

Royal Unibrew A/S

Annual report for 2016



ROYAL
UNIKOLOGISKA

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The Annual Report has been prepared in Danish and English.
In case of discrepancy the Danish version shall prevail



Royal Unibrew in Brief



Royal Unibrew in Brief

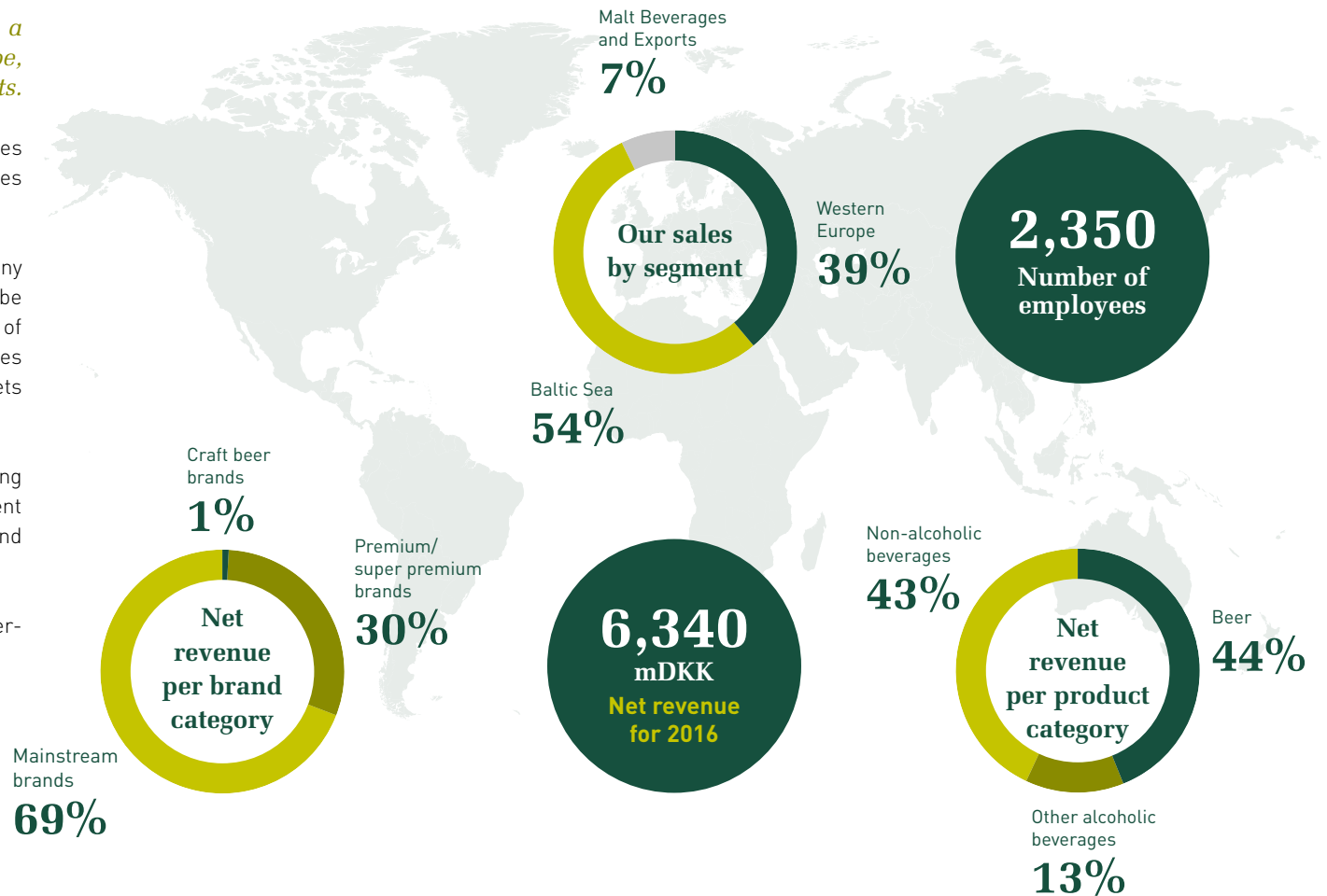
Royal Unibrew is a leading beverage provider in a number of markets – primarily in Northern Europe, Italy and in the international malt beverage markets.

We produce, market, sell and distribute quality beverages with focus on branded products within beer, malt beverages and soft drinks as well as cider and long drinks.

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

In 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 customer demand for quality beverages.

In addition to our own brands, we offer licence-based international brands of the PepsiCo and Heineken Groups.



Results for 2016 and Outlook for 2017

Best performance ever in 2016

Developments in 2016

- Considerably higher earnings despite challenging market conditions
- Positive development in net revenue and earnings in all segments
- Market shares generally maintained
- EBITDA margin and EBIT margin increases
- ROIC excluding goodwill up from 23% to 28%
- Expected distribution in 2017 to shareholders of DKK 1 billion (2016: DKK 829 million) comprising
 - dividend of DKK 8.15 per share (2016: DKK 7.20), a total of DKK 440 million
 - new share buy-back programme of DKK 560 million (2016: DKK 450 million)

Outlook for 2017

(mDKK)	Outlook 2017	Actual 2016	Actual 2015
Net revenue	6,250-6,450	6,340	6,032
EBITDA	1,285-1,385	1,306	1,225
EBIT	980-1,080	1,001	917

5% ↑

Net revenue increase for 2016 to DKK 6,340 million

7% ↑

EBITDA increase for 2016 to DKK 1,306 million

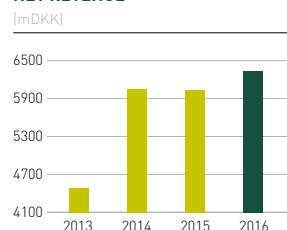
9% ↑

EBIT increase for 2016 to DKK 1,001 million

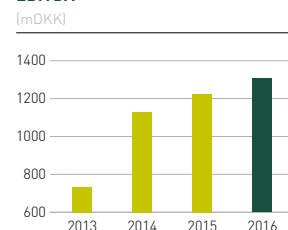
15,8% ↑

EBIT margin for 2016, an increase of 0.6 percentage point

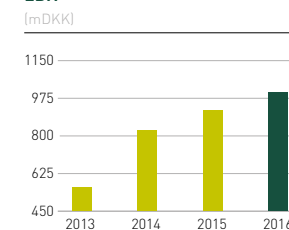
NET REVENUE



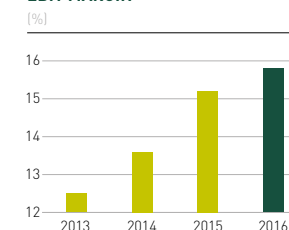
EBITDA



EBIT



EBIT MARGIN (%)



Financial Highlights and Ratios

	2016	2015	2014	2013	2012
Sales (million hectolitres)	9.7	9.1	7.0	5.4	5.7
INCOME STATEMENT (MDKK)					
Net revenue	6,340	6,032	6,056	4,481	3,430
EBITDA	1,306	1,225	1,130	732	611
<i>EBITDA margin (%)</i>	20.6	20.3	18.7	16.3	17.8
Earnings before interest and tax (EBIT)	1,001	917	826	560	485
<i>EBIT margin (%)</i>	15.8	15.2	13.6	12.5	14.1
Income after tax from investments in associates	28	31	35	34	34
Other financial income and expenses, net	-31	-46	-60	-46	-38
Profit before tax	998	902	801	548	481
Net profit for the year	784	711	624	480	373
BALANCE SHEET (MDKK)					
Non-current assets	5,180	5,505	5,664	5,810	1,992
Total assets	6,076	6,748	7,024	6,925	2,848
Equity	2,911	2,935	2,818	2,133	1,348
Net interest-bearing debt	991	1,184	1,553	2,379	321
Net working capital	-881	-990	-814	-834	-179
Invested capital	4,111	4,347	4,650	4,813	1,671
CASH FLOWS (MDKK)					
Operating activities	985	1,160	895	653	497
Investing activities	38	-123	-69	-2,837	192
Free cash flow	1,022	1,032	824	598	476
SHARE RATIOS (DKK)					
Earnings per share (EPS)	14.7	13.0	11.3	9.2	7.1
Diluted earnings per share	14.6	12.9	11.2	9.2	7.1
Free cash flow per share	19.2	18.9	14.9	11.7	9.1
Dividend per share	8.15	7.2	6.8	0.0	4.8
Year-end price per share	272.6	280.1	217.4	147.2	98.4

	2016	2015	2014	2013	2012
EMPLOYEES					
Average number of employees	2,350	2,314	2,374	1,935	1,635
FINANCIAL RATIOS (%)					
Return on invested capital including goodwill (ROIC)	18	16	13	13	21
Return on invested capital excluding goodwill (ROIC)	28	23	19	18	24
Free cash flow as a percentage of net revenue	16	17	14	13	14
Cash conversion	130	145	132	125	128
Net interest-bearing debt/EBITDA (times)	0.8	1.0	1.4	2.3*	0.5
Equity ratio	48	43	40	31	47
Return on equity (ROE)	27	25	25	28	28
Dividend payout ratio (DPR)	56	56	60	0	68

* calculated proforma with Hartwall's realised full-year EBITDA

Ratios comprised by the "Recommendations and Financial Ratios 2015" issued by the Danish Society of Financial Analysts have been calculated according to the recommendations.

Definitions of financial highlights and ratios are provided on page 117.

Strategy delivers progress once again based on entrepreneurship, commercial focus and high efficiency

2016 was yet another good year for Royal Unibrew. Despite challenging market conditions in several of our markets, our earnings continued to increase, which should be viewed in light of, not least, many innovative measures across our organisation and our local presence with our consumers and customers. As a result of the earnings improvement combined with our outlook for the years ahead, we are increasing our medium-term EBIT target from 15% to 16%. At the same time, we are increasing distributions to DKK 1 billion as a combination of a higher dividend and the most extensive share buy-back programme in our history,



2016 was a satisfactory year for Royal Unibrew; we reinforced our position as a regional beverage provider even further while generating our highest earnings ever. These results were achieved in spite of a difficult macroeconomic situation in the European markets, except for Denmark, a number of regulatory tightening measures in the Baltic countries and a shortage of “hard currency” in Malt Beverages and Exports resulting in a declining growth rate.

Our strategy – a solid foundation for the future

Based on our strategy, we have since 2009 successfully further developed and reinforced Royal Unibrew. Our overall strategic goal is for Royal Unibrew to be a focused and strong regional beverage provider with leading positions in the markets or in the segments in which we operate. This strategy once again proved strong and is maintained. Acquisitions remain part of our strategy, and we will carefully consider any opportunities as long as they generate added value for our shareholders. Following the acquisition of Hartwall, we have been rebuilding our financial strength and now have the required strategic flexibility to make acquisitions.

Moreover, we have a number of plans for continuing this positive development through commercial measures, innovation and continuous improvements of our efficiency.

Innovation is crucial to succeed in our markets, and it takes both insight, considerable agility and innovative courage to match our consumers’ needs. Consumers are increasingly demanding originality and locally produced products – for example craft beer, which is one of our main target areas with the development of new products and the establishment of a special brewery for craft beer annexed to the Albani brewery in Odense. Furthermore, consumer preferences change rather fast, and we are therefore continuously working to increase our presence and dialogue with both our consumers and customers to get inspiration for the development of new products drawing on our strong local base and our many reputable brands. We also strive to be an innovative,

non-bureaucratic and value-adding business partner in our cooperation with customers to jointly meet our consumers’ needs and generate strong results together.

Further progress in Denmark

The positive development in the Danish part of our business continued in 2016 winning us additional market shares on branded products. Our progress is due to a large number of initiatives, including a reinforcement of our position within craft beer, Faxe Kondi campaigns with a good response in the social media, the launch of Albani Mosaic IPA and, not least, the extension of our position for the organic beer Royal Organic. Our position was reinforced across all channels.

Broader product range in Italy

In Italy, we continued our efforts to strengthen digital marketing, and this strategy is yielding good results in terms of recruiting new, younger consumers, who do, however, shop a lot more between brands and categories; therefore, we are striving to offer a broader variety of products. In 2016, we launched craft beer products in both the on-trade and off-trade sales channels, and they did well in a segment that is offering still more brands. The sale of Faxe 10%, which was launched in the on-trade sales channel in 2015, is also increasing and meeting expectations.

Integration of Hartwall completed

Hartwall in Finland is on the right track despite difficult macroeconomic conditions, and earnings in this part of our business have been improved through reinforced partnerships, value management focus and continuous efficiency improvements. Hartwall’s commercial position as a leading beverage provider has been continuously reinforced through targeted efforts to adjust the product mix, among other things. We focus especially on strengthening Hartwall’s product range in the premium segment – for example, the regional beer Aura has now been launched nationally as have new varieties of Novelle Plus and Jaffa C+. In early 2016, the Group’s ERP system was

implemented in Hartwall, concluding the last major single element in the integration of Hartwall into Royal Unibrew.

Difficult market conditions in the Baltic countries

The Baltic countries were a difficult market in 2016, especially due to a number of regulatory changes. Indirect tax increases were introduced, and Lithuania saw the introduction of a deposit on cans as well as a collection charge on other packaging, which led to major consumer price increases and a reduction in the consumption of, in particular, alcoholic products. Our response to the difficult market conditions was a number of innovative measures on the product side. We thus continued developing our product range in the premium segment – for example, we launched new varieties of the craft beers Lielvades and Vilkmarges.

Continued growth in Malt Beverages and Exports – but at a lower level

Malt Beverages and Exports showed solid growth in recent years and also grew in 2016, but, as expected, more moderately than in previous years. The reason for this is less favourable macroeconomic conditions and, in particular, shortage of “hard currency” in Africa and parts of the Americas. In general, the Americas and Europe saw favourable developments supported by, among other things, an expansion of the sales organisation in several countries and closer partnerships with distributors.

Expanded cooperation with PepsiCo progressing as planned

As of 1 January 2016, we expanded our long-standing good cooperation with PepsiCo to include the production, sale and distribution of a number of PepsiCo soft drinks products in Latvia, Lithuania and Estonia as well as the sale of PepsiCo snack products under brands such as Lay’s, Doritos and Bugles in Denmark.

The new products have strengthened our existing portfolio, and the expanded cooperation is progressing as planned contributing to an increase in total revenue of approx 2% in 2016.

EBIT margin target increased to 16%

Based on our good results in 2016 and our expected future development, we are increasing our medium-term EBIT margin target to about 16% compared to the previous target of about 15%. We consider the 16% EBIT margin target ambitious, if we compare us with international and regional beverage providers in Europe and, not least, in light of continuously challenging market conditions and the objective of increased investments in market positions and brands in our key markets.

Launch of record-high share buy-back programme

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

Based on the results for 2016, the Board of Directors recommends to the AGM the distribution of dividend of DKK 8.15 per share compared to DKK 7.20 for 2015. Moreover, a share buy-back programme of DKK 560 million covering the period to end February 2018 will be launched soonest possible – together, the most extensive distribution programme in the history of Royal Unibrew.

New CEO joining

We are looking forward to welcoming Jesper B. Jørgensen as new President & CEO of Royal Unibrew on 1 April 2017. Jesper has wide commercial and international experience within Royal Unibrew's business areas and will together with

the rest of the Executive Board, Johannes Savonije (COO) and Lars Jensen (CFO), and our experienced local leadership teams take the lead in further realisation of Royal Unibrew's current strategy, which has contributed towards a continuous reinforcement of Royal Unibrew's position and towards considerable value creation for our shareholders. It is the Board of Directors' assessment that the long experience and strong competences of the Executive Board and our other leaders, combined with the contribution from our many committed and competent employees, will provide a very good basis for continuing the positive development of Royal Unibrew.

We take this opportunity to thank everyone at Royal Unibrew for a very dedicated effort in 2016. It is our combined efforts which have enabled us once again to create good results and meet consumer demands for innovative quality beverages in the past year despite challenging market conditions in a number of our markets.

We also take the opportunity to thank our customers for a year of even stronger partnerships and, last but not least, our shareholders for their support of Royal Unibrew.

Kåre Schultz
Chairman of the Board

Henrik Brandt
President & CEO



Strategy and targets



Strategy

Royal Unibrew's overall strategy remains unchanged, ie reinforcing its position as a regional beverage provider. The results of the strategy caused us to increase our medium-term EBIT margin target to about 16%. The capital structure and dividend targets are maintained.

Overall strategy

It is Royal Unibrew's strategy to be a focused, strong regional beverage provider within beer, malt and soft drinks, including soda water, mineral water and fruit juices as well as cider and long drinks (RTD) holding leading positions in the markets or the segments in which we operate.

Main elements of the overall strategy

Significant 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 the Company holds either a leading position, such as in Denmark, Finland and the Baltic countries, or considerable and leading niche positions, such as in Italy and in the international malt beverage markets to which beer is also exported. As regards mainstream market positions in consolidated markets, it must be possible to achieve a role as a leading player to create attractive profitability.

Royal Unibrew's natural market area is characterised by considerable industry concentration. To the extent that structural growth opportunities arise, including, for example, through acquisitions or by entering into partnerships, which might reinforce existing market positions or create new market positions, these will be assessed if there is a strategic match and long-term shareholder value can be created.

Efforts will be made to reinforce mainstream market positions through focus on a broader beverage portfolio in order for Royal Unibrew's customers to benefit further from the partnership.
See examples of consumer activities on page 13

Innovation, development and local brand positions

Focus on innovation and development of Royal Unibrew's products and local brand positions

Royal Unibrew's strong position as a regional brewer builds on strong local market positions established on the basis of well-known local brand portfolios subject to continuous further development. The product portfolio development includes the Group's own development of new taste varieties, products and brands within existing and new beverage categories as well as the conclusion of new licence agreements both as a licensee and a licensor.
See examples of innovation activities on page 14.

Operational efficiency

Focus on operational efficiency

Royal Unibrew will continue its focus on pursuing all opportunities of continuously enhancing the efficiency of all links in the Company's value chain.
See examples of efficiency activities on page 15.

Financial flexibility

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

Royal Unibrew is continuously considering its capital structure with a view to adjusting it so as to support the realisation of the strategic and financial targets in the best possible way (cf page 17).

Based on the satisfactory results for 2016 and our outlook for the future development, we increase our medium-term EBIT margin target to about 16% compared to the previous target of 15%. The EBIT margin target of about 16% is considered ambitious, if we compare us with international and regional beverage providers in Europe and in light of continuously challenged markets in many places, and the objective of increased investments in market positions and brands in key markets.

Royal Unibrew operates in markets that are characterised by different dynamics. This has been taken into account when determining the strategy market by market.

Royal Unibrew's success depends on its ability to retain experienced employees and recruit new employees bringing new momentum, and on strengthening core competences through development and training. We therefore give high priority to HR efforts, both those of individual managers and those made centrally.



Market outlook

Royal Unibrew operates in markets that are characterised by different dynamics. This has been taken into account when determining the strategy market by market. Royal Unibrew expects developments in the individual markets to be as follows:

Western Europe

2016:		
Revenue		EBIT margin
2,870 mDKK		18.4 %

The **Danish consumer market** is expected continuously to be affected by a minor structural consumption decline within Royal Unibrew's beverage categories in the coming years. The beer category will be the primary driver of the structural decline resulting from consumers increasing their consumption of other alcoholic beverages. In the beer category, the current positive trend in the consumption of craft/special brews is expected to continue and enhance the opportunities of added value in the beer market. Within the classic soft drinks and mineral water categories, new product sub-categories are still expected to be developed driven by, among other things, health trends and the need for functional beverages, which is expected to curb the decline in the total beverage market. Consumer demand for innovative products and a broader product range will continue to affect complexity, and thus make considerable demands on Royal Unibrew in terms of adaptability.

In the **Italian beer market**, which is characterised by a low per capita consumption compared to other "wine countries", beer consumption is structurally expected to increase slightly in the coming years. The economic challenges faced by Italy are expected to reduce growth opportunities within the super premium segment due to, among other things, consumption pattern changes which imply a shift of sales from on-trade to off-trade, whereas consumption in the craft/special brew segment is expected to increase, thus adding value to the category as a whole, but from a low base.

Baltic sea

2016:		
Revenue		EBIT margin
2,986 mDKK		13.2 %

In **Finland**, the total beverage market in which Hartwall operates is expected to show a slight structural decline in the coming years, due to, among other things, the high excise duty level and the macroeconomic challenges. On-trade is still expected to be more severely hit by the negative development than off-trade, and within off-trade a slight increase in sales in the discount segment is expected. Innovation will continue to be an important element in developing the overall beverage market, eg through the development of new categories.

Structurally, the total beverage market in **the Baltic countries** is expected to be considerably negatively affected by legislative changes as well as a continued negative impact from demographic developments. Legislative changes are primarily related to the beer segment where huge excise duties and increased restrictions have resulted and are still expected to result in significant consumer price increases – and these circumstances are not likely to change. The market for non-alcoholic beverages is expected eventually to have growth potential; the potential will, however, be closely linked to the macroeconomic conditions, including spending power development, unemployment and emigration.

Malt beverages and exports

2016:		
Revenue		EBIT margin
484 mio. DKK		22.3 %

The market for dark malt beverages is geographically fragmented, and consumer preference for dark malt beverages is rooted in tradition. The markets for dark malt beverages in established economies such as Europe, USA and the Caribbean are expected to be structurally stable in the coming years. Demand for beer and dark malt beverages is expected to show a slight structural increase in a number of developing countries. The slight growth should be viewed in light of the macroeconomic challenges facing many countries in Africa and the Americas, whose development is to a large extent characterised by declining raw materials prices, lower foreign investments and a shortage of "hard" currencies.



Royal Unibrew and Consumers

Situational consumption

Royal Unibrew wants to reach out to consumers in a multi-faceted reality with products that match the moment. That requires insight into and understanding of situational consumption.

Trends are a monster with many heads; as in the case of innovation, it takes courage to find new ways or to leave be. The modern consumer does not have a stringent, predictable behaviour that can be mapped – but belongs to the race of situational consumers.

Consequently, today's consumers take a different approach to products depending on the situation that they are in. It might be a special event or the company that they are in which decides which beverages they choose.

As a result of such consumer behaviour, the same consumer is often found in several segment groups at the same time.

Royal Unibrew meets consumers in many different situations other than when they are shopping for their home consumption at the store; for example in connection with an informal get-together or a party at a restaurant, in connection with sports, at street parties, at concerts and at music festivals.



Stronger ties and passionate cooperation with consumers and business partners

Consumers are and remain the strongest focus area in our efforts to reinforce our market position. Another strong focal point is innovation through unique partnerships with customers and suppliers.

In 2016, Royal Unibrew directed targeted efforts at strengthening a large number of partnerships aimed at finding symbioses and shared passion towards a common goal. A fruitful and giving cooperation may be based on much more than financial interests.

We have taken inspiration from customers and business partners, thus developing alliances on a number of new initiatives.

Royal Unibrew has developed fantastic cooperation with several small breweries and passionate beer people to develop products that meet current consumer needs, eg organic beer and craft beer.

Together with our customers, we have developed new concepts for selling and displaying our products in stores and at events such as concerts and festivals.

Royal Unibrew and Innovation

New stars in the sky

Royal Unibrew captured the Danish craft beer market in 2015 with the Lottrup and Schiøtz series. These two gentlemen were the founders of the Ceres and Albani breweries, respectively, in the middle of the past century. In 2016, we extended the series adding two new brews to each of them. The products are seasonal – spring and autumn – brews. 2016 was also the year when we launched the products on draft and in 33-centilitre bottles for bars, cafés and restaurants.

Behind the two successful craft beer series, we find Royal Unibrew’s talented team of brewers in cooperation with master brewer Anders Kissmeyer.

The cooperation has been so rewarding that Royal Unibrew employed Anders Kissmeyer as Head of Craft Beer Creation in mid 2016.

This cooperation will leave its stamp on all of the Group’s craft beer activities going forward. Already in early 2017, the first brews of a completely new Royal Unibrew brand built around Kissmeyer will see the light of day, and by the end of H1 a craft beer brewery in Odense is expected to be in use.

In 2016, Royal Unibrew also very successfully introduced a series of Tivoli beer developed in cooperation with the world-famous

amusement park in the heart of Copenhagen. Besides malt and hops, all of the taste ingredients of these beers are grown in the Tivoli gardens.

Finland has seen significant launches in the mineral water market headed by the launch of the “Novelle Plus” series of enriched water. With this series, the Hartwall brewery turned a trend moving towards private label into significant growth and the highest market preference. Moreover, the brewery has concentrated on low-alcohol and non-alcoholic products which are growing.

Beer and Mineral Water in New Ways

Royal Unibrew is meeting demand for innovative and more sophisticated products by a number of new beer types and mineral water varieties.

Our various innovation departments have developed organic beer, gluten-free beer, non-alcoholic beer and beer with lower alcohol content offering new appealing flavours and more health-oriented experiences. On the soft drinks side, we are seeing a similar development through work with mineral and vitamin additions and healthier alternatives to sugar and sweeteners. Especially Hartwall, our Finnish brewery, is taking the lead in these areas.

Already, five years have passed since the first organic beer was introduced by our Hartwall brewery in Finland. At the moment, the same brewery is very successful with its low-alcohol beer and the “Hartwall Vichy – black label” water product, which is an enriched mineral water. Among other things, the magnesium content makes the Hartwall Vichy product very suitable to accompany food. The product was launched in connection with the brewery’s 180th anniversary. Hartwall started producing mineral water back in 1836.

