, Finland, Latvia as well as Lithuania (EUR). The translation risk related to Royal Unibrew's investments in foreign subsidiaries is, as a general rule, not hedged.

Financial risks such as the loss of competitive strength due to long-term exchange rate changes are not hedged by financial instruments but are included in Royal Unibrew's strategic considerations and risk management.

Interest rate risk
Royal Unibrew's interest rate risk is substantially related to the Group's loan portfolio which is primarily denominated in DKK and EUR. Interest rate changes will affect the market value of fixed-interest loans as well as interest payments on floating-rate liabilities. Debt is established only in currencies in which the Group has commercial activities.

In Royal Unibrew's assessment, the key interest rate risk is related to the immediate effect of interest rate changes on the Group's interest payment flows and Royal Unibrew focuses only secondarily on changes in the market value of the debt. It is group policy to limit the effect of interest rate changes on profit and cash flows while, within this framework, also achieving the lowest possible financing cost. At the end of 2019, mortgage debt amounted to DKK 855 million (2018: DKK 859 million) with an average term to maturity of 9,8 years (2018: 10,8 years). Bank debt comprises committed bank credit facilities and long term loan with an agreed term to maturity between 3 to 6 years (2018: 3 to 7 years). 46% (2018: 47%) of the mortgage and bank debt is fixed-interest through the Group's hedging of interest rate risk and fixed rate loans with a fixed-interest period between 1-6 years (2018: 2-7 years). A one percentage point interest rate change will affect the Group's interest expenses by approx +/- DKK 10,5 million (2018: approx +/- DKK 10 million), and the interest expenses of the Parent Company by approx +/- DKK 3 million (2018: approx +/- DKK 6 million).

Credit risks
The Group's credit risks relate primarily to trade receivables and counterparty risks.

The Group's counterparty risks comprise both commercial and financial counterparty risk. The commercial counterparty risk relates primarily to business agreements with a built-in element of firm rate/price. The financial counterparty risk relates to hedging agreements as well as net bank deposits. The financial counterparty risk is actively reduced by distributing net bank deposits on banks in accordance with the credit rating criteria determined in the Treasury Policy.

Royal Unibrew seeks to limit risks relating to credit granting to customers in export markets through extensive use of insurance cover and other types of hedging of payments. Where effective hedges cannot be established, Royal Unibrew has established procedures for approval of such risks. There are no material credit risks on individual customers. The credit risk is generally higher relating to customers in the on-trade sales channel than relating to off-trade customers. This difference in credit risk is addressed through various approval procedures and credit granting conditions for customers in the two sales channels. In Finland, risks on major single receivables from customers are reduced through sale of the receivables DKK 347 mill. (2018: DKK 361 mill) Credit risks relating to trade receivables are reduced by setting off accrued bonus. At 31 December 2019, accrued bonus amounts to DKK 236 million (2018: DKK 239 million) set off against trade receivables.

The maximum credit risk corresponds to the carrying amount of the financial assets.

Liquidity risks
It is group policy that its cash resources should be adequate to meet the expected liquidity requirements in the current and next financial year. The cash resources may be bank deposits, short-term bonds and unutilised credit facilities.

Note 3 Financial risk management (continued)

Capital management
Royal Unibrew wants to ensure structural and financial flexibility as well as competitive power. To ensure this, continuous assessment is made to determine the appropriate capital structure of Royal Unibrew. It is the target that the Group's net interest-bearing debt should not exceed 2.5 x EBITDA and that an equity ratio of at least 30% should be maintained at year end.

At the operational level, continuous efforts are directed at optimising working capital investments. Subject to adequate capacity and capability, investments in production facilities will be limited to replacement of individual components, related to specific products or to optimisation of selected processes as well as maintenance.

Commodity risks
The commodity risk relates primarily to the purchasing of cans (aluminium), malt (barley), hops and packaging materials (cardboard) as well as energy. The commodity risk is actively hedged commercially and financially in accordance with the Group's Treasury Policy.

The objective of managing Royal Unibrew's commodity risk is to achieve a smooth and time-differentiated effect of commodity price increases, which is primarily achieved by entering into fixed-price agreements with the relevant suppliers. As regards to the Group's purchase of cans, financial contracts have been made to hedge the risk of aluminium price increases. Exchange rate changes with respect to the settlement currency of aluminium (USD) are an element of the overall currency risk management.

The most significant part of purchases for the next 12 months has, in accordance with Royal Unibrew's policy, been hedged by entering into supplier agreements and financial contracts. A +/-10% change in the price of aluminium would have a P/L effect at Group level of approx +/- DKK 4,2 million (2018: DKK 2 million).

Note 3 Financial risk management (continued)

Currency, commodity and interest rate risks and use of derivative financial instruments

Derivative financial instruments entered into to hedge expected future transactions and qualifying as hedge accounting under IFRS 9:

Group (DKK '000)		2019	2018
	Period	Deferred gain (+) / loss (-)	Deferred gain (+) / loss (-)
Forward contracts:			
USD	0 - 1 year	-53	-68
CAD	0 - 1 year	-41	-6
GBP	0 - 1 year		-36
Total		**-94**	**-110**
Commodity hedge:			
mainly aluminium	0 - 1 year	1,266	-10,999
Total		**1,266**	**-10,999**
	Maturity	Deferred gain (+) / loss (-)	Deferred gain (+) / loss (-)
Interest rate swaps:			
Mortgage and bank loans	0 - 6 year	-4,191	-6,206
Total hedging instruments		**-3,019**	**-17,315**

The fair value of the hedging instruments is included in current liabilities under other payables.

The derivative financial instruments applied in 2019 and 2018 may all be classified as level-2 instruments in the IFRS fair value hierarchy.

The determined fair value of derivative financial instruments is based on observable market data such as yield curves or forward rates.

Financial liabilities

Group (DKK '000)	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2019					
Non-derivative financial instruments:					
Financial debt, gross	2,630,792	606,350	1,342,955	681,487	2,553,509
Leasing	230,654	63,861	162,863	3,930	223,093
Trade payables	1,018,119	1,018,119			1,018,119
Other payables	526,586	421,294	105,292		526,586
Total	**4,406,151**	**2,109,624**	**1,611,110**	**685,417**	**4,321,307**

The debt breaks down on the categories "debt at amortised cost" with DKK 4.317 million and "debt at fair value" with DKK 4 million.

Group (DKK '000)	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2018					
Non-derivative financial instruments:					
Financial debt, gross	2,526,065	64,347	1,597,436	864,282	2,441,892
Leasing	233,391	59,487	173,904		224,991
Trade payables	974,930	974,930			974,930
Other payables	489,566	445,081	44,485		489,566
Total	**4,223,952**	**1,543,845**	**1,815,825**	**864,282**	**4,131,379**

The debt breaks down on the categories "debt at amortised cost" with DKK 4.124 million and "debt at fair value" with DKK 7 million.

Note 3 Financial risk management (continued)

§ Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are included as other receivables and other payables, respectively.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the value of the hedged asset or the hedged liability.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of future cash flows are recognised in other comprehensive income. Income and expenses relating to such hedging transactions are transferred from other comprehensive income on realisation of the hedged item and are recognised in the same entry as the hedged item.

For derivative financial instruments which do not meet the criteria for hedge accounting, changes in fair values are recognised on a current basis in financial income and expenses in the income statement.

Derivative financial instruments

When entering into derivative financial instruments, Management exercises judgement to determine whether the instrument qualifies as effective hedging of recognised assets or liabilities or expected future cash flows. Derivative financial instruments recognised are tested for effectiveness at least quarterly, and any ineffectiveness identified is recognised in the income statement.

Note 4 Segment reporting

The Group's results, assets and liabilities break down as follows on segments:

mDKK	Western Europe	Baltic Sea	Inter-national	Unallocated	Total
2019					
Net revenue*	3,690.7	3,307.5	694.3		**7,692.5**
Amortisation and depreciation	147.4	169.8	19.1	1.5	**337.8**
Impairment			7.1		**7.1**
Earnings before interest and tax (EBIT)	722.2	654.4	132.1	-39.6	**1,469.1**
Financial income		1.1	0.1	3.9	**5.1**
Financial cost	-4.9	-10.6		-25.9	**-41.4**
Share of income from associates	25.1				**25.1**
Profit/loss before tax	742.4	644.9	132.2	-61.6	**1,457.9**
Tax				-318.5	**-318.5**
Profit/loss for the year	**742.4**	**644.9**	**132.2**	**-380.1**	**1,139.4**
Assets	2,991.0	5,286.3	89.2	0.0	**8,366.5**
Associates	126.0				**126.0**
Total assets	**3,117.0**	**5,286.3**	**89.2**	**0.0**	**8,492.5**
Additions of property, plant and equipment	202.2	141.3	0.6		**344.1**
Additions by acquisitions	0.7	9.7	1.4		**11.8**
Liabilities**	**957.1**	**1,788.1**	**24.5**	**2,616.3**	**5,386.0**
Sales (million hectolitres)	4.8	5.3	0.9		**11.0**

* all goods sold in International are produced by group entities in Western Europe

** Unallocated liabilities include the Parent Company's net interest-bearing debt.

mDKK	Western Europe	Baltic Sea	Inter-national	Unallocated	Total
2018					
Net revenue*	3,378.1	3,338.0	582.0		**7,298.1**
Amortisation and depreciation	137.5	176.8	17.3	2.4	**334.0**
Earnings before interest and tax (EBIT)	644.9	599.4	127.2	-32.1	**1,339.4**
Financial income	0.2	1.0		3.9	**5.1**
Financial cost	-3.3	-11.3	-0.6	-21.1	**-36.3**
Share of income from associates	19.6				**19.6**
Profit/loss before tax	661.4	589.0	126.6	-49.3	**1,327.7**
Tax				-287.8	**-287.8**
Profit/loss for the year	**661.4**	**589.0**	**126.6**	**-337.1**	**1,039.9**
Assets	2,690.8	5,166.2	80.2	0.0	**7,937.2**
Associates	124.5				**124.5**
Total assets	**2,815.3**	**5,166.2**	**80.2**	**0.0**	**8,061.7**
Purchase of property, plant and equipment	206.8	113.9	0.2		**320.9**
Purchase of property, plant and equipment on acquisition	73.2	132.0	0.1		**205.3**
Purchase of intangible assets on acquisition	206.5		6.6		**213.1**
Liabilities**	**976.0**	**1,719.4**	**27.5**	**2,430.6**	**5,153.5**
Sales (million hectolitres)	4.5	5.5	0.8		**10.8**

* all goods sold in International are produced by group entities in Western Europe

** Unallocated liabilities include the Parent Company's net interest-bearing debt.

Note 4 Segment reporting (continued)

Geographically, revenue and non-current assets break down as follows:

mDKK	2019 Net revenue	2019 Non-current assets	2018 Net revenue	2018 Non-current assets
Denmark	1,950.9	1,564.9	1,921.2	1,154.2
Italy	1,022.9	663.9	819.0	678.4
Finland	2,515.4	3,503.6	2,612.2	3,550.0
Other countries	2,203.3	1,430.1	1,945.7	1,391.9
Total	**7,692.5**	**7,162.5**	**7,298.1**	**6,774.5**

The geographic breakdown is based on the geographic location of the Group's external customers and comprises countries that individually account for more than 10% of the Group's net revenue as well as the country in which the Group is headquartered.

No single customer accounts for revenue in excess of 10% of the Group's net revenue.

Note 4 Segment reporting (continued)

Segment reporting 2015 - 2019

The Group's activities break down as follows on segments:

mDKK	Western Europe	Baltic Sea	Inter-national	Un-allocated	Group
2019					
Net revenue	3,690.7	3,307.5	694.3		**7,692.5**
Earnings before interest and tax (EBIT)	722.2	654.4	132.1	-39.6	**1,469.1**
Assets	3,117.0	5,286.3	89.2		**8,492.5**
Liabilities	957.1	1,788.1	24.5	2,616.3	**5,386.0**
Sales (million hectolitres)	**4.8**	**5.3**	**0.9**		**11.0**
2018					
Net revenue	3,378.1	3,338.0	582.0		**7,298.1**
Earnings before interest and tax (EBIT)	644.9	599.4	127.2	-32.1	**1,339.4**
Assets	2,815.3	5,166.2	80.2		**8,061.7**
Liabilities	976.0	1,719.4	27.5	2,430.6	**5,153.5**
Sales (million hectolitres)	**4.5**	**5.5**	**0.8**		**10.8**
2017					
Net revenue	2,829.0	3,076.0	479.4		**6,384.4**
Earnings before interest and tax (EBIT)	563.4	430.6	106.4	-31.8	**1,068.6**
Assets	1,733.3	5,005.9	0.0	39.2	**6,778.4**
Liabilities	771.0	1,710.7	7.2	1,475.3	**3,964.2**
Sales (million hectolitres)	**3.9**	**5.3**	**0.7**		**9.9**

mDKK	Western Europe	Baltic Sea	Inter-national	Un-allocated	Group
2016					
Net revenue	2,870.3	2,986.0	484.1		**6,340.4**
Earnings before interest and tax (EBIT)	526.8	395.5	107.8	-29.4	**1,000.7**
Assets	1,051.5	4,985.9	0.0	38.6	**6,076.0**
Liabilities	248.6	1,697.4	6.2	1,212.3	**3,164.5**
Sales (million hectolitres)	**3.8**	**5.4**	**0.7**		**9.9**
2015					
Net revenue	2,727.9	2,852.5	451.7		**6,032.1**
Earnings before interest and tax (EBIT)	493.3	355.4	101.8	-33.6	**916.9**
Assets	1,420.5	5,090.6	38.9	197.5	**6,747.5**
Liabilities	804.9	1,825.9	6.3	1,175.6	**3,812.7**
Sales (million hectolitres)	**3.6**	**5.0**	**0.7**		**9.3**

§ Segment reporting

The Group's business segment is beverage sales. Reporting on the business segment is by geographical markets. Segment reporting is based on the Group's returns and risks and its internal financial reporting system.

Items included in net profit for the year, including income from investments in associates and financial income and expenses, are allocated to the extent that the items are directly or indirectly attributable to the markets.

