Annual Report 2020

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

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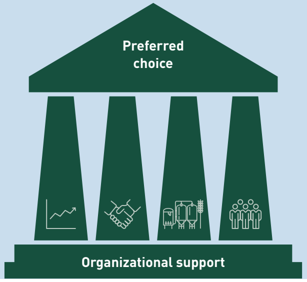

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Our new long-term sustainability strategy

Who we are

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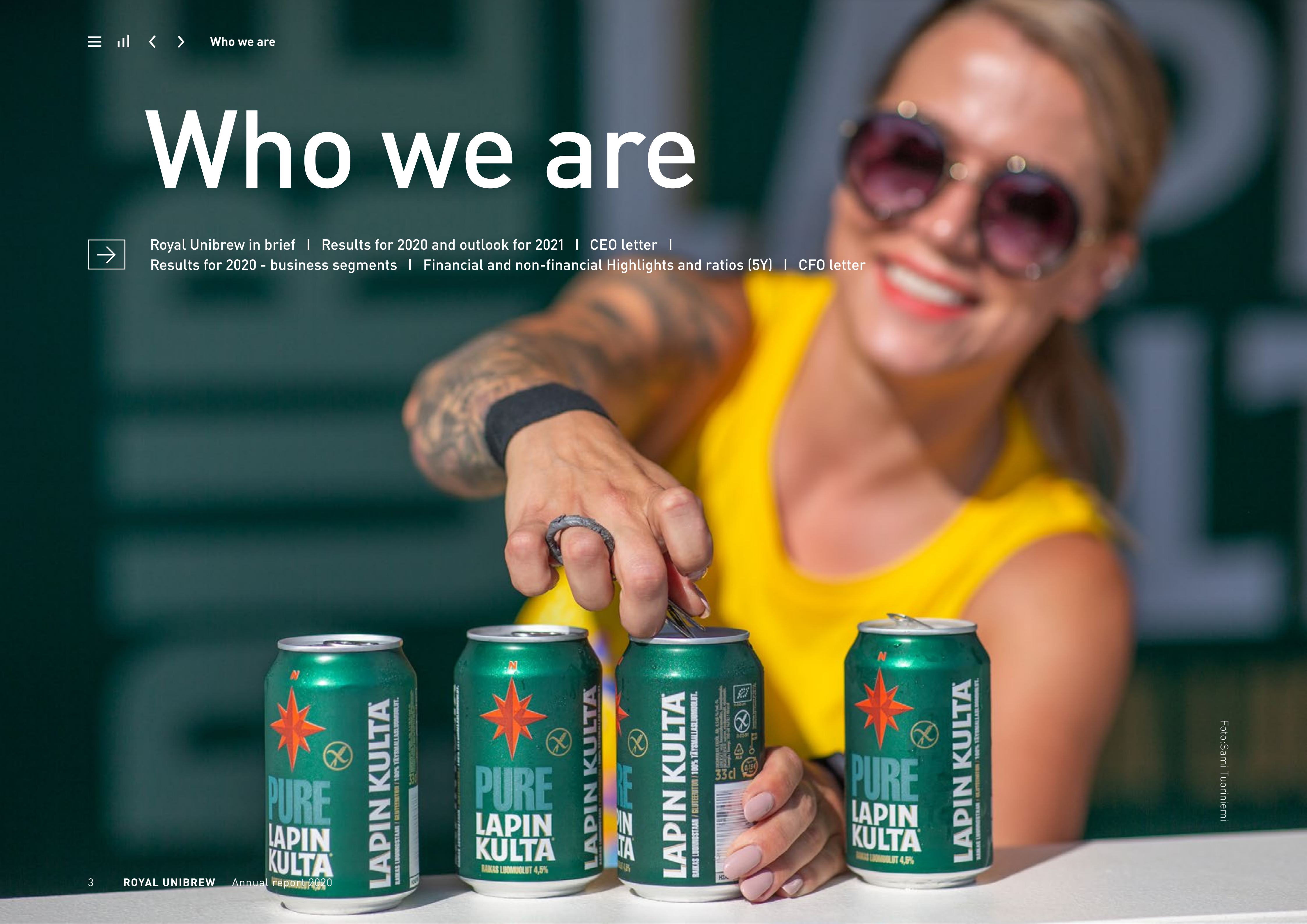


Foto:Sami Tuoriniemi

Royal Unibrew in brief

Royal Unibrew is a leading regional multi-beverage company providing strong brands to our main markets Denmark, Finland, Italy, Germany, France and the Baltics, and to 65+ countries in the rest of the world.