Finland taking the lead on e-commerce

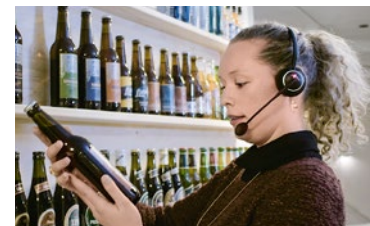
The Hartwall brewery in Finland was first mover on e-commerce back in 2004 with a BtB platform which originally operated as a simple order platform.

In recent years, the platform has developed so as to service all key channels. Focus is on the on-trade channel, which has been further developed in a customer-oriented direction.

The e-commerce platform has improved functions for servicing customers on an individual basis and generating more value to both parties.

The e-commerce platform will be further developed to match the changeable development with new trends, new customer types and changed consumer behaviour.

Today, a significant part of Hartwall’s on-trade sales is transacted through the e-commerce platform.



Royal Unibrew and Efficiency

Continuous efficiency measures across our entire value chain and also across our entire organisation have been a cornerstone of the improvement of Royal Unibrew's financial results – and a condition for being able to sustain and reinforce our future competitive power in very competitive markets.

“High efficiency is a cornerstone of Royal Unibrew's business and a condition for being able to react fast in markets with rapidly changing market conditions.”

Our efficiency measures are carried out under the heading “We'll do it a little better every day”; it is therefore generally our approach that we prefer several small projects to few large ones. In our experience, we get a much greater effect if we measure results over a sequence of years. We focus on all aspects from raw materials purchases, reduction of water and energy consumption, competence development and “work smarter” among employees, optimisation of packaging and containers, optimisation of distribution to more efficient campaign solutions and to strengthen our relations with customers and consumers.

We emphasise taking efficiency measures in close cooperation with the parties involved, which are primarily our employees and suppliers – and generally we aim at creating win-win situations. Concretely, we have achieved this in most packaging and container areas in recent years, eg through reduction of packaging/container weight without changing the breaking resistance.

The comprehensive efficiency measures introduced at Royal Unibrew in recent years mean that all low-hanging fruit has now been picked, and that, going forward, efficiency measures will to a much higher extent be driven by new investments and our ability to reduce the total cost of the full supply chain in cooperation with our suppliers.

Our strategy and focus areas of efficiency measures remain unchanged in 2017.



Local base

Revival of the Local Heroes

In recent years, locally produced goods have become still more popular. This applies with special force to the brewery industry.

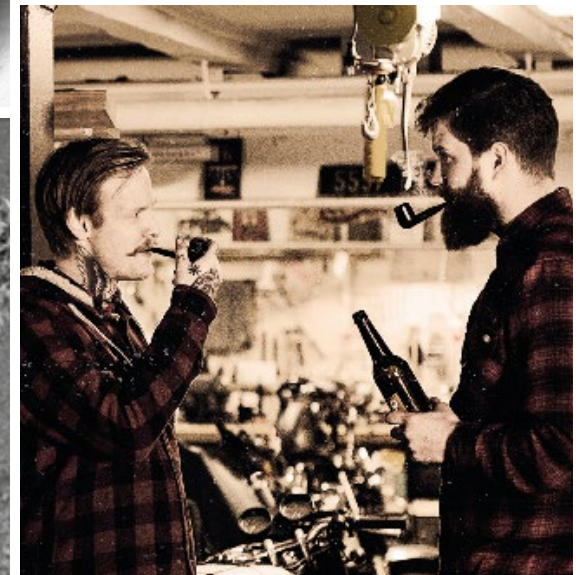
One of the things that make Royal Unibrew special is our very unique approach when it comes to brands and products. Besides being a strong central player in our markets with strong national and international brands, our roots are planted deeply in the local soil.

In Denmark, Royal Unibrew enjoys a very special heritage. We originate from 35 local breweries which together form a substantial part of Danish brewing history. We have breweries whose history dates back to 1832, and several of them remain active brands such as Faxe, Ceres, Albani, Thor and Slots. Besides the value they continue to create

from their mainstream products, they hold unique potential through reviving their original history and the original products.

The same applies to Royal Unibrew breweries in the Baltic countries where the Kalnapilis brewery in Lithuania was established back in 1902.

One of Royal Unibrew's oldest breweries is the Finnish Hartwall brewery from 1836. Over the years, Hartwall has taken over other Finnish breweries, for example the Aura brewery. Similarly to what we have done with the Schiøtz and Lottrup portfolios, Hartwall has relaunched the original Aura Pilsner in connection with the brewery's 180th anniversary. The beer is a Czech-inspired lager-type beer brewed with the legendary Saaz hops.



Financial targets, capital structure and distribution policy

Royal Unibrew's capability of achieving the financial targets is generally conditional on continuous business development through continued focus on growth opportunities, partnerships, innovation, sales and marketing, and on continuous efforts to optimise, enhance efficiency and create improvements across the business.

EBIT margin

The medium-term EBIT margin target is about 16%.

Indebtedness

It is Royal Unibrew's objective to maintain its indebtedness at a level which satisfies the request for flexibility with respect to acting on business opportunities and maintaining independence in relation to the Group's bankers, while also ensuring that Royal Unibrew is not heavily overcapitalised.

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. Royal Unibrew may depart from the targeted ratios for a certain period if structural business opportunities arise.

TOTAL DISTRIBUTION FOR THE YEAR

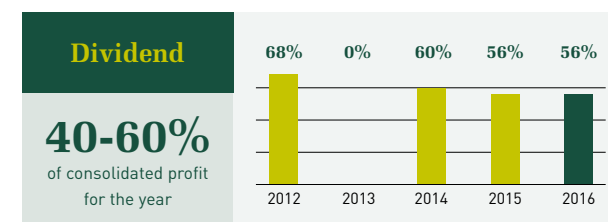
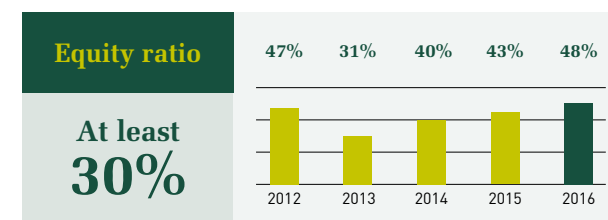
mDKK	2012	2013	2014	2015	2016
Dividend	199	242	-	374	386
Share buy-backs	200	110	-	293	443
Total distribution	399	352	-	667	829
<i>in % of prior-year consolidated profit</i>	108	94	-	107	117

Royal Unibrew's annual investments are expected continuously to be at the level of about 4% of net revenue.

Distribution policy

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

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



* calculated proforma with Hartwall's realised full-year EBITDA

Outlook for 2017

The outlook for Royal Unibrew's financial development in 2017 has been prepared taking into account a number of circumstances, including how the Group'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 taken into account.

The Board of Directors has decided to initiate as soon as possible a share buy-back programme of up to DKK 560 million covering the period to 1 March 2018. The Board of Directors will recommend to the AGM in 2017 the distribution of ordinary dividend of DKK 8.15 per share. Hence, DKK 1 billion is expected to be distributed based on the Financial Statements for 2016.

Assumptions about markets and main priorities for 2017

In the markets in which Royal Unibrew offers a broad beverage portfolio, a generally minor structural decline in total demand is expected. Our efforts to maintain and expand Royal Unibrew's market positions and to further strengthen customer partnerships will continue to focus on innovation and value management. At the same time, our broad beverage portfolio supports the possibilities of high operational efficiency at all organisational levels. Our targeted efforts to create continuous improvements will continue, including our efforts directed at investment-driven initiatives, which will contribute towards achieving both efficiency and commercial improvements. Generally, Royal Unibrew's market shares on branded products are expected to be maintained or increased for the key brands.

In **Finland**, Hartwall's product range comprises a broad beverage portfolio, and Hartwall holds an overall runner-up position in the Finnish market. To ensure Hartwall's continued position as a market-leading beverage business in Finland, our main priorities in 2017 will remain concentrated, without any change, on commercial focus, organisational development and continuous improvements. The Finnish market has

been characterised by declining consumption throughout a number of years due to, among other things, the very high level of excise duties. This development is expected to continue in 2017 due to the financial challenges faced by Finland and the Finnish consumers.

The extraordinary campaign activity is assumed to terminate by the end of Q3 2017, which will affect net sales development for Q4 2017 negatively.

In the **Danish consumer market**, Royal Unibrew holds an overall runner-up market position approaching the market through a broad beverage portfolio. Danish consumption is expected to remain affected by a slight structural consumption decline, whereas the value of the overall consumption is expected to be slightly increasing because the market for branded products is expected to increase slightly, whereas the market for discount products is expected to show a slight decline. Revenue for 2017 is expected to be positively affected by the full-year effect of the cooperation with PepsiCo on snacks sales, which was initiated at 1 January 2016.

In **the Baltic countries**, Royal Unibrew has a broad brand portfolio, primarily within beer, fruit juices, soft drinks and mineral water. The development and continued strengthening of the beverage portfolio are necessary to maintain economies of scale in a declining market and to continue strengthening customer partnerships. Consumption in the Baltic market is expected to decline due to tightening of legislation, most significantly in the beer category. The market for non-alcoholic beverages is expected to be stable or slightly increasing. Revenue is expected to be positively affected by

OUTLOOK FOR 2017

	Outlook 2017	Actual 2016	Actual 2015
Net revenue (mDKK)	6,250-6,450	6,340	6,032
EBITDA (mDKK)	1,285-1,385	1,306	1,225
EBIT (mDKK)	980-1,080	1,001	917

the full-year effect of the cooperation with PepsiCo on the sale of, among other products, Pepsi, Pepsi Max and 7up, which was initiated at 1 January 2016.

In **Italy**, where Royal Unibrew holds a strong position in the super premium segment with Ceres Strong Ale, the market is expected to increase slightly. We still expect to strengthen our cooperation with the many wholesalers, off-trade customers and cash & carry customers by expansion of the product portfolio and strong consumer-oriented initiatives.

In the **Malt Beverages and Exports** segment, we continue our focus on increasing our presence in already established markets. Great emphasis is placed on selecting and retaining our cooperation through customer- and consumer-oriented marketing investments with a view to establishing and reinforcing brand positions. The malt beverage markets in Europe and the Caribbean are expected to remain unchanged. However, the malt beverage and beer markets in Africa, North and Central America are expected to show slight increases, primarily driven by population growth. A number of the countries, primarily in Africa, will continue to be negatively affected by the macroeconomic development and devaluation of local currencies.

Financial assumptions

- Generally, unchanged net selling prices are assumed, while focus on improving the product mix continues. Due to changed customer agreements, net revenue is expected to be negatively affected by approx 1% as compared to 2016, whereas EBITDA will not be affected. Net revenue in Western Europe is estimated to be negatively affected by 3%, and net revenue in Baltic Sea is estimated to be positively affected by 1%.
- The expanded cooperation with PepsiCo with effect from 1 January 2016 is expected to increase revenue for 2017 due to full-year effects. The extraordinary campaign ac-

tivity in Finland is assumed to terminate by the end of Q3 2017, which will affect net sales development for Q4 2017 negatively.

- Generally speaking, costs are expected to follow inflation in 2017. Basically, costs are expected to show a slight decline, whereas increased expenses for growth initiatives and support of the existing business are expected to increase costs correspondingly. The growth initiatives relate primarily to the Malt Beverages and Exports segment, craft beer and the expanded cooperation with PepsiCo. The support of the existing business relates to Royal Unibrew's strong local brand portfolio in key markets in which marketing expenses are expected to be increased. We will continue our focus on generating continuous improvements and enhancing efficiency across the business and in all entities.
- Based on exchange rates at the end of February 2017, the prices of the key raw materials categories are expected to

increase slightly in 2017. Royal Unibrew has entered into hedging agreements for the majority of key consumption categories in 2017. The development comprises geographic as well as product-related differences, with some categories being expected to increase whereas others are expected to decline.

- Exchange rates between DKK and other currencies are assumed to remain unchanged as compared to the end of February 2017
- Gross investments are expected to amount to DKK 245-265 million.
- Tax is expected to amount to approx 22% of profit before tax excluding income after tax from investments in associates.
- Free cash flow is expected to be negatively affected by approx DKK 160 million as an extraordinary campaign in Finland is assumed to terminate after Q3 2017.



Craft Beer at Royal Unibrew

Royal Unibrew prioritising the craft beer market

2016 was the year when Royal Unibrew put its stake on the craft beer market as an important part of the Group's future. It was not a tough decision as the craft beer market has seen almost explosive growth throughout the world in the past few years, dominated by the USA.

In 2016, Denmark, Finland and the Baltic countries alone introduced several thousand new craft beer products, and the development certainly does not seem to be halting or stagnating. By far the majority of countries are seeing double-digit craft beer growth rates.

Besides intensifying our efforts with respect to craft beer launches in 2015 and 2016, Royal Unibrew took a number of new initiatives in order to remain a strong and significant player in the international market in the years ahead.

2016 was the year when we made the first necessary changes based on the defined strategies so as to build the necessary power to stand out in the craft beer market.

Mister Kissmeyer

Anders Kissmeyer belongs to the international elite of master brewers. He draws on a strong background from his many years working as a brew master. In 2012, he was



appointed "Best Active Brewmaster" on a global scale. Leading beer commentators refer to him as the third most influential brewer in Danish brewery history.

"There are no absolute truths in brewing. When creating a new beer, I always aim to bring something new."

— A. Kissmeyer —

Kissmeyer is a guiding star in the craft beer universe - and Royal Unibrew is proud to be cooperating closely with a brew master of international calibre who is so passionate.

A number of craft beer brew masters are surprising with bubbling creativity, and it is always fun and exciting to try new things. But as in other industries, there will always be experts who rise significantly above the average.

The true masters represent knowledge and insight which, combined with the ability to think innovatively and the courage to go down unknown paths when testing new techniques and beer types, guarantee a result that is always sublime. Kissmeyer is one of these masters.

Award winners from Lithuania

The Kalnapilis-Tauro Group in Lithuania, with roots all the way back to 1860, has been one of Royal Unibrew's most ambitious and successful breweries for many years when it comes to craft beer.

The high level of ambition has throughout the years won them several gold medals at the World Beer Cup. For example, two new Kalnapilis beers struck gold at the World Beer Cup in the USA in 2004 competing against 1,564 other products from 393 breweries in 40 countries.

Master brewer Ricardas Barakunas now has a permanent seat on the panel of judges at the World Beer Cup, which is an annually recurring competition. Moreover, he and his brewer colleagues train bartenders and certified beer sommeliers in the Baltic countries.

In 2016, the brewery added to new products to its award-winning craft beer series Vilkmørges including a Belgian Dubbel based on a 150-year-old beer type.



Performance



Financial review

Royal Unibrew achieved satisfactory earnings for 2016 – earnings which were above expectations and the highest ever. The earnings increase was achieved in spite of challenging macroeconomic conditions in the Baltic Sea segment, including regulatory tightening. Generally, Royal Unibrew maintained its market shares, and both our core business and the expanded cooperation with Pepsi-Co in Denmark and the Baltic countries developed positively.

Business development

Generally, Royal Unibrew maintained its market shares in 2016. Sales for 2016 showed a 6% increase, and net revenue increased by 5%. The highest growth was achieved in the Baltic Sea segment, in which sales increased by 9% on 2015. The positive development in the segment is primarily due to an extraordinary campaign activity in Finland.

In 2016, Royal Unibrew improved its earnings considerably as compared to last year. Earnings were positively affected by targeted value management of products and strengthening of customer partnerships, and improved efficiency and a changed market mix affected earnings positively. Exchange rate developments only affected earnings to a limited extent as purchases were mainly made in the Group's revenue currencies.

Earnings before interest and tax (EBIT) amounted to DKK 1,001 million, which is DKK 84 million above the 2015 figure. The profit before tax amounting to DKK 998 million for 2016 was DKK 96 million above the 2015 figure. Free cash flow for 2016 amounted to DKK 1,022 million compared to DKK 1,032 million for 2015. In 2016, dividend distribution and share buy-backs

totalling DKK 829 million were made, while net interest-bearing debt was reduced by DKK 193 million to DKK 991 million. The NIBD/EBITDA debt multiple was positively impacted by the extraordinary campaign activity in Finland and decreased from 1.0 to 0.8 in 2016.

As expected (see Company Announcement No 32/2015 of 10 August 2015), the last part of the 140,000 square metres of building rights at the brewery site in Aarhus was transferred to the purchaser in 2016 with a cash flow effect of approx DKK 195 million.

A share buy-back programme carried out in accordance with the "Safe Harbour" method for the period to 1 March 2017 was initiated in March 2016 with a view to adjusting the capital structure of Royal Unibrew A/S (see Company Announcement No 10/2016 of 1 March 2016). The share buy-back programme was completed in February 2017 at which time Royal Unibrew had bought back 1,529,846 shares representing a total market value of DKK 450 million. As expected, at 31 December 2016, Royal Unibrew had bought back 1,192,118 shares representing a market value of DKK 443 million under this programme and under the programme initiated in 2015 and held a total of 1,603,107 treasury shares, corresponding to 3.0% of the share capital.

Management change at Royal Unibrew A/S

Jesper B. Jørgensen will join Royal Unibrew as new President and CEO on 1 April 2017.

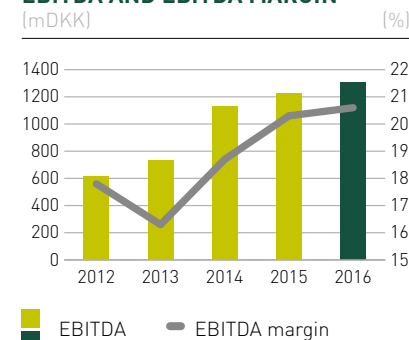
Income statement

Beer and soft drinks consumption in Royal Unibrew's markets in Italy, the Baltic countries and especially Finland continues to be affected by consumer restraint.

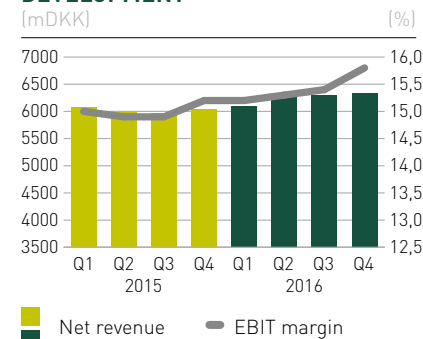
AS COMPARED TO THE OUTLOOK ANNOUNCED IN MARCH AND AUGUST 2016, ACTUAL NET REVENUE, EBITDA AND EBIT WERE AS FOLLOWS:

mDKK	Actual 2016	Outlook, August 2016	Outlook, March 2016
Net revenue	6,340	6,275-6,450	6,150-6,400
EBITDA	1,306	1,240-1,290	1,190-1,290
EBIT	1,001	935-985	885-985

EBITDA AND EBITDA MARGIN



CURRENT 12 MONTHS DEVELOPMENT



Sales for 2016 aggregated 9.7 million hectolitres of beer, malt beverages and soft drinks, which is approx 6% above the 2015 figure. The increase related primarily to the full-year effect of an extraordinary campaign in Finland. Sales for Q4 2016 were at the Q4 2015 level which was also positively affected by the campaign in Finland.

Net revenue for 2016 showed an approximate 5% increase and amounted to DKK 6,340 million (including beverages DKK 6,261 million) compared to DKK 6,032 million in 2015. Average net selling price per volume unit was 2.4% lower than in 2015, primarily due to an increased campaign share in Finland. Net revenue for Q4 2016 was 3% above the figure for the corresponding period of 2015, whereas average net selling price per volume unit was 2.9% higher due to a changed market mix.

Gross profit for 2016 was DKK 118 million above the 2015 figure and amounted to DKK 3,287 million. Gross profit was positively affected by the higher net revenue and by higher efficiency, whereas the lower net selling prices per volume unit had a negative effect. Gross margin was 0.7 percentage point below the 2015 margin and amounted to 51.8% compared to 52.5% in 2015. The gross margin decline is due to gross profit per volume unit – as expected – being lower than in 2015 and as a result of the extraordinary campaign activity in Finland, whereas a changed product and market mix had a positive effect. Measured

as an average per volume unit, net selling prices decreased by 2.4% and production costs by 1.6%.

Sales and distribution expenses for 2016 were DKK 48 million above the 2015 figure and amounted to DKK 1,982 million. As planned, sales expenses for 2016 were higher due to a number of growth initiatives, and the positive sales development naturally resulted in higher distribution expenses than in 2015. Distribution expenses per volume unit were lower than in 2015.

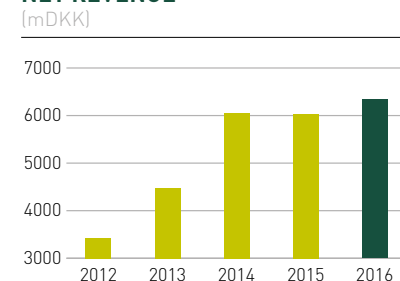
Administrative expenses for 2016 were DKK 15 million below the 2015 figure and amounted to DKK 305 million compared to DKK 320 million in 2015. The development from 2015 to 2016 is due partly to costs in 2015 for the implementation of the Group's ERP system in Finland, and partly to insourcing in Finland of IT operations resulting in lower IT costs in 2016.

Earnings before interest, tax, depreciation and amortisation (EBITDA) showed a DKK 81 million increase for 2016 and amounted to DKK 1,306 million compared to DKK 1,225 million in 2015. The EBITDA increase is due both to the higher net revenue and to optimisation of cost per volume unit. EBITDA margin increased by 0.3 percentage point to 20.6%. EBITDA for Q4 2016 amounted to DKK 254 million, which was DKK 31 million above the figure for the corresponding period of 2015.

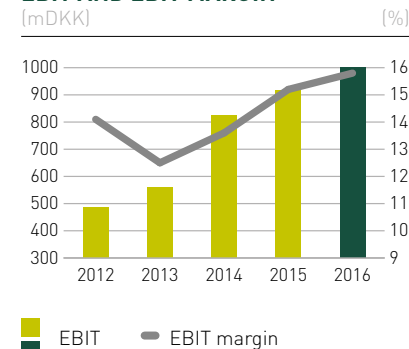
DEVELOPMENTS IN ACTIVITIES FOR 2016 BROKEN DOWN ON MARKET SEGMENTS

	Western Europe	Baltic Sea	Malt Beverages and Exports	Un-allocated	Group 2016	Group 2015
Sales (thousand hectolitres)	3,764	5,227	687	-	9,678	9,100
Growth (%)	2.9	9.2	4.7	-	6.4	1.4
Share of sales (%)	39	54	7	-		
Net revenue (mDKK)	2,870	2,986	484	-	6,340	6,032
Growth (%)	5.2	4.7	7.2	-	5.1	-0.4
Share of net revenue (%)	45	47	8	-		
EBIT (mDKK)	527	395	108	-29	1,001	917
EBIT margin (%)	18.4	13.2	22.3		15.8	15.2

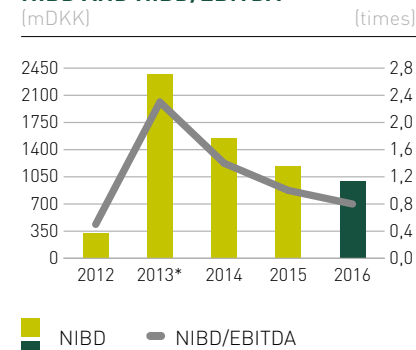
NET REVENUE



EBIT AND EBIT MARGIN



NIBD AND NIBD/EBITDA



* calculated proforma with Hartwall's realised full-year EBITDA

Earnings before interest and tax (EBIT) for 2016 amounted to DKK 1,001 million, which is DKK 84 million above the 2015 figure of DKK 917. EBIT for Q4 2016 amounted to DKK 175 million compared to DKK 143 million for the corresponding period of 2015.

EBIT margin for 2016 was 15.8% compared to 15.2% in 2015. EBIT margin for 2016 was higher in both the Western Europe segment and in the Baltic Sea segment, whereas it was marginally lower than in 2015 in the Malt Beverages and Exports segment. EBIT margin for Q4 showed a 1.9 percentage points increase on the corresponding period of 2015.

Net financials for 2016 showed a net expense of DKK 3 million, which is DKK 12 million below the 2015 figure. Interest expenses amounted to DKK 31 million and were DKK 15 million below the 2015 figure due to lower interest-bearing debt as well as a lower average interest rate. Oppositely, income after tax from investments in associates was DKK 3 million below the 2015 figure and amounted to DKK 28 million. The figure was negatively affected by lower results of Hansa Borg Bryggerierne.

Profit before tax for 2016 showed a DKK 96 million increase amounting to DKK 998 million compared to DKK 902 million in 2015.

Tax on the profit for 2016 was an expense of DKK 214 million, which is as expected and corresponds to a tax rate of 21% on the profit excluding income after tax from investments in associates.

Net profit for the year amounted to DKK 784 million, which is a DKK 73 million improvement on the net profit of DKK 711 million realised in 2015.

The Parent Company's profit for the year amounted to DKK 748 million compared to DKK 691 million in 2015. Dividend income from subsidiaries and associates amounted to DKK 314 million compared to DKK 297 million in 2015.