Items allocated both by direct and indirect computation comprise "production costs" and "administrative expenses", which are allocated by indirect computation based on allocation keys determined on the basis of the market's drain on key resources. Administrative expenses incurred in the group functions of the Parent Company are partly allocated.

Non-current assets comprise the non-current assets that are directly or indirectly used in connection with activities in the markets.

Segment liabilities comprise liabilities derived from activities in the market, including provisions, trade payables, VAT, excise duties and other payables.

Note 5 Net revenue

DKK '000	2019	2018
Denmark and Germany	2,667,828	2,489,836
Southern Europe	1,022,804	888,301
Finland	2,515,437	2,612,150
Baltic countries	792,018	726,018
International	694,392	581,781
Total beverages sales and complementary goods*	**7,692,479**	**7,298,086**

* Including royalty income DKK 18 million (2018: DKK 17 million) equally allocated to the Baltic Sea and International segment.

§ Net revenue

Net revenue from the sale of goods is recognised in the income statement at the point in time when the control of goods and products is transferred to the customer, which is generally upon delivery, and if revenues can be measured reliably and are expected to be received.

Net revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Net revenue is measured exclusive of VAT and net of discounts as well as excise duties collected on behalf of third parties.

The Group gives various discounts and fees depending on the nature of the customer and business. Discounts comprise unit price reductions as well as contributions to promotional activities and product promotion based on volumes or value of purchases. The discounts are either granted as deductions from the invoice amount or are earned as a bonus paid at the end of the bonus period. All types of discounts granted are recognised in net revenue.

The Group considers whether contracts include other promises that constitute separate performance obligations and to which a portion of the transaction price needs to be allocated.

Note 6 Staff expenses

Staff expenses are included in production costs, sales and distribution expenses as well as administrative expenses and break down as follows:

DKK '000	2019	2018
Fixed salaries to Executive Board	12,012	10,203
Short-term bonus scheme for Executive Board	5,900	5,000
Share-based payments to Executive Board (restricted (conditional) shares)	5,991	7,700
Remuneration of Executive Board	**23,903**	**22,903**
Remuneration of Board of Directors	5,704	3,945
	29,607	26,848
Wages and salaries	951,202	875,781
Contributions to pension schemes	112,183	122,439
	1,063,385	**998,220**
Other social security expenses	20,854	12,636
Other staff expenses	46,037	51,779
Total	**1,159,883**	**1,089,483**
Average number of employees	2,567	2,416
Remuneration of Executive Board specified per member:		
President & CEO, Johannes F.C.M. Savonije		
Fixed salaries and benefits	7,403	6,003
Short-term bonus scheme (cash)	3,700	3,000
Long-term bonus scheme (restricted (conditional) shares)	3,393	4,360
Total remuneration	14,496	13,363
CFO, Lars Jensen		
Fixed salaries and benefits	4,609	4,200
Short-term bonus scheme (cash)	2,200	2,000
Long-term bonus scheme (restricted (conditional) shares)	2,598	3,340
Total remuneration	9,407	9,540
Total remuneration of Executive Board	**23,903**	**22,903**

Note 6 Staff expenses (continued)

Share-based payment	Executive Management Board (Number)	Share price at grant date (DKK)	Total fair value at time of grant (DKK thousand)
Outstanding at 1 January 2018	58,564	264	15,058
Granted	26,171	370	9,683
Anti-dilution adjustment	1,457		
Outstanding at 31 December 2018	**86,192**		
Exerciable at 31 December 2018	0		
Anti-dilution adjustment	1,535		
Outstanding at 31 December 2019	**87,727**		
Exerciable at 31 December 2019	69,806		

	2019		2018	
	Matching shares (Number)	Remaining term to maturity (Months)	Matching shares (Number)	Remaining term to maturity (Months)
Matching shares 2017-19	65,288	0	65,288	12
Anti-dilution adjustment of 2017-19	4,518	0	2,983	12
Matching shares 2020	17,921	12	17,921	24
Outstanding at 31 December 2019	**87,727**		**86,192**	

Comment

The share-based payments to the Executive Board comprise a programme of 69.806 restricted (conditional) shares allotted for no consideration vesting in the period 1 January 2017 to 31 December 2019. These shares are excercisable at 31 December 2019. Further 17,921 restricted (conditional) shares related to the vesting period 1 January 2020 to 31 December 2020 are outstanding at 31 December 2019.

§ Share-based payments

The Group only has schemes classified as equity-settled schemes. Restricted shares are measured at fair value at the time of granting and are recognised in staff expenses in the income statement over the vesting period. The counter item is recognised directly in equity.

At the initial recognition of the restricted shares, the number of shares expected to vest is estimated. Subsequently, the estimate of the number of restricted shares is revised so that the total recognition is based on the actual number of shares allotted.

Note 6 Staff expenses (continued)

Share-based payments

The fair value of the expected allotment of restricted shares is estimated under the Black-Scholes model. In determining fair value, conditions and terms related to the restricted shares are taken into account.

The market value of program applying to 2017-2019 has been calculated under the Black-Scholes model partly at DKK 264 per share of DKK 2 and partly at DKK 370 per share of DKK 2, which is equal to the Royal Unibrew A/S market price at the time of allotments respectively 17 January 2017 and 6 March 2018. The market price was DKK 20 million for the estimated maximum number of shares. The market value has been charged to the income statement on an estimated straight-line basis over the vesting period, corresponding to the rate at which the conditions for the allotment of the shares was expected to be met. The conditions has been fully (100%) met at 31 December 2019. Due to the change in the plan in march 2018, the income in 2019 is charged less than one third of the total value and less than the value charged in 2018

Note 7 Expenses broken down by type

DKK '000	2019	2018
Aggregated		
Production costs	3,611,977	3,471,098
Sales and distribution expenses	2,262,428	2,167,325
Administrative expenses	348,979	320,272
Total	**6,223,384**	**5,958,695**
break down by type as follows:		
Raw materials and consumables	2,863,045	2,723,440
Wages, salaries and other staff expenses	1,159,883	1,089,483
Operating and maintenance expenses	280,993	278,640
Distribution expenses and carriage	464,571	460,060
Sales and marketing expenses	910,414	885,811
Impairment of trade receviables	5,449	3,964
Office supplies etc	194,127	183,390
Amortisation and depreciation	344,902	333,907
Total	**6,223,384**	**5,958,695**

Note 7 Expenses broken down by type (continued)

Total amortisation and depreciation are included in the following items in the income statement:

DKK '000	2019	2018
Production costs	176,381	173,001
Sales and distribution expenses	143,299	135,147
Administrative expenses	25,222	25,759
Total	**344,902**	**333,907**
Fee to auditors elected at the general assemply		
Fee for the audit of the Annual Report:		
KPMG	1,747	1,656
Total	**1,747**	**1,656**
KPMG fee for non-audit services:		
Other assurance services	340	
Other assistance*	1,841	2,285
Total	**2,181**	**2,285**

* Fees for other assistance than statutory audit of the financial statements provided by KPMG primarily comprise services relating to financial due dilligence.

§ Expenses

Production costs
Production costs comprise direct and indirect expenses incurred to manufacture the finished goods representing revenue for the year, including expenses for raw materials and consumables purchases, salaries and wages, renting and leasing as well as depreciation of and impairment losses on plant and machinery.

Production costs also include development costs that do not meet the criteria for capitalisation.

Sales and distribution expenses
Sales and distribution expenses comprise expenses for distribution and sales campaigns relating to goods sold during the year, including expenses for sales personnel, marketing, depreciation and amortisation as well as losses on trade receivables.

Administrative expenses
Administrative expenses comprise expenses for management and administration of the Group, including expenses for administrative personnel, management, office supplies, insurance, depreciation and amortisation.

Leases

Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement had conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Note 8 Financial income

DKK '000	2019	2018
Finance income		
Trade receivables	1,477	1,257
Other financial income	1,375	478
Interest tax-extempt	211	15
Exchange adjustments		
Trade receivables	1,986	1,447
Trade payables		
Intercompany loans	29	194
Forward contracts	0	1,683
Total	**5,078**	**5,074**

Note 9 Financial expenses

DKK '000	2019	2018
Finance costs		
Mortgage debt	7,589	8,168
Credit institutions	26,168	20,013
Leasing	1,909	2,095
Finance costs on liabilities at amortised cost	**35,666**	**30,276**
Other financial expenses	2,026	2,763
Exchange adjustments		
Cash at bank and in hand and external loans	258	2,319
Trade receivables		
Trade payables	495	832
Forward contracts	2,978	156
Total	**41,423**	**36,346**

§ Financial income and expenses

Financial income and financial expenses comprise interest, capital gains and losses on investments, balances and transactions in foreign currencies, amortisation of financial assets and liabilities, fair value adjustments of derivative financial instruments that do not qualify as hedge accounting as well as extra payments and repayment under the on-account taxation scheme, etc.

Note 10 Tax on the profit for the year

DKK '000	2019	2018
Tax on the taxable income for the year	302,771	276,642
Adjustment of previous year	2,451	-261
Adjustment of deferred tax	10,993	5,281
Total	**316,215**	**281,662**
which breaks down as follows:		
Tax on profit for the year	317,536	287,780
Tax on other comprehensive income	3,273	-3,092
Tax on changes in equity, shareholders	-4,594	-3,026
Total	**316,215**	**281,662**
Current Danish tax rate	22.0	22.0
Adjustment of previous year	0.2	0.0
Income from associates after tax	-0.4	-0.3
Effect on tax rate of permanent differences	0.3	0.6
Differences in effective tax rates of foreign subsidiaries	-0.3	-0.6
Effective tax rate	**21.8**	**21.7**

§ Tax on the profit for the year

Tax for the year consists of current tax for the year and movements in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement and other comprehensive income, respectively, whereas the tax attributable to equity entries is recognised directly in equity.

The Parent Company is jointly taxed with its Danish subsidiaries. The Danish current tax for the year is allocated to the jointly taxed Danish enterprises in proportion to their taxable incomes (full allocation with credit for tax losses).

§ Corporation tax

Current tax liabilities are recognised in the balance sheet as calculated tax on the expected taxable income for the year adjusted for tax on taxable incomes for previous years and for tax paid on account.

Note 11 Realized hedging transactions in the income statement

DKK '000	2019	2018
Realised hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	0	-3,754
Production costs include foreign currency and commodity hedges of	-16,796	7,206
Financial income and expenses include currency, commodity and interest rate hedges of	-4,044	-4,218
Total	**-20,840**	**-766**

Hedging of currency, commodity and Interest risk

The risk is managed by entering into derivatives such as forward contracts and SWAPS.

Hedge effectiveness is assessed on a regular basis by comparing changes in the value and timing of the underlaying exposure, with the value and timing of the designated hedging transaction.

Note 12 Intangible assets

DKK '000	Goodwill	Trademarks	Distribution rights	Customer relations	Total
2019					
Cost at 1 January 2019	2,124,891	1,775,177	235,189	127,731	4,262,988
Exchange adjustment	1,058	736	87	213	2,094
Addition by acquisition	216,314	186,246	12,665	25,518	440,743
Cost at 31 December 2019	**2,342,263**	**1,962,159**	**247,941**	**153,462**	**4,705,825**
Amortisation and impairment losses at 1 January 2019	0	-6,086	-75,430	-73,586	-155,102
Exchange adjustment		-185	-36	-453	-674
Amortisation for the year			-11,970	-14,834	-26,804
Impairment for the year	-7,143				-7,143
Amortisation and impairment losses at 31 December 2019	**-7,143**	**-6,271**	**-87,436**	**-88,873**	**-189,723**
Carrying amount at 31 December 2019	**2,335,120**	**1,955,888**	**160,505**	**64,589**	**4,516,102**
2018					
Cost at 1 January 2018	1,451,150	1,238,132	234,536	67,606	2,991,424
Exchange adjustment	5,625	4,902	653	125	11,305
Addition		20,860			20,860
Addition by acquisition	668,116	511,283		60,000	1,239,399
Cost at 31 December 2018	**2,124,891**	**1,775,177**	**235,189**	**127,731**	**4,262,988**
Amortisation and impairment losses at 1 January 2018	0	-6,065	-64,444	-58,849	-129,358
Exchange adjustment		-21	-79	-59	-159
Amortisation for the year			-10,907	-14,678	-25,585
Amortisation and impairment losses at 31 December 2018	**0**	**-6,086**	**-75,430**	**-73,586**	**-155,102**
Carrying amount at 31 December 2018	**2,124,891**	**1,769,089**	**159,759**	**54,145**	**4,107,884**

Note 12 Intangible assets (continued)

Comment

Goodwill and trademarks with indefinite useful lives relating to Hartwall (Finland) represents more than 10% of the total value of goodwill and trademarks.

Development costs incurred are immaterial and have been recognised in production costs.

§ Goodwill

Goodwill is initially recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the time of acquisition. The determination of cash-generating units is based on management structure and internal financial management.

§ Trademarks, distribution rights and customer relations

Trademarks, distribution rights and customer relations are initially recognised in the balance sheet at cost. Subsequently, they are measured at cost less accumulated amortisation and less any accumulated impairment losses. Distribution rights and customer relations are amortised on a straight-line basis over their estimated useful lives.

Trademarks are not amortised as they are all well-established, old and profitable trademarks which customers are expected to continue demanding unabatedly, other things being equal, and which Management is not planning to stop selling and marketing.

Distribution rights are amortised on a straight-line basis over their estimated useful lives, maximum 20 years. Customer relations are amortised on a straigt-line basis over their estimated useful lives, maximum 5 years.

Goodwill and trademarks with indefinite useful lives are not amortised but are tested annually for impairment. It is the Group's strategy to maintain trademarks and their value.

Impairment test of goodwill and trademarks

2019

The impairment test in 2019 did give rise to recognising impairment loss of DKK 7 million. .

The carrying amount of goodwill and trademarks with indefinite useful lives at 31 December is related to the cash-generating operational units and breaks down as follows:

DKK '000	Goodwill	Trademarks	Total	Share
2019				
Western Europe	945,578	697,977	1,643,555	38%
Baltic Sea*	1,389,542	1,257,911	2,647,453	62%
Total	**2,335,120**	**1,955,888**	**4,291,008**	**100%**

*the most significant value relates to Finland

The recoverable amount is based on value in use, which is calculated by means of expected net cash flows on the basis of budgets and forecasts for 2020-2022 approved by Management as well as estimated market driven discount rates and growth rates.