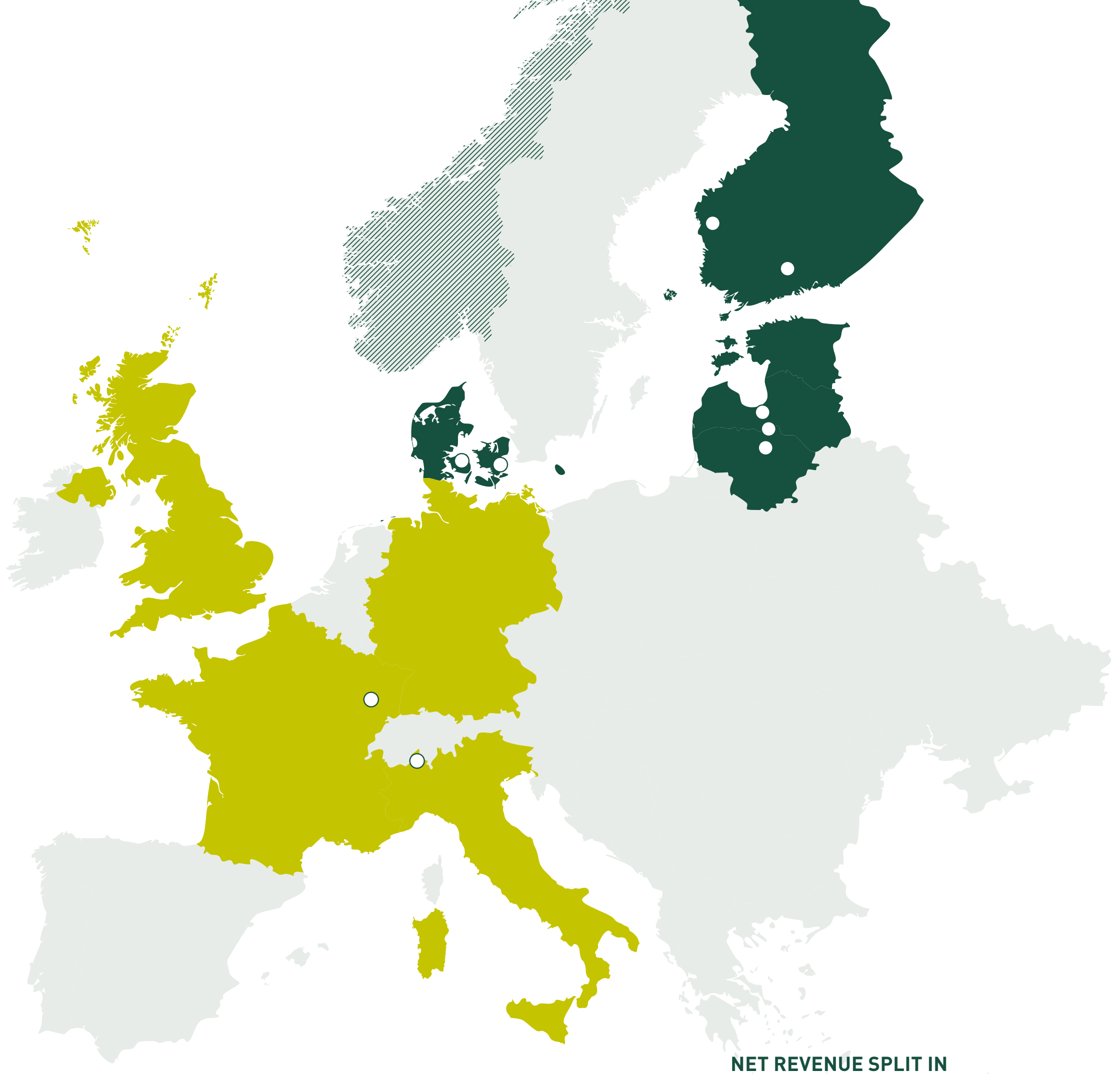
We serve our consumers by offering high quality beverages within beer, malt beverages, soft drinks as well as ciders, ready-to-drink, juice, energy and water products.