Balance sheet

Royal Unibrew's balance sheet at 31 December 2016 amounted to DKK 6,076 million, which is DKK 672 million below the figure at 31 December 2015. The balance sheet total was reduced by approx DKK 200 million as a result of the sale of the last part of the brewery site in Aarhus and by approx DKK 325 million due to cash being spent to repay long-term debt. Inventories and receivables at the end of 2016 were marginally below those at the end of 2015. In addition to that, the balance sheet total was reduced as a result of depreciation and amortisation of non-current assets exceeding net investments by approx DKK 130 million in 2016. Invested capital was reduced by DKK 236 million in 2016, which, combined with a higher EBIT, improved ROIC excluding goodwill by five percentage points to 28%. ROIC including goodwill increased by two percentage points to 18%.

The equity ratio increased by five percentage points and represented 48% at 31 December 2016 compared to 43% at the end of 2015. Equity at the end of 2016 amounted to DKK 2,911 million compared to DKK 2,935 million at the end of 2015. The DKK 24 million decrease comprised the positive comprehensive income for the year of DKK 791 million added the value of share-based payments of DKK 10 million and tax of DKK 4 million related thereto, and deducted distribution to shareholders of DKK 829 million by way of dividend and share buy-backs. The comprehensive income comprises the profit for the period of DKK 784 million added a positive development in the value of hedging instruments of DKK 20 million and deducted negative exchange rate and other adjustments relating to foreign group enterprises of DKK 9 million and tax on comprehensive income of DKK 4 million.

Net interest-bearing debt for 2016 was reduced by DKK 193 million and amounted to DKK 991 million at 31 December 2016 compared to DKK 1,184 million at the end of 2015. The development in net interest-bearing debt in 2016 was better than expected, comprising the free cash flow less distribution to shareholders.

Funds tied up in working capital showed a negative DKK 881 million at the end of 2016 compared to a negative DKK 990 million at the end of 2015. Funds tied up in working capital were increased by DKK 109 million, net. The working capital change comprised an increase of DKK 129 million with cash flow effect and a reduction of DKK 20 million without cash flow effect relating to value adjustment of hedging instruments. Funds tied up in inventories, trade receivables and trade payables increased by DKK 70 million, whereas the other elements of working capital increased by DKK 39 million. All entities continue their strong focus on managing inventories, trade receivables and trade payables.

Cash flow statement

Cash flows from operating activities for 2016 were DKK 175 million below the 2015 figure and amounted to DKK 985 million (2015: DKK 1,160 million). Cash flows comprised the profit for the period adjusted for non-cash operating items of DKK 1,316 million (2015: DKK 1,235 million), negative working capital cash flow of DKK 94 million (2015: positive DKK 169 million), net interest paid of DKK 27 million (2015: DKK 47 million) and taxes paid of DKK 210 million (2015: DKK 197 million).

Free cash flow for 2016 was DKK 10 million below the 2015 figure and amounted to DKK 1,022 million (2015: DKK 1,032 million). Cash flows from operating activities and dividend from associates decreased by DKK 177 million, and investments in property, plant and equipment showed a net decrease of DKK 167 million on 2015. Revenues from asset divestments, substantially relating to the brewery site in Aarhus, were DKK 177 million higher, whereas investments were DKK 10 million higher. Free cash flow for Q4 2016 amounted to DKK 187 million (2015: DKK 239 million) and was DKK 52 million lower than the 2015 figure which was positively affected by DKK 160 million relating to the extraordinary campaign in Finland.

Western Europe

The Western Europe segment comprises the markets for beer and soft drinks in Denmark and Germany as well as Italy. Western Europe accounted for 45% of the Group's net revenue for 2016 and for 51% of allocated EBIT (2015: 45% and 52%, respectively).

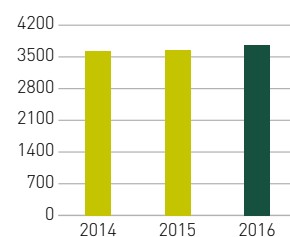
Sales in Western Europe for 2016 increased by 3%, and Royal Unibrew increased its market shares on branded beer and soft drinks.

Net revenue from beer and soft drinks increased by 2%. A shift towards both products and sales channels in Denmark and Germany with higher net selling prices per volume unit had a positive effect on the revenue development, whereas the channel shift in Italy had a negative effect. The new cooperation with PepsiCo on the sale of snack products contributed

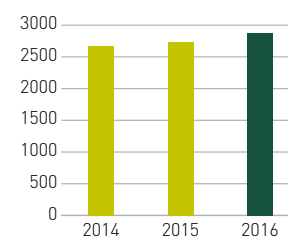
a net revenue increase of 2.9%. Developments in Q4 were as for the year in general.

Earnings before interest and tax (EBIT) for 2016 showed a DKK 34 million increase from DKK 493 million in 2015 to DKK 527 million in 2016. The EBIT increase was due to a strengthening of the market position in Denmark/Germany as well as a favourable development of the product mix. EBIT margin increased by 0.3 percentage point to 18.4% despite a negative effect on EBIT margin from snack products sales.

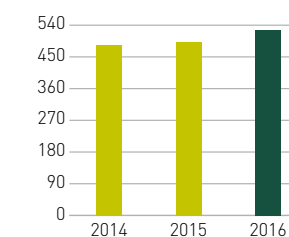
SALES
(thousand hectolitres)



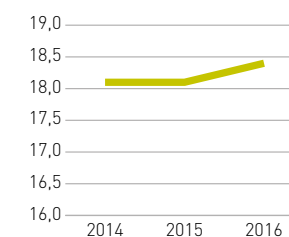
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT MARGIN
(%)



WESTERN EUROPE

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales (thousand hectolitres)	3,764	3,659	3	892	880	1
Net revenue, beverages (mDKK)	2,791	2,728	2	643	632	2
Net revenue (mDKK)	2,870	2,728	5	661	632	5
EBIT (mDKK)	527	493		90	86	
EBIT margin (%)	18.4	18.1		13.6	13.5	

Denmark and Germany

Development in 2016

For **Denmark and Germany**, it is estimated that Danish consumption of branded beer and soft drinks as well as total consumption increased slightly in 2016 despite the summer weather not, generally speaking, being as good as in 2015.

Royal Unibrew's sales for 2016 showed a 3% increase, and net revenue from beverages showed a 4% increase. It is assessed that Royal Unibrew has increased its market shares on both branded beer and soft drinks, due to, among other factors, a number of commercial initiatives and product innovation, which also affected net revenue per volume unit positively, whereas a shift from the on-trade towards the off-trade sales channel had a negative effect. PepsiCo snack products sales developed as planned in the first year contributing an additional 3.7% net revenue increase.

In 2016, Royal Unibrew successfully launched several new products, including the new beer products Royal Organic Classic, Albani Mosaic IPA and Tivoli Beer; moreover, the Schiøtz and Lottrup craft beer brands were introduced as draft beer products in the on-trade sales channel. In the



soft drinks segment, Nikoline Rød Grape as well as new Faxe Kondi Free and Faxe Kondi Booster varieties were launched. Danish consumers received the new products well. The complementation of the beverages portfolio by snack products has created synergies and a positive development for both product categories. The "Tak Rock" (Thank You, Rock) concept is still supported by cooperation with the legendary Danish rock band Dizzy Mizz Lizzy.

Profile

Royal Unibrew is the second largest provider of beer and soft drinks to Danish consumers; furthermore, Faxe beer is sold to the German market.

We offer a combination of strong local, national and international beer brands. Royal Beer, Schiøtz, Lottrup, Kissmeyer and the international licence brand Heineken are offered to the entire Danish market, whereas our other brands, such as Albani, Ceres and Thor, are primarily offered in areas with strong local bases.

Within soft drinks, we offer our own brands as well as licence-based brands of the PepsiCo Group. Our own brands comprise Faxe Kondi, which is the leading brand in the lemon/lime segment, as well as Nikoline. The Pepsi products include Pepsi, Pepsi Max, 7UP 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 energy drink as well as a number of cider, ready-to-drink and shots products under the Tempt brand.

The beverage range offered is supplemented by the PepsiCo Lays and Bugles snack products.

Royal Unibrew has two production facilities in Denmark – one in Faxe and one in Odense.

Both off-trade and on-trade channel customers are serviced through direct distribution from own terminals.

DENMARK AND GERMANY

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales, (thousand hectolitres)	3,365	3,257	3	819	806	2
Net revenue, beverages (mDKK)	2,220	2,141	4	536	520	3
Net revenue, (mDKK)	2,299	2,141	7	554	520	7

Italy

Development in 2016

The market situation in **Italy** remains marked by consumer restraint, and 2016 consumption is estimated to have been at the 2015 level adjusting for the effect of poorer summer weather in 2016 than in 2015 when it was extraordinarily fine.

Royal Unibrew's sales for 2016 showed a 1% decrease on 2015, and net revenue showed a 3% decrease due to a changed channel and product mix. It is assessed that Royal Unibrew has maintained its market shares in the premium and super premium segments in 2016.

In 2016, craft beer products were launched in both the on-trade and off-trade sales channels, while sales of Faxe 10%, which was launched in the on-trade sales channel in 2015, continued to increase in 2016, albeit from a low level.

The marketing of Ceres Strong Ale has been successfully changed in recent years so as to focus more strongly on social media and consumer engagement rather than traditional marketing. This has contributed towards enhancing its profile among consumers aged between 18 and 24.



Profile

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.

It is assessed that about 70% of Ceres Strong Ale is consumed out of home, whereas the rest is consumed at home. The general breakdown of the beer market in Italy is 40% out of home and 60% at home. Ceres Strong Ale is one of the most broadly distributed brands within the beer category in Italy and especially in the on-trade segment.

Royal Unibrew also sells Ceres Red Erik in the super premium segment, Nørdén in the craft beer segment as well as the lager types Ceres Top Pilsner and Faxe in the premium segment.

The Italian market is supplied through exports from our Danish breweries.

Distribution in the on-trade channel takes place through many wholesalers who service and supply customers or through a number of cash & carry locations where on-trade customers themselves pick up the goods. Retail customers are serviced either directly through outlets or through distribution centres. All goods in Italy are delivered through third-party suppliers.

ITALY

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales (thousand hectolitres)	399	402	-1	73	74	-1
Net revenue (mDKK)	571	587	-3	107	112	-4

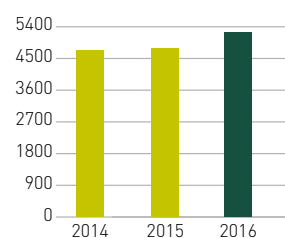
Baltic Sea

The Baltic Sea segment primarily comprises the markets in Finland and the Baltic countries (Lithuania, Latvia and Estonia). Baltic Sea accounted for 47% of the Group's net revenue and for 38% of allocated EBIT for 2016 (2015: 47% and 37%, respectively).

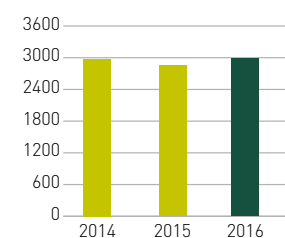
Royal Unibrew's sales for 2016 showed a 9% increase, and net revenue increased by 5%. Both sales and net revenue developments were materially affected by an extraordinary campaign activity in Finland, which started in Q4 2015. The new cooperation with PepsiCo on production, sale and distribution soft drinks products in the Baltic countries also affected the 2016 development positively. On the other hand, lower consumption in the Baltic countries had a negative effect. The average net revenue per volume unit for the year was lower due to the campaign activity in Finland.

Earnings before interest and tax (EBIT) were DKK 40 million above the 2015 figure and amounted to DKK 395 million. Value management and efficiency improvement affected earnings positively. EBIT margin went up by 0.7 percentage point from 12.5% to 13.2% and was positively affected by the changed market mix, whereas the campaign activity and a changed product mix in the Baltic countries had a negative effect in 2016.

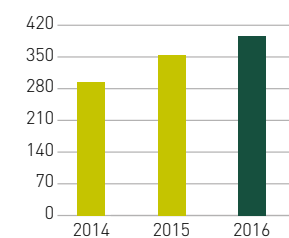
SALES
(thousand hectolitres)



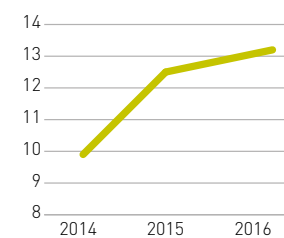
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT MARGIN
(%)



BALTIC SEA

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales (thousand hectolitres)	5,227	4,785	9	1,166	1,225	-5
Net revenue (mDKK)	2,986	2,852	5	690	697	-1
EBIT (mDKK)	395	355		65	45	
EBIT margin (%)	13.2	12.5		9.4	6.4	

Finland

Development in 2016

Finnish consumption of beer, soft drinks, wine and spirits products continued to be affected by the challenging economic situation, reluctant consumers and realised as well as planned fiscal measures in 2016. The situation is not expected to change significantly in the short or medium term. Moreover, 2016 consumption was negatively affected by poorer weather than in 2015. It is estimated that consumption of branded products for 2016 was at the 2015 level.

Sales for 2016 showed a 13% increase due to an extraordinary campaign activity with a large retail chain. The campaign resulted in an increased market share on branded beer products. Adjusted for the campaign, Royal Unibrew's total market share on branded products is estimated to be below the 2015 share. Net revenue showed a 6% increase and was significantly lower per sales unit than in 2015, which is primarily due to the campaign activity, but also to the change of mix between on-trade, convenience and off-trade. Adjusting for the extraordinary campaign activity, net revenue per volume unit showed an increase, primarily due to value management initiatives. In Q4, which also saw an extraordinary campaign activity in 2015, sales and net revenue for 2016 were 8% and 2%, respectively, below those of 2015, which is due both to value management

initiatives in 2016 and inventory build-ups in connection with the launch of the extraordinary campaign activity in 2015.

Hartwall's commercial position as a market-leading beverage provider in Finland has continuously been reinforced since Royal Unibrew acquired the business. Focus is on value management, eg by strengthening partnerships, generating added value to customers and directing focus at price, pack, promo and channel mix. The level of innovation is high in order to be able to offer a strong product portfolio at all times as demanded by customers and consumers. 2016 saw the launch of several new products, including Polar Monkey, an innovative craft beer, and Jaffa C+, a soft drink with extra vitamins. At the same time, the distribution of Aura, a strong regional beer brand, was significantly increased in order to provide consumers with an authentic regional option.

Efforts to create greater agility continue in order to continuously improve work processes and organisational flexibility with a view to increasing efficiency. In Q1 2016, the Group's SAP platform was implemented in Hartwall concluding the last major single element in the integration of Hartwall into Royal Unibrew.

Profile

Hartwall is a beverage provider with a broad product range holding a clear runner-up position in Finland.

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, Hartwall Classic and Polar Monkey (craft beer) as well as the international licence brands Heineken and Fosters. Moreover, we offer a number of alcoholic products rooted in Finland such as Original Long Drink in the RTD category and Upcider in the cider category.

In the soft drinks segment, we offer our own brands such as Jaffa and ED within energy drinks, Novelle in the mineral water category and international brands from PepsiCo's product portfolio.

Hartwall offers a number of international spirits and wine brands such as Johnny Walker, Captain Morgan, Lanson, Baileys and J. P. 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 distribution network of own terminals supplies both off-trade and on-trade customers directly.

FINLAND

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales (thousand hectolitres)	3,317	2,929	13	764	826	-8
Net revenue (mDKK)	2,334	2,212	6	552	562	-2

The Baltic countries

Development in 2016

Consumption in the Baltic market declined significantly in the beer and fruit juice categories in 2016 – due to the bad weather in July and August and increased excise duties, expansion of the deposit regime in Lithuania as well as the introduction of a collection charge on packaging in Lithuania. The decline is estimated at 5-7%. It is estimated that, excluding the Pepsi portfolio, Royal Unibrew has generally maintained its market shares on branded products.

The new cooperation with PepsiCo on production, sale and distribution of soft drinks products developed as planned contributing to increases in Royal Unibrew's sales and net revenue. Sales increased by 3% while net revenue increased by 2% in 2016, and were negatively affected partly by the consumer price volatility which arose in early 2016 in connection with indirect tax increases in both Latvia and Lithuania, partly by the implementation of a deposit and collection charge on canned products in Lithuania. Net revenue per volume unit for 2016 was lower than for 2015, but was positively affected by increased craft beer sales and negatively affected by the increased soft drinks sales.



The level of innovation was high in the Baltic countries with many launches in 2016 in both Lithuania and Latvia. Lielvārdes and Vilkmērges Belgian Dubbel were launched in the craft beer category, and Kalnapilis 4.5 Select in the premium beer category; moreover, Lielvārdes Pale Ale and Lielvārdes IPA in cans were launched. In the category of healthy vegetable juices added vitamins, Royal Unibrew's proprietary product Cido Veggie was launched, and in the sports drinks category, Mangali Active L-carnitine with vitamins and minerals was launched.

Profile

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

Royal Unibrew's brewery business Kalnapilio-Tauro Grupe is the second largest in Lithuania with the national beer brands Kalnapilis and Taurus, the Vilkmērges craft beer brand as well as Faxe and Heineken as international brands. In the soft drinks segment, we offer PepsiCo products and Kalnapilis Norte, while Cido is the number two fruit juice brand in terms of size.

Royal Unibrew's Cido Grupa in Latvia is the leading provider of fruit juices and mineral water. 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's soft drinks. At the same time, Cido Grupa holds a number three position within beer with the national beer brands Lacplesa Alus and Livu Alus, the Lielvārdes craft beer brand as well as Heineken as an international brand.

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

Royal Unibrew has three production facilities in the Baltic countries – one in Lithuania producing beer, and two in Latvia producing beer and soft drinks, respectively.

Sales are made business-to-business, and distribution is made directly to the individual off-trade and on-trade customers from own terminals.

THE BALTIC COUNTRIES

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales (thousand hectolitres)	1,910	1,856	3	402	399	1
Net revenue (mDKK)	652	640	2	138	135	2

Malt Beverages and Exports

The Malt Beverages and Exports segment comprises the export and licence business for malt beverages and beer exports to other markets. Malt Beverages and Exports accounted for 8% of the Group's net revenue and for 11% of allocated EBIT for 2016 (2015: 8% and 11%, respectively).

The business area Malt Beverages and Exports comprises an export and licence business, primarily relating to non-alcoholic malt beverages but also to beer exports under the Faxe brand.

The key market areas for our malt beverages and Faxe exports are countries in the Americas region 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 USA.

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 malt beverages and exports markets are primarily supplied by exports from our Danish breweries, but also in certain cases on the basis of licence agreements with local breweries.

The sales organisation, which is to a large extent located in the individual markets, cooperates closely with our distribution partners on commercial priorities and marketing initiatives.



Development in 2016

Sales for 2016 showed a 5% increase and net revenue a 7% increase. The growth is related to all markets and primarily to the beer category. Exchange rate developments affected net revenue negatively by approx DKK 7 million. Net revenue per volume unit increased in spite of the exchange rate effect due to a changed market mix.

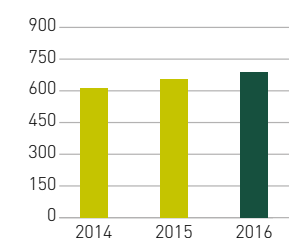
Sales in the segment are characterised by large volumes being exported to distributors at a time, which means that inventory changes should be taken into account when comparing periods. It is the assessment that inventories had been built up with distributors at the end of Q4 2016, which affected Q4 sales positively. Distributors' sales to customers and consumers correspond to Royal Unibrew's deliveries for the year as a whole, but with market differences. Distributors in the African markets thus reduced their inventories, whereas distributors in the other markets built up their inventories.

Earnings before interest and tax (EBIT) for 2016 amounted to DKK 108 million, which is DKK 6 million above the 2015 figure. Exchange rate developments affected EBIT negatively by approx DKK 2 million. The EBIT development is satisfactory in light of the challenging macroeconomic development in the economies relying on raw materials and the – in many cases – negative development in the local currencies against EUR and USD in which Royal Unibrew's sales are denominated. EBIT margin for 2016 was 22.3%. Adjusted for the negative exchange rate effect, EBIT margin for 2016 was 22.5% and at the 2015 level.

As planned, material investments were also made in 2016, as in 2015, in reinforcing business with focus on greater presence in already established markets and in the new markets penetrated in recent years.

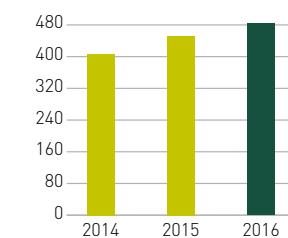
SALES

(thousand hectolitres)



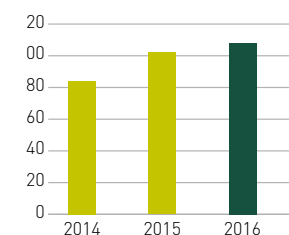
NET REVENUE

(mDKK)



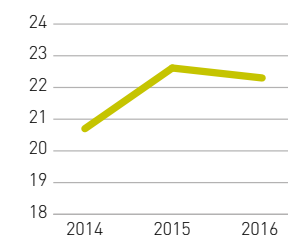
EBIT

(mDKK)



EBIT MARGIN

(%)



MALT BEVERAGES AND EXPORTS

	2016 Q1-Q4	2015 Q1-Q4	Change %	2016 Q4	2015 Q4	Change %
Sales (thousand hectolitres)	687	656	5	163	130	26
Net revenue (mDKK)	484	452	7	115	94	22
EBIT (mDKK)	108	102		20	19	
EBIT margin (%)	22.3	22.5		17.1	20.3	



Governance



Shareholder information

Royal Unibrew wants an open dialogue with its shareholders and also wants to keep them continuously up-to-date on the Company's development. Therefore, Royal Unibrew emphasises 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.

REGISTERED DATA

Share capital, DKK	108,200,000
Number of shares	54,100,000
Denomination	DKK 2
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	LargeCap

DEVELOPMENT IN ROYAL UNIBREW'S SHARE CAPITAL

DKK '000	2016	2015	2014	2013	2012
Share capital 1/1	110,985	110,985	110,985	105,700	111,865
Capital reduction	-2,785			-4,800	-6,165
Capital increase				10,085	
Share capital 31/12	108,200	110,985	110,985	110,985	105,700

Share information

The Royal Unibrew share is listed on Nasdaq Copenhagen A/S, and Royal Unibrew is included in the LargeCap index.

In 2016, a total of 22,299,898 shares were traded, corresponding to 41.2% of the total number of shares traded (at year end), through Nasdaq Copenhagen A/S (source: Bloomberg). The trading value amounted to DKK 6,455 million (2015: DKK 5,541 million) representing a 16% increase.

At the end of 2016, the price of the Royal Unibrew share was 272.6 compared to 280.1 per share of DKK 2 at the end of 2015. Royal Unibrew's market capitalisation amounted to DKK 14.748 million at the end of 2016 compared to DKK 15,543 million at the end of 2015. Each share carries one vote, and all shareholders registered in the Company's register of shareholders is entitled to vote.

The Board of Directors has been authorised to increase the Company's share capital on one or several occasions by up to a total nominal amount of DKK 11,000,000 in the period to 30 April 2019.

Change of control

The realisation of a takeover bid resulting in change of control of the Company will entitle a few trading partners and lenders to terminate trading agreements made. For a description of agreements with Company Management, reference is made to the section Remuneration.

Treasury shares in 2016

At the AGM on 28 April 2015, the Board of Directors was authorised to acquire treasury shares for up to 10% of the total share capital in the period up until the AGM on 27 April 2016, at which a new authorisation was given for the period until the AGM in 2017.

On 2 March 2016, the Board of Directors initiated a share buy-back programme of a maximum market value of DKK 450 million for the period to 28 February 2017. At 31 December 2016, Royal Unibrew had bought back 1,291,266 shares representing a market value of DKK 386 million, and in 2017 additionally 234,580 shares have been bought back representing a market value of DKK 64 million. Thus, the initiated share buy-back programme, which has been carried out in accordance with the "Safe Harbour" method, has been completed.

Royal Unibrew has in 2016 bought back a total of 1,503,489 shares at a market value of DKK 444 million, and at 31 December held 1,603,107 treasury shares of a nominal value of DKK 2 each, corresponding to 3.0% of the Company's share capital, 400,000 of which are for the purpose of covering the incentive programmes offered to the Executive Board. The total number of shares of the Company is 54,100,000 including treasury shares.

Ownership

At the end of 2016, Royal Unibrew had approx 18,000 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 2017
Chr. Augustinus Fabrikker A/S, Danmark	10.4 % [reported on 11 December 2009]
HC Royal Holding OY Ab, Finland	7.1 % [reported on 6 May 2015]

Members of the Board of Directors and the Executive Board are governed by Royal Unibrew's insider rules, and their share transactions as well as those of their connected persons are subject to a notification requirement according to the Market Abuse Regulation. Individuals with inside information 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.

At 31 December 2016, directors held 19,175 shares of the Company, and members of the Executive Board held 524,230 shares, corresponding to a total of 1% of the share capital.

AGM

The Company's AGM will be held on 27 April 2017, at 5 pm at Ceres Park & Arena 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.