The consumption in the markets in which Royal Unibrew operates is generally expected to remain at the same level in 2020 as in 2019. In Western Europe, the Danish consumption of Royal Unibrews beverage categories is expected to be stagnant in the coming years. In the Baltic Sea segment, Royal Unibrew expects unchanged Finnish consumption for 2020 while the consumption in the Baltic countries will still be negatively affected by legislative changes and the demographic development. Through further developing the businesses acquired in 2018 and 2019 and with continued focus on exploring commercial opportunities and innovation following the consumer trends, Royal Unibrew expects to be able to maintain or increase the revenue and earnings from the core brands and business areas mainly through volume increases. Gross margins are expected to remain stable at the present level through continuous focus on value management and continuous efficiency improvements. The key assumptions for the calculation of recoverable amount are shown below.

	Western Europe	Baltic Sea
Growth rate 2023-2026	0.0 - 1.0 %	0.0 - 0.5 %
Growth rate on terminal value	0.2 - 1.3 %	0.7 - 1.3 %
Discount rate pre tax	5.8 - 7.1 %	5.8 - 7.4 %

Note 12 Intangible assets (continued)

The forecasted results approved by Management are based on previously achieved results and expected market developments, see above. The average growth rates applied are in accordance with Management's expectations taking into account industry conditions in the individual markets. The discount rates applied are before tax and reflect current specific risks in the individual market. External consultants have advised how to determine the discount rates. In Western Europe, the highest point of the range indicated for the discount rate relates to Italy. In Baltic Sea, the lowest point of the range indicated for the growth rates of terminal value and discount rate relates to Finland. The assumptions applied by Management are inherently subject to uncertainty and unpredictability. Reasonably probable changes will not lead to recognition of impairment losses, why no sensitivity analysis has been disclosed.

2018

DKK '000	Goodwill	Trademarks	Total	Share
2018				
Western Europe	750,380	534,821	1,285,201	33%
Baltic Sea*	1,367,781	1,234,268	2,602,049	67%
International	6,740		6,740	0%
Total	**2,124,901**	**1,769,089**	**3,893,990**	**100%**

*the most significant value relates to Finland

The recoverable amount is based on value in use, which is calculated by means of expected net cash flows on the basis of budgets and forecasts for 2019-2021 approved by Management as well as estimated market driven discount rates and growth rates.

Only limited revenue growth is expected in the medium term as consumption in the total beverage market in several of Royal Unibrew's markets are not expected to increase significantly. In Western Europe the Danish consumption of Royal Unibrews beverage categories is expected to be stagnant in the coming years. In the Baltic Sea segment, Royal Unibrew expects unchanged Finnish consumption for 2019 not taking the weather impact into consideration, while the consumption in the Baltic countries will still be negatively affected by legislative changes and the demographic development. Through continued focus on exploiting commercial opportunities and innovation following the consumer trends, Royal Unibrew expects to be able to maintain or increase the revenue and earnings from the core brands and business areas. Gross margins are expected to remain stable at the present level through continuous focus on value management and continuous efficiency improvements. The key assumptions for the calculation of recoverable amount are shown below.

	Western Europe	Baltic Sea	Inter-national
Growth rate 2022-2025	0.0 - 1.0%	0.0 -1.0%	0%
Growth rate on terminal value	1.5 - 2.0%	1.5 -1.8%	2.0%
Discount rate pre tax	5.9 - 8.6%	6.0 -7.6%	15.3%

The forecasted results approved by Management are based on previously achieved results and expected market developments, see above. The average growth rates applied are in accordance with Management's expectations taking into account industry conditions in the individual markets. The discount rates applied are before tax and reflect current specific risks in the individual market. External consultants have advised how to determine the discounts rates. In Western Europe, the highest point of the range indicated for the discount rate relates to Italy. In Baltic Sea, the lowest point of the range indicated for the growth rates of terminal value and discount rate relates to Finland. The assumptions applied by Management are inherently subject to uncertainty and unpredictability. Reasonably probable changes will not lead to recognition of impairment losses, why no sensitivity analysis has been disclosed.

§ Impairment

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether impairment has incurred other than that expressed by normal amortisation and depreciation. If so, the asset is written down to the higher of net selling price and value in use. Goodwill and other assets for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets (cash-generating units) to which they are attributable.

The carrying amount of goodwill and trademarks with indefinite useful lives is tested for impairment at least on an annual basis, together with the other non-current assets of the cash-generating unit to which goodwill has been allocated, and is written down to recoverable amount in the income statement if the carrying amount exceeds the recoverable amount.

The carrying amount of financial assets measured at cost or amortised cost is written down for impairment if, due to changed expected net payments, the net present value is lower than the carrying amount.

Intangible assets

In relation to trademarks, Management makes an annual judgement to determine whether the current market situation has reduced the value or affected the useful life of the trademarks, including whether past estimates of indefinite useful lives may be maintained.

An annual impairment test is made of the values recognised in the Financial Statements of goodwill and trademarks assessed to have indefinite lives which are therefore not amortised. For a description of the discount rates and growth rates applied in connection with the impairment test of goodwill and trademarks as well as other assumptions of the impairment test, reference is made to the above note.

Note 13 Property, plant and equipment

2019 DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Leasing of property, plant and equipment	Total other property, plant and equipment
Cost at 1 January 2019	1,841,534	2,439,423	900,222	141,093	280,524	**5,602,795**
Exchange adjustment	178	-253	133	29	209	**296**
Adjustment previous year	8,941	217	4,994		-2,968	**11,184**
Additions	20,583	46,846	138,369	40,874	97,472	**344,144**
Additions by acquisitions	5,417	3,522	1,517	0	1,334	**11,790**
Disposals	-35,514	-24,125	-30,117		-56,408	**-146,164**
Transfers for the year	8,323	61,321	10,938	-80,582	0	**0**
Cost at 31 December 2019	**1,849,462**	**2,526,951**	**1,026,056**	**101,414**	**320,163**	**5,824,045**
Depreciation, revaluation and impairment losses at 1 January 2019	-727,418	-1,635,458	-652,370	0	-57,772	**-3,073,018**
Exchange adjustment	1,070	-1,402	1,842		-719	**791**
Adjustment previous year	-8,941	-217	-4,994		2,968	**-11,184**
Depreciation for the year	-41,392	-109,833	-93,127	0	-63,352	**-307,704**
Reversal of depreciation of assets sold	9,349	16,439	22,932	0	19,296	**68,016**
Depreciation, revaluation and impairment losses at 31 December 2019	**-767,332**	**-1,730,471**	**-725,716**	**0**	**-99,579**	**-3,323,099**
Carrying amount at 31 December 2019	**1,082,130**	**796,479**	**300,339**	**101,414**	**220,584**	**2,500,946**
Leasing of property, plant and equipment:						
Cost at 31 December 2019	184,163		136,000		320,163	
Depreciation, revaluation and impairment losses at 31 December 2019	-43,714		-55,865		-99,579	
Carrying amount per asset type	**140,449**		**80,135**		**220,584**	

Land and buildings at a carrying amount of DKK 999.9 million have been provided as security for mortgage debt of DKK 851 million.

Contracts for the delivery of property, plant and equipment in 2020 or later have been entered into only to an immaterial extent.

2018 DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Leasing of property, plant and equipment	Total other property, plant and equipment
Cost at 1 January 2018	1,739,975	2,286,795	819,657	72,795		**4,919,222**
Exchange adjustment	3,562	3,889	1,142	99	534	**9,225**
Additions	16,535	70,698	102,345	70,840	60,459	**320,877**
Additions by change in accounting policy					205,301	**205,301**
Additions by acquisitions	63,077	83,846	6,598	42,337	17,278	**213,136**
Disposals	-2,097	-21,486	-38,335		-3,048	**-64,966**
Transfers for the year	20,482	15,681	8,815	-44,978		**0**
Cost at 31 December 2018	**1,841,534**	**2,439,423**	**900,222**	**141,093**	**280,524**	**5,602,795**
Depreciation, revaluation and impairment losses at 1 January 2018	-675,048	-1,539,499	-583,124	0	0	**-2,797,671**
Exchange adjustment	-1,217	-2,723	-918		68	**-4,790**
Depreciation for the year	-52,503	-112,831	-97,146		-58,094	**-320,574**
Reversal of depreciation of assets sold	1,350	19,595	28,818		254	**50,017**
Depreciation, revaluation and impairment losses at 31 December 2018	**-727,418**	**-1,635,458**	**-652,370**	**0**	**-57,772**	**-3,073,018**
Carrying amount at 31 December 2018	**1,114,116**	**803,965**	**247,852**	**141,093**	**222,752**	**2,529,777**
Leasing of property, plant and equipment:						
Cost at 31 December 2018	162,549		117,974		280,524	
Depreciation, revaluation and impairment losses at 31 December 2018	-28,262		-29,510		-57,772	
Carrying amount per asset type	**134,287**		**88,464**		**222,752**	

Land and buildings at a carrying amount of DKK 932 million have been provided as security for mortgage debt of DKK 857 million.

Contracts for the delivery of property, plant and equipment in 2019 have been entered into only to an immaterial extent.

Note 13 Property, plant and equipment

Property, plant and equipment (continued)

Land and buildings, plant and machinery and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Borrowing costs relating to the acquisition of property, plant and equipment are capitalised.

Depreciation is calculated on a straight-line basis over the useful lives of the assets.

Profits and losses on the disposal of property, plant and equipment are calculated as the difference between the sales sum less the expenses necessary to make the sale and the carrying amount at the time of sale. Profits or losses were immaterial in both 2019 and 2018 and have been recognised in the income statement as an adjustment to depreciation in production costs, sales or distribution expenses or administrative expenses, respectively.

Property, plant and equipment

The expected useful lives of the assets remain unchanged from 2019 and are as follows:

Buildings and installations,	25-40 years
Leasing of property, plant and equipment	over the term of the lease
Plant and machinery	10-15 years
Other fixtures and fittings, tools and equipment	5-8 years
Vehicles	4-5 years
IT hardware and software	3 years
Returnable packaging	3-10 years

Management updates its estimate of the useful lives of property, plant and equipment annually.

Leases

IFRS 16 was adopted with a date of initial application of 1 January 2018. As a result, the Group in 2018 changed its accounting policy for lease contracts.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply the recognition exemptions to short-term and low value leases.

Note 14 Investments in associates

DKK '000	Investments in associates
Cost at 1 January 2019	75,748
Cost at 31 December 2019	**75,748**
Value adjustments at 1 January 2019	48,714
Exchange adjustment	1,772
Dividend, net	-25,234
Share of profit for the year	25,145
Other comprehensive income	-192
Value adjustments at 31 December 2019	**50,205**
Carrying amount at 31 December 2019	**125,953**
Cost at 1 January 2018	75,748
Cost at 31 December 2018	**75,748**
Value adjustments at 1 January 2018	52,163
Exchange adjustment	-2,083
Dividend, net	-21,412
Share of profit for the year	19,607
Other comprehensive income	439
Value adjustments at 31 December 2018	**48,714**
Carrying amount at 31 December 2018	**124,462**

Financial disclosures on associates

Financial disclosures are provided on an aggregated basis for all associates as none of Royal Unibrew's shares of net revenue or balance sheet total constitute more than 5% in proportion to the Consolidated Financial Statements; therefore, it is not considered essential to provide disclosures separately for each associate.

Royal Unibrew's share of:

DKK '000	2019	2018
Profit from continuing operations for the year	25,145	19,607
Other comprehensive income	-192	439
Comprehensive income	**24,953**	**20,046**
Total carrying amount at 31 December of the Group's total investments in associates, share of equity	**125,953**	**124,462**

Investments in associates in the Consolidated Financial Statements

Investments in associates are measured in the balance sheet at the proportionate share of the net asset value of the enterprises calculated under the accounting policies of the Group with deduction or addition of the proportionate share of unrealised intercompany profits and losses and with addition of the carrying amount of goodwill.

Associates with a negative net asset value are measured at DKK 0. If the Group has a legal or constructive obligation to cover the negative balance of the associate, this obligation is recognised in liabilities.

The proportionate share of the results of associates is recognised in the income statement of the Group after adjusting for impairment losses on goodwill and eliminating the proportionate share of unrealised intercompany gains and losses.

Note 15 Other fixed asset investments

DKK '000	Other invest-ments	Other recei-vables	Total other fixed asset investments
Cost at 1 January 2019	59,617	5,020	**64,637**
Exchange adjustment	1	4	**5**
Additions by acquisition	562		**562**
Additions	3,491	4,877	**8,368**
Disposals	-95	-1,684	**-1,779**
Cost at 31 December 2019	**63,576**	**8,217**	**71,793**
Value adjustments at 1 January 2019	-51,884	-363	**-52,247**
Value adjustments at 31 December 2019	**-51,884**	**-363**	**-52,247**
Carrying amount at 31 December 2019	**11,692**	**7,854**	**19,546**
Cost at 1 January 2018	59,622	2,243	**61,865**
Exchange adjustment	15	-1	**14**
Additions		2,812	**2,812**
Disposals	-20	-34	**-54**
Cost at 31 December 2018	**59,617**	**5,020**	**64,637**
Value adjustments at 1 January 2018	-51,884	-363	**-52,247**
Exchange adjustment	0	0	**0**
Value adjustments at 31 December 2018	**-51,884**	**-363**	**-52,247**
Carrying amount at 31 December 2018	**7,733**	**4,657**	**12,390**

§ Other investments

Other investments classified as fair value trough profit and loss are recognised in non-current assets at fair value at the trading date and at estimated fair value calculated on the basis of market data and recognised valuation methods as regards to unlisted securities. Unrealised value adjustments are recognised in other comprehensive income except for impairment losses and reversal of impairment losses which are recognised in financial income and expenses in the income statement. Upon realisation, the accumulated value adjustment recognised in other comprehensive income is transferred to financial income and expenses in the income statement. Other investments may be classified as level-3 instruments.

§ Other receivables

Other receivables under fixed asset investments held to maturity are initially recognised at fair value and are subsequently measured at amortised cost or an estimated lower value at the balance sheet date.