In addition to our own brands, we offer license-based international brands from PepsiCo and Heineken in Northern Europe.

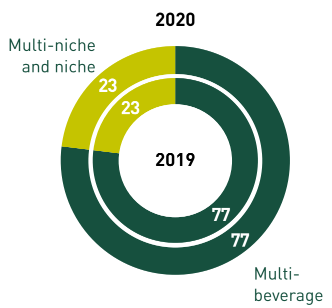
Together with our 2,631 employees, we are facilitating great moments and enjoyment for our consumers and creating valuable partnerships with our customers – always in a responsible way.

MARKETS

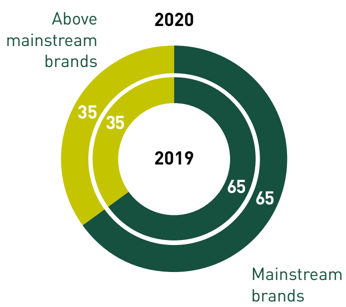
- Multi-beverage
- Multi-niche
- Production
- Associates



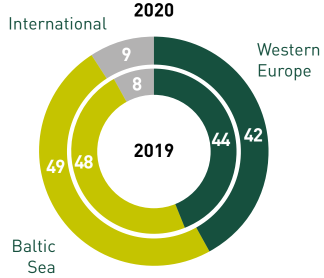
NET REVENUE SPLIT
(%)



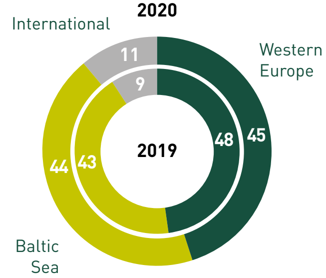
NET REVENUE BY BRAND CATEGORY
(%)



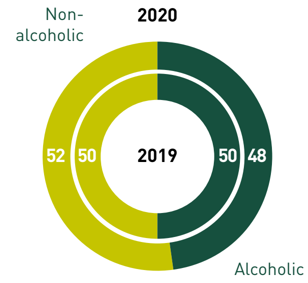
VOLUME BY SEGMENT
(%)



EBIT BY SEGMENT
(%)



NET REVENUE SPLIT IN ALCOHOLIC VS. NON-ALCOHOLIC
(%)



Results for 2020 and outlook for 2021

With strong performance in Off-Trade, planning and cost focus we managed to deliver highest EBIT ever despite the impact from COVID-19.

Developments in 2020

- Strong financial performance
- Increased market shares in our key markets
- Both EBITDA margin and EBIT margin increased
- Free cash flow increased by 24% to DKK 1,414 million compared to 2019, but is positively impacted by the extraordinary beer campaign in Finland and COVID-19 related channel and country mix changes
- Earnings per share up from DKK 23.0 to DKK 24.1 (+5%)
- New Management team
- Updated strategy including sustainability
- In 2020, total distribution to shareholders was DKK 962 million
- A dividend of DKK 13.50 per share for 2020 (2019: DKK 12.20) is proposed to the AGM
- A new share buy-back program of DKK 250 million is initiated

Outlook for 2021

Medium-term EBIT margin target remains 19-20%

mDKK	Outlook	Actual 2020	Actual 2019
Net revenue		7,557	7,692
EBIT	1,475-1,625	1,515	1,469

-2%

NET REVENUE DECREASE FOR 2020 TO DKK 7,557 MILLION

+3%

EBIT INCREASE FOR 2020 TO DKK 1,515 MILLION

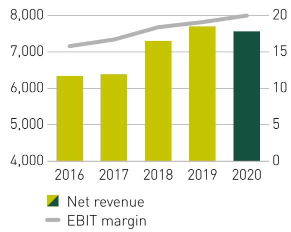
+3%

EBITDA INCREASE FOR 2020 TO DKK 1,861 MILLION

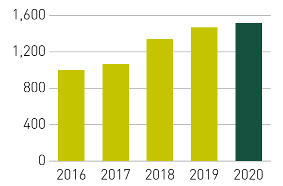
20.0%

EBIT-MARGIN FOR 2020, AN INCREASE OF 0.9 PERCENTAGE POINT

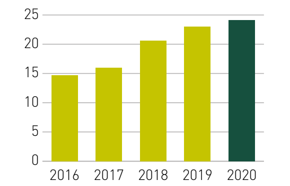
NET REVENUE/EBIT-MARGIN
(mDKK) (%)