Board of Directors' resolutions and proposed resolutions for the AGM

The Board of Directors will propose that the AGM authorise the Board of Directors to acquire shares for treasury corresponding to up to 10% of the share capital, such authorisation being in force for the period up until the next AGM.

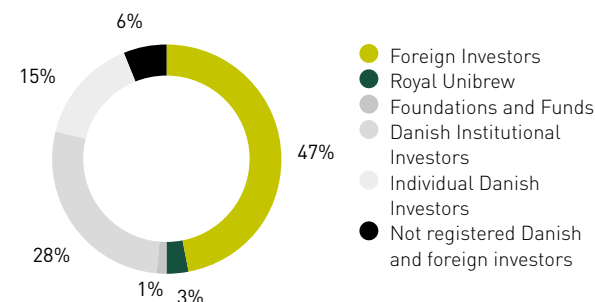
Moreover, the Board of Directors proposes the distribution of dividend of DKK 8.15 per share of DKK 2 for the 2016 financial year as well as the cancellation of 1,400,000 of the shares bought back under the share buy-back programme initiated in 2016.

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 2016, among other things, Royal Unibrew held four audio casts in connection with the publication of the Annual Report 2015, the Q1 Report, H1 Report and Q3 Report 2016, respectively, as well as an audiocast in connection with the announcement of the coming change of CEO. Moreover, Royal Unibrew holds analyst and investor meetings in both Denmark and abroad in connection with the publication of Interim and Annual Reports. In total about 200 individual meetings were held with investors and analysts in 2016.

BREAK-DOWN OF SHAREHOLDERS AT THE END OF 2016



DIVIDEND DATES FOR 2017

27 April 2017	Resolution at AGM
27 April 2017	Last trading date with right to dividend for 2016
28 April 2017	First trading date without right to dividend for 2016
2 May 2017	Distribution of dividend

THE ROYAL UNIBREW SHARE IS FOLLOWED BY:

Company	Analyst
ABG Sundal Collier	Michael Rasmussen
Bryan, Garnier & Co	Nikolaas Faes
Carnegie	Jonas Guldborg Hansen
Danske Bank	Tobias C. Björklund
Deutsche Bank	Tristan Van Strien
Handelsbanken	Karri Rinta
Jyske Bank	Frans Høyer
Nordea Bank	Hans Gregersen
SEB Enskilda	Søren Samsøe

FINANCIAL CALENDAR FOR 2017

27 April 2017	Interim Report for the period 1 January - 31 March 2017
27 April 2017	Annual General Meeting at Ceres Park & Arena in Aarhus
21 August 2017	Interim Report for the period 1 January - 30 June 2017
22 November 2017	Interim Report for the period 1 January - 30 September 2017

IR CONTACT

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

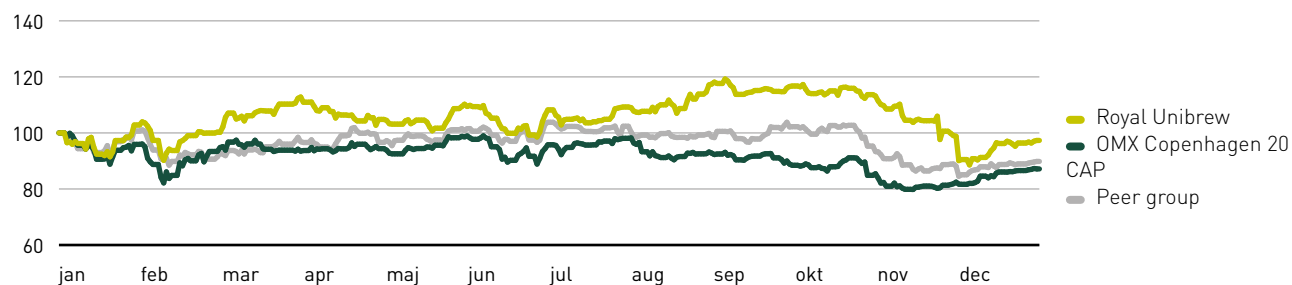
Contacts

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

Ginette Maasbøl
(daily IR contact)
Ginette.maasbol@royalunibrew.com
Telephone +45 29 23 00 12

SHARE PERFORMANCE 2016

(index)



Note: The peer group consists of Carlsberg, Heineken, Anheuser-Busch InBev and Molson.

(source: Bloomberg)

SHARE RATIOS

Per share of DKK 2 – DKK	2016	2015	2014	2013	2012
Parent Company shareholders' share of earnings per share	14.7	13.0	11.3	9.2	7.1
Parent Company shareholders' diluted share of earnings per share	14.6	12.9	11.2	9.2	7.1
Free cash flow per share	19.2	18.9	14.9	11.7	9.1
Year-end price per share	272.6	280.1	217.4	147.2	98.4
Dividend per share	8.15	7.20	6.80	0.00	4.80
Number of shares	54,100,000	55,492,500	55,492,500	55,492,500	52,850,000

The share denomination was changed from DKK 10 to DKK 2 in 2015. Comparative figures for the period 2011-2014 are stated per share of DKK 2.

AMONG OTHER EVENTS IN 2016, ROYAL UNIBREW PARTICIPATED IN

- the SEB Nordic Seminar in Copenhagen
- the Deutsche Bank Access Pan European Small & Mid Cap Series in London
- the SEB Nordic Market Day in New York and Boston
- the Nordea Norwegian Clients Reversed Roadshow in Copenhagen
- the Deutsche Bank Access Global Consumer Conference in Paris
- the Handelsbanken Nordic Mid/Small Cap Seminar in Stockholm
- the Carnegie Small & Mid Cap Seminar, the BAML Global Consumer & Retail Conference in London
- the ABG Sundal Collier investor meeting at Faxe Brewery
- the Bryan, Garnier & Co Annual Consumer Goods Conference in Paris
- the Danske Bank Copenhagen Winter Seminar.

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

Corporate governance

Royal Unibrew has focus on running its business and designing its management systems in accordance with the corporate governance principles. 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 supported.

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

Royal Unibrew complies with the Corporate Governance Recommendations with very few exceptions which are described below.

Royal Unibrew's website <http://investor.royalunibrew.com/governance.cfm> provides a detailed description of the Board of Directors' approach to the Corporate Governance Recommendations issued by the Committee on Corporate Governance.

Diversity

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

Royal Unibrew aims at promoting diversity in our organisation, which includes achieving a reasonable representation of both genders, both on the Board of Directors and on the top management team. This is based on a wish to strengthen the versatility and total competences of the business and to improve decision-making processes.

The international management team of Royal Unibrew – comprising the Executive Board and the executives just below – comprises 65% (2015: 65%) men and 35% (2015: 35%) women.

Royal Unibrew complies with the Corporate Governance Recommendations issued by the Committee on Corporate Governance with the following two exceptions:

Board committees (recommendation 3.4):

The Committee **recommends** that the board of directors establish an actual audit committee composed so that the chairman of the board of directors is not the chairman of the audit committee.

- The Board of Directors of Royal Unibrew has decided to take on the audit committee tasks jointly. As a result of this, as allowed under applicable legislation, the chairman of the Board of Directors is also the chairman of the audit committee. The Board's decision to take on the audit committee tasks jointly should be viewed in light of the Company's size, transparency of reporting and clear procedures, due

to which the Company's Board of Directors finds no need for a separate audit committee.

Disclosure of the remuneration policy, (recommendation 4.2):

The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

- The remuneration of members of the Board of Directors is disclosed in the section "Remuneration". Disclosure of the remuneration of the individual members of the Executive Board is not at present considered material to stakeholders' assessment. The total remuneration of the Executive Board is disclosed in note 5. The remuneration of the Executive Board is considered in line with that of peer companies. The remuneration of the Executive Board is in accordance with the remuneration policy.

The target is at least 40% representation of each gender. When new executives are recruited, emphasis is placed on identifying candidates of both genders without discrimination, and Royal Unibrew is seeking to encourage female candidates' interest in taking on managerial tasks.

At present, six of the directors of Royal Unibrew elected by the general meeting are men and one is a woman, while the directors elected by the employees are three men and one woman. Since 2014 the Board of Directors has had two international members and five Danish members elected by the general meeting. The target is an approximate 20% share of female directors before 2020. No directors elected by the general meeting have been replaced in 2016; therefore, the target of 20% has not yet been reached.

It is the Board of Directors' objective that its members 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 assessed when the nomination 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 candidates' competences and how they match Royal Unibrew's needs and contribute to the overall efficiency of the Board.

Shareholder and stakeholder relations

Royal Unibrew's Management wants and works actively to maintain good and open communication and dialogue with its shareholders and other stakeholders. The Company believes that a high level of openness in the communication of information on the Company's development supports the Company's work and a fair valuation of the Company's shares. The

Group's openness is limited only by the duties of disclosure of Nasdaq Copenhagen A/S and by competitive considerations.

The dialogue with and communication to shareholders and other stakeholders take place by the issuing of Interim Reports and other announcements by the Company, via audio casts, meetings with investors, analysts and the press. Interim Reports and other announcements are accessible 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 Company, 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 so as to give 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 in such a way as 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 general meeting; such proposals for resolutions are to be received by the Board of Directors not later than six weeks prior to the date of the general meeting.

Work of the Board of Directors

The Board of Directors handles overall strategic management, financial and managerial supervision of the Company as well as continuous evaluation of the work performed by the Executive Board on behalf of the shareholders.

The Board of Directors performs its work 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 regularly by the full Board of Directors.

The directors usually meet for five annual ordinary board meetings, one of which focuses on the Company's strategic situation and prospects. In addition, the directors meet when required. In 2016, six board meetings were held and three absentees were noted.

The Board of Directors has established the following committees:

Nomination committee

The nomination committee consists of the Chairman and Deputy Chairman of the Board of Directors. In 2016, the primary activities of the nomination committee were the preparation of the evaluation of the Board of Directors and the recruiting of a new CEO. The committee held five meetings in 2016.

Remuneration committee

The remuneration committee consists of the Chairman and Deputy Chairman of the Board of Directors. In 2016, the primary activities of the remuneration committee were the assessment and recommendation of remuneration of the Board of Directors and the Executive Board. The committee held three meetings in 2016.

Audit committee

The Board of Directors of Royal Unibrew has decided to take on the audit committee tasks jointly. This should be viewed in light of the Company's size, transparency of reporting and clear procedures. Consequently, the Company's Board of Directors finds no need for a separate audit committee. It is the Board of Directors' objective to secure quality and integrity in the Company's presentation of Financial Statements, audit and financial reporting. At the same time, the Board of Directors monitors accounting and reporting processes, the audit of the Company's financial reporting, risk issues and the external auditors' performance and independence. The external auditors have participated in three meetings of the Board of Directors in connection with the Board of Directors' performance of audit committee tasks.

Evaluation of the work of the Board of Directors

Annual evaluation of the work of the Board of Directors is performed. 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 made 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 are presented and discussed at a meeting of the Board of Directors.

The evaluation in 2016 did not give rise to changing the composition of the Board of Directors as the necessary competences are considered to be in place. Moreover, the evaluation did not give rise to changing the working method of the Board of Directors.

The Executive Board and the cooperation between the Board of Directors and the Executive Board are evaluated on an annual basis as a minimum.

Composition of the Board of Directors

When composing the Board of Directors, we emphasise that the members have the competences required to solve the tasks. The Board of Directors assesses its composition annually, including 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 are described in the below section on the Board of Directors and the Executive Board. When joining Royal Unibrew, new members of the Board of Directors are given an introduction to the Royal Unibrew and to the markets in which the Group operates.

At present, the Board of Directors consists of seven members elected by the general meeting and four members elected by the employees. 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.

All members of the Board of Directors elected by the general meeting, except for Hemming Van, who has been a board member for more than 12 years, are considered independent in accordance with the Corporate Governance Recommendations issued by the Committee on Corporate Governance.



Risk Management

Risk management plays a key role at Royal Unibrew, and it is Management's aim that the Group's risks should be adequately disclosed at all times. Policies and procedures have been determined to ensure efficient management, to the widest extent possible, of the identified risks.

At Royal Unibrew risk management is an integrated part of the operational activities with a view to reducing the uncertainty of the Group's strategic objectives being met.

The key risks related to Royal Unibrew's activities are summarised by the following main areas:

- Industry and market risks
- Exposure hazard and third-party risks
- Financial risks (currency, interest rates, liquidity)
- Credit risks (financial institutions and commercial receivables)
- Environmental risks

A detailed description of the Company's financial risks is provided in note 2.

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 the key risks relating to the realisation of strategies in the short and long term and enables the taking of required measures to address the risks.

Risk management and management structure

The full Board of Directors, which also performs the function of audit committee, has ultimate risk management responsibility. The auditors appointed at the general meeting participate in

The overall financial risk management structure is outlined below.

RISK MANAGEMENT STRUCTURE

Board of Directors	<ul style="list-style-type: none"> • Approves the overall risk policy • Monitors the development in the total strategic risk exposures and the individual risk factors and verifies compliance with the overall risk policy
Executive Board	<ul style="list-style-type: none"> • Determines risk management policies and strategies for the individual risks and ensures implementation of these • Ensures consistency between the risk management policy and the business objectives • Monitors risk management and the development in key risks • Ensures that adequate resources are available to implement efficient risk management
Staff functions and business units	<ul style="list-style-type: none"> • Identify, assess, quantify and record risks • Make suggestions for addressing risks • Monitor risk management activities initiated • Report regularly to the Executive Board
Local risk owners	<ul style="list-style-type: none"> • Continuous monitoring and/or reduction of risks through risk-mitigating activities.

Key risk factors in 2017

In addition to financial risks, the following risk factors, which are unchanged from 2016, are considered key risks in 2017:

Area	Description	Risk mitigation
Macro-economic uncertainty	<p>Royal Unibrew's product portfolio is sold in markets and market areas where market developments are usually determined by long-cycle trends. However, in recent years, markets have been more volatile than previously experienced. Thus, considerable market fluctuations have been seen for certain product categories and in certain markets. At the beginning of 2017, several of Royal Unibrew's markets are still affected by consumer restraint, see the Outlook 2017 section on page 18.</p> <p>Macroeconomic uncertainty and low growth of long duration may affect earnings negatively. This could happen due to declining consumption or shifts in product mix towards products with lower earnings.</p>	<p>By focusing on flexibility in its action plans, Royal Unibrew is seeking to secure leeway for reducing the effect of macroeconomic uncertainty and changes to consumption patterns.</p> <p>The efforts directed at continuous improvements across the business will contribute towards limiting the negative effect of macroeconomic changes.</p>
Industry and market	<p>In most markets, the product category beer and soft drinks is characterised by a tough price competition and intensive marketing from a number of suppliers. At the same time, continuous consolidation is seen among customers who handle the distribution of products to consumers and are to an increasing extent also centralising internal distribution and product range decisions. Furthermore, Royal Unibrew's market area is characterised by considerable industry concentration on the supplier side.</p>	<p>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. Moreover, the Company focuses on value management through the development of products, containers and packaging, cooperation with customers and communication with consumers. The efforts directed at continuous improvements across the business will contribute towards limiting the negative effect of industry concentration.</p>
Weather	<p>Usually, the consumption of Royal Unibrew's products is high in the summer months. However, this presupposes dry and fair weather. In the summer months of 2016, the weather in Royal Unibrew's markets in Northern Europe was unfavourable to the consumption of beer and soft drinks. This affected the Group's sales and net revenue, and thus earnings, negatively.</p>	<p>Through focus on flexibility of action plans, Royal Unibrew aims at securing leeway to respond to lower earnings caused by unfavourable weather conditions in the summer months.</p>
Commodity prices	<p>The prices of a large number of key commodities fluctuate in line with world market prices. To the extent that higher unit cost cannot be compensated for by higher selling prices per unit or in other ways increasing the average selling price per unit correspondingly, Royal Unibrew's earnings will decrease. In order to maintain EBIT margin, selling prices per unit must increase more than the unit cost increase.</p>	<p>Royal Unibrew monitors the trend in commodity prices hedging against short-term price increases through agreements with suppliers and through commodity hedges if considered essential and economical. The Group's policy for hedging commodity risks involves a smooth and time-differentiated effect of commodity price increases. Moreover, there is systematic focus throughout the Group on streamlining the production and distribution process and on increasing net selling prices per unit.</p>
Statutory restrictions	<p>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, eg by way of restrictions in respect of the sale, marketing and production of Royal Unibrew's products or due to increasing consumption taxes. Such restrictions may affect the Group's sales and earnings significantly.</p>	<p>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.</p>
IT risks	<p>Royal Unibrew's activities are to a large extent dependent on the use of the established IT systems and IT security. A prolonged breakdown, unintended maloperation or an unauthorised 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.</p>	<p>Royal Unibrew has established procedures to ensure:</p> <ul style="list-style-type: none"> • day-to-day operation of the IT systems supporting the key business processes, • protection against data loss, • protection against unauthorised access to and distribution of confidential data, • general protection against cybercrime.

board meetings that concern the tasks of the audit committee. The audit committee monitors the total strategic risk exposure and the individual risk factors relating to Royal Unibrew's activities. The Board of Directors adopts guidelines for the key risk areas, monitors developments and ensures the existence of plans to manage the individual risk factors, including commercial and financial risks.

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 strategic objectives in the short and long term are identified.

Local entities (staff functions and business units) are responsible for identifying, assessing, quantifying and recording risks as well as for reporting how risks are managed locally. The local-level risk assessment follows the same principles as the group-level assessment based on the "heat map" assessment system. Local risk owners have been appointed with responsibility for currently monitoring and/or reducing risks through risk-mitigating activities.

Royal Unibrew's Group Accounting is responsible for facilitating and for continuously following up and reporting on risk-mitigating activities/action plans for the key risks in accordance with the decisions made by the Board of Directors and the Executive Board.

Risk assessment in 2016

In 2016, Royal Unibrew's Executive Board closely monitored the development in market-related risks and made the necessary changes to risk-mitigating activities to secure budgeted earnings. Moreover, local risk management workshops were held with participation by risk owners and other executives. Centrally, the identified risks and proposed action plans were reviewed and assessed by the Company's Executive Board. 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 by the Board of Directors. The Board of Directors then resolved to implement the necessary risk-mitigating measures with a view to ensuring optimum realisation 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 formalised 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 2016, controlling visits were paid to the key subsidiaries. The Board of Directors has assessed that establishment of an actual 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 emphasises 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.

The individual business areas of the Group have been established as business units with responsibility for their own strategies, action plans and budgets. This division results in efficient follow-up and distribution of responsibilities in the Group.

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. In the event of major changes, all responsible finance officers of the group enterprises are informed in writing of the key changes. Moreover, internal update courses are organised for accounting staff.

Royal Unibrew's information systems are designed with a view to continuously, with due regard to the confidentiality required for listed companies, identifying, capturing and communicating at relevant levels relevant information, reports, etc which enable the individual to perform tasks and controls efficiently and reliably.

Monitoring

Monitoring is effected 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 twice annually with the auditors without the Executive Board attending.



Remuneration

The remuneration policy applying to Royal Unibrew's Board of Directors and Executive Board has been formulated so as to reflect shareholder and company interests. Moreover, the remuneration policy is intended to support the realisation of the Company's long-term objectives.

The following is a brief description of the elements of the remuneration, pension plans and severance programmes as well as other benefits offered to the Board of Directors and the Executive Board.

The complete remuneration policy for the Board of Directors and the Executive Board is disclosed at the Company's website <http://investor.royalunibrew.com/documentdisplay.cfm?DocumentID=11831>.

For a description of incentive pay, reference is made to the Overall Guidelines for Incentive Pay adopted at the Company's general meeting, which may be downloaded from <http://investor.royalunibrew.com/payprogram.cfm>.

Board of Directors remuneration

Efforts are made to ensure that the Board of Directors remuneration matches the level of peer companies and to accommodate the requirements relating to members' competences, performance and scope of board work, including the number of meetings.

The annual remuneration paid to ordinary board members amounts to DKK 300,000. The Chairman and Deputy Chairman receive remuneration of 2.5 times (DKK 750,000) and 1.75 times (DKK 525,500) the remuneration paid to ordinary

members. The total remuneration paid to the Board of Directors in 2016 amounted to DKK 4.0 million.

The Board of Directors remuneration is fixed and no remuneration is paid for participation in the committees set up by the Board of Directors. The Board of Directors does not participate in any incentive schemes.

The remuneration for the financial year in progress is submitted for approval at the AGM.

Executive Board remuneration

The Board of Directors believes that a combination of fixed and performance-driven remuneration to the Executive Board contributes towards ensuring that Royal Unibrew can attract and retain the right employees. At the same time, the Executive Board is given an incentive to create shareholder value through partially incentive-based remuneration.

The Executive Board members are employed on individual service contracts, and the terms are fixed by the remuneration committee within the framework laid down in the contracts, see below.

The remuneration committee assesses the Executive Board remuneration annually to ensure that the remuneration matches the situation at peer companies.

The Executive Board is remunerated by a market-conforming and competitive remuneration package comprising four elements:

- **Fixed salary** based on market level;
- **Ordinary bonus**, see overall guidelines for incentive pay;
- **Long-term bonus**, see overall guidelines for incentive pay;
- **Extraordinary bonus**, see overall guidelines for incentive pay.

As part of Royal Unibrew's continued efforts to focus on value creation for shareholders, the Executive Board was offered restricted (conditional) shares for no consideration on 17 January 2017. A restricted share entitles the holder to receive one Royal Unibrew share of a nominal value of DKK 2 for no consideration when the Company's Annual Report for 2019 has been published in March 2020. The number of shares depends on the extent to which the EBIT and free cash flow targets for the financial years 2017-2019 defined by the Board of Directors are achieved in the vesting period. The maximum number of restricted shares is expected to total 100,000 shares, corresponding to a value of DKK 26 million on 17 January 2017.

The total remuneration of the three members of the Executive Board amounted to DKK 31 million in 2016. See also note 5.

In addition a number of work-related benefits are made available to the Executive Board, including a company car, and the Executive Board members are covered by Royal Unibrew's standard insurance schemes such as accident and life insurance.

Royal Unibrew A/S may terminate the employment of a member of the Executive Board at 12-18 months' notice. Severance pay agreed upon cannot exceed two years' salary according to the remuneration policy.

In case of a full or partial takeover of Royal Unibrew A/S, the Executive Board will receive no compensation. However, one member of the Executive Board may choose to consider himself dismissed in such event.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

Remuneration component	Purpose	Level of granting	Granting criteria
Fixed salary	Attract and retain the right executives by offering a salary that reflects their competences and experience.	Must reflect the level of peer companies.	Assessed annually on the basis of 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 the Company'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.	300,000 shares for the period 2013-2016 granted in connection with the publication of Royal Unibrew's Annual Report for 2016. For the period 2017-2019, it is expected that the total number of restricted shares will not exceed 100,000 shares, which will be granted in connection with the publication of Royal Unibrew's Annual Report for 2019 in March 2020. The number of shares will be adjusted proportional to the dividend distribution in the vesting period.	The number of shares granted was 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 2013-2016. The number of shares granted will be 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.
Extraordinary bonus	Encourage the generation of shareholder value and ensure that objectives of attracting and retaining key executives are met.	May not exceed 100% of the fixed salary (gross salary), eg 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

	Basic fee, DKK '000	Additional fee, % of basic fee
All members of the Board	300	
Chairman of the Board		150%
Deputy Chairman of the Board		75%
Members of the remuneration and nomination committees		0%

Board of Directors and Executive Board

Board of Directors



Kåre Schultz

Chairman of the Board
Chairman of the nomination committee
and the remuneration committee

Position

CEO of H. Lundbeck A/S since
May 2015

Independence

Considered independent

Member of the board of directors

LEGO A/S

Special competences

Special expertise in strategic
management as well as
experience of production,
sales and marketing of brands
on a global scale



Walther Thygesen

Deputy Chairman of the Board
Deputy Chairman of the nomination
committee and the remuneration committee

Position

Professional board member
in a number of enterprises
since 2014

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

Alectia A/S
Xilco Holding AG, Switzerland

Member of the board of directors

German High Street
Properties A/S (GERHSP)



Ingrid Jonasson Blank

Board member

Position

Professional board member
in a number of Nordic
enterprises since 2010

Special competences

Special expertise in general
management, including of
international enterprises in
the convenience goods and
retail areas as well as FMCG
(Fast Moving Consumer
Goods)

Independence

Considered independent

Member of the board of directors

Ambea Sweden Group AB,
Sweden
Billia AB, Sweden
Fiskars Oyj, Finland
Martin & Servera AB, Sweden
Matas A/S, Denmark
Musti ja Mirri Grp Oy, Finland
Orkla ASA, Norway
ZetaDisplay AB, Sweden

Board of Directors (continued)



Jens Due Olsen

Board member

Position

Professional board member in a number of Danish enterprises since 2008

Special competences

Special expertise in economic, financial and capital market aspects as well as general management with experience from a variety of industries

Independence

Considered independent

Chairman of the board of directors

Auris III Luxembourg S.A., Luxembourg
Bladt Industries A/S
Børnebasketfonden (Charity Foundation)
NKT Holding A/S

Member of the board of directors

Cryptomathic A/S
Gyldendal A/S
Heptagon Advanced Micro Optics Inc.
KMD A/S
PFA Pension A/S

Other offices held

Member of investment committee of LD Equity 2 K/S
Member of the Committee on Corporate Governance



Karsten Mattias Slotte

Board member

Position

Professional board member in a number of enterprises, primarily in Finland, since 2013

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



Jais Valeur

Board member

Position

CEO of Danish Crown since November 2015

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

Board of Directors (continued)



Hemming Van
Board member

Position

Executive officer of HV Invest A/S

Special competences

Special expertise in retailing and marketing as well as production and general management

Independence

Not considered independent due to seniority

Executive board service

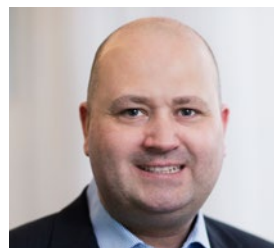
CEO of Easy Holding A/S
Executive Officer of HV Holding ApS, Chri Van ApS, Ka Van ApS, Se Van ApS and The Van ApS

Chairman of the board of directors

Easyfood A/S
FHØ af 27.05.2011 A/S
GOG Holding A/S
Halberg A/S
Mac Baren Tobacco Co. A/S
HV Holding (Thailand) Co., Ltd

Member of the board of directors

Easy Holding A/S
Great Dane A/S
HV Invest ApS



Martin Alsø
Elected by the employees

Position

Business Unit Manager



Jørgen-Anker Ipsen
Elected by the employees

Position

Export Area Manager



Kirsten Wendelboe Liisberg
Elected by the employees

Position

Brewery Hand



Søren Lorentzen
Elected by the employees

Position

Brewery Hand

BOARD OF DIRECTORS IN ROYAL UNIBREW

Name	Year of birth	Initially elected	Term of office	Position	Number of Royal Unibrew shares held at 1 January 2017	Change from 1 January 2016
Kåre Schultz	1961	2010	2016	Chairman	-	-
Walther Thygesen	1950	2010	2016	Deputy Chairman	7,500	+ 2,000
Martin Alsø	1974	2014	2014-2018	Board member elected by the employees	3,400	-1,200
Ingrid Jonasson Blank	1962	2013	2016	Board member	-	-
Jørgen-Anker Ipsen	1958	2014	2014-2018	Board member elected by the employees	-	-230
Kirsten Wendelboe Liisberg	1956	2006	2014-2018	Board member elected by the employees	810	-
Søren Lorentzen	1964	2010	2014-2018	Board member elected by the employees	860	-
Jens Due Olsen	1963	2010	2016	Board member	-	-
Karsten Mattias Slotte	1953	2013	2016	Board member	-	-
Jais Valeur	1962	2013	2016	Board member	-	-
Hemming Van	1956	2004	2016	Board member	6,605	-

Executive Board



Henrik Brandt

President and CEO. Appointed CEO in November 2008 and will resign on 1 April 2017 when Jesper B. Jørgensen takes up the position as President & CEO of Royal Unibrew.