Other investments

In connection with the presentation of the Financial Statements for 2011, Management estimated the fair value of its investments (48% of the share capital) in the Polish brewery company Perla Browary Lubelskie at DKK 0 due to governance issues. Since 2011, Management has maintained its fair value estimate of DKK 0 as these issues have not subsequently been resolved. The consolidated financial statements of Perla Browary Lubelskie S.A. for 2018 (2019 not yet available) have been prepared on the basis of Polish accounting law and show a profit after tax of PLN 53 million (DKK 93 million) and equity of PLN 340 million (DKK 595 million). The fair value measurement of the investments in Perla Browary Lubelskie is classified in level 3 of the fair value hierarchy.

Note 16 Inventories

DKK '000	2019	2018
Raw materials and consumables	190,036	202,658
Work in progress	27,313	21,809
Finished goods and goods for resale	245,324	215,209
Inventories	**462,673**	**439,676**

Comment

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 17 million (2018: DKK 17 million). As in 2018, write down of inventories is an insignificant amount. Inventory recognised as cost is specified in note 7 (raw materials and consumables)

§ Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value of individual product groups. The net realisable value of inventories is calculated at the amount of future sales revenues expected to be generated by inventories at the balance sheet date in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sum with deduction of calculated selling expenses.

The cost of raw materials, consumables, goods for resale and purchased finished goods comprises invoiced price plus expenses directly attributable to the acquisition.

The cost of work in progress and finished goods comprises the cost of materials and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of and impairment losses on the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Note 17 Receivables

DKK '000	2019	2018
Trade receivables	701,145	626,975
Other receivables	34,719	39,503
Receivables	**735,864**	**666,478**

The total receivables belong to the category "assets measured at amortised cost"

Trade receivables of DKK 347 mill. (2018: DKK 361 mill.) has been sold cf. note 3.

Trade receivables fall due as follows:

	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2019					
Trade receivables	557,285	89,231	43,600	44,288	734,404
Impairment provision*	-11,921**	-8,753	-5,362	-7,223	-33,259
Impairment provision % ***	-2.1%	-9.8%	-12.3%	-16.3%	-4.5%
Provisions for bad debts, beginning of year					-38,470
Bad debts realised during the year					7,642
Provision for the year					-2,431
Total					**-33,259**

* Lifetime expected credit loss.

** Hereof TDKK 10.580 (2.0%) relates to prepaid bonus

*** Historical average loss rate is approx. 1%

	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2018					
Trade receivables	470,144	116,504	38,946	39,851	665,445
Impairment provision	-11,082**	-5,652	-5,089	-16,647	-38,470
Impairment provision %**	-2.4%	-4.9%	-13.1%	-41.8%	-5.8%
Provisions for bad debts, beginning of year					-37,533
Bad debts realised during the year					1,914
Provision for the year					-2,851
Total					**-38,470**

* Lifetime expected credit loss.

** Hereof TDKK 9.861 (2.1%) relates to prepaid bonus

*** Historical average loss rate is approx. 1%

Comment

Current receivables, other than trade receivables, all fall due for payment in 2020.

Note 17 Receivables (continued)

Receivables

Trade receivables and contract assets are measured at amortized cost less allowance for lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Furthermore, an allowance for lifetime expected credit losses for trade receivables is recognized on initial recognition.

Trade receivables and contract assets are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

The cost of allowances for expected credit losses and write-offs for trade receivables and contract assets are included in Sales and distribution costs.

Note 18 Equity and basis of earnings/cash flow per share

Treasury shares held by the Parent Company:

DKK '000	Number	Nom. value	% of capital
Portfolio at 1 January 2019	923,397	1,847	1.8
Additions	860,112	1,720	1.7
Capital reduction	-900,000	-1,800	-1.8
Portfolio at 31 December 2019	**883,509**	**1,767**	**1.8**

The Group holds no other treasury shares.

Portfolio at 1 January 2018	1,503,487	3,007	2.9
Additions	1,119,910	2,240	2.2
Capital reduction	-1,700,000	-3,400	-3.3
Portfolio at 31 December 2018	**923,397**	**1,847**	**1.8**

The share capital has been paid in full.

Basis of calculation of earnings and cash flow per share

	2019	2018
The Parent Company shareholders' share of profit for the year amounts to (DKK '000)	1,141,973	1,040,915
The average number of treasury shares amounted to (number, DKK 2 each)	911,013	1,165,153
The average number of shares in circulation amounted to (number)	49,601,487	50,472,347
The average number of shares in circulation incl restricted shares amounted to (number)	49,689,214	50,562,847
Cost of share buy-backs during the year	433,078	484,090

The share capital has been fully paid.

Diluted earnings and cash flow per share have been calculated on the basis of the Parent Company shareholders' share of profit/loss for the year.

Comment

Shares were bought back during the year as an element in the optimisation of the Company's capital structure. It is the intention to cancel the bought-back shares to the extent that they are not to be used for share-based payment to the Executive Board.

Note 18 Equity and basis of earnings/cash flow per share (continued)

§ Policy Equity/ Proposed dividend

Dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Dividend distribution for the year proposed by Management is disclosed as a separate equity item.

§ Treasury shares

Treasury shares acquired by the Parent Company or subsidiaries are recognised at cost directly in equity under retained earnings. Where treasury shares are subsequently sold, any consideration is also recognised directly in equity. Dividend on treasury shares is recognised directly in equity under retained earnings.

§ Share premium account

Share premium account comprises amounts in excess of the nominal share capital paid up by shareholders in connection with capital increases.

§ Revaluation reserves

Revaluation reserves comprise value adjustment of assets from cost to an estimated permanently higher fair value. Revaluation reserves are transferred to retained earnings when the revalued asset is realised.

§ Translation reserve

The translation reserve in the Consolidated Financial Statements comprises exchange adjustments arising on the translation of the Financial Statements of foreign enterprises from their functional currencies into the presentation currency of the Group (DKK).

Upon full or part realisation of the net investment in the foreign enterprises, exchange adjustments are recognised in the income statement.

The translation reserve was reset at 1 January 2004 in accordance with IFRS 1.

§ Hedging reserve

The hedging reserve comprises changes to fair values of derivative financial instruments that are designated and qualify as cash flow hedges of future transactions.

On realisation, the hedging instrument is recognised in the income statement in the same item as the hedged transaction.

Note 19 Deferred tax

	2019	2018
Deferred tax at 1 January	542,328	378,231
Change in deferred tax for the year	10,993	5,281
Deferred tax, no income statement effect for the year	-48,553	0
Change in deferred tax by acqusitions	42,149	158,970
Exchange adjustments	-199	51
Adjustment of previous year	-590	-205
Deferred tax at 31 December	**546,128**	**542,328**
Expected realisation within 1 year	-33,400	36,594
Deferred tax relates to:		
Intangible assets	417,351	414,531
Property, plant and equipment	146,495	145,336
Current assets	12,915	24,788
Non current liabilities	11,085	-3,184
Current liabilities	-41,718	-39,143
Total	**546,128**	**542,328**

The utilisation of tax losses in one of the Group's foreign enterprises is not certain. Therefore, the tax asset corresponding to DKK 1.8 million (2018: DKK 2.2 million) has not been recognised.

Note 19 Deferred tax (continued)

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts and the tax base of assets and liabilities except for temporary differences arising at the time of acquisition that do not affect the profit for the year or the taxable income and temporary differences concerning goodwill. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets are recognised at the value at which they are expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates expected under the legislation at the balance sheet date to be effective when the deferred tax crystallises as current tax.

In the balance sheet, set-off is made between deferred tax assets and deferred tax liabilities within the same legal tax entity and jurisdiction.

Note 20 Other current payables

DKK '000	2019	2018
VAT, excise duties, etc	340,525	324,808
Other payables	421,294	445,081
Deposit, returnable packaging	132,295	128,799
Total other current payables	**894,114**	**898,688**
Deposit, returnable packaging is specified as follows:		
Balance at 1 January	128,799	128,224
Adjustment for the year	3,496	575
Balance at 31 December	**132,295**	**128,799**

Comment

The change in the deposit on returnable packaging for the year reflects the net exchange with customers of returnable packaging for the year less estimated wastage of returnable packaging in circulation.

The payable relating to deposit on returnable packaging is calculated on the basis of the estimated total packaging volume less packaging held in inventory.

Deposit, returnable packaging

Plastic crates, bottles and kegs in circulation and held in inventory are recognised in property, plant and equipment, and the obligation to repay the deposit when the packaging in circulation is taken back on inventory is recognised in other payables.

Note 21 Debts

DKK '000	2019	2018
Mortgage debt	854,788	858,919
Credit institutions	1,921,814	1,807,965
Other debts	2,046,881	1,927,864
Debts	**4,823,483**	**4,594,748**

Changes to interest-bearing debts

	31/12 2018	Additions by acquisitions	Repayment	New facilities	Exchange adjustment	31/12 2019
Interest-bearing long-term debts	2,397,425		-406,411	0	124	1,991,138
Interest-bearing short-term debts	44,468		-28,527	546,430	0	562,371
Total interest-bearing debt, mortgage and credit institutions	**2,441,893**	**0**	**-434,938**	**546,430**	**124**	**2,553,509**
Interest-bearing long-term leasing debt*	167,504	1,333	-44,616	38,960	-512	162,669
Interest-bearing short-term leasing debt	57,487		-57,487	60,424		60,424
Total interest-bearing leasing debt	**224,991**	**1,333**	**-102,103**	**99,384**	**-512**	**223,093**
Total	**2,666,884**	**1,333**	**-537,041**	**645,814**	**-388**	**2,776,602**

* Leasing debt is included in the balance sheet as "Credit institutions"

	31/12 2017	1/1 2018 IFRS 16	Additions by acquisitions	Repayment	New facilities	Exchange adjustment	31/12 2018
Interest-bearing long-term debts	1,239,507		54,898		1,099,917	3,103	2,397,425
Interest-bearing short-term debts	420,089		45,693	-421,559		245	44,468
Total interest-bearing debt, mortgage and credit institutions	**1,659,596**		**100,591**	**-421,559**	**1,099,917**	**3,348**	**2,441,893**
Interest-bearing long-term leasing debt		154,447	11,656	-55,601	57,002		167,504
Interest-bearing short-term leasing debt		50,853	3,386		3,248		57,487
Total interest-bearing leasing debt		**205,300**	**15,042**	**-55,601**	**60,250**	**0**	**224,991**
Total	**1,659,596**	**205,300**	**115,633**	**-477,160**	**1,160,167**	**3,348**	**2,666,884**

Debts

Mortgage loans and loans from credit institutions are recognised initially at fair values. Subsequently, the financial obligations are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value is recognised in financial income and expenses in the income statement over the loan period.

Other debts, comprising trade payables, payables to subsidiaries and associates, VAT, excise duties, etc as well as other payables, are measured at amortised cost, substantially corresponding to the nominal debt.

Debts

In connection with the acquisition of Hartwall in 2013, defined benefit liabilities were acquired relating to a pension scheme which has not been offered to new employees for a number of years. At 31 December 2019, the net liability amounted to approx DKK 6.3 million (2018: approx DKK 8.6 million). Taking into account the amount of the liability, that it has been at the same level in recent years and that it is being phased out, Management does not consider it material to provide the disclosures on the composition of the liability required by IAS 19.

Note 22 Cash Flow Statement

Adjustments for non-cash operating items:

	2019	2018
Financial income	-5,078	-5,074
Financial expenses	41,423	36,346
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	341,651	346,160
Tax on the profit for the year	317,536	287,780
Income from investments in associates	-25,145	-19,607
Profit and loss from sale of property, plant and equipment (see note 12 re leasing part)	3,251	-12,253
Share-based payments and remuneration	5,991	7,700
Total	**679,629**	**641,052**

§ Cash flow statement

The consolidated cash flow statement is presented under the indirect method based on the net profit for the year. The statement shows cash flows for the year, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items, changes in working capital, financial income and financial expenses, and corporation tax paid.

Cash flows from investing activities comprise acquisitions and disposals of property, plant and equipment, including lease assets, and fixed asset investments as well as dividend received from associates. Cost is measured inclusive of expenses necessary to make the acquisition and sales prices after deduction of transaction expenses.

Cash flows from financing activities comprise changes to the amount or composition of the Group's share capital, payment of dividend as well as borrowing and repayment of interest-bearing debt.

Cash and cash equivalents include securities with a maturity of less than 3 months that can readily be turned into cash and are only subject to an insignificant risk of value changes.

Note 23 Contingent liabilities, security and other liabilities

mDKK	2019	2018
Rental and operating lease commitments		
Total future payments:		
Within 1 year	11.9	11.0
Between 1 and 5 years	17.3	16.4
Beyond 5 years	0.1	0.5
Total	**29.3**	**27.9**
Rental and operating lease commitments relate to low value assets and service not included under IFRS 16.		
Third-party guarantees	**26.2**	**26.5**

Security

No security has been provided in respect of loan agreements with credit institutions.

As regards security for loan agreements with mortgage credit institutes, reference is made to note 13.

Contingent liabilities

The outcome of pending legal actions is not expected to have any material impact on the financial position of the Group.

Note 24 Related parties

Related parties comprise the Board of Directors and the Executive Board as well as subsidiaries and associates, see the sections on Board of Directors and Executive Board on page 52 and Group Structure on page 144. No shareholder exercises control.

The following transactions have been made with related parties:

	Group	
DKK '000	**2019**	**2018**
Revenue		
Sales to associates	18,354	11,723
Financial income and expenses		
Dividends received from associates	25,234	21,412
Executive Board		
Remuneration paid	17,012	13,956
Debt re cash-based bonus schemes	5,900	5,000
Debt re share-based bonus scheme	19,342	13,351
Board of Directors		
Remuneration	5,704	3,945

Transactions with subsidiaries are eliminated in the Consolidated Financial Statements in accordance with the accounting policies applied.

Note 25 Acquisition of subsidiaries

Acquisition in 2019

Acquisition of Bev.Con ApS (CULT)

On 21 June 2018, Royal Unibrew entered into an agreement to acquire the company Bev.Con ApS, which owns brands such as CULT Energy, SHAKER and MOKAÏ. The acquisition was completed on 28 February 2019.