Qualifications

MSc (Economics and Business Administration), MBA Stanford University, California

Executive board service

Uno Equity ApS

Chairman of the board of directors

Toms Gruppen A/S
Uno Equity ApS

Member of the board of directors

Ferd Holding AS, Norway
Hansa Borg Holding AS including subsidiaries, Norway
Gerda og Victor B. Strands Fond
Gerda og Victor B Strands Holding A/S



Lars Jensen

CFO as of November 2011

Qualifications

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



Johannes F.C.M. Savonije

COO as of September 2008

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
Hansa Borg Holding AS including subsidiaries, Norway

EXECUTIVE BOARD IN ROYAL UNIBREW

Name	Year of birth	Position	Number of Royal Unibrew shares held at 1 January 2017	Change from 1 January 2016
Henrik Brandt	1955	CEO	384,500	-
Lars Jensen	1973	CFO	26,230	+2,900
Johannes F.C.M. Savonije	1956	COO	113,500	-

We take our social responsibility seriously

At Royal Unibrew, we are very conscious of our role as a leading beverage provider with breweries and activities in many countries – and of our corporate social responsibility (CSR). We want to contribute positively to developments in the areas in which we operate, to limit our environmental impact, to establish safe and good working conditions for our employees and to supply consumers with products of a very high quality.

Therefore, our CSR work is an integrated part of our business and a natural part of our day-to-day work.

Reduction of water and energy consumption plays an important role to an enterprise like Royal Unibrew, and much has happened on that front. Since 2003, our energy consumption per hectolitre produced has been more than halved. That has required both large and small changes.



Even small changes may have a great effect when it comes to packaging and containers, and we are therefore continuously working to optimise this area. If, say, we manage to reduce the weight of a bottle or a can by just a few grams, the impact will certainly be felt. Materials consumption will be lower, we will be able to transport more at a time and, ultimately, our CO₂ emission will be reduced.

Royal Unibrew receives CSR Company of the Year award

In the autumn of 2016, Business Faxe Copenhagen conferred on us the CSR Company of the Year award. The award was especially motivated by our social commitment.

For a number of years, Royal Unibrew has been cooperating with local and municipal authorities on an active effort to activate citizens balancing on the edge of the labour market – giving them a fresh start. For example, we have several employees in reduced-hours jobs and many in trial jobs.

We have also found it natural to participate in the efforts to integrate refugees into the Danish labour market. It is our hope that the “induction” with us will pave the way for a permanent job in the longer term – either with us or with another enterprise.

Also internally we focus on caring for our employees. Both when it comes to our employees’ day-to-day safety, job satisfaction and health, and when it comes to special situations such as long-term illness. In our experience, it is crucial to get back to work as quickly as possible, which we try to facilitate eg by keeping in contact with the employee during his/her illness and by offering a gradual return to work.

Corporate Social Responsibility

A statement is made in accordance with section 99A of the Danish Financial Statements Act.

“The key to our good results in recent years has been a persistent focus on sustainable, long-term value creation and on achieving continuous improvements.”

Corporate Social Responsibility

Royal Unibrew's corporate social responsibility (CSR) work is based on our shared values and Royal Unibrew's Code of Ethics. Moreover, a number of guidelines have been defined for Royal Unibrew's corporate social responsibility in our quality, food safety and environmental policies. Our CSR work includes most of the themes comprised in the four international CSR guideline sets: The OECD Guidelines for Multinational Enterprises, the ISO 26000 guidance on social responsibility, the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

Royal Unibrew operates in compliance with European and international legislation and regulations as regards labour and human rights, and it is our aim that our suppliers and customers should do the same.

It is our objective that Royal Unibrew's production sites should be safe and healthy places to work for its employees. Royal Unibrew's health policy therefore focuses on preventive measures to avoid employees being worn out and incurring work-related injuries and on actively promoting safety, job satisfaction and efficiency. Our main focus is on reducing the number of occupational accidents and on our employees' job satisfaction.

We feel a special social responsibility in relation to the local areas in which we operate. It is therefore Royal Unibrew's aim to have a good dialogue with local/municipal authorities on the issues of current interest in the local areas; we make an

active effort to assume responsibility for these, for example in relation to activating citizens balancing on the edge of the labour market and integrating refugees.

Royal Unibrew operates in highly competitive markets, which necessitates a strong focus on product costs and optimisation. This is supported by our policy of acting responsibly towards the climate and the environment through careful control and continuous optimisation of our resource consumption.

Royal Unibrew works against all forms of corruption, including extortion and bribery, and our activities must always be in full compliance with anti-corruption legislation irrespective of the place of operation being our European home markets or our export markets.

Royal Unibrew has through many years chosen to focus on continuous improvements, which is a very hands-on method for the individual employee in terms of achieving sustainable long-term results. It is the objective to be able at all times to deliver strong quality products with due consideration of our employees and Royal Unibrew's surroundings. This approach has resulted in satisfactory improvements in a number of areas for several years and will also form the basis of our future CSR work.

In 2017, we are planning to prepare and announce an overall strategy for our CSR work to create an even better framework for and insight into our targeted CSR efforts across our organisation.

Focus areas in Royal Unibrew

Royal Unibrew has chosen to target its CSR efforts on the following areas:

Human rights (labour rights)

Labour conditions (safety at work)

Environmental and climate issues

Financial and business matters, including

- Anti-corruption
- Competition
- Tax policy and tax payment

Consumer affairs (responsible alcohol consumption)

Local community development (competence development)

We have described below Royal Unibrew's efforts in the individual areas.

Human rights (labour rights)

§ Policy

Royal Unibrew complies with existing labour legislation and collective agreements, including enforcement of the freedom of association and assembly, the elimination of forced and compulsory labour and the use of child labour as well as the elimination of discrimination in respect of the employee's gender, race, religious beliefs or political affiliation.

Within the broad area of human rights, Royal Unibrew has chosen to focus specifically on diversity among its own employees, as well as labour rights at Royal Unibrew and with trading partners

Royal Unibrew has an ongoing dialogue with its stakeholders and the public on this responsibility and seeks to keep focus on these areas through continuous improvements.

⚙ Activities

Continuous efforts are made to ensure workplace diversity. Traditionally, the brewery business is relatively male-dominated, but Royal Unibrew works continuously to ensure a more equal gender representation. Royal Unibrew is also involved in other areas to eliminate discrimination; for example, we launched a project of attempting to bring newly arrived refugees into job activation in Faxe in 2016 in cooperation with the Municipality of Faxe.

It is Royal Unibrew's aim that suppliers and partners should comply with Royal Unibrew's ethical guidelines describing how human rights apply to Royal Unibrew's business matters, and that these should be incorporated into the terms of trading with key suppliers.

As part of our dialogue with suppliers, we collect information from them to ensure that Royal Unibrew is not brought into conflict with its ethical guidelines.

! Risk

There is a risk of "biased" recruitment as compared to the demographic development, thus creating a corporate culture that does not reflect the surrounding world. This applies at all organisational levels.

In relation to Royal Unibrew's activities, there is a risk that goods or services may be purchased from suppliers who do not live up to Royal Unibrew's ethical guidelines for respecting human rights.

🔄 KPI

A target has been defined for the promotion of diversity at Royal Unibrew, including the achievement of a reasonable gender representation at top management level comprising the Executive Board and the executives just below, in order to achieve at least 40% representation of each gender.

✓ Performance

The international management team comprised 65% (2015: 65%) men and 35% (2015: 35%) women in 2016.

REPRESENTATION OF MEN AND WOMEN ON THE INTERNATIONAL MANAGEMENT TEAM

	2016	2015
Women	35 %	35 %
Men	65 %	65 %

Royal Unibrew had newly arrived refugees in trial jobs in 2016.

The collection of information from Royal Unibrew's suppliers in 2016 did not detect any non-compliance with Royal Unibrew's ethical guidelines for respecting human rights.

Labour conditions (safety at work)

§ Policy

Royal Unibrew must be a safe and healthy place to work for its employees; the Group focuses on preventive measures to avoid employees being worn out and incurring work-related injuries and works actively to promote job satisfaction.

⚙ Activities

Near-accidents are registered and followed up with a view to establishing preventive measures in order to avoid accidents.

At all production sites, health & safety activities are carried out adapted to the local production site and work area. In Denmark, for example, joint health & safety discussions, a joint health & safety day as well as courses with focus on tools to reduce daily peak loads were organised in 2016.

Job satisfaction was addressed in 2016 through workplace assessments and a job satisfaction survey among all employees.

Several products which may be transported directly to shops without any lifting have been developed.

! Risk

The key risks relate to occupational accidents or employees being worn out due to physically demanding jobs and job dissatisfaction.

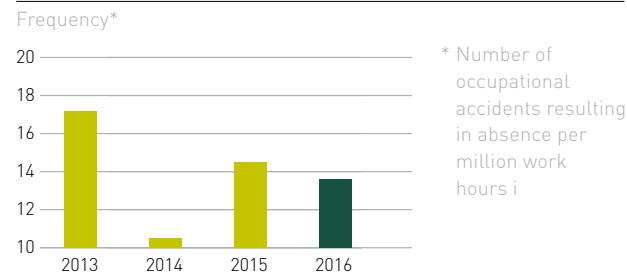
📊 KPI

A target for the maximum number of occupational accidents per million work hours has been defined, and all occupational accidents are registered.

A job satisfaction survey is regularly carried out among all employees. The survey results in an overall job satisfaction score and provides us with the possibility of monitoring developments in the area.

✓ Performance

OCCUPATIONAL ACCIDENTS RESULTING IN ABSENCE



The job satisfaction survey among our employees in 2016 showed a higher rate of satisfaction among Royal Unibrew employees than the peer benchmark.



Environmental and climate issues

§ Policy

Royal Unibrew complies with existing environmental legislation and strives at being a front-runner when it comes to developing measures in the environmental area. We do that by developing and improving our products and production, by training our employees and through a dialogue with our surroundings.

⚙️ Activities

In 2016, we continued our efforts to continuously reduce Royal Unibrew's environmental footprint, primarily targeted at:

- Reduction of energy consumption
- Reduction of water consumption and of waste water discharge
- Reduction of wastage of raw materials and semi-manufactured products
- Waste recycling and reduction of resource consumption
- CO₂-neutral production of selected products

Royal Unibrew's compliance with environmental legislation is regularly verified, including legislation relating to waste water discharge, noise reduction and waste management.

Environmental risks are monitored locally at our production sites in order to ensure compliance with standards and to ensure fast corrective action if required.

! Risk

The key environmental risks derived from Royal Unibrew's production are unintentional discharge of waste water/chemicals or coolants as well as high CO₂ emission due to non-optimal process plant operation.

Moreover, there is a risk of local water resources being exploited beyond their capacity.

📊 KPI

Total energy and water consumption in proportion to volume production (hl) is measured on a monthly basis. Based on the development in these KPIs, the effect of our environmental work is monitored and our efforts in the individual areas are adjusted.

✓ Performance

A large number of initiatives in 2016 contributed towards a continued reduction of both energy and water consumption:

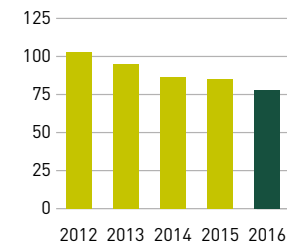
Energy: 78 MJ per hectolitre produced corresponding to an 8.7% reduction from 2015

Water: 3.1 hectolitres per hectolitre produced corresponding to a 3.7% reduction from 2015

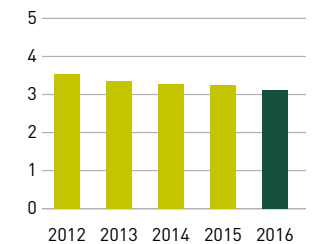
All production units continued their work of replacing current energy sources with new energy-efficient LED light sources in 2016. In Denmark, many older distribution vehicles classified at EURO 3 and 4 levels were replaced by new ones classified at EURO 6 level.

In 2016, the Danish breweries were re-certified under ISO 14001.

ENERGY CONSUMPTION
(Mega Joules per produced hectoliter)



WATER CONSUMPTION
(Hectoliter per produced hectoliter)



Financial and business matters

Anti-corruption

§ Policy

Royal Unibrew works against all forms of corruption, including extortion and bribery. Our activities must always be in compliance with existing anti-corruption legislation, irrespective of geographical area.

⚙️ Activities

According to Royal Unibrew's Code of Ethics, our employees are not allowed to offer or accept bribes or any improper payments for personal or corporate gain.

Disciplinary actions will be taken if an employee is involved in bribery. The staff in all sales areas are trained annually in this aspect.

Royal Unibrew has incorporated into its contractual basis for trading with key suppliers and partners a requirement for compliance with anti-corruption legislation.

! Risk

Royal Unibrew is exposed to non-compliance with anti-corruption legislation through employees', suppliers' and partners' violations, and is also exposed to potential legal and financial implications of such non-compliance.

🔄 KPI

The Company's stand on anti-corruption is communicated in all contexts, both in the internal supply chain and in our external cooperation with customers and suppliers.

All employees receive Royal Unibrew's Code of Ethics when employed, and sales staff and other employees are trained in anti-corruption.

Compliance with the anti-corruption rules is addressed at annual status meetings with key suppliers.

✓ Performance

Royal Unibrew did not note any violations of Royal Unibrew's anti-corruption rules in 2016.



Financial and business matters (continued)

Competition

§ Policy

Royal Unibrew's business must always be conducted in full compliance with existing local and international competition legislation; irrespective of the place of operation.

⚙️ Activities

Royal Unibrew has a competition law compliance programme comprising a manual and guidelines. The programme includes regular training and follow-up towards relevant employees, eg through regular internal controls.

! Risk

Royal Unibrew is exposed to non-compliance with competition legislation through employees' violations of competition rules in the countries in which Royal Unibrew sells and distributes its products.

🔄 KPI

Royal Unibrew continuously monitors developments in competition legislation and updates its compliance programme.

Royal Unibrew continuously trains managers and employees within sales and procurement in applicable rules.

Continuous follow-up is effected by implementing internal controls and controls in connection with signing of contracts.

✓ Performance

Royal Unibrew did not note any violations of competition legislation in 2016.



Financial and business matters (continued)

Tax policy and tax payment

§ Policy and Activities

Royal Unibrew operates in a number of 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 society in the respective countries – as it does by creating jobs and using sub-suppliers.

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 optimisation are applied.
- Royal Unibrew endeavours to live up to national and international tax legislation at all times and sets out to enter into an open and constructive dialogue with the tax authorities.
- Royal Unibrew has developed an internal organisation and has laid down well-defined control procedures designed to ensure compliance with tax legislation.
- Royal Unibrew wants to communicate openly and fairly about its tax policy and tax payments.

! Risk

Mismanagement of tax issues may lead to a negative image with investors and business partners in general, and may lead to higher tax costs.

🔄 KPI

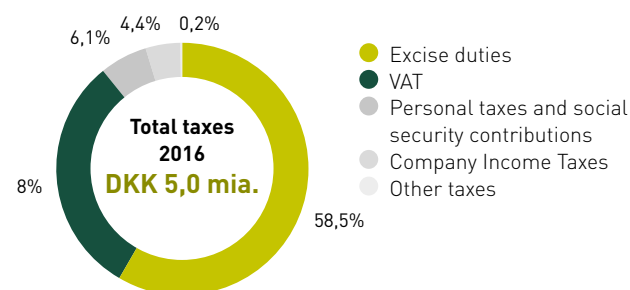
Royal Unibrew continuously updates its processes and documentation of tax legislation compliance in all the countries in which the Company operates.

✓ Performance

Royal Unibrew was not involved in any cases of non-compliance with tax legislation in 2016.

In 2016, the effective tax rate was 21% of profit for the year (2015: 21%). Royal Unibrew paid corporation tax of DKK 211 million on its operating activities (2015: DKK 197 million). In addition to that, 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 2016 amounted to DKK 5.0 billion (2015: 4.6 billion). Moreover, tax contributions from the Group's suppliers and customers are indirectly generated.

ALLOCATION OF TAXES



Consumer affairs (responsible alcohol consumption)

§ Policy

Royal Unibrew supports The Brewers of Europe's views and initiatives concerning responsible alcohol consumption and complies with the rules on responsible marketing and consumption of beverages.

We are very aware of the risk, internally and with our customers, of our alcoholic and/or sacchariferous products being abused or over-consumed.

Being part of local industry organisations in the individual countries.

⚙️ Activities

Royal Unibrew contributes actively towards responsible marketing and consumption of beverages.

Royal Unibrew employees engaged in product marketing are continuously trained in existing marketing legislation.

Compliance with existing marketing legislation is a requirement in Royal Unibrew's agreements with customers and partners, eg advertising agencies and customers.

Royal Unibrew also assumes responsibility for preventing abuse problems among its employees and, through a large variety of sponsorships, supports sports and health initiatives nationally, regionally as well as locally.

We launch products with a lower alcohol content or sugar-free products.

! Risk

Any non-compliance with the legislation governing the marketing of its products continuously exposes Royal Unibrew to criticism from regulatory authorities, adverse press coverage, fines, etc.

🔄 KPI

Royal Unibrew continuously monitors developments in beverage legislation and marketing to ensure compliance.

Royal Unibrew trains relevant employees and performs continuous monitoring of compliance with rules as well as activities in new marketing media.

✓ Performance

No violations of marketing legislation were noted in 2016.



Local community development (competence development)

§ Policy

It is Royal Unibrew's goal to attract and retain competent and talented people who are results-oriented, adaptable, innovative, creative and have the right mindset/DNA. This is a prerequisite for realising our ambitious business objectives. We are therefore investing in our employees – both by way of learning and upgrading of skills, but also by offering them influence on their jobs and by listening to their ideas and wishes for the future.

⚙️ Activities

In 2016, efforts were directed at raising the level of the individual employee's competences and at strengthening our managers' ability to drive changes and to support their employees' development. Our employees were offered a number of courses that give the individual concrete tools to handle a more complex and changeable workday; managers strengthened their competences within project management, among other things.

At the same time, focus was directed at strengthening newly appointed managers' management skills and ensuring their integration and network in the organisation through general management training.

! Risk

Royal Unibrew operates in a highly competitive market, and inability to attract and develop the right people to launch and promote new products at an ever-increasing pace constitutes a risk to the continued success of the Company. Royal Unibrew's competitiveness also depends on close cooperation between the individual business areas in order to ensure a strong value chain and avoid a silo mentality.

🔄 KPI

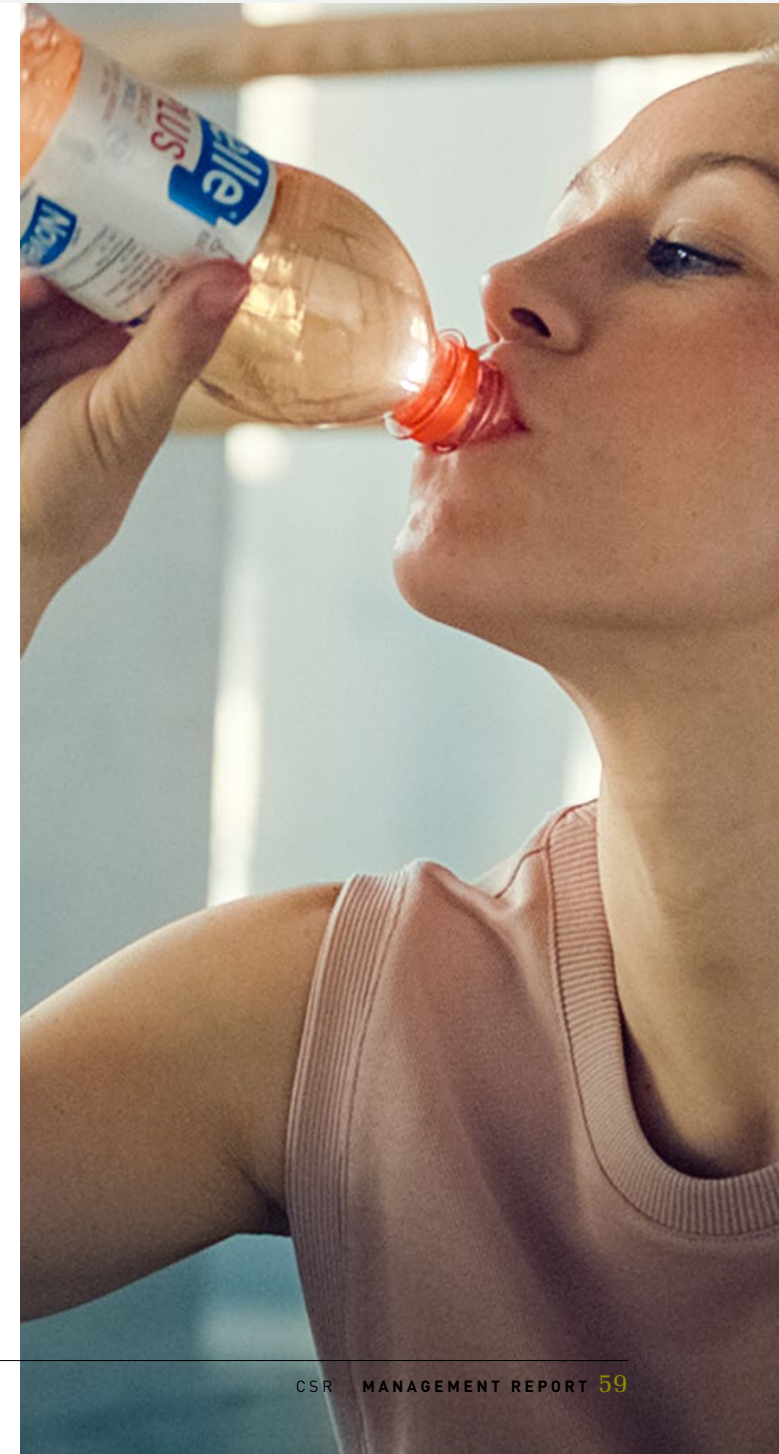
Employees and managers are currently offered learning and competence development enabling them to handle a still more demanding and changing work situation.

Royal Unibrew is able to attract the most talented people by meeting their need for competence development and co-influence on their own jobs and careers.

✓ Performance

Through a number of course offerings, our employees have been given concrete tools to handle challenges and change.

Our managers have become better equipped to drive changes and to help their employees navigate these changes.