The finally acquisition price has been agreed upon based on an enterprise value of DKK 345 million and has been financed by bank borrowings. The final acquisition price is divided by DKK 290 million in cash and a potential performance based earn-out of DKK 55 million. The final cash acquisition price has been settled in Q2 2019, while the earn-out part of the acquisition price will be settled in Q2 2021 based on a net revenue target for the period 1 March 2019 - 28 February 2021. The target is expected to be achieved.

CULT was the first to introduce energy drinks in the Danish market, and, through the acquisition, Royal Unibrew reinforces its market position in Denmark and broadens the range in RTD (Ready-to-Drink) and Cider categories and the market for energy drinks.

Royal Unibrew expects to be able to achieve increased distribution and activation of the CULT portfolio, and the acquisition increased Royal Unibrew's earnings per share (EPS) already in 2019.

The company had approx 30 employees focusing on commercial activities; production and logistics have been contracted out to a third party.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 6 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Annual Report for 2018.

Note 25 Acquisition of subsidiaries (continued)

The company has been included in the Consolidated Financial Statements of Royal Unibrew as of the date of acquisition in 2019.

As part of the integration activities Bev.Con ApS and its 100% owned subsidiary, Cult A/S, has been merged with Royal Unibrew A/S as the surviving company.

Royal Unibrew has made the following preliminary calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition.

DKK '000	
Trademark	163,000
Customer relations	9,000
Property, plant and equipment	2,388
Inventories	14,120
Receivables	13,677
Prepayments	773
Deferred tax	-36,838
Trade payables	-6,055
Other payables	-3,981
Acquired net assets	**156,084**
Goodwill	189,824
Estimated fair value of the business	**345,908**
Earn-out debt	-55,030
Estimated fair value of the business at closing	**290,878**
Acquired cash at bank and in hand	26,465
Cash consideration at closing	**317,343**

The receivables acquired include trade receivables of a fair vaue of DKK 14 million corresponding to the gross amount receivable according to contract.

Cf. company announcement no. 40/2018 of 29 June 2018, the normalized yearly net revenue and EBIT is approx DKK 200 million respectively approx DKK 28 million.

Acquisition of Bruce Ashly Group Inc.

On 12 August 2019, Royal Unibrew entered into an agreement to acquire 100% of the shares in the Canadian company, Bruce Ashley Group Inc. (BAG). The acquisition was completed on 12 August 2019.

The acquisition price of DKK 5 million, which has been paid in cash, is based on an enterprise value of DKK 9 million. The valuation of BAG has been based on the multiples applicable to comparable businesses.

BAG is an agency business that during the last 25 years built up a strong portfolio of Japanese sake and European beer brands, including Royal Unibrew's Faxe Brand.

BAG has an organization of 25 employees within sales and marketing.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 1 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for the period 1 January - 30 September 2019.

BAG has been included in the Consolidated Financial Statements of Royal Unibrew as of the date of acquisition.

Royal Unibrew has made the following preliminary calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition.

DKK '000	
Distribution rights	12,665
Property, plant and equipment	1,369
Inventories	6,913
Receivables	6,360
Prepayments	213
Deferred tax	-700
Trade payables	-15,592
Other payables	-2,124
Acquired net assets	**9,104**
Goodwill	0
Estimated fair value of the business	**9,104**
Acquired cash at bank and in hand	-4,162
Cash consideration at closing	**4,942**

The receivables acquired include trade receivables of a fair vaue of DKK 6 million corresponding to the gross amount receivable according to contract.

Note 25 Acquisition of subsidiaries (continued)

Acquisition of SIA Bauskas Alus

On 28 May 2019, Royal Unibrew entered into an agreement to acquire 100% of the shares in the Latvian company, SIA Bauskas Alus (Bauskas). The acquisition was completed on 1 November 2019.

The acquisition price of DKK 67 million, which has been paid in cash, is based on an enterprise value of DKK 65 million. The valuation of Bauskas has been based on the multiples applicable to comparable businesses.

Bauskas is a Latvian craft brewery that during the last 28 years built up a strong portfolio of craft beer products.

Bauskas has an organization of approx 75 employees within production, sales, marketing and administration.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 0,5 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for the period 1 January - 30 September 2019.

Bauskas has been included in the Consolidated Financial Statements of Royal Unibrew as of the date of acquisition.

Royal Unibrew has made the following preliminary calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition.

DKK '000	
Trademark	23,246
Customer relations	16,529
Property, plant and equipment	9,734
Inventories	4,958
Receivables	3,496
Prepayments	46
Deferred tax	-7,957
Trade payables	-946
Other payables	-5,205
Acquired net assets	**43,901**
Goodwill	21,336
Estimated fair value of the business	**65,237**
Acquired cash at bank and in hand	1,629
Cash consideration at closing	**66,866**

The receivables acquired include trade receivables of a fair vaue of DKK 3,5 million corresponding to the gross amount receivable according to contract.

Acquisitions in 2018

Acquisition of Terme di Crodo S.r.l.

On 4 October 2017, Royal Unibrew entered into an agreement with Gruppo Campari to acquire the company Terme di Crodo S.r.l. The company was acquired on 2 January 2018.

Terme di Crodo owns brands such as LemonSoda, OranSoda, PelmoSoda, Crodo Lisiel and Crodo Chinotto as well as production facilities in Crodo in the north-western parts of Italy close to Lago Maggiore. About 2/3 of the net revenue is generated by LemonSoda, whereas OranSoda is the second-strongest brand in the portfolio. The distribution of the products to the on-trade channel is made through distributors or cash&carry customers who are also customers of Royal Unibrew's distribution company Ceres S.p.A.; sales to the off-trade channel are made directly to customers. The distribution rate of LemonSoda in the on-trade channel is approx 55%, whereas it is more than 95% in the off-trade channel.

The production facilities in Crodo are modern and hold capacity for producing cans, glass and PET bottles; most recently, a new canning line was installed in 2016.

The company has approx 70 employees related to production and internal logistics, whereas external logistics and commercial activities are undertaken by Royal Unibrew's Italian distribution company Ceres S.p.A., or in cooperation with external partners.

The acquisition is part of Royal Unibrew's strategy to be a focused and strong regional beverage provider holding market-leading positions within beer, malt beverages and soft drinks in the Nordic and Baltic countries, supplemented by strong niche positions in eg the Italian super-premium market and the international malt beverage markets.

Royal Unibrew expects the acquisition to increase revenue in Italy significantly, corresponding to a net revenue of DKK 245 million, whereas volumes will more than double. The acquisition is moreover expected to reinforce the existing commercial platform in all sales channels, and as the route-to-market is the same as for Royal Unibrew's existing beer business in Italy, operational synergies are expected to be reaped for the benefit of existing product portfolios as well as that acquired.

The acquisition price of DKK 607 million, which has been paid in cash, is based on an enterprise value of DKK 598 million. The valuation of Terme di Crodo has been based on the multiples applicable to leading, national beverage positions.

The acquisition is expected to generate value for Royal Unibrew's shareholders by reinforcing the total Italian business, and by leveraging optimisation potential across the Group's operations. The acquisition has allready in 2018 and 2019 increased Royal Unibrew's profit and earnings per share.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 10 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Annual Report for 2017.

Note 25 Acquisition of subsidiaries (continued)

The company was included in the Consolidated Financial Statements of Royal Unibrew as of the date of acquisition, 2 January 2018.

Royal Unibrew has made the following calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition.

DKK '000

Trademark	238,237
Property, plant and equipment	82,797
Inventories	34,595
Receivables	17
Deferred tax	-58,951
Other payables	-7,784
Acquired net assets	**288,911**
Goodwill	308,631
Estimated fair value of the business	**597,542**
Acquired cash at bank and in hand	9,588
Cash consideration	**607,130**

No trade receivables were acquired. Goodwill relates to synergies and the potential for development of the acquired activities and is not deductible for tax purposes.

Acquisition of Nohrlund ApS

On 14 June 2018, Royal Unibrew entered into an agreement to acquire 50.5% of the share capital of Nohrlund ApS at a price of DKK 10 million.

The shares were acquired on 2 July 2018, and the company has been included in the Consolidated Financial Statements of Royal Unibrew as of that date.

The acquisition price agreed upon is based on an enterprise value of DKK 25 million (100%).

As part of the acquisition the minority shareholders has been granted an option after a three years period to put their shares to Royal Unibrew A/S. The liability for this has been recognized as a debt in Royal Unibrew A/S's Financial Statements.

Nohrlund produces and sells ready-to-drink organic cocktails with focus on the on-trade segment.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of less than DKK 1 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for 1 January - 30 June 2018.

Royal Unibrew has made the following calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition.

DKK '000

Trademark	26,045
Property, plant and equipment	2,788
Other fixed assets	179
Inventories	2,673
Receivables	1,326
Prepayments	275
Deferred tax	-5,727
Trade payables	-1,015
Other payables	-752
Acquired net assets	**25,792**
Goodwill	0
Estimated fair value of the business	**25,792**
Acquired cash at bank and in hand	-5,740
Minorities part of the fair value of the business	-10,052
Cash consideration	**10,000**

The receivables acquired include trade receivables of a fair vaue of DKK 1 million corresponding to the gross amount receivable according to contract.

Note 25 Acquisition of subsidiaries (continued)

Acquisition of Etablissements Geyer Frères

On 12 July 2018, Royal Unibrew entered into an agreement to acquire the company Etablissements Geyer Frères, which owns the lemonade brand LORINA, PureThé and InFreshhh. The company was acquired on 12 July 2018.

The acquisition price amounts to DKK 660 million and is financed by bank borrowings. The enterprise value amounts to DKK 714 million.

Etablissements Geyer Frères is market-leading in the lemonade category within off-trade in France holding a market share of about 33%, whereas it has limited presence within on-trade and convenience. The company exports to about 40 countries on a minor scale, whereas exports to the USA represent a significant part of the business. Overall, exports represent about 40% of revenue, which in 2017 amounted to DKK 290 million. The company's earnings margins were on level with those of Royal Unibrew in 2017.

Etablissements Geyer Frères has about 100 permanent employees and production facilities in Munster in the north-eastern part of France.

The acquisition will establish a niche platform in France as well as a unique platform for further growth in Royal Unibrew's export portfolio.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 6 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for 1 January - 30 June 2018.

The company has been included in the Consolidated Financial Statements of Royal Unibrew as of 12 July 2018.

Royal Unibrew has made the following calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition. In 2019 the fair value of the acuired inventories and receivables has been reduced by approx DKK 5 million.

DKK '000	
Trademark	247,000
Customer relations	60,000
Property, plant and equipment	127,551
Other fixed assets	1,576
Inventories	36,544
Receivables	85,642
Prepayments	7,267
Deferred tax	-94,292
Trade payables	-44,438
Other payables	-76,774
Acquired net assets	**350,076**
Goodwill	364,037
Estimated fair value of the business	**714,113**
Acquired cash at bank and in hand	-53,776
Cash consideration	**660,337**

Of the receivables acquired, trade receivables have a fair value of DKK 86 million corresponding to gross amount according to contract, DKK 88 million less DKK 2 million provision for expected loss. Goodwill relates to synergies and the potential for development of the acquired activities and is not deductible for tax purposes.

Note 25 Acquisition of subsidiaries (continued)

Business combinations

On acquisition of new enterprises the purchase method is applied, under which the identifiable assets and liabilities of newly acquired enterprises are measured at fair value at the time of acquisition.

Upon business combinations, positive differences between cost and fair value of identifiable assets and liabilities acquired are recognised as goodwill in intangible assets. At the time of acquisition, goodwill is allocated to the cash-generating units that subsequently form the basis of impairment tests. Goodwill and fair value adjustments in connection with the acquisition of a foreign enterprise with a functional currency that differs from the presentation currency of the Group are treated as assets and liabilities belonging to the foreign entity and are translated to the functional currency of the foreign entity at the exchange rates at the dates of transaction.

Gains or losses on disposal of subsidiaries and associates are calculated as the difference between the sales sum and the carrying amount of net assets at the time of sale (including the carrying amount of goodwill) net of expected expenses and adjusted for exchange adjustments previously recognised in equity.

Recognition of acquisition of subsidiary

Royal Unibrew acquired in 2019 three businesses, Bev.Con ApS (Cult), Bruce Ashley Group Inc. and SIA Bauskas Alus by purchasing shares in the companies wherein the businesses were established. The businesses assets, liabilities and contingent liabilities have been recognised under the purchase method in the Financial Statements of Royal Unibrew. The key assets of the businesses are goodwill, trademarks, customer relations, property, plant and equipment, inventories, receivables, deferred tax and payables. Especially with regard to the intangible assets acquired, there are no efficient markets to be used to determine fair value. Management has therefore made an estimate in connection with the calculation of the fair value of the acquired assets and liabilities at the date of acquisition and has allocated the purchase price on that basis. The fair value calculation is subject to uncertainty and will subsequently be adjusted within a 12 month period from the acquisition date if a need to do so is identified. The unallocated part of the purchase price has been recognised as goodwill related to synergies and the development potential of the activities acquired.

Parent Company Annual Report

2019

Parent Company Income Statement

Income Statement for 1 January - 31 December

DKK '000	Note	2019	2018
Net revenue	2	3,674,921	3,487,410
Production costs	4,5	-1,797,379	-1,683,155
Gross profit		**1,877,542**	**1,804,255**
Sales and distribution expenses	4,5	-989,378	-913,850
Administrative expenses	4,5	-198,950	-198,089
EBIT		**689,214**	**692,316**
Dividends received from subsidiaries and associates		559,175	378,733
Financial income	6	5,729	5,577
Financial expenses	7	-28,071	-22,648
Profit before tax		**1,226,047**	**1,053,978**
Tax on the profit for the year	8	-152,181	-154,924
Net profit for the year		**1,073,866**	**899,054**
Earnings per share (DKK)		23.0	20.6
Diluted earnings per share (DKK)		22.9	20.6

Statement of Comprehensive Income for 1 January - 31 December

DKK '000	Note	2019	2018
Net profit for the year		**1,073,866**	**899,054**
Other comprehensive income			
Items that may be reclassified to the income statement			
Value adjustment of hedging instruments, beginning of year		11,332	1,030
Value adjustment of hedging instruments, end of year		-1,781	-11,332
Tax on other comprehensive income	8	-2,101	2,266
Total		**7,450**	**-8,036**
Other comprehensive income after tax		**7,450**	**-8,036**
Total comprehensive income		**1,081,316**	**891,018**

Parent Company Balance Sheet

Assets at 31 December

DKK '000	Note	2019	2018
NON-CURRENT ASSETS			
Intangible assets	10	463,329	103,005
Property, plant and equipment	11	1,016,684	969,082
Investments in associates	12	77,374	77,374
Investments in subsidiaries	12	4,388,459	4,376,947
Receivables from subsidiaries	13	127,412	118,563
Other fixed asset investments	13	7,470	4,704
Non-current assets		**6,080,728**	**5,649,675**
CURRENT ASSETS			
Inventories	14	158,422	142,631
Receivables	15	324,953	306,881
Receivables from subsidiaries		70,696	94,963
Corporation tax		0	20,489
Prepayments		17,750	18,574
Cash at bank and in hand		229	2,057
Current assets		**572,050**	**585,595**
Assets		**6,652,778**	**6,235,270**

Liabilities and Equity at 31 December

DKK '000	Note	2019	2018
EQUITY			
Share capital	16	100,200	102,000
Other reserves		770,892	775,221
Retained earnings		1,485,017	1,418,481
Proposed dividend		611,220	550,800
Equity		**2,967,329**	**2,846,502**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	17	153,690	114,664
Mortgage debt	3	571,852	575,947
Credit institutions	3	756,171	1,153,866
Other payables		103,526	44,485
Non-current liabilities		**1,585,239**	**1,888,962**
CURRENT LIABILITIES			
Mortgage debt	3	3,708	3,572
Credit institutions	3	600,405	32,894
Trade payables		391,369	388,670
Payables to subsidiaries		830,563	797,892
Corporate tax		784	
Other current payables	18	273,381	276,778
Current liabilities		**2,100,210**	**1,499,806**
Liabilities		**3,685,449**	**3,388,768**
Liabilities and equity		**6,652,778**	**6,235,270**

Parent Company Cash Flow Statement

for 1 January - 31 December

DKK '000	Note	2019	2018
Net profit for the year		1,073,866	899,054
Adjustments for non-cash operating items	19	-239,738	-62,106
		834,128	**836,948**
Change in working capital:			
Receivables		77,598	-86,693
Inventories		-1,096	-11,020
Payables		-45,641	-53,988
Cash flows from operating activities before financial income and expenses		**864,989**	**685,247**
Financial income		5,729	6,592
Financial expenses		-28,017	-23,824
Financial expenses related to leasing		-736	-731
Cash flows from operating activities before tax		**841,965**	**667,284**
Corporation tax paid		-126,227	-149,041
Cash flows from operating activities		**715,738**	**518,243**
Dividends received from subsidiaries and associates		559,175	378,733
Sale of property, plant and equipment*		10,437	5,266
Purchase of property, plant and equipment*		-194,776	-160,347
Free cash flow excluding IFRS 16 impact		1,090,574	741,895
Free cash flow including impact from IFRS 16 (lease assets)		*1,122,574*	*763,895*

* Including DKK 5 mill. sale of leasing assets (2018: DKK 2 mill.) and DKK 37 mill. purchase of leasing assets (2018: DKK 24 mill.)

DKK '000	Note	2019	2018
Increase of capital/Business acquisitions		-302,390	-670,337
Acquisition/sale of intangible assets and fixed asset investments		-2,766	-20,945
Cash flows from investing activities		**69,680**	**-467,630**
Debt financing:			
Proceeds from increased drawdown on credit facilities		500,000	992,242
New leasing facilities		37,412	22,694
Repayment on credit facilities		-341,560	-270,631
Repayment on leasing facilities		-29,995	-21,787
Change in financing of subsidiaries		17,971	116,586
Shareholders:			
Dividends paid to shareholders		-537,996	-450,874
Acquisition of shares for treasury		-433,078	-484,090
Cash flows from financing activities		**-787,246**	**-95,860**
Change in cash and cash equivalents		-1,828	-45,247
Cash and cash equivalents at 1 January		2,057	47,304
Cash and cash equivalents at 31 December		**229**	**2,057**

Parent Company Statement of Changes in Equity

for 1 January - 31 December 2019

DKK '000	Share capital	Share premium account	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2018	**102,000**	**786,553**	**-11,332**	**775,221**	**1,418,481**	**550,800**	**2,846,502**
Changes in equity in 2019							
Profit for the year				**0**	1,073,866		**1,073,866**
Other comprehensive income			9,551	**9,551**	0		**9,551**
Tax on other comprehensive income				**0**	-2,101		**-2,101**
Total comprehensive income	**0**	**0**	**9,551**	**9,551**	**1,071,765**	**0**	**1,081,316**
Liability upon acquisition				**0**			**0**
Dividends paid to shareholders				**0**		-537,996	**-537,996**
Dividend on treasury shares				**0**	12,804	-12,804	**0**
Acquisition of shares for treasury				**0**	-433,078		**-433,078**
Proposed dividend				**0**	-611,220	611,220	**0**
Capital reduction	-1,800	-13,880		**-13,880**	15,680		**0**
Share-based payments				**0**	5,991		**5,991**
Tax on changes in equity, shareholders				**0**	4,594		**4,594**
Total shareholders	**-1,800**	**-13,880**	**0**	**-13,880**	**-1,005,229**	**60,420**	**-960,489**
Total changes in equity in 2019	**-1,800**	**-13,880**	**9,551**	**-4,329**	**66,536**	**60,420**	**120,827**
Equity at 31 December 2019	**100,200**	**772,673**	**-1,781**	**770,892**	**1,485,017**	**611,220**	**2,967,329**

Share premium account, hedging reserve and retained earnings may be applied for distribution of dividend to the Parent Company shareholders.

The share capital at 31 December 2019 amounts to DKK 100,200,000 and is distributed on shares of DKK 2 each.

Proposed dividend for the year is DKK 12.20 per share (2018: DKK 10.80 per share).

Parent Company Statement of Changes in Equity

for 1 January - 31 December 2018

DKK '000	Share capital	Share premium account	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Egenkapital 31. december 2017	**105,400**	**812,771**	**-1,030**	**811,741**	**1,522,551**	**469,030**	**2,908,722**
Changes in equity in 2018							
Profit for the year				**0**	899,054		**899,054**
Other comprehensive income			-10,302	**-10,302**			**-10,302**
Tax on other comprehensive income				**0**	2,266		**2,266**
Total comprehensive income	**0**	**0**	**-10,302**	**-10,302**	**901,320**	**0**	**891,018**
Liability upon acquisition				**0**	-29,000		**-29,000**
Dividends paid to shareholders				**0**		-450,874	**-450,874**
Dividend on treasury shares				**0**	18,156	-18,156	**0**
Acquisition of shares for treasury				**0**	-484,090		**-484,090**
Proposed dividend				**0**	-550,800	550,800	**0**
Capital reduction	-3,400	-26,218		**-26,218**	29,618		**0**
Share-based payments				**0**	7,700		**7,700**
Tax on changes in equity, shareholders				**0**	3,026		**3,026**
Total shareholders	**-3,400**	**-26,218**	**0**	**-26,218**	**-1,005,390**	**81,770**	**-953,238**
Total changes in equity in 2018	**-3,400**	**-26,218**	**-10,302**	**-36,520**	**-104,070**	**81,770**	**-62,220**
Equity at 31 December 2018	**102,000**	**786,553**	**-11,332**	**775,221**	**1,418,481**	**550,800**	**2,846,502**

Notes to Parent Company Annual Report

Descriptive notes

Notes referring to Income Statement, Balance Sheet and Cash Flow Statement

Other notes

Note 1 Basis of preparation of Parent Company Annual Report

Basis of preparation

§ Significant accounting policies

The Parent Company's accounting policies remain unchanged from last year. Significant accounting policies are identical to those applied by the Royal Unibrew Group except for those mentioned below.

Translation policies

Exchange adjustment of balances regarded as part of the total net investment in enterprises with another functional currency than DKK is recognised in financial income and expenses in the Parent Company income statement.

New and amended standards and interpretations that have taken effect

Reference is made to note 1 to the Consolidated Financial Statements.

Significant accounting estimates and judgements

In connection with the preparation of the Parent Company and Consolidated Financial Statements, Management makes estimates and judgements as to how recognition and measurement of assets and liabilities should take place based on the accounting policies applied.

Judgements as an element in significant accounting policies

The calculation of carrying amounts of certain assets and liabilities requires judgement as to how assets and liabilities should be classified in the Financial Statements and how future events will affect the value of these assets and liabilities at the balance sheet date. In connection with the financial reporting for 2019, the following judgments have been made materially affecting the related items as described in relevant notes, see list below.

Critical accounting estimates

Management's estimates are based on assumptions which Management considers reasonable but which are inherently uncertain and unpredictable. In connection with the financial reporting for 2019, the following critical estimates have been made as desribed in relevant notes, see list below.

Accounting policies, judgements as an element in significant accounting policies as well as critical accounting estimates are described in the notes:

				Consolidated FS note		Parent Company FS note
Derivative financial instruments	§			3		
Segment reporting	§			4		
Net revenue	§	🔧		5		
Share-based payments	§			6		
Expenses	§			7		
Financial income and expenses	§			9		
Corporation tax	§			10		
Intangible assets	§		⚖	12		
Property, plant and equipment	§	🔧		13		
Investments in associates	§			14	§	12
Investments in subsidiaries					§	12
Other fixed asset investments	§			15		
Inventories	§		⚖	16		
Receivables	§		⚖	17		
Equity	§			18		
Deferred tax	§			19		
Deposit returnable packaging	§			20		
Debt	§			21		
Cash Flow Statement	§			22		

LEGENDS

- § Significant accounting policies
- 🔧 Judgements as an element in significant accounting policies
- ⚖ Critical accounting estimates
- Comments to the note

Note 2 Net revenue

Reference is made to note 5 in consolidated financial statement.

One customer accounts for revenue in excess of 10% of the company's net revenue.

Note 3 Financial risk management

Financial liabilities

DKK '000	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2019					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	**1,908,963**	595,517	869,447	443,999	1,852,812
Financial debt, subsidiaries	**830,563**	830,563			830,563
Leasing	**82,249**	24,252	57,687	310	79,324
Trade payables	**391,370**	391,370			391,369
Other payables	**315,856**	212,330	103,526		315,856
Total	**3,529,001**	**2,054,032**	**1,030,660**	**444,309**	**3,469,924**

The debt breaks down on the categories "debt at amortised cost" with DKK 3.467 million and "debt at fair value" with DKK 3 million. The fair value of the total debt is assessed to equal carrying amount.

DKK '000	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2018					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	1,754,997	32,791	1,092,989	629,217	1,694,372
Financial debt, subsidiaries	797,892	797,892			797,892
Leasing	74,207	18,641	55,566		71,907
Trade payables	388,670	388,670			388,670
Other payables	256,139	211,654	44,485		256,139
Total	**3,271,905**	**1,449,648**	**1,193,040**	**629,217**	**3,208,980**

The debt breaks down on the categories "debt at amortised cost" with DKK 3.205 million and "debt at fair value" with DKK 4 million.

The fair value of the total debt is assessed to equal carrying amount.

For a description of the Parent Company's and the Group's currency, interest rate, credit, commodity and other risks as well as capital management, reference is made to note 3 to the Consolidated Financial Statements.

Note 4 Staff expenses

Staff expenses are included in production costs, sales and distribution expenses as well as administrative expenses and break down as follows:

DKK '000	2019	2018
Fixed salaries to Executive Board	12,012	10,203
Ordinary bonus scheme for Executive Board	5,900	5,000
Share-based payments to Executive Board (restricted shares)	5,991	7,700
Remuneration of Executive Board	23,903	22,903
Remuneration of Board of Directors	5,704	3,945
	29,607	**26,848**
Wages and salaries	483,895	451,559
Contributions to pension schemes	42,928	38,744
	526,823	**490,303**
Other social security expenses	6,947	6,059
Other staff expenses	22,131	24,701
Total	**585,508**	**547,911**
Average number of employees	969	907

Reference is made to note 6 to the Consolidated Financial Statements for a description of share-based payments to the Executive Board.

Remuneration of Executive Board specified per member:		
President & CEO, Johannes F.C.M. Savonije		
Fixed salaries and benefits	7,403	6,003
Short-term bonus scheme (cash)	3,700	3,000
Long-term bonus scheme (restricted (conditional) shares)	3,393	4,360
Total remuneration	14,496	13,363
CFO, Lars Jensen		
Fixed salaries and benefits	4,609	4,200
Short-term bonus scheme (cash)	2,200	2,000
Long-term bonus scheme (restricted (conditional) shares)	2,598	3,340
Total remuneration	9,407	9,540
Total remuneration of Executive Board	**23,903**	**22,903**

Note 5 Expenses broken down by type

DKK '000	2019	2018
Production costs	1,797,379	1,683,155
Sales and distribution expenses	989,378	913,850
Administrative expenses	198,950	198,089
Total	**2,985,707**	**2,795,094**
break down by type as follows:		
Raw materials and consumables	1,444,180	1,331,385
Wages, salaries and other staff expenses	585,508	547,911
Operating and maintenance expenses*	131,360	134,047
Distribution expenses and carriage	147,358	133,727
Sales and marketing expenses	435,291	407,476
Bad trade debts	2,141	3,770
Office supplies etc	100,946	99,846
Amortisation and depreciation*	138,923	136,932
Total	**2,985,707**	**2,795,094**

Total amortisation and depreciation are included in the following items in the income statement:

DKK '000	2019	2018
Production costs	77,920	80,374
Sales and distribution expenses	46,575	39,745
Administrative expenses	14,428	16,813
Total	**138,923**	**136,932**
Fee to auditors elected at the general assemply		
Fee for the audit of the Annual Report:		
KPMG	616	490
Total	**616**	**490**
KPMG:		
Other assurance services	127	
Other assistance*	1,510	2,128
Total	**1,637**	**2,128**

* Fees for other services than statutory audit of the financial statements provided by KPMG Statsautoriseret Revisionspartnerskab primarily comprise services relating to financial due dilligence.