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 2016.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Faxe, 8 March 2017

Executive Board

Henrik Brandt
CEO

Lars Jensen
CFO

Johannes F.C.M. Savonije
COO

Board of Directors

Kåre Schultz
Chairman

Walther Thygesen
Deputy Chairman

Martin Alsø

Ingrid Jonasson Blank

Jørgen-Anker Ipsen

Kirsten Liisberg

Søren Lorentzen

Jens Due Olsen

Karsten Mattias Slotte

Jais Valeur

Hemming Van

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 2016 as well as of the results of the Group and Company operations and cash flows for the financial year 1 January - 31 December 2016.

In our opinion, Management's Review gives a true and fair account of the development in the activities and financial cir-

cumstances of the Group and the Parent Company, of results of operations for the year, of the Parent Company's financial position and of the overall financial position of the enterprises comprised by the Consolidated Financial Statements, 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.

Independent auditor's report

To the shareholders of Royal Unibrew A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Royal Unibrew A/S for the financial year 1 January – 31 December 2016, (page 66-115) which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial state-

ments" section of our report. 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and the parent company financial statements.

Revenue recognition, volume discounts and marketing expenses

The Group enters into complex sales agreements with customers, which include clauses regarding marketing provisions and discounts. Accrual is made of marketing provisions and discounts. As management judgement is required in applying these accruals, the accruals are considered a key audit matter.

We have evaluated the systems and controls, designed and implemented by Management, related to determining the value of accrued marketing contributions and discounts. In addition, we performed substantive analytical procedures to test the accuracy and completeness of the underlying calculation of accruals.

We also tested, on a sample basis, reconciliations between booked accruals to underlying agreements with customers and tested the assumptions and estimates made by Management.

Valuation of goodwill and trademarks in Baltic Sea

Goodwill and trademarks regarding Baltic Sea's CGUs represent 44% of the Group's assets and 92% of the Group's equity. As required by applicable accounting standards in relation to goodwill and trademarks with indefinite lives, Management must conduct an impairment test on an annual basis to identify if 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 CGUs on the basis of a discounted cash flow model with a six-year projection and a terminal value. Management uses assumptions in respect of future market and country risks and economic conditions such as economic growth, discount rates, revenue and margin development for the GCUs.

We assessed the Group's business procedure for the budget process, including the budget figures, by comparing budgeted results to realised results of operations. We assessed the model and assumptions used by Management to calculate the recoverable amount, and well as assessed the consistency of the assumptions used by Management to calculate the recoverable amount for the CGUs.

We also assessed whether the disclosures in Note 11, Intangible assets, meet the requirements of the accounting standards.

Statement on the Management's review

Management is responsible for the Management's review (page 4-60).

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

In connection with our audit of the consolidated financial statements and the parent company 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 consolidated financial state-

ments or the parent company 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 concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Com-

pany's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements 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.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent

company 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 in preparing the consolidated financial statements and the parent company financial statements 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with 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 with those charged with governance, we determine those matters that were of most

significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are 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 determine 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, 8 March 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Eskild N. Jakobsen
State Authorised
Public Accountant

Niels-Jørgen Andersen
State Authorised
Public Accountant

Consolidated Financial Statements

Consolidated Income Statement and Comprehensive Income

for 1 January - 31 December

tDKK	Note	2016	2015
Net revenue	4	6,340,376	6,032,115
Production costs	5,6	-3,053,150	-2,862,759
Gross profit		3,287,226	3,169,356
Sales and distribution expenses	5,6	-1,981,803	-1,932,677
Administrative expenses	5,6	-304,734	-319,723
EBIT		1,000,689	916,956
Income after tax from investments in associates	13	27,802	31,061
Financial income	7	4,055	8,759
Financial expenses	8	-34,962	-54,470
Profit before tax		997,584	902,306
Tax on the profit for the year	9	-213,833	-190,879
Net profit for the year		783,751	711,427
Earnings per share (DKK)	18	14.7	13.0
Diluted earnings per share (DKK)	18	14.6	12.9

for 1 January - 31 December

tDKK	Note	2016	2015
Net profit for the year		783,751	711,427
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Exchange adjustment of foreign group enterprises		-9,180	5,374
Value adjustment of hedging instruments, beginning of year	10	27,839	32,677
Value adjustment of hedging instruments, end of year	10	-7,113	-27,839
Tax on other comprehensive income	9	-4,017	-3,097
Total		7,529	7,115
<i>Items that may not be reclassified to the income statement</i>			
Revaluation of non-current assets			39,000
Tax on revaluation of non-current assets	9		2,461
Actuarial gain on pension schemes		-256	7,398
Tax on actuarial gain on pension schemes		51	-1,544
Total		-205	47,315
Other comprehensive income after tax		7,324	54,430
Total comprehensive income		791,075	765,857

Consolidated Balance Sheet

Assets at 31 December

DKK '000	Note	2016	2015
NON-CURRENT ASSETS			
Intangible assets	11	2,884,121	2,920,162
Project development properties	12		197,506
Other property, plant and equipment	12	2,142,174	2,240,718
Investments in associates	13	143,978	135,371
Other fixed asset investments	14	10,074	11,725
Non-current assets		5,180,347	5,505,482
CURRENT ASSETS			
Inventories	15	335,944	316,708
Receivables	16	534,116	570,438
Prepayments	17	18,677	21,714
Cash at bank and in hand		6,917	333,185
Current assets		895,654	1,242,045
Assets		6,076,001	6,747,527

Liabilities and Equity at 31 December

DKK '000	Note	2016	2015
EQUITY			
Share capital	18	108,200	110,985
Other reserves		790,808	902,938
Retained earnings		1,571,454	1,521,336
Proposed dividend		440,915	399,546
Equity		2,911,377	2,934,805
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	19	362,117	375,396
Mortgage debt	2	859,220	1,000,325
Credit institutions	2		461,675
Other payables		13,556	14,164
Non-current liabilities		1,234,893	1,851,560
CURRENT LIABILITIES			
Mortgage debt	2	4,761	14,203
Credit institutions	2	133,975	40,934
Trade payables		858,149	913,762
Corporation tax	9	21,196	7,044
Other payables	20	911,650	985,219
Current liabilities		1,929,731	1,961,162
Liabilities	23	3,164,624	3,812,722
Liabilities and equity		6,076,001	6,747,527

Consolidated Cash Flow Statement

for 1 January - 31 December

DKK '000	Note	2016	2015
Net profit for the year		783,751	711,427
Adjustments for non-cash operating items	22	531,825	523,750
		1,315,576	1,235,177
Change in working capital:			
Receivables		32,213	-35,317
Inventories		-20,557	-3,965
Payables		-105,017	207,867
Cash flows from operating activities before financial income and expenses		1,222,215	1,403,762
Financial income		1,366	6,511
Financial expenses		-28,237	-53,099
Cash flows from operating activities		1,195,344	1,357,174
Corporation tax paid		-210,612	-197,397
Cash flows from operating activities		984,732	1,159,777
Dividends received from associates		24,863	26,660
Sale of property, plant and equipment		222,109	100,601
Corporation tax paid, sale of project development properties			-56,020
Purchase of property, plant and equipment		-209,619	-199,361
<i>Free cash flow</i>		<i>1,022,085</i>	<i>1,031,657</i>

DKK '000	Note	2016	2015
Acquisition/sale of intangible assets and fixed asset investments		151	5,330
Cash flows from investing activities		37,504	-122,790
<i>Debt financing:</i>			
Proceeds from increased drawdown on credit facilities		400,000	200,000
Repayment on credit facilities		-917,918	-730,352
<i>Shareholders:</i>			
Dividends paid to shareholders		-385,801	-373,957
Acquisition of shares for treasury		-443,584	-292,548
Cash flows from financing activities		-1,347,303	-1,196,857
Change in cash and cash equivalents		-325,067	-159,870
Cash and cash equivalents at 1 January		333,185	491,453
Exchange adjustment		-1,201	1,602
Cash and cash equivalents at 31 December		6,917	333,185

Consolidated Statement of Changes in Equity

for 1 January - 31 December

DKK '000	Share capital	Share premium account	Revaluation reserves	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2015	110,985	855,839	102,200	-27,262	-27,839	902,938	1,521,336	399,546	2,934,805
Changes in equity in 2016									
Net profit for the year						0	783,751		783,751
Other comprehensive income			0	-9,180	20,726	11,546	-325		11,221
Tax on other comprehensive income			0			0	-3,966		-3,966
Revaluation reserves realised			-102,200			-102,200	102,200		0
Total comprehensive income	0	0	-102,200	-9,180	20,726	-90,654	881,660	0	791,006
Proposed dividend						0	-440,915	440,915	0
Dividends paid to shareholders						0		-385,801	-385,801
Dividend on treasury shares						0	13,745	-13,745	0
Acquisition of shares for treasury						0	-443,584		-443,584
Share-based payments						0	9,900		9,900
Capital reduction	-2,785	-21,476				-21,476	24,261		0
Tax on changes in equity, shareholders						0	5,051		5,051
Total shareholders	-2,785	-21,476	0	0	0	-21,476	-831,542	41,369	-814,434
Total changes in equity in 2016	-2,785	-21,476	-102,200	-9,180	20,726	-112,130	50,118	41,369	-23,428
Equity at 31 December 2016	108,200	834,363	0	-36,442	-7,113	790,808	1,571,454	440,915	2,911,377

The share capital at 31 December 2016 amounts to DKK 110,985,000 and is distributed on shares of DKK 2 each.

Proposed dividend for the year amounts to DKK 8.15 per share (2015: DKK 7.20 per share).

Consolidated Statement of Changes in Equity

for 1 January - 31 December

DKK '000	Share capital	Share premium account	Revaluation reserves	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2014	110,985	855,839	126,616	-32,636	-32,677	917,142	1,412,875	377,349	2,818,351
Changes in equity in 2015									
Net profit for the year						0	711,427		711,427
Other comprehensive income			39,000	5,374	4,838	49,212	7,398		56,610
Tax on other comprehensive income			2,461			2,461	-4,641		-2,180
Revaluation reserves realised			-65,877			-65,877	65,877		0
Total comprehensive income	0	0	-24,416	5,374	4,838	-14,204	780,061	0	765,857
Dividends paid to shareholders						0		-373,957	-373,957
Dividend on treasury shares						0	3,392	-3,392	0
Acquisition of shares for treasury						0	-292,548		-292,548
Share-based payments						0	9,900		9,900
Tax on changes in equity, shareholders						0	7,202		7,202
Proposed dividend						0	-399,546	399,546	0
Total shareholders	0	0	0	0	0	0	-671,600	22,197	-649,403
Total changes in equity in 2015	0	0	-24,416	5,374	4,838	-14,204	108,461	22,197	116,454
Equity at 31 December 2015	110,985	855,839	102,200	-27,262	-27,839	902,938	1,521,336	399,546	2,934,805

Note to Consolidated Annual Report

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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 2016 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 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements for financial statements, of the 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 2016 on 8 March 2017. The Annual Report will be submitted for adoption by the shareholders of Royal Unibrew A/S at the Annual General Meeting on 27 April 2017.

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

§ Significant accounting policies

This section describes the general accounting policies applied and critical accounting estimates made 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 policies, 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 taken effect
Royal Unibrew has during the year implemented all new IFRSs, amendments to existing standards and IFRICs adopted by the EU which take

effect for the financial year 2016. The implementation has not had any recognition and measurement for Royal Unibrew A/S.

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 the following new and amended financial reporting standards and interpretations which are not mandatory for Royal Unibrew A/S at the time of preparation of the Annual Report for 2016:

- IFRS 9 Financial Instruments and subsequent amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases (expected adopted by the EU in 2017)
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 10 and IAS 28 Sale of Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IAS 1 Disclosure Initiative – Amendments to IAS 1
- Annual improvements to IFRSs 2012-2014 Cycle.

IFRS 15, Amendments to IAS 16 and IAS 38, Amendments to IAS 16 and IAS 41, Amendments to IAS 27, Amendments to IFRS 11, Amendments to IAS 1 and Annual Improvements to IFRSs 2012-2014 Cycle have been adopted by the EU.

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.

IFRS 15 "Revenue from Contracts with Customers", which replaces the existing revenue standards (IAS 11 and IAS 18) and interpretations, introduces a new model for recognising and measuring revenue from sales contracts with customers. The standard takes effect for financial years beginning on or after 1 January 2018.

The new model is based on a five-step process to be followed for all sales contracts with customers to determine when and how revenue is to be recognised in the income statement.

The key amendments to IFRS 15 as compared to the existing principles are:

- A sales transaction is to be recognised as revenue in the income statement when (or as) control of the good or service transfers (either at a point in time or over time) to the customer (the existing "risk and rewards" concept is thus replaced by a control concept).
- New and more detailed guidance on how to identify separate transaction components (performance obligations) of a sales contract, and how to recognise and measure the individual components.
- New and more detailed guidance on recognition of revenue over time.

Royal Unibrew A/S has made an analysis of the implications of the new standard to the Group and assesses that IFRS 15 will have no impact on recognition and measurement given the current product mix and contract types.

IFRS 9 "Financial Instruments", which replaces IAS 39, changes the classification and, thus, the measurement of financial assets and liabilities.

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

A more logical approach to the classification of financial assets is introduced driven by an entity's business model and underlying cash flow characteristics. At the same time, a new impairment model is introduced for all financial assets.

The so-called "expected loss" model will require more timely recognition of expected losses, both at inception and subsequently, than the existing model under which an impairment loss is not recognised until there are indications of a loss (incurred loss model).

Finally, new hedge accounting rules are introduced which, as compared to the existing rules, will make it possible to reflect in the accounting an entity's operational hedging strategy.

Royal Unibrew A/S does not expect the standard to have any material implications to the Group. The standard is expected to be mandatory for financial years beginning on or after 1 January 2018.

IFRS 16 "Leases" was issued in mid-January 2016. The standard, which takes effect for financial years beginning on or after 1 January 2019, implies a significant change to the accounting treatment of the leases that are now treated as operating leases. Thus, the standard requires that all leases irrespective of type – with few exceptions – should be recognised as an asset in the lessee's balance sheet with a corresponding lease liability. At the same time, the lessee's income statement and the cash flow statement will be affected as, going forward, the annual lease expense will comprise two elements – partly depreciation and partly an interest expense – as opposed to the current principle of recognising the annual operating lease expense as one amount in operating expenses.

Royal Unibrew A/S has made an analysis of the implications of the new standard to the Group. In 2016, the Group has operating leases with minimum lease payments in the order of DKK 140 million, corresponding to approx 2.4% of the balance sheet total, which will potentially have to be recognised in the balance sheet going forward; moreover, going forward, the annual lease payments will not be recognised as operating costs but as depreciation and financial income and expenses. Other things being equal, profit before tax and EBIT margin are expected only to be marginally affected, whereas the equity ratio will be reduced by approx 2%.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates in the income statement.

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 for 2015 have been reclassified in the income statement and in note 5 and 6.

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.

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, 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

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

are recognised in other comprehensive income and classified in equity under a separate translation reserve.

Critical 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 2016, 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 2016, the following critical estimates have been made as described 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	\$ 	2
Segment reporting	\$	3
Net revenue	\$	4
Share-based payments	\$ 	5
Expenses	\$ 	6
Financial income and expenses	\$	8
Corporation tax	\$	9
Intangible assets	\$ 	11
Property, plant and equipment	\$  	12
Investments in associates	\$	13
Other fixed asset investments	\$ 	14
Inventories	\$	15
Receivables	\$ 	16
Prepayments	\$	17
Equity	\$	18
Deferred tax	\$ 	19
Repurchase obligation packaging in circulation	\$ 	20
Debt	\$ 	21
Cash Flow Statement	\$	22

LEGEND

-  Significant accounting policies
-  Judgements as an element in significant accounting policies
-  Critical accounting estimates
-  Comments to the note

Note 2 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 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 and GBP.

The total gross currency risk (before hedging) on the balance sheet items was calculated at 31 December 2016. The following table shows the sensitivity to a positive change in the cross rates at 31 December 2015 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 2016	Earnings impact before tax 2015	Equity impact 2016	Equity impact 2015
EUR	0.1%	-548	-347	-547	2,936
USD	10%	2,233	1,301	4,644	2,191
GBP	10%	-696	-157	-696	1,995

Royal Unibrews translation risk relates primarily to 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.

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 2016, mortgage debt amounted to DKK 864 million (2015: DKK 1,015 million) with an average term to maturity of 12 years (2015: 13 years). Bank debt comprises committed bank credit facilities with an agreed term to maturity of up to 36 months (2015: 24 months). 72% (2015: 57%) of the mortgage and bank debt is fixed-interest through the Group's hedging of interest rate risk with a fixed-interest period of up to 4 years (2015: 5 years). Interest on both mortgage and bank debt is hedged through interest swaps. A one percentage point interest rate change will affect the Group's interest expenses by approx +/- DKK 4 million (2015: approx +/- DKK 6 million), and the interest expenses of the Parent Company by approx +/- DKK 2 million (2015: approx +/- DKK 3 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. In Finland, risks on major single receivables from customers are reduced through sale of the receivables (at 31/12-2016 DKK 58 million (2015: 20 million). Credit risks relating to trade receivables are reduced by setting off accrued bonus. At 31 December 2016, accrued bonus amounts to DKK 153 million (2015: DKK 168 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.

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. The target is that the Group's net interest-bearing debt should not exceed 2.5 times EBITDA and that the equity ratio at year end should be 30%.

At the operational level, continuous efforts are directed at optimising working capital investments. Subject to adequate capacity, investments in production facilities will be limited to replacement of individual com-

Note 2 Financial risk management (continued)

ponents, 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 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 7 million (2015: DKK 3 million).

Note 2 Financial risk management (continued)

Currency 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 IAS 39:

tDKK		2016	2015
	Period/ Maturity	Deferred gain (+) / loss (-)	Deferred gain (+) / loss (-)
Forward contracts:			
USD	0 - 1 year	1,323	0
SEK	0 - 1 year	490	0
Total		1,813	0
Commodity hedge:			
mainly aluminium	0 - 1 year	5,593	-18,041
mainly aluminium	>1 year		-1,060
Total		5,593	-19,101
Interest rate swaps:			
Mortgage and bank loans	2016-2017	-14,519	-8,738
Total hedging instruments		-7,113	-27,839

The derivative financial instruments applied in 2016 and 2015 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

tDKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2016					
Non-derivative financial instruments:					
Financial debt, gross	997,956	138,736	191,872	667,348	997,956
Interest expenses on financial debt	178,573	13,019	56,587	108,967	
Trade payables	858,149	858,149			858,149
Other payables	946,402	932,846	13,556		946,402
Total	2,981,080	1,942,750	262,015	776,315	2,802,507

The debt breaks down on the categories "debt at amortised cost" with DKK 2,793 million and "debt at fair value" with DKK 10 million. The fair value of the total debt is assessed to equal carrying amount.

31/12 2015					
Non-derivative financial instruments:					
Financial debt, gross	1,517,137	55,137	637,048	824,952	1,517,137
Interest expenses on financial debt	91,894	17,493	36,514	37,887	
Trade payables	1,043,512	1,043,512			1,043,512
Other payables	876,677	862,513	14,164		876,677
Total	3,529,220	1,978,655	687,726	862,839	3,437,326

The debt breaks down on the categories "debt at amortised cost" with DKK 3,428 million and "debt at fair value" with DKK 9 million. The fair value of the total debt is assessed to equal carrying amount.

Note 2 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 3 Segment reporting

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

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Un-allocated	Total
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
Net financials	-0.3	-9.8	-0.1	-20.7	-30.9
Share of income from associates	27.8				27.8
Profit/loss before tax	554.3	385.7	107.7	-50.1	997.6
Tax				-213.8	-213.8
Profit/loss for the year	554.3	385.7	107.7	-263.9	783.8
Assets *	907.5	4,985.9	38.6	0.0	5,932.0
Associates	144.0				144.0
Total assets	1,051.5	4,985.9	38.6	0.0	6,076.0
Purchase of property, plant and equipment	137.2	72.3	0.1		209.6
Liabilities*	248.7	1,697.4	6.2	1,212.3	3,164.6
Sales (million hectolitres)	3.8	5.2	0.7		9.7

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

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Un-allocated	Total
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
Net financials	-0.5	-10.2	-0.3	-34.7	-45.7
Share of income from associates	31.1				31.1
Profit/loss before tax	523.9	345.2	101.5	-68.3	902.3
Tax				-190.9	-190.9
Profit/loss for the year	523.9	345.2	101.5	-259.2	711.4
Assets *	1,285.1	5,090.6	38.9	197.5	6,612.1
Associates	135.4				135.4
Total assets	1,420.5	5,090.6	38.9	197.5	6,747.5
Purchase of property, plant and equipment	101.2	98.2	0.0		199.4
Liabilities**	804.9	1,825.9	6.3	1,175.6	3,812.7
Sales (million hectolitres)	3.6	4.8	0.7		9.1

* Unallocated assets include project development properties.

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

Note 3 Segment reporting (continued)

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

mDKK	2016		2015	
	Net revenue	Non-current assets	Net revenue	Non-current assets
Denmark	1,643.1	1,013.6	1,541.5	1,005.8
Finland	2,333.7	3,530.4	2,211.7	3,638.6
Other countries	2,363.6	636.3	2,278.9	663.6
Unallocated		0.0		197.5
Total	6,340.4	5,180.3	6,032.1	5,505.5

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.

A single customer accounts for revenue of 10% of the Group's net revenue.

Note 3 Segment reporting (continued)

Segment reporting 2012 - 2016

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

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	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	38.6		6,076.0
Liabilities	248.7	1,697.4	6.2	1,212.3	3,164.6
Sales (million hectolitres)	3.8	5.2	0.7		9.7
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	4.8	0.7		9.1
2014					
Net revenue	2,674.6	2,974.8	406.5		6,055.9
Earnings before interest and tax (EBIT)	483.7	295.3	83.9	-36.7	826.2
Assets	1,688.8	5,064.3	32.3	238.4	7,023.8
Liabilities	883.9	1,816.7	4.7	1,500.2	4,205.5
Sales (million hectolitres)	3.7	4.7	0.6		9.0

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Un-allocated	Group
2013					
Net revenue	2,650.3	1,450.2	380.5		4,481.0
Earnings before interest and tax (EBIT)	424.0	101.6	81.3	-46.8	560.1
Assets	1,605.0	4,986.2	42.8	290.5	6,924.5
Liabilities	898.0	1,371.4	6.2	2,515.9	4,791.5
Sales (million hectolitres)	3.6	2.8	0.6		7.0
2012					
Net revenue	2,429.9	585.1	415.0		3,430.0
Earnings before interest and tax (EBIT)	408.2	27.3	83.9	-34.4	485.0
Assets	1,974.9	559.4	37.5	276.3	2,848.1
Liabilities	791.4	106.1	8.7	594.3	1,500.5
Sales (million hectolitres)	3.3	1.6	0.5		5.4

Segment reporting

The Group's business segment is beer and soft drinks 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 4 Net revenue

tDKK	2016	2015
Sales of beverages and complementary goods	6,340,376	6,032,115

§ Net revenue

Net revenue from the sale of goods is recognised in the income statement if delivery has been made by the balance sheet date, and if revenues can be measured reliably and are expected to be received.

Net revenue is measured exclusive of VAT and net of discounts as well as excise duties on beer and mineral water. 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.

Note 5 Staff expenses

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

tDKK	2016	2015
Fixed salaries to Executive Board	14,353	13,450
Short-term bonus scheme for Executive Board	6,750	6,460
Long-term bonus scheme for Executive Board	0	2,108
Share-based payments to Executive Board (restricted shares)	9,900	9,900
Remuneration of Executive Board	31,003	31,918
Remuneration of Board of Directors	3,977	3,977
	34,980	35,895
Wages and salaries	803,106	752,308
Contributions to pension schemes	114,363	106,099
	917,469	858,407
Other social security expenses	15,098	15,572
Other staff expenses	36,647	31,056
Total	1,004,194	940,967
Average number of employees	2,350	2,314

Comment

The share-based payments to the Executive Board comprise a maximum of 300,000 restricted (conditional) shares allotted for no consideration vesting in the period 1 September 2013 to 31 December 2016. The conditions for allotting the maximum number of shares have been met, and the shares were transferred to the Executive Board on 8 March 2017.

The receipt of shares is conditional on continued employment in the period up until the Board of Directors' adoption of the Annual Report for 2016. The number of shares depends on the extent to which the EBIT and free cash flow targets for the financial years 2013-2016 defined by the Board of Directors are achieved.

There has been established a similar scheme for the financial years 2017-2019 as for 2013-2016.

Note 5 Staff expenses (continued)**§ 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.

§ 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 at the beginning of the vesting period has been calculated under the Black-Scholes model at DKK 110 per share of DKK 2, the Royal Unibrew A/S market price at the time of allotment, corresponding to DKK 33 million for the maximum number of shares. The market value is charged to the income statement on a straight-line basis over the vesting period, corresponding to the rate at which the conditions for the allotment of the shares are expected to be met. The conditions are fully (100%) met at 31 December 2016 (2015: 100%).