Note 6 Financial income

DKK '000	2019	2018
Finance income		
Cash at bank and in hand	1,362	323
Trade receivables	1	-
Receivables from subsidiaries	2,595	2,031
Other financial income	1	10
Interest, Tax-extempt	211	15
Exchange adjustments		
Trade receivables	1,530	1,506
Intercompany loans	29	194
Forward contracts		
Income liquidation of subsiduary	0	1,497
Total	**5,729**	**5,576**

Note 7 Financial expenses

DKK '000	2019	2018
Finance costs		
Mortgage debt	4,687	5,346
Credit institutions	16,283	9,491
Other financial expenses	2,732	3,518
Leasing	736	731
Exchange adjustments		
Cash at bank and in hand and external loans	651	1,966
Trade receivables		
Trade payables	55	432
Forward contracts	2,927	1,163
Total	**28,071**	**22,648**

Note 8 Tax on the profit for the year

DKK '000	2019	2018
Tax on the taxable income for the year	146,501	143,307
Adjustment of previous year	-210	2,646
Adjustment of deferred tax	3,397	3,679
Total	**149,688**	**149,632**
which breaks down as follows:		
Tax on profit for the year	152,181	154,924
Tax on other comprehensive income	2,101	-2,266
Tax on equity entries	-4,594	-3,026
Total	**149,688**	**149,632**
Current Danish tax rate	22.0	22.0
Dividends received from subsidiaries and associates	-10.0	-7.9
Effect on tax rate of permanent differences	0.4	0.4
Adjustment of previous year	0.1	0.2
Effective tax rate	**12.5**	**14.7**

Note 9 Realized hedging transactions

DKK '000	2019	2018
Realised hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	0	-3,754
Production costs include foreign currency and commodity hedges of	-11,026	5,377
Financial income and expenses include currency, commodity and interest rate hedges of	-2,641	-2,729
Total	**-13,667**	**-1,106**

Note 10 Intangible assets

DKK '000	Goodwill	Trademarks	Distribution rights	Customer relations	Total
Cost at 1 January 2019	80,645	25,350	11,828		**117,823**
Additions	189,824	163,000		9,000	**361,824**
Cost at 31 December 2019	**270,469**	**188,350**	**11,828**	**9,000**	**479,647**
Amortisation and impairment losses at 1 January 2019	0	-2,990	-11,828	0	**-14,818**
Amortisation for the year				-1,500	**-1,500**
Amortisation and impairment losses at 31 December 2019	**0**	**-2,990**	**-11,828**	**-1,500**	**-16,318**
Carrying amount at 31 December 2019	**270,469**	**185,360**	**0**	**7,500**	**463,329**
Cost at 1 January 2018	80,645	4,490	11,828		**96,963**
Additions		20,860			**20,860**
Cost at 31 December 2018	**80,645**	**25,350**	**11,828**		**117,823**
Amortisation and impairment losses at 1 January 2018	0	-2,990	-11,828		**-14,818**
Amortisation and impairment losses at 31 December 2018	**0**	**-2,990**	**-11,828**		**-14,818**
Carrying amount at 31 December 2018	**80,645**	**22,360**	**0**		**103,005**

§ Trademarks

Trademarks are not amortised as they are all well-established, old and profitable trademarks which customers are expected to continue demanding unabatedly, other things being equal, and which Management is not planning to stop selling and marketing.

Reference is made to note 12 to the Consolidated Financial Statements for a description of impairment test.

Note 11 Property, plant and equipment

2019 DKK '000	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Property, plant and equipment in progress**	**Leasing of property, plant and equipment**	**Total other property, plant and equipment**
Cost at 1 January 2019	728,513	1,307,939	499,444	52,004	93,694	**2,681,594**
Additions	19,842	29,303	56,695	52,259	36,677	**194,776**
Additions by merger			686			**686**
Disposals	-1,218	-12,970	-19,577	0	-9,975	**-43,740**
Transfers for the year	7,856	27,125	10,402	-45,383	0	**0**
Cost at 31 December 2019	**754,993**	**1,351,397**	**547,650**	**58,880**	**120,396**	**2,833,316**
Depreciation, revaluation and impairment losses at 1 January 2019	**-403,832**	**-926,285**	**-361,227**	**0**	**-21,166**	**-1,712,511**
Depreciation for the year	-14,074	-48,044	-46,831		-24,995	**-133,944**
Reversal of depreciation and impairment of assets sold	263	10,591	13,908		5,062	**29,824**
Depreciation, revaluation and impairment losses at 31 December 2019	**-417,643**	**-963,738**	**-394,150**	**0**	**-41,099**	**-1,816,631**
Carrying amount at 31 December 2019	**337,350**	**387,659**	**153,500**	**58,880**	**79,297**	**1,016,684**
Leasing of property, plant and equipment:						
Cost at 31 December 2019	49,153		71,243		120,396	
Depreciation, revaluation and impairment losses at 31 December 2019	**-12,800**		**-28,299**		**-41,099**	
Carrying amount per asset type	**36,353**		**42,944**		**79,297**	

Land and buildings including plant and machinery at a carrying amount of DKK 330 million have been provided as security for mortgage debt of DKK 571 million.

Contracts for the delivery of property, plant and equipment in 2020 or later have been entered into only to an immaterial extent.

2018 DKK '000	**Land and buildings**	**Plant and machinery**	**Other fixtures and fittings, tools and equipment**	**Property, plant and equipment in progress**	**Leasing of property, plant and equipment**	**Total other property, plant and equipment**
Cost at 1 January 2018	695,644	1,264,035	467,532	66,855		**2,494,066**
Additions	13,722	48,435	48,677	25,040	24,473	**160,347**
Additions by change in accounting policy					71,001	**71,001**
Disposals	-1,245	-15,215	-25,580		-1,780	**-43,820**
Transfers for the year	20,392	10,684	8,815	-39,891		**0**
Cost at 31 December 2018	**728,513**	**1,307,939**	**499,444**	**52,004**	**93,694**	**2,681,594**
Depreciation, revaluation and impairment losses at 1 January 2018	-390,162	-889,067	-334,904	0		**-1,614,133**
Depreciation for the year	-14,477	-50,745	-50,452		-21,402	**-137,076**
Reversal of depreciation and impairment of assets sold	807	13,527	24,129		236	**38,699**
Depreciation, revaluation and impairment losses at 31 December 2018	**-403,832**	**-926,285**	**-361,227**	**0**	**-21,166**	**-1,712,511**
Carrying amount at 31 December 2018	**324,681**	**381,654**	**138,217**	**52,004**	**72,528**	**969,082**
Leasing of property, plant and equipment:						
Cost at 31 December 2018	31,257		62,437		93,694	
Depreciation, revaluation and impairment losses at 31 December 2018	**-6,443**		**-14,723**		**-21,166**	
Carrying amount per asset type	**24,814**		**47,714**		**72,528**	

Land and buildings including plant and machinery at a carrying amount of DKK 318 million have been provided as security for mortgage debt of DKK 578 million.

Contracts for the delivery of property, plant and equipment in 2019 have been entered into only to an immaterial extent.

Note 12 Investments in subsidiaries and associates

DKK '000	Investments in subsidiaries	Investments in associates
Cost at 1 January 2019	4,465,982	77,374
Additions	11,512	
Disposals		
Cost at 31 December 2019	**4,477,494**	**77,374**
Impairment losses at 1 January 2019	-89,035	0
Impairment losses at 31 December 2019	**-89,035**	**0**
Carrying amount at 31 December 2019	**4,388,459**	**77,374**
Cost at 1 January 2018	3,796,660	77,374
Additions	670,337	0
Disposals	-1,015	0
Cost at 31 December 2018	**4,465,982**	**77,374**
Impairment losses at 1 January 2018	-89,035	0
Impairment losses at 31 December 2018	**-89,035**	**0**
Carrying amount at 31 December 2018	**4,376,947**	**77,374**

§ Dividend on investments in subsidiaries and associates

Dividend on investments in subsidiaries and associates is recognised in the Parent Company's income statement in the financial year in which dividend is declared.

§ Investments in subsidiaries and associates in the Parent Company Financial Statements

Investments in subsidiaries and associates are measured at cost and tested in the event of indication of impairment. Where cost exceeds the recoverable amount, the investment is written down to its lower recoverable amount.

Estimate

The carrying amount of investments in subsidiaries and the values of intangible assets contained therein is tested to identify any impairment. Reference is made to note 12 to the Consolidated Financial Statements.

Note 13 Receivables from subsidiaries and Other fixed asset investments

DKK '000	Receivables from subsidiaries	Other investments	Other receivables	Total other fixed asset investments
Cost at 1 January 2019	118,563	54,833	1,897	**56,730**
Exchange adjustment				**0**
Additions	19,721		2,766	**2,766**
Disposals	-10,872			**0**
Cost at 31 December 2019	**127,412**	**54,833**	**4,663**	**59,496**
Revaluations and impairment losses at 1 January 2019	0	-52,026	0	**-52,026**
Revaluations and impairment losses at 31 December 2019	**0**	**-52,026**	**0**	**-52,026**
Carrying amount at 31 December 2019	**127,412**	**2,807**	**4,663**	**7,470**
Cost at 1 January 2018	128,055	54,833	1,812	56,645
Exchange adjustment	396			0
Additions	94,173		85	85
Disposals	-104,061			0
Cost at 31 December 2018	**118,563**	**54,833**	**1,897**	**56,730**
Revaluations and impairment losses at 1 January 2018	0	-52,026	0	-52,026
Revaluations and impairment losses at 31 December 2018	**0**	**-52,026**	**0**	**-52,026**
Carrying amount at 31 December 2018	**118,563**	**2,807**	**1,897**	**4,704**

Note 14 Inventories

DKK '000	2019	2018
Raw materials and consumables	71,426	65,524
Work in progress	10,871	10,471
Finished goods and goods for resale	76,125	66,636
Total inventories	**158,422**	**142,631**

Comment

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 8 million (2018: DKK 9 million). As in 2018, inventories have not been written down materially.

Note 15 Receivables

DKK '000	2019	2018
Trade receivables	311,445	293,794
Other receivables	13,508	13,087
Total receivables	**324,953**	**306,881**

Note 15 Receivables (continued)

Trade receivables fall due as follows:

	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2019					
Trade receivables	282,492	16,950	8,183	11,760	319,385
Impairment provision*	-655	-293	-3,110	-3,882	-7,940
Impairment provision % **	-0.2%	-1.7%	-38.0%	-33.0%	-2.5%

Provisions for bad debts, beginning of year	-11,301
Bad debts realised during the year	5,502
Provision for the year	-2,141
Total	**-7,940**

* Lifetime expected credit loss.

** Historical average loss rate is approx. 0.8%

	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2018					
Trade receivables	227,312	39,750	18,642	19,391	305,095
Impairment provision	-556	-2,100	-2,468	-6,177	-11,301
Impairment provision %*	-0.2%	-5.3%	-13.2%	-31.9%	-3.7%

Provisions for bad debts, beginning of year	-8,435
Bad debts realised during the year	910
Provision for the year	-3,776
Total	**-11,301**

* Lifetime expected credit loss.
** Historical average loss rate is approx. 0.6%

Comment

Current receivables, other than trade receivables, all fall due for payment in 2020. Reference is made to note 3 to the Consolidated Financial Statements.

Note 16 Share capital

Reference is made to note 18 to the Consolidated Financial Statements.

Note 17 Deferred tax

DKK '000	2019	2018
Deferred tax at 1 January	114,664	110,985
Change in deferred tax for the year	3,397	3,679
Addition by merger	36,420	0
Adjustment of previous year	-791	0
Deferred tax at 31 December	**153,690**	**114,664**
Due within 1 year	-9,100	1,303
Deferred tax relates to:		
Intangible assets	38,086	797
Property, plant and equipment	101,989	97,544
Fixed asset investments	18,170	18,170
Current assets	10,069	10,563
Current liabilities	-14,624	-12,410
Total	**153,690**	**114,664**

Note 18 Other current payables

DKK '000	2019	2018
VAT, excise duties, etc	22,836	27,230
Other payables	212,330	211,654
Deposit, returnable packaging	38,215	37,894
Total other current payables	**273,381**	**276,778**
Deposit, returnable packaging is specified as follows:		
Balance at 1 January	37,894	34,988
Adjustment for the year	321	2,906
Balance at 31 December	**38,215**	**37,894**

Comment

The change in the deposit on returnable packaging for the year reflects the net exchange with customers of returnable packaging for the year less estimated wastage of returnable packaging in circulation.

Note 19 Cash Flow Statement

Adjustments for non-cash operating items:

DKK '000	2019	2018
Dividends received from subsidiaries and associates	-559,175	-378,733
Financial income	-5,729	-5,577
Financial expenses	28,071	22,648
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment (see note 10 re leasing part)	135,444	137,076
Tax on the profit for the year	152,181	154,924
Profit and loss from sale of property, plant and equipment	3,479	-144
Share-based payments and remuneration	5,991	7,700
Total	**-239,738**	**-62,106**

Note 19 Cash Flow Statement (continued)

Changes to interest-bearing debts

	31/12 2018	Cash flow	Additions	31/12 2019
Interest-bearing long-term debts	1,675,947	-404,095		**1,271,852**
Interest-bearing short-term debts	804,924	143,813	500,000	**1,448,737**
Total interest-bearing debt, mortgage and credit institutions	**2,480,871**	**-260,282**	**500,000**	**2,720,589**
Interest-bearing long-term leasing debt	53,866	-11,954	14,259	**56,171**
Interest-bearing short-term leasing debt	18,041	-18,041	23,153	**23,153**
Total interest-bearing leasing debt	**71,907**	**-29,995**	**37,412**	**79,324**
Total	**2,552,778**	**-290,277**	**537,412**	**2,799,913**

	31/12 2017	1/1 2018 IFRS 16	Cash flow	Additions	31/12 2018
Interest-bearing long-term debts	579,505			1,096,442	**1,675,947**
Interest-bearing short-term debts	1,075,555		-270,631		**804,924**
Total interest-bearing debt, mortgage and credit institutions	**1,655,060**		**-270,631**	**1,096,442**	**2,480,871**
Interest-bearing long-term leasing debt	0	51,047	-19,875	22,694	**53,866**
Interest-bearing short-term leasing debt	0	19,953	-1,912		**18,041**
Total interest-bearing leasing debt	**0**	**71,000**	**-21,787**	**22,694**	**71,907**
Total	**1,655,060**	**71,000**	**-292,418**	**1,119,136**	**2,552,778**

Note 20 Contingent liabilities, security and other liabilities

mDKK	2019	2018
Guarantees		
Guarantees relating to subsidiaries	684.3	758.9
Total	**684.3**	**758.9**

The change in guarantees relating to subsidiaries relates to the Parent Company's guarantee with respect to mortgage loan in the Finnish subsidiary.

	2019	2018
Rental and operating lease commitments		
Total future payments:		
Within 1 year	8.0	9.6
Between 1 and 5 years	11.7	11.3
Beyond 5 years	0.1	0.5
Total	**19.8**	**21.4**

Rental and operating lease commitments relate to low value assets and service not included under IFRS 16.

	2019	2018
Third-party guarantees	**11.0**	**11.6**

Security

No security has been provided in respect of the Group's loan agreements with credit institutions other than the Parent Company's liability for the amounts drawn by subsidiaries on group credit facilities.

As regards security for loan agreements with mortgage credit institutes, reference is made to note 12.

Contingent liabilities

The outcome of pending legal actions is not expected to have any material impact on the financial position of the Parent Company or the Group.

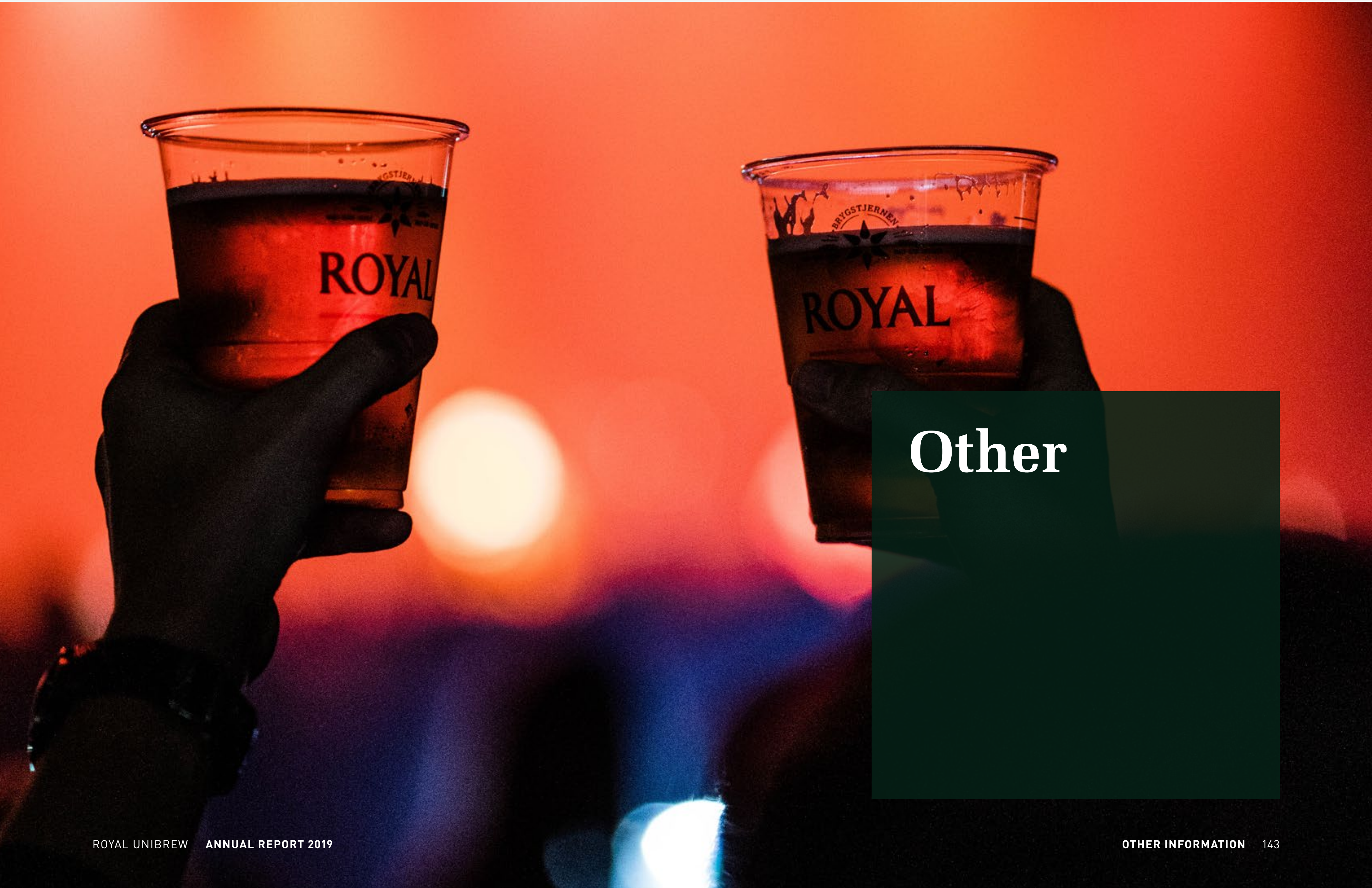
Note 20 Related parties

Related parties comprise the Board of Directors and the Executive Board as well as subsidiaries and associates, see the sections on Board of Directors and Executive Board on page 52 and Group Structure on page 144. No shareholder exercises control.

The following transactions have been made with related parties:

t.DKK	2019	2018
Revenue		
Sales to subsidiaries	522,975	546,882
Sales to associates	18,354	11,723
Costs		
Purchases from subsidiaries	51,917	21,116
Financial income and expenses		
Dividends received from associates	25,234	21,412
Dividends received from subsidiaries	533,941	357,321
Interest received from subsidiaries	2,640	2,512
Interest paid to subsidiaries	45	481
Executive Board		
Remuneration paid	17,012	13,956
Debt re cash-based bonus schemes	5,900	5,000
Debt re share-based bonus scheme	19,342	13,351

t.DKK	2019	2018
Board of Directors		
Remuneration	5,704	3,945
Intercompany balances at 31 December		
Loans to subsidiaries	183,393	120,086
Receivables from subsidiaries	14,715	93,440
Loans from subsidiaries	867,777	786,499
Payables to subsidiaries	-37,214	11,393
Capital contributed to subsidiaries	6,570	0
Guarantees and security		
Guarantee for subsidiaries	696,016	758,905



Other

Group Structure

Segment	Ownership	Currency	Capital
Parent Company			
Royal Unibrew A/S, Denmark		DKK	100,200,000
WESTERN EUROPE			
Subsidiaries			
Aktieselskabet Cerekem International Ltd., Denmark*	100%	DKK	1,000,000
Albani Sverige AB, Sweden*	100%	SEK	305,000
Ceres S.p.A., Italy	100%	EUR	206,400
The Curious Company A/S, Denmark*	100%	DKK	550,000
Etablissement Geyer-Fréres S.A., France	100%	EUR	159,687
Lorina Inc., USA*	100%	USD	947,203
Nohrlund ApS, Denmark	51%	DKK	103,030
Terme di Crodo S.r.l.	100%	EUR	19,000,000
Associates			
Grønlandskonsortiet I/S, Denmark	50%	DKK	
Hansa Borg Holding AS, Norway	25%	NOK	54,600,000
Nuuk Imeq A/S, Nuuk, Greenland	32%	DKK	38,000,000
BALTIC SEA			
Subsidiaries			
AB Kalnapilio-Tauro Grupe, Lithuania	100%	EUR	1,153,337
Oy Hartwall Ab	100%	EUR	13,240,140
Lapin Kulta Oy	100%	EUR	16,819
Royal Unibrew Services UAB, Lithuania	100%	EUR	43,500
SIA "Cido Grupa", Latvia	100%	EUR	1,117,060
SIA Lacplesa Alus, Latvia	100%	EUR	1,002,848
SIA Bauskas Alus, Latvia	100%	EUR	786,996
OÜ Royal Unibrew Eesti, Estonia	100%	EUR	2,000,000

Segment	Ownership	Currency	Capital
INTERNATIONAL			
Subsidiaries			
Centre Nordique d'Alimentation EURL, France*	100%	EUR	131,000
Ferell sp. z o.o.*	100%	PLN	120,200
Supermalt UK Ltd., UK	100%	GBP	9,700,000
Vitamalt (West Africa) Ltd., UK	100%	GBP	10,000
Royal Unibrew Nigeria Ltd.	100%	NGN	10,000,000
The Danish Brewery Group Inc., USA*	100%	USD	100,000
Bruce Ashley Group Inc.	100%	CAD	133

* not audited as not mandatory audit

Activity

- Production, sales and distribution
- Sales and distribution
- Holding company
- Other

Quarterly Financial Highlights and Ratios (Group)

mDKK (unaudited)	Q1		Q2		Q3		Q4	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales (million hectolitres)	2.2	2.1	3.3	3.1	3.0	3.2	2.5	2.4
Income Statement								
Net revenue	1,521	1,452	2,270	2,066	2,114	2,106	1,787	1,674
EBITDA	295	274	584	526	574	543	361	330
EBITDA margin (%)	*19.4*	*18.9*	*25.7*	*25.5*	*27.2*	*25.8*	*20.2*	*19.7*
Earnings before interest and tax (EBIT)	211	194	499	447	492	451	267	247
EBIT margin (%)	*13.9*	*13.4*	*22.0*	*21.6*	*23.2*	*21.3*	*14.9*	*14.8*
Income from investments in associates	-2	-3	11	12	7	0	9	11
Financial income and expenses	-9	-10	-10	-4	-8	-7	-9	-10
Profit before tax	200	181	500	455	491	444	267	248
Net profit for the period	153	142	388	359	377	351	222	188
Balance Sheet								
Non-current assets	7,125	5,909	7,099	5,920	7,089	6,753	7,163	6,775
Total assets	8,735	7,347	8,907	7,445	8,594	8,161	8,493	8,062
Equity	3,001	2,791	2,663	2,554	2,934	2,776	3,106	2,908
Net interest-bearing debt	3,047	2,224	3,000	1,956	2,681	2,397	2,705	2,522
Net working capital	-399	-488	-750	-927	-695	-895	-671	-748
Invested capital	6,503	5,324	6,068	4,814	6,018	5,588	6,211	5,835
Cash Flows								
From operating activities	-101	-249	816	949	490	493	198	21
From investing activities	-353	-626	-46	-78	-60	-820	-157	-98
Free cash flow	-156	-278	771	892	439	420	105	-92
Financial Ratios (%)								
Free cash flow as a percentage of net revenue	-10	-19	34	43	21	20	5	5
Cash conversion	-102	-196	199	248	116	120	47	-49
Net interest-bearing debt/EBITDA (running 12 months)	1.8	1.6	1.7	1.3	1.5	1.5	1.5	1.5
Equity ratio	34	38	30	34	34	34	37	36

Ratios comprised by the "Recommendations and Financial Ratios" issued by the Chartered Financial Analyst Society Denmark's Committee for Accounting standards have been calculated according to the recommendations.

Definitions of financial highlights and ratios are provided on page 146.

Definitions of Financial Highlights and Ratios

EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses as well as profit from sale of property, plant and equipment and amortisation of intangible assets.
EBITDA margin	EBITDA as a % of net revenue.
EBIT	Earnings before interest and tax.
EBIT margin	EBIT as a percentage of net revenue.
Net interest-bearing debt	Mortgage debt and debt to credit institutions less cash at bank and in hand, interest-bearing current investments and receivables.
Net working capital	Inventories + receivables - current liabilities except for corporation tax receivable/payable as well as mortage debt and debt to credit institutions.
Invested capital	Equity + minority interests + provisions + net interest-bearing debt - financial assets.
Free cash flow	Cash flow from operating activities less net investments (inclusive leasing investments cf. IFRS 16) in property, plant and equipment and plus dividends from associates.
Earnings per share	Parent Company shareholders' share of profit for the year/average number of shares in circulation.
Free cash flow per share	Free cash flow from operating activities/average number of shares in circulation.
Diluted earnings per share	Parent Company shareholders' share of earnings from operating activities/average number of shares in circulation including restricted shares "in-the-money".
Dividend per share	Proposed dividend per share.
Return on invested capital after tax including goodwill (ROIC)	EBIT net of tax as a percentage of average invested capital.
Return on invested capital after tax excluding goodwill (ROIC)	EBIT net of tax as a percentage of average invested capital, excluding goodwill.
Free cash flow as a percentage of net revenue	Free cash flow as a percentage of net revenue.
Cash conversion	Free cash flow as a percentage of net profit for the year.
Net interest-bearing debt/ EBITDA before special items	The ratio of net interest-bearing debt at year end to EBITDA.
Equity ratio	Equity at year end as a percentage of total assets.
Return on equity (ROE)	Consolidated profit after tax as a percentage of average equity.
Dividend payout ratio (DPR)	Dividend calculated for the full share capital as a percentage of the Parent Company shareholders' share of net profit for the year.

Disclaimer

Forward-looking statements

This Annual Report contains forward-looking statements, including statements about the Group's sales, revenue, earnings, spending, margins, cash flows, inventories, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the following words or phrases "believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, likely to result, could, may, might", or any variations of such words or other words with similar meanings. Any such statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause the Group's actual results, performance or industry results to differ materially from the results expressed or implied in such forward-looking statements. Royal Unibrew assumes no obligation to update or adjust any such forward-looking statements (except for as required under the disclosure requirements for listed companies) to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that may have direct bearing on the Group's actual results include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, development in the demand for the Group's products, introduction of and demand for new products, changes in the competitive environment and the industry in which the Group operates, changes in consumer preferences, increasing industry consolidation, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, determination of fair value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors.

New risk factors may emerge in the future, which the Group cannot predict. Furthermore, the Group cannot assess the impact of each factor on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

Royal Unibrew A/S

Royal Unibrew A/S
Faxe Alle 1
DK-4640 Faxe
Tel +45 56 77 15 00

CVR No.: 41 95 67 12
Financial year: 1 January – 31 December
Registered municipality: Faxe

Homepage: www.royalunibrew.com
E-mail: contact@royalunibrew.com

Design and production: Noted