Note 6 Expenses broken down by type

Staff expenses are included in production, sales and distribution as well as administrative expenses and are specified as follows:

tDKK	2016	2015
Aggregated		
production costs	3,053,150	2,862,759
Sales and distribution expenses	1,981,803	1,932,677
Administrative expenses	304,734	319,723
Total	5,339,687	5,115,159

break down by type as follows:

Raw materials and consumables	2,364,307	2,216,620
Wages, salaries and other staff expenses	1,004,194	940,967
Operating and maintenance expenses	283,421	306,756
Distribution expenses and carriage	421,473	365,723
Sales and marketing expenses	805,420	794,067
Bad trade debts	3,121	3,511
Office supplies etc	152,764	179,193
Depreciation and profit from sale of property, plant and equipment	304,987	308,322
Total	5,339,687	5,115,159

Total depreciation as well as profit from sale of property, plant and equipment are included in the following items in the income statement:

tDKK	2016	2015
Production costs	197,249	186,618
Sales and distribution expenses	81,407	87,487
Administrative expenses	26,331	34,217
Total	304,987	308,322

Note 6 Expenses broken down by type (continued)**Fee to auditors**

tDKK	2016	2015
Fee for the audit of the Annual Report:		
Ernst & Young	1,611	1,600
Total	1,611	1,600
Ernst & Young fee for non-audit services:		
Tax assistance	0	3
Other assistance	409	559
Total	409	562

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.

Note 6 Expenses broken down by type (continued)**Leases**

When entering into leases, Management makes a judgement based on the following factors in order to identify whether the leases should be classified as finance or operating leases.

- The characteristics of the assets to which the leases relate
- The term of the leases as compared to the useful lives of the assets
- The amount of the minimum lease payments over the term of the leases
- Matters concerning purchase obligations and ownership of the assets in question

At this time, Royal Unibrew has both finance and operating leases.

Note 7 Financial income

tDKK	2016	2015
Finance income		
Trade receivables	213	1,452
Other financial income	1,152	4,833
Exchange adjustments		
Cash at bank and in hand and external loans		
Trade receivables	0	2,295
Trade payables	348	
Intercompany loans	1,481	
Forward contracts	861	179
Total	4,055	8,759

Note 8 Financial expenses

tDKK	2016	2015
Finance costs		
Mortgage debt	16,775	32,857
Credit institutions	11,019	14,354
Factoring	3,535	3,079
Other financial expenses	2,765	569
Exchange adjustments		
Cash at bank and in hand and external loans	719	1,992
Trade receivables	128	857
Intercompany loans		592
Forward contracts	21	170
Total	34,962	54,470

§ Financial income and expenses

Financial income and financial expenses comprise interest, costs of factoring, 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 9 Tax on the profit for the year

tDKK	2016	2015
Tax on the taxable income for the year	222,785	197,559
Adjustment of previous year	-480	-13,505
Adjustment of deferred tax	-9,557	1,803
Total	212,748	185,857
which breaks down as follows:		
Tax on profit for the year	213,833	190,879
Tax on other comprehensive income	3,966	2,180
Tax on changes in equity, shareholders	-5,051	-7,202
Total	212,748	185,857
Current Danish tax rate	22.0	23.5
Adjustment of previous year		-0.4
Income from associates after tax	-0.6	-0.8
Effect on tax rate of permanent differences	0.3	0.3
Differences in effective tax rates of foreign subsidiaries	-0.3	-1.5
Effective tax rate	21.4	21.1

§ 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, 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 10 Realised hedging transactions in the income statement

tDKK	2016	2015
Realised hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	2,594	-13,821
Production costs include foreign currency and commodity hedges of	-13,370	-6,495
Financial income and expenses include currency, commodity and interest rate hedges of	-8,030	-20,810
Total	-18,806	-41,126

Note 11 Intangible assets

tDKK	Goodwill	Trademarks	Distribution rights	Customer relations	Total
2016					
Cost at 1 January 2016	1,455,776	1,240,201	235,063	67,767	2,998,807
Exchange adjustment	-6,311	-5,166	-841	-256	-12,574
Additions		1,500	0		1,500
Cost at 31 December 2016	1,449,465	1,236,535	234,222	67,511	2,987,733
Amortisation and impairment losses at 1 January 2016	0	-6,726	-40,033	-31,886	-78,645
Exchange adjustment		521	128	144	793
Amortisation for the year			-12,234	-13,526	-25,760
Amortisation and impairment losses at 31 December 2016	0	-6,205	-52,139	-45,268	-103,612
Carrying amount at 31 December 2016	1,449,465	1,230,330	182,083	22,243	2,884,121
2015					
Cost at 1 January 2015	1,451,828	1,236,779	234,498	67,595	2,990,700
Exchange adjustment	3,948	3,422	565	172	8,107
Cost at 31 December 2015	1,455,776	1,240,201	235,063	67,767	2,998,807
Amortisation and impairment losses at 1 January 2015	0	-3,438	-27,730	-18,285	-49,453
Exchange adjustment		-298	-46	-54	-398
Amortisation for the year		-2,990	-12,257	-13,547	-28,794
Amortisation and impairment losses at 31 December 2015	0	-6,726	-40,033	-31,886	-78,645
Carrying amount at 31 December 2015	1,455,776	1,233,475	195,030	35,881	2,920,162

Note 11 Intangible assets (continued)

Comment

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

Goodwill

Goodwill is initially recognised in the balance sheet at cost as described under "Business combinations" in note 25. 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. Trademarks, 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 straight-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

As in 2015, the impairment test in 2016 did not give rise to recognising any impairment losses.

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:

tDKK	Goodwill	Trademarks	Total	Share
2016				
Western Europe	80,645	1,500	82,145	3%
Baltic Sea*	1,361,745	1,228,830	2,590,575	97%
Malt Beverages and Exports	7,075		7,075	0%
Total	1,449,465	1,230,330	2,679,795	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 2017-2019 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 several of Royal Unibrew's markets are generally seeing minor structural declines in the total beverage market. The Baltic Sea segment is in 2017 and 2018 expected to see declining consumption in as well Finland as in the Baltic countries. Through increased focus on exploiting commercial opportunities and innovation, Royal Unibrew expects without extraordinary campaigns, to be able to maintain its revenue at the current level in Finland. In the Baltic countries is expected a minor decrease in net revenue and earnings. Gross margins are assumed to remain stable at the current level through constant focus on value management and continuous efficiency enhancement. The key assumptions underlying the calculation of recoverable amount are as indicated below.

	Western Europe	Baltic Sea	Malt Beverages and Exports
Growth rate 2020-2023	1%	0-1%	0%
Growth rate on terminal value	2%	1.5-1.8%	2%
Discount rate (WACC)	7.3%	7.2-8.6%	18.7%

Note 11 Intangible assets (continued)

The forecasted results approved by Management are based on previously achieved results and expected market developments, see above and page 12. 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 reflect current specific risks in the individual market. In Baltic Sea, the lowest point of the range indicated for the growth rate on terminal value and the 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.

tDKK	Goodwill	Trademarks	Total	Share
2015				
Western Europe	80,645		80,645	3%
Baltic Sea *	1,366,892	1,233,475	2,600,367	97%
Malt Beverages and Exports	8,239		8,239	0%
Total	1,455,776	1,233,475	2,689,251	100%

* The most significant value relates to Finland

The key assumptions underlying the calculation of recoverable amount in 2015 were:

	Western Europe	Baltic Sea	Malt Beverages and Exports
Growth rate 2019-2022	1%	0-4%	0%
Growth rate on terminal value	1%	1%	2%
Discount rate (WACC)	7.3%	7.2-8.4%	18.9%

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 reflect current specific risks in the individual market. In Baltic Sea, the lowest point of the range indicated for the 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.

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 12 Property, plant and equipment

DKK '000	Project development properties	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total other property, plant and equipment
Cost at 1 January 2016	66,498	1,728,388	2,171,074	723,010	63,660	4,686,132
Exchange adjustment		-3,700	-3,562	-1,594	-35	-8,891
Additions	6,070	5,395	45,577	79,694	72,883	203,549
Disposals	-72,568	-4,129	-76,907	-56,227		-137,263
Transfers for the year		2,313	15,076	25,051	-42,440	0
Cost at 31 December 2016	0	1,728,267	2,151,258	769,934	94,068	4,743,527
Depreciation and impairment losses at 1 January 2016	131,008	-569,477	-1,367,807	-508,130	0	-2,445,414
Exchange adjustment		735	2,314	1,508		4,557
Depreciation for the year		-55,831	-126,093	-86,970		-268,894
Reversal of depreciation, revaluation and impairment of assets sold and discontinued	-131,008	2,713	59,686	45,999		108,398
Depreciation and impairment losses at 31 December 2016	0	-621,860	-1,431,900	-547,593	0	-2,601,353
Carrying amount at 31 December 2016	0	1,106,407	719,358	222,341	94,068	2,142,174
Finance lease assets included above						
Cost			65,140			
Depreciation and impairment losses			-23,561			
Carrying amount at 31 December 2016			41,579			41,579

Land and buildings at a carrying amount of DKK 954 million have been provided as security for mortgage debt of DKK 864 million.

Leased assets at a carrying amount of DKK 42 million have been provided as security for lease commitments totalling DKK 45 million.

DKK '000	Project development properties	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total other property, plant and equipment
Cost at 1 January 2015	94,535	1,720,136	2,082,567	702,398	45,558	4,550,659
Exchange adjustment		1,559	2,025	715	42	4,341
Additions	7,373	4,749	60,721	68,104	58,414	191,988
Disposals	-35,410	-181	-3,940	-56,735		-60,856
Transfers for the year		2,125	29,701	8,528	-40,354	0
Cost at 31 December 2015	66,498	1,728,388	2,171,074	723,010	63,660	4,686,132
Depreciation and impairment losses at 1 January 2015	143,904	-504,059	-1,251,895	-463,395	0	-2,219,349
Exchange adjustment		1,445	1,367	1,080		3,892
Depreciation for the year		-67,005	-119,927	-94,642		-281,574
Revaluations for the year	41,008					0
Reversal of depreciation, revaluation and impairment of assets sold and discontinued	-53,904	142	2,648	48,827		51,617
Depreciation and impairment losses at 31 December 2015	131,008	-569,477	-1,367,807	-508,130	0	-2,445,414
Carrying amount at 31 December 2015	197,506	1,158,911	803,267	214,880	63,660	2,240,718
Finance lease assets included above						
Cost			65,140			
Depreciation and impairment losses			-16,405			
Carrying amount at 31 December 2015			48,735			48,735

Land and buildings at a carrying amount of DKK 991 million have been provided as security for mortgage debt of DKK 1,021 million.

Leased assets at a carrying amount of DKK 48.7 million have been provided as security for lease commitments totalling DKK 53.3 million.

Note 12 Property, plant and equipment (continued)**Project development properties (brewery site in Aarhus)**

According to the cooperation agreement based on an option model entered into by the Company in 2011, the purchaser notified Royal Unibrew in 2015 that he wished to exercise his option to acquire the remaining 35,625 square metres of the total 140,000 square metres of building rights. 28,425 square metres of building rights were sold in January 2016, and additionally 7,200 square metres of building rights were sold in November 2016. In 2008, 2013, 2014 and 2015, the carrying amount was revalued by DKK 240 million, DKK 90 million, DKK 70 million and DKK 39 million, respectively. The revaluation less deferred tax is recognised in revaluation reserves in equity. The carrying amount of the remaining 35,625 square metres of building rights amounted to DKK 198 million at 31 December 2015 corresponding to the fair value of the net sales proceeds. The change in fair value from 31 December 2015 to the time of sale in 2016 of DKK 1 million has been recognised in financial income in the income statement.

Property, plant and equipment

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 construction 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 2016 and 2015 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 2015 and are as follows:

Buildings and installations,	25-40 years
Leasehold improvements,	over the term of the lease, max. 10 years
Plant and machinery,	5-15 years
Other fixtures and fittings, tools and equipment,	3-8 years
Returnable packaging,	3-10 years

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

Leases

For accounting purposes, lease obligations are classified as either finance or operating lease obligations.

A lease is classified as a finance lease if it substantially transfers the risks and rewards of ownership of the leased asset. All other leases are classified as operating leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Note 13 Investments in associates

tDKK	Investments in associates
Cost at 1 January 2016	75,748
Cost at 31 December 2016	75,748
Value adjustments at 1 January 2016	59,623
Exchange adjustment	5,689
Dividend, net	-24,863
Share of profit for the year	27,802
Other comprehensive income	-21
Value adjustments at 31 December 2016	68,230
Carrying amount at 31 December 2016	143,978
Cost at 1 January 2015	43,066
Reclassification, beginning of year	32,682
Cost at 31 December 2015	75,748
Value adjustments at 1 January 2015	93,183
Reclassification, beginning of year	-32,682
Exchange adjustment	-5,178
Dividend, net	-26,660
Share of profit for the year	31,061
Other comprehensive income	-101
Value adjustments at 31 December 2015	59,623
Carrying amount at 31 December 2015	135,371

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:

tDKK	2016	2015
Profit from continuing operations for the year	27,802	31,061
Other comprehensive income	-21	-101
Comprehensive income	27,781	30,960
Total carrying amount at 31 December of the Group's total investments in associates, share of equity	143,978	135,371

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 14 Other fixed asset investments

tDKK	Other investments	Other receivables	Total other fixed asset investments
Cost at 1 January 2016	58,979	4,385	63,364
Exchange adjustment	-2,191	4	-2,187
Disposals	0	-1,686	-1,686
Cost at 31 December 2016	56,788	2,703	59,491
Value adjustments at 1 January 2016	-51,275	-364	-51,639
Exchange adjustment	2,174	1	2,175
Revaluations and impairment losses for the year	47		47
Value adjustments at 31 December 2016	-49,054	-363	-49,417
Carrying amount at 31 December 2016	7,734	2,340	10,074
Cost at 1 January 2015	66,704	2,682	69,386
Exchange adjustment	1,004	18	1,022
Additions		1,762	1,762
Disposals	-8,729	-77	-8,806
Cost at 31 December 2015	58,979	4,385	63,364
Value adjustments at 1 January 2015	-52,255	-363	-52,618
Exchange adjustment	-974	-1	-975
Disposals	1,715		1,715
Revaluations and impairment losses for the year	239		239
Value adjustments at 31 December 2015	-51,275	-364	-51,639
Carrying amount at 31 December 2015	7,704	4,021	11,725

Other investments

Other investments not included in the Group's trading portfolio (available for sale) are recognised in non-current assets at fair value at the trading date and are subsequently measured at fair value equal to the market price as regards listed securities and at estimated fair value calculated on the basis of market data and recognised valuation methods as regards 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 latest public available statutory financial statements of Perla Browary Lubelskie S.A. (parent company) is for 2015 have been prepared on the basis of Polish accounting law and show revenue of PLN 508 million (DKK 853 million), EBITDA of PLN 53 million (DKK 89 million), EBIT of PLN 48 million (DKK 80 million), profit after tax of PLN 39 million (DKK 65 million) and equity of PLN 168 million (DKK 282 million). The fair value measurement of the investments in Perla Browary Lubelskie is classified in level 3 of the fair value hierarchy.

Note 15 Inventories

tDKK	2016	2015
Raw materials and consumables	120,456	121,048
Work in progress	24,057	26,830
Finished goods and goods for resale	191,431	168,830
Inventories	335,944	316,708

Inventories

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 23 million (2015: DKK 21 million). As in 2015, inventories have not been written down materially.

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 16 Receivables

tDKK	2016	2015
Trade receivables	512,369	516,953
Other receivables	21,747	53,485
Receivables	534,116	570,438

Other receivables fall due for payment in 2017.

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

Trade receivables fall due as follows:

tDKK	31/12 2016	31/12 2015
Not due	359,087	372,479
Prepaid bonus	84,438	79,457
Due:		
From 1-15 days	66,486	68,423
From 16-90 days	13,905	12,981
More than 90 days	19,441	100,625
	543,357	552,561
Provisions for bad debts, not due	-	-4,754
Provisions for prepaid bonus	-8,471	-10,063
Provisions for bad debts, 1-15 days	-1,627	-535
Provisions for bad debts, 16-90 days	-3,601	-1,599
Provisions for bad debts, more than 90 days	-17,289	-18,657
Total	512,369	516,953
Provisions for bad debts, beginning of year	-26,993	-30,653
Bad debts realised during the year	6,159	3,669
Provision for the year	-10,154	-8,624
Total	-30,988	-35,608

Note 16 Receivables (continued)

§ Receivables

Receivables are initially measured at cost and are subsequently measured at amortised cost or an estimated lower value at the balance sheet date. This lower value is calculated where there is an objective indication that an individual receivable or a portfolio of receivables has been impaired.

Receivables with no objective indication of impairment on an individual basis are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Group's policy for credit risk management. The objective indicators used in connection with portfolios are determined based on Management's assessment and knowledge of the individual portfolios.

If there is an objective indication of impairment of a portfolio, an impairment test is made in connection with which the expected future cash flows are estimated based on the historical loss record adjusted for current market conditions and individual factors relating to the portfolio in question.

Write-downs are calculated as the difference between the carrying amount of the receivable and the present value of the expected cash flows, including the realisable value of any collateral received.

⚖ Trade receivables

Receivables are written down on the basis of an individual assessment of the loss risk relating to the receivables or groups of receivables, including their maturity profiles and the current credit standing of the debtors.

Note 17 Prepayments

tDKK	2016	2015
Prepayments	18,677	21,714

§ Prepayments

Prepayments recognised in assets comprise expenses incurred in respect of subsequent financial years.

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

Treasury shares held by the Parent Company:

tDKK	Number	Nom. value	% of capital
Portfolio at 1 January 2016	1,492,118	2,984	2.7
Additions	1,503,489	3,007	2.8
Capital reduction	-1,392,500	-2,785	-2.5
Portfolio at 31 December 2016	1,603,107	3,206	3.0
Portfolio at 1 January 2015	300,000	600	0.5
Additions	1,192,118	2,384	2.2
Portfolio at 31 December 2015	1,492,118	2,984	2.7

The Group holds no other treasury shares.

Basis of calculation of earnings and cash flow per share

	2016	2015
The Parent Company shareholders' share of profit for the year amounts to (DKK '000)	783,751	711,427
The average number of treasury shares amounted to (number, DKK 2 each)	1,333,869	777,421
The average number of shares in circulation amounted to (number)	53,288,319	54,715,079
The average number of shares in circulation incl restricted shares amounted to (number)	53,588,319	55,015,079
Cost of share repurchases during the year	443,584	292,548

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.

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

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

Note 19 Deferred tax

tDKK	2016	2015
Deferred tax at 1 January	375,396	431,774
Additions on acquisition, see note 25		
Change in deferred tax for the year	-9,557	1,093
Change sale of project development property	0	-56,020
Exchange adjustment	-1,067	710
Changes to tax rates		
Adjustment of previous year	-2,655	-2,161
Deferred tax at 31 December	362,117	375,396
Expected realisation within 1 year	14,006	33,957
Deferred tax relates to:		
Intangible assets	258,123	264,274
Property, plant and equipment	157,811	157,767
Current assets	17,582	20,002
Non current liabilities	0	-15,922
Current liabilities	-71,399	-50,725
Total	362,117	375,396

The utilisation of unutilised tax losses in one of the Group's foreign enterprises is not certain. Therefore, the tax asset corresponding to approx DKK 2.3 million (2015: approx DKK 2.4 million) has not been capitalised.

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.

Deferred tax

Deferred tax assets, including the value of tax losses that may be carried forward for set-off against positive taxable incomes in future years, are recognised if, in Management's judgement, the possibility hereof exists. The judgement is made annually.

Note 20 Other current payables

tDKK	2016	2015
VAT, excise duties, etc	399,102	457,645
Other payables	386,823	397,824
Repurchase obligation, returnable packaging	125,725	129,750
Total other current payables	911,650	985,219
Repurchase obligation, returnable packaging is specified as follows:		
Balance at 1 January	129,750	132,942
Adjustment for the year	-4,025	-3,192
Balance at 31 December	125,725	129,750

Comment

The change in the repurchase obligation for the year reflects net sales of returnable packaging for the year less estimated wastage of returnable packaging in circulation.

Repurchase obligation relating to packaging in circulation

Plastic crates, bottles and kegs in circulation and held in inventory are recognised in property, plant and equipment, and the obligation to repurchase returnable packaging in circulation for which a deposit has been paid is recognised in provisions.

Repurchase obligation relating to packaging in circulation

The repurchase obligation relating to packaging in circulation is calculated on the basis of the estimated total packaging volume less packaging held in inventory.

Note 21 Debts

tDKK	2016	2015
Mortgage debt	863,981	1,014,528
Credit institutions	133,975	502,609
Other debts	1,804,551	1,920,189
Debts	2,802,507	3,437,326

Debts

Mortgage loans and loans from credit institutions are recognised initially at fair values after deduction of transaction expenses. 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 2016, the net liability amounted to approx DKK 8.6 million (2015: approx DKK 8.5 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:

tDKK	2016	2015
Financial income	-4,055	-8,759
Financial expenses	34,962	54,470
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	294,654	310,368
Tax on the profit for the year	213,833	190,879
Income from investments in associates	-27,802	-31,061
Profit and loss from sale of property, plant and equipment	10,333	-2,047
Share-based payments and remuneration	9,900	9,900
Total	531,825	523,750

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 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	2016	2015
Rental and operating lease commitments		
Total future payments:		
Within 1 year	46.3	47.0
Between 1 and 5 years	90.3	91.0
Beyond 5 years	3.6	8.5
Total	140.2	146.5
Rental and operating lease commitments relate to properties and operating equipment, including cars and IT equipment.		
Third-party guarantees	12.1	12.1
Finance lease commitments		
Total future payments:		
Within 1 year	45.2	8.1
Between 1 and 5 years		45.3
Total	45.2	53.4

The finance lease commitments relate to finance leases of plant and machinery.

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 12.

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 46 and Group Structure on page 118. No shareholder exercises control.

All transactions are carried out on an arm's length basis.

The following transactions have been made with related parties:

tDKK	2016	2015
Revenue		
Sales to associates	5,152	5,133
Financial income and expenses		
Dividends received from associates	24,863	26,660
Executive Board		
Remuneration paid	32,260	19,775
Debt re cash-based bonus schemes	6,750	19,108
Liabilities concerning share-based bonus schemes, measured at fair value at the time of granting	33,000	23,100
Board of Directors		
Remuneration	3,977	3,977

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

Parent Company Annual Report

Parent Company Income Statement and Statement of Comprehensive Income

Income Statement for 1 January - 31 December

tDKK	Note	2016	2015
Net revenue		3,214,703	3,043,822
Production costs	3,4	-1,521,484	-1,414,996
Gross profit		1,693,219	1,628,826
Sales and distribution expenses	3,4	-924,970	-883,579
Administrative expenses	3,4	-186,941	-196,049
EBIT		581,308	549,198
Dividends received from subsidiaries and associates		313,565	296,929
Financial income	5	6,415	10,837
Financial expenses	6	-26,434	-45,025
Profit before tax		874,854	811,939
Tax on the profit for the year	7	-126,983	-121,049
Net profit for the year		747,871	690,890
Earnings per share (DKK)		14.7	13.0
Diluted earnings per share (DKK)		14.6	12.9

Statement of Comprehensive Income for 1 January - 31 December

tDKK	Note	2016	2015
Net profit for the year		747,871	690,890
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Value adjustment of hedging instruments, beginning of year	8	18,270	29,990
Value adjustment of hedging instruments, end of year	8	-7,927	-18,270
Tax on other comprehensive income	7	-2,335	-4,546
Total		8,008	7,174
<i>Items that may not be reclassified to the income statement</i>			
Revaluation of non-current assets			39,000
Tax on revaluation of non-current assets	7		2,461
Total		0	41,461
Other comprehensive income after tax		8,008	48,635
Total comprehensive income		755,879	739,525

Parent Company Balance Sheet

Assets at 31 December

tDKK	Note	2016	2015
NON-CURRENT ASSETS			
Intangible assets	9	82,145	80,697
Project development properties	10	0	197,506
Other property, plant and equipment	10	849,135	841,121
Investments in associates	11	77,374	77,374
Investments in subsidiaries	11	3,484,365	3,484,365
Receivables from subsidiaries	12	120,624	164,125
Other fixed asset investments	12	4,936	6,574
Non-current assets		4,618,579	4,851,762
CURRENT ASSETS			
Inventories	13	141,458	123,049
Receivables	14	245,808	253,740
Receivables from subsidiaries		34,141	85,928
Corporation tax		4,462	1,069
Prepayments		16,146	19,185
Cash at bank and in hand		118	8,865
Current assets		442,133	491,836
Assets		5,060,712	5,343,598

Liabilities and Equity at 31 December

tDKK	Note	2016	2015
EQUITY			
Share capital	15	108,200	110,985
Other reserves		826,436	939,769
Retained earnings		1,620,137	1,603,943
Proposed dividend		440,915	399,546
Equity		2,995,688	3,054,243
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	16	91,286	95,991
Mortgage debt	2	580,858	720,979
Credit institutions	2	0	416,412
Other payables		13,556	14,164
Non-current liabilities		685,700	1,247,546
CURRENT LIABILITIES			
Mortgage debt	2	4,761	14,203
Credit institutions	2	74,753	32,877
Trade payables		344,194	325,754
Payables to subsidiaries		678,018	363,312
Other current payables	17	277,598	305,663
Current liabilities		1,379,324	1,041,809
Liabilities		2,065,024	2,289,355
Liabilities and equity		5,060,712	5,343,598

Parent Company Cash Flow Statement

for 1 January - 31 December

tDKK	Note	2016	2015
Net profit for the year		747,871	690,890
Adjustments for non-cash operating items	18	-36,324	-25,531
		711,547	665,359
Change in working capital:			
Receivables		39,737	-37,803
Inventories		-18,409	-8,020
Payables		4,433	21,588
Cash flows from operating activities before financial income and expenses		737,308	641,124
Financial income		6,368	8,590
Financial expenses		-22,393	-45,707
Cash flows from operating activities		721,283	604,007
Corporation tax paid		-132,365	-116,818
Cash flows from operating activities		588,918	487,189
Dividends received from subsidiaries and associates		313,565	296,929
Sale of property, plant and equipment		206,432	88,642
Corporation tax paid on project property			-56,020
Purchase of property, plant and equipment		-137,226	-101,235
<i>Free cash flow</i>		<i>971,689</i>	<i>715,505</i>

tDKK	Note	2016	2015
Increase of capital/Business acquisitions			-206
Acquisition/sale of intangible assets and fixed asset investments		185	-1,693
Cash flows from investing activities		382,956	226,417
<i>Debt financing:</i>			
Proceeds from increased drawdown on credit facilities		400,000	200,000
Repayment on credit facilities		-924,099	-567,332
Change in financing of subsidiaries		372,863	275,468
<i>Shareholders:</i>			
Dividends paid to shareholders		-385,801	-373,957
Acquisition of shares for treasury		-443,584	-292,548
Cash flows from financing activities		-980,621	-758,369
Change in cash and cash equivalents		-8,747	-44,763
Cash and cash equivalents at 1 January		8,865	53,628
Cash and cash equivalents at 31 December		118	8,865

Parent Company Statement of Changes in Equity

for 1 January - 31 December

tDKK	Share capital	Share premium account	Revaluation reserves	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2015	110,985	855,839	102,200	-18,270	939,769	1,603,943	399,546	3,054,243
Changes in equity in 2016								
Profit for the year					0	747,871		747,871
Other comprehensive income			0	10,343	10,343			10,343
Tax on other comprehensive income			0		0	-2,335		-2,335
Revaluation reserves realised			-102,200		-102,200	102,200		0
Total comprehensive income	0	0	-102,200	10,343	-91,857	847,736	0	755,879
Dividends paid to shareholders					0		-385,801	-385,801
Dividend on treasury shares					0	13,745	-13,745	0
Acquisition of shares for treasury					0	-443,584		-443,584
Share-based payments					0	9,900		9,900
Proposed dividend					0	-440,915	440,915	0
Capital reduction	-2,785	-21,476			-21,476	24,261		0
Tax on changes in equity, shareholders					0	5,051		5,051
Total shareholders	-2,785	-21,476	0	0	-21,476	-831,542	41,369	-814,434
Total changes in equity in 2016	-2,785	-21,476	-102,200	10,343	-113,333	16,194	41,369	-58,555
Equity at 31 December 2016	108,200	834,363	0	-7,927	826,436	1,620,137	440,915	2,995,688

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 2016 amounts to DKK 108,200,000 and is distributed on shares of DKK 2 each.

Proposed dividend for the year is DKK 8.15 per share (2015: DKK 7.20 per share).

Parent Company Statement of Changes in Equity

for perioden 1. januar – 31. december

tDKK	Share capital	Share premium account	Revaluation reserves	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2014	110,985	855,839	126,616	-29,990	952,465	1,523,322	377,349	2,964,121
Changes in equity in 2015								
Profit for the year					0	690,890		690,890
Other comprehensive income			39,000	11,720	50,720			50,720
Tax on other comprehensive income			2,461		2,461	-4,546		-2,085
Revaluation reserves realised			-65,877		-65,877	65,877		0
Total comprehensive income	0	0	-24,416	11,720	-12,696	752,221	0	739,525
Dividends paid to shareholders					0		-373,957	-373,957
Dividend on treasury shares					0	3,392	-3,392	0
Acquisition of shares for treasury					0	-292,548		-292,548
Share-based payments					0	9,900		9,900
Tax on changes in equity, shareholders					0	7,202	0	7,202
Proposed dividend					0	-399,546	399,546	0
Total shareholders	0	0	0	0	0	-671,600	22,197	-649,403
Total changes in equity in 2015	0	0	-24,416	11,720	-12,696	80,621	22,197	90,122
Equity at 31 December 2015	110,985	855,839	102,200	-18,270	939,769	1,603,943	399,546	3,054,243

Note to Parent Company Annual Report

Descriptive notes		Notes referring to Income Statement, Balance Sheet and Cash Flow Statement		Other notes	
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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.

Critical judgements and accounting estimates

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 2016, 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 2016, the following critical estimates have been made as described 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	\$		2	
Segment reporting	\$		3	
Net revenue	\$		4	
Share-based payments	\$			5
Expenses	\$		6	
Financial income and expenses	\$		8	
Corporation tax	\$		9	
Intangible assets	\$			11
Property, plant and equipment	\$			12
Investments in associates	\$		13	\$ 11
Investments in subsidiaries				\$ 11
Other fixed asset investments	\$			14
Inventories	\$		15	
Receivables	\$			16
Prepayments	\$		17	
Equity	\$		18	
Deferred tax	\$			19
Repurchase obligation packaging in circulation	\$			20
Debt	\$		21	
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LEGEND

-  Significant accounting policies
-  Judgements as an element in significant accounting policies
-  Critical accounting estimates
-  Comments to the note

Note 2 Financial risk management

Financial liabilities

tDKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2016					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	660,372	79,514	183,694	397,164	660,372
Financial debt, subsidiaries	678,018	678,018			678,018
Interest expenses on financial debt	94,126	10,086	37,467	46,573	
Trade payables and repayment obligation re packaging	376,712	376,712			376,712
Other payables	258,636	245,080	13,556		258,636
Total	2,067,864	1,389,410	234,717	443,737	1,973,738

The debt breaks down on the categories "debt at amortised cost" with DKK 1,964 million and "debt at fair value" with DKK 10 million. The fair value of the total debt is assessed to equal carrying amount.

31/12 2015

Non-derivative financial instruments:					
Financial debt, debt financing, gross	1,184,471	47,080	591,786	545,606	1,184,471
Financial debt, subsidiaries	348,822	348,822			348,822
Interest expenses on financial debt	73,364	15,342	28,911	29,111	
Trade payables and repayment obligation re packaging	369,930	369,930			369,930
Other payables	290,140	275,976	14,164		290,140
Total	2,266,727	1,057,150	634,861	574,717	2,193,363

The debt breaks down on the categories "debt at amortised cost" with DKK 2,184 million and "debt at fair value" with DKK 9 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 2 to the Consolidated Financial Statements.

Note 3 Staff expenses

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

tDKK	2016	2015
Fixed salaries to Executive Board	14,353	13,450
Ordinary bonus scheme for Executive Board	6,750	6,460
Long-term bonus scheme for Executive Board		2,108
Share-based payments to Executive Board (restricted shares)	9,900	9,900
Remuneration of Executive Board	31,003	31,918
Remuneration of Board of Directors	3,977	3,977
	34,980	35,895
Wages and salaries	427,824	403,803
Contributions to pension schemes	34,208	31,563
	462,032	435,366
Other social security expenses	5,812	5,542
Other staff expenses	20,188	19,352
Total	523,012	496,155
Average number of employees	888	872

Reference is made to note 5 to the Consolidated Financial Statements for a description of share-based payments to the Executive Board.

Note 4 Expenses broken down by type

tDKK	2016	2015
Aggregated		
production costs	1,521,484	1,414,996
Sales and distribution expenses	924,970	883,579
Administrative expenses	186,941	196,049
Total	2,633,395	2,494,624
break down by type as follows:		
Raw materials and consumables	1,195,622	1,101,146
Wages, salaries and other staff expenses	523,012	496,155
Operating and maintenance expenses	124,450	141,343
Distribution expenses and carriage	118,141	114,796
Sales and marketing expenses	461,845	442,265
Bad trade debts	-1,321	-1,183
Office supplies etc	91,307	93,842
Depreciation and profit from sale of property, plant and equipment	120,339	106,260
Total	2,633,395	2,494,624

Total depreciation and impairment losses as well as profit from sale of property, plant and equipment are included in the following items in the income statement:

tDKK	2016	2015
Production costs	80,040	65,202
Sales and distribution expenses	19,275	23,177
Administrative expenses	21,024	17,881
Total	120,339	106,260
Fee to auditors		
Fee for the audit of the Annual Report:		
Ernst & Young	800	990
Total	800	990
Ernst & Young fee for non-audit services:		
Tax assistance	0	3
Other assistance	158	171
Total	158	174

Note 5 Financial income

tDKK	2016	2015
Finance income		
Cash at bank and in hand		1
Trade receivables	18	40
Receivables from subsidiaries	2,595	5,298
Other financial income	1,146	2,997
Exchange adjustments		
Trade receivables		2,295
Trade payables	816	
Intercompany loans	1,481	
Forward contracts	359	206
Total	6,415	10,837

Note 6 Financial expenses

tDKK	2016	2015
Finance costs		
Mortgage debt	14,999	29,404
Credit institutions	9,276	11,281
Payables to subsidiaries	120	143
Other financial expenses	1,248	715
Exchange adjustments		
Cash at bank and in hand and external loans	701	1,967
Trade receivables	70	
Trade payables		442
Intercompany loans		592
Forward contracts	20	481
Total	26,434	45,025

Note 7 Tax on the profit for the year

tDKK	2016	2015
Tax on the taxable income for the year	126,810	127,117
Adjustment of previous year	5	-13,505
Adjustment of deferred tax	-2,548	2,320
Total	124,267	115,932
which breaks down as follows:		
Tax on profit for the year	126,983	121,049
Tax on other comprehensive income	2,335	2,085
Tax on equity entries	-5,051	-7,202
Total	124,267	115,932
Current Danish tax rate	22.0	23.5
Dividends received from subsidiaries and associates	-8.0	-8.6
Effect on tax rate of permanent differences	0.5	0.3
Adjustment of previous year		-0.3
Changes to tax rates		
Effective tax rate	14.5	14.9

Note 8 Realised hedging transactions

tDKK	2016	2015
Realised hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	2,594	-13,821
Production costs include foreign currency and commodity hedges of	-8,920	-7,185
Financial income and expenses include currency, commodity and interest rate hedges of	-7,123	-21,093
Total	-13,449	-42,099

Note 9 Intangible assets

tDKK	Goodwill	Trademarks	Distribution rights	Total
Cost at 1 January 2016	80,645	2,990	11,828	95,463
Additions		1,500		1,500
Cost at 31 December 2016	80,645	4,490	11,828	96,963
Amortisation and impairment losses at 1 January 2016	0	-2,990	-11,776	-14,766
Amortisation for the year		0	-52	-52
Amortisation and impairment losses at 31 December 2016	0	-2,990	-11,828	-14,818
Carrying amount at 31 December 2016	80,645	1,500	0	82,145
Cost at 1 January 2015	80,645	2,990	11,828	95,463
Cost at 31 December 2015	80,645	2,990	11,828	95,463
Amortisation and impairment losses at 1 January 2015	0		-11,719	-11,719
Amortisation for the year		-2,990	-57	-3,047
Amortisation and impairment losses at 31 December 2015	0	-2,990	-11,776	-14,766
Carrying amount at 31 December 2015	80,645	0	52	80,697

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 11 to the Consolidated Financial Statements for a description of impairment test.

Note 10 Property, plant and equipment

tDKK	Project development properties	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total other property, plant and equipment
Cost at 1 January 2016	66,498	686,717	1,224,147	453,723	54,503	2,419,090
Additions	6,070	3,442	32,824	35,320	59,570	131,156
Disposals	-72,568	-4,117	-76,837	-44,986		-125,940
Transfers for the year		179	10,999	23,256	-34,434	0
Cost at 31 December 2016	0	686,221	1,191,133	467,313	79,639	2,424,306
Depreciation and impairment losses at 1 January 2016	131,008	-366,363	-875,742	-335,864	0	-1,577,969
Depreciation for the year		-14,511	-38,928	-41,678		-95,117
Reversal of depreciation, revaluation and impairment of assets sold and discontinued	-131,008	2,713	59,660	35,542		97,915
Depreciation and impairment losses at 31 December 2016	0	-378,161	-855,010	-342,000	0	-1,575,171
Carrying amount at 31 December 2016	0	308,060	336,123	125,313	79,639	849,135

Land and buildings including plant and machinery at a carrying amount of DKK 633 million have been provided as security for mortgage debt of DKK 585.6 million.

tDKK	Project development properties	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total other property, plant and equipment
Cost at 1 January 2015	94,535	683,204	1,194,311	457,021	28,752	2,363,288
Additions	7,373	3,694	12,488	23,961	53,719	93,862
Disposals	-35,410	-181	-3,748	-34,131		-38,060
Transfers for the year			21,096	6,872	-27,968	0
Cost at 31 December 2015	66,498	686,717	1,224,147	453,723	54,503	2,419,090
Depreciation and impairment losses at 1 January 2015	143,904	-351,429	-839,390	-322,668	0	-1,513,487
Revaluations for the year	41,008					0
Depreciation for the year		-15,076	-38,808	-44,772		-98,656
Reversal of depreciation, revaluation and impairment of assets sold and discontinued	-53,904	142	2,456	31,576		34,174
Depreciation and impairment losses at 31 December 2015	131,008	-366,363	-875,742	-335,864	0	-1,577,969
Carrying amount at 31 December 2015	197,506	320,354	348,405	117,859	54,503	841,121

Land and buildings including plant and machinery at a carrying amount of DKK 663.8 million have been provided as security for mortgage debt of DKK 741.9 million.

Reference is made to note 12 to the Consolidated Financial Statements for a description of project development properties.

Note 11 Investments in subsidiaries and associates

tDKK	Investments in subsidiaries	Investments in associates
Cost at 1 January 2016	3,573,400	77,374
Cost at 31 December 2016	3,573,400	77,374
Revaluations and impairment losses at 1 January 2016	-89,035	0
Revaluations and impairment losses at 31 December 2016	-89,035	0
Carrying amount at 31 December 2016	3,484,365	77,374
Cost at 1 January 2015	3,573,194	77,374
Additions	206	
Cost at 31 December 2015	3,573,400	77,374
Revaluations and impairment losses at 1 January 2015	-89,035	0
Revaluations and impairment losses at 31 December 2015	-89,035	0
Carrying amount at 31 December 2015	3,484,365	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 11 to the Consolidated Financial Statements.

Note 12 Receivables from subsidiaries and Other fixed asset investments

tDKK	Receivables from subsidiaries	Other investments	Other receivables	Total other fixed asset investments
Cost at 1 January 2016	164,125	54,833	3,814	58,647
Exchange adjustment	-493			0
Additions	25,916			0
Disposals	-68,924		-1,685	-1,685
Cost at 31 December 2016	120,624	54,833	2,129	56,962
Revaluations and impairment losses at 1 January 2016	0	-52,073	0	-52,073
Revaluations and impairment losses for the year		47		47
Revaluations and impairment losses at 31 December 2016	0	-52,026	0	-52,026
Carrying amount at 31 December 2016	120,624	2,807	2,129	4,936
Cost at 1 January 2015	163,709	54,833	2,121	56,954
Exchange adjustment	416			0
Additions			1,762	1,762
Disposals			-69	-69
Cost at 31 December 2015	164,125	54,833	3,814	58,647
Revaluations and impairment losses at 1 January 2015	0	-52,312	0	-52,312
Exchange adjustment		239		239
Revaluations and impairment losses at 31 December 2015	0	-52,073	0	-52,073
Carrying amount at 31 December 2015	164,125	2,760	3,814	6,574

Note 13 Inventories

tDKK	2016	2015
Raw materials and consumables	57,921	50,025
Work in progress	13,507	14,611
Finished goods and goods for resale	70,030	58,413
Inventories	141,458	123,049

 **Inventories**

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 11 million (2015: DKK 9 million). As in 2015, inventories have not been written down materially.

Note 14 Receivables

tDKK	2016	2015
Trade receivables	238,284	243,484
Other receivables	7,524	10,256
Total receivables	245,808	253,740

Note 15 Share capital

Reference is made to note 18 to the Consolidated Financial Statements.

Note 16 Deferred tax

tDKK	2016	2015
Deferred tax at 1 January	95,991	151,852
Change in deferred tax for the year	-2,548	2,320
Change sale of project development property		-56,020
Changes to tax rates		
Adjustment of previous year	-2,157	-2,161
Deferred tax at 31 December	91,286	95,991
Due within 1 year	7,510	33,336
Deferred tax relates to:		
Intangible assets		43
Property, plant and equipment	90,724	90,700
Fixed asset investments	15,052	15,052
Current assets	9,371	9,688
Non-current liabilities		-12,940
Current liabilities	-23,861	-6,552
Total	91,286	95,991

Note 17 Other current payables

tDKK	2016	2015
VAT, excise duties, etc	41,508	50,601
Other payables	203,572	225,375
Repurchase obligation, returnable packaging	32,518	29,687
Total other current payables	277,598	305,663
Repurchase obligation, returnable packaging is specified as follows:		
Balance at 1 January	29,687	27,083
Adjustment for the year	2,831	2,604
Balance at 31 December	32,518	29,687

 **Comment**

The change in the repurchase obligation for the year reflects net sales of returnable packaging for the year less estimated wastage of returnable packaging in circulation.

Note 18 Cash Flow Statement

Adjustments for non-cash operating items:

tDKK	2016	2015
Dividends received from subsidiaries and associates	-313,565	-296,929
Financial income	-6,415	-10,837
Financial expenses	26,434	45,025
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	95,169	101,703
Tax on the profit for the year	126,983	121,049
Profit and loss from sale of property, plant and equipment	25,170	4,558
Share-based payments and remuneration	9,900	9,900
Total	-36,324	-25,531

Note 19 Contingent liabilities, security and other liabilities

mDKK	2016	2015
Guarantees		
Guarantees relating to subsidiaries	479.5	528.6
Total	479.5	528.6
Rental and operating lease commitments		
Total future payments:		
Within 1 year	23.8	24.8
Between 1 and 5 years	51.6	48.2
Beyond 5 years	2.3	5.6
Total	77.7	78.6
Third-party guarantees	12.1	12.1

Rental and operating lease commitments relate to properties and operating equipment, including cars and IT equipment.

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 10.

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 46 and Group Structure on page 118. No shareholder exercises control.

All transactions, including lending, are carried out on an arm's length basis.

The following transactions have been made with related parties:

tDKK	2016	2015		2016	2015
Revenue			Board of Directors		
Sales to subsidiaries	513,511	533,981	Remuneration	3,977	3,977
Sales to associates	5,152	5,133			
			Intercompany balances at 31 December		
Costs			Loans to subsidiaries	120,624	186,651
Purchases from subsidiaries	16,858	16,439	Receivables from subsidiaries	34,141	63,402
			Loans from subsidiaries	672,688	362,410
Financial income and expenses			Payables to subsidiaries	5,330	902
Dividends received from associates	24,863	26,660			
Dividends received from subsidiaries	288,702	270,269	Capital contributed to subsidiaries		206
Interest received from subsidiaries	2,595	5,298			
			Guarantees and security		
Interest paid to subsidiaries	120	143	Guarantee for subsidiaries	479,500	528,600
Executive Board					
Remuneration paid	32,260	19,775			
Debt re cash-based bonus schemes	6,750	19,108			
Liabilities concerning share-based bonus schemes, measured at fair value at the time of granting	33,000	23,100			

Quarterly Financial Highlights and Ratios (Group)

mDKK (unaudited)	Q1		Q2		Q3		Q4	
	2016	2015	2016	2015	2016	2015	2016	2015
Sales (million hectolitres)	2.1	1.9	2.8	2.5	2.6	2.5	2.2	2.2
Net revenue	1,350	1,290	1,810	1,633	1,714	1,686	1,466	1,423
Production costs	-662	-632	-853	-745	-792	-760	-746	-720
Gross profit	688	658	957	888	922	926	720	703
<i>Gross margin ratio (%)</i>	<i>51.0</i>	<i>51.0</i>	<i>52.9</i>	<i>54.4</i>	<i>53.8</i>	<i>54.9</i>	<i>49.1</i>	<i>49.4</i>
Sales and distribution expenses	-468	-451	-553	-510	-493	-496	-468	-477
Administrative expenses	-82	-76	-74	-84	-72	-80	-77	-84
EBITDA	212	204	408	370	432	428	254	223
<i>EBITDA margin (%)</i>	<i>15.7</i>	<i>15.8</i>	<i>22.5</i>	<i>22.7</i>	<i>25.2</i>	<i>25.4</i>	<i>17.3</i>	<i>15.7</i>
Earnings before interest and tax (EBIT)	138	131	330	294	357	350	175	142
<i>EBIT margin (%)</i>	<i>10.2</i>	<i>10.2</i>	<i>18.2</i>	<i>18.0</i>	<i>20.8</i>	<i>20.8</i>	<i>12.0</i>	<i>10.1</i>
Income from investments in associates	1	1	14	11	7	6	6	13
Financial income and expenses	-12	-13	-8	-11	-9	-13	-2	-9
Profit before tax	127	119	336	294	355	343	179	146
Net profit for the period	99	92	265	229	277	267	143	123
Balance Sheet								
Non-current assets	5,300	5,641	5,256	5,552	5,216	5,505	5,180	5,505
Total assets	6,506	6,768	6,531	6,910	6,260	6,728	6,076	6,748
Equity	2,945	2,900	2,712	2,724	2,895	2,896	2,911	2,935
Net interest-bearing debt	1,269	1,710	1,261	1,627	1,053	1,323	991	1,184
Net working capital	-731	-555	-867	-721	-791	-742	-881	-990
Invested capital	4,448	4,893	4,207	4,627	4,170	4,466	4,111	4,347
Cash Flows								
From operating activities	-121	-96	534	472	339	422	233	362
From investing activities	124	-27	-24	54	-17	-27	-45	-123
Free cash flow	5	-122	509	521	321	394	187	239
Financial Ratios (%)								
Free cash flow as a percentage of net revenue	0	-9	28	32	19	23	13	17
Cash conversion	5	-133	192	228	116	148	131	194
Equity ratio	45	43	42	39	43	43	48	43

Ratios comprised by the "Recommendations and Financial Ratios 2015" issued by the Danish Society of Financial Analysts have been calculated according to the recommendations.

Definitions of financial highlights and ratios are provided on page 117.

Definitions of Financial Highlights and Ratios

Net interest-bearing debt	Mortgage debt and debt to credit institutions less cash at bank and in hand, interest-bearing current investments and receivables.	Return on invested capital after tax excluding goodwill (ROIC)	EBIT net of tax as a percentage of average invested capital (equity + minority interests + provisions + net interest-bearing debt - fixed asset investments - goodwill).
Net working capital	Inventories + receivables - current liabilities except for corporation tax receivable/payable as well as mortgage debt and debt to credit institutions.	Profit margin	Operating profit before special items as a percentage of net revenue.
Free cash flow	Cash flow from operating activities less net investments in property, plant and equipment and plus dividends from associates.	EBIT margin	EBIT as a percentage of net revenue.
Dividend per share	Proposed dividend per share.	Free cash flow as a percentage of net revenue	Free cash flow as a percentage of net revenue.
Earnings per share	Parent Company shareholders' share of profit for the year/ average number of shares in circulation.	Cash conversion	Free cash flow as a percentage of net profit for the year.
Free cash flow per share	Free cash flow/average number of shares in circulation.	Net interest-bearing debt/EBITDA before special items	The ratio of net interest-bearing debt at year end to EBITDA.
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".	Equity ratio	Equity at year end as a percentage of total assets.
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.	Return on equity (ROE)	Consolidated profit after tax as a percentage of average equity.
EBIT	Earnings before interest and tax.	Dividend payout ratio (DPR)	Dividend calculated for the full share capital as a percentage of the Parent Company shareholders' share of Group net profit for the year.
Return on invested capital after tax including goodwill (ROIC)	EBIT net of tax as a percentage of average invested capital (equity + minority interests + provisions + net interest-bearing debt - fixed asset investments).		

Group Structure

Segment	Ownership	Currency	Capital	
Parent Company				
Royal Unibrew A/S, Denmark		DKK	108,200,000	●
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	●
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	●
Hartwa-Trade Oy Ab	100%	EUR	168,188	●
Helepark Oy	100%	EUR	6,761	●
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	●
OÜ Royal Unibrew Eesti, Estonia	100%	EUR	2,000,000	●

Segment	Ownership	Currency	Capital	
MALT BEVERAGES AND EXPORTS				
Subsidiaries				
Centre Nordique d'Alimentation EURL, France	100%	EUR	131,000	●
Royal Unibrew Caribbean Ltd., Puerto Rico	100%	USD	200,000	●
Supermalt UK Ltd., the UK	100%	GBP	9,700,000	●
Vitamalt (West Africa) Ltd., the UK	100%	GBP	10,000	●
Royal Unibrew Nigeria Ltd.	100%	NGN	10,000,000	●
The Danish Brewery Group Inc., USA	100%	USD	100,000	●
Activity				
● Production, sales and distribution				
● Sales and distribution				
○ Holding company				
● Other Activity				

Disclaimer

This Annual Report contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, 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. The Group assumes no obligation to update any such forward-looking statements 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, 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 can 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.