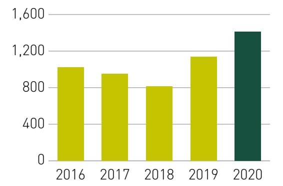
EBIT
(mDKK)



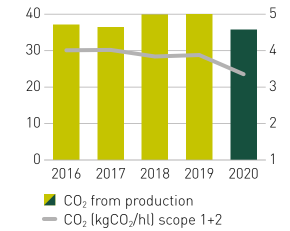
EARNING PER SHARE
(DKK)



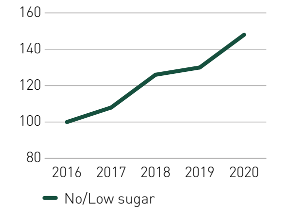
FREE CASH FLOW
(mDKK)



CO_2 FROM PRODUCTION



VOLUME GROWTH IN SOFTDRINKS WITH LOW OR NO SUGAR
(Index)



CEO Letter

Increased focus on sustainable and profitable growth

2020 was probably the most abnormal year for many decades – at least for Royal Unibrew. However, our strategy proved its strength and our local management model demonstrated once again agility, customer closeness and great service levels despite significant changes on a daily basis. While working intensively on the short-term hour by hour, we managed to keep focus on the long-term growth opportunities within e.g. low/no-alcohol, low/no-sugar and in categories within energy drinks and ready-to-drink and thereby enhanced our position in these categories.

The beginning of 2020 was at full steam, January and February were strong and our pipeline of launches and innovations was very promising in all channels. When COVID-19 broke out in Italy at the beginning of March and soon thereafter in Northern Europe, sales in On-Trade and convenience in particular halted and Off-Trade did not really catch up as consumers destocked home inventories. April and May were very uncertain months but as societies partly re-opened towards summer, we experienced improved sales despite restrictions in events and gatherings in general. The uplift in sales was led by a combination of good weather and staycation effects. In total, September and October turned out to be close to normal months, while November and December on the contrary were quite difficult months. Just to illustrate the volatility we have experienced.

Despite all of the above:

- We managed to get through the year with very few COVID-19 infected employees
- Our ranking by our customers was strengthened even further
- We increased our value market share in all our key markets by channel
- We managed to improve our financial performance
- Our produced and supplied volume is the highest ever by the company

We could not have done this without an outstanding performance and strong teamwork in the entire organization. We managed to increase communication instantly and digitally to secure that everybody was well informed, and we shared learnings across countries and within countries across channels. Some employees moved from On-Trade to Off-Trade or from On-Trade to logistics with few days' notice; others were sent home on different schemes or simply taking holidays while some unfortunately had to leave the company on a more permanent basis. I would like to thank all employees for a solid performance, something we can all be proud of.

In the convenience, On-Trade, sports and event channels the pandemic has had huge consequences, and many customers have had to rethink their business model and e.g. move into take-away instead of restaurant dining. I hope that our customers have felt that we - with innovation and local understanding - have been there for them throughout 2020. We are ready and eager to assist them in re-establishing solid business when the societies re-open to a new normal.

"We have established a long-term ambition for the total sustainability area aiming to move us in the front among sustainable beverage companies within the next five years."

From an investor perspective our share price has been on a rollercoaster during the year as we were one of the first companies in the beverage industry to withdraw guidance. We were also one of the first ones to resume with a guidance, which in our mind was the right thing to do from a legal perspective, but certainly also from a business perspective. Most importantly for us, has been to secure our strong flight altitude into 2021 and towards a more permanent opening of the societies in which we do business. This also means that commercially we have spent sufficiently in 2020 in order not to lose ground versus competition and to increase likelihood for future growth. As we got full transparency on the cash generation during the summer, we resumed the share buyback and paid out the full dividend.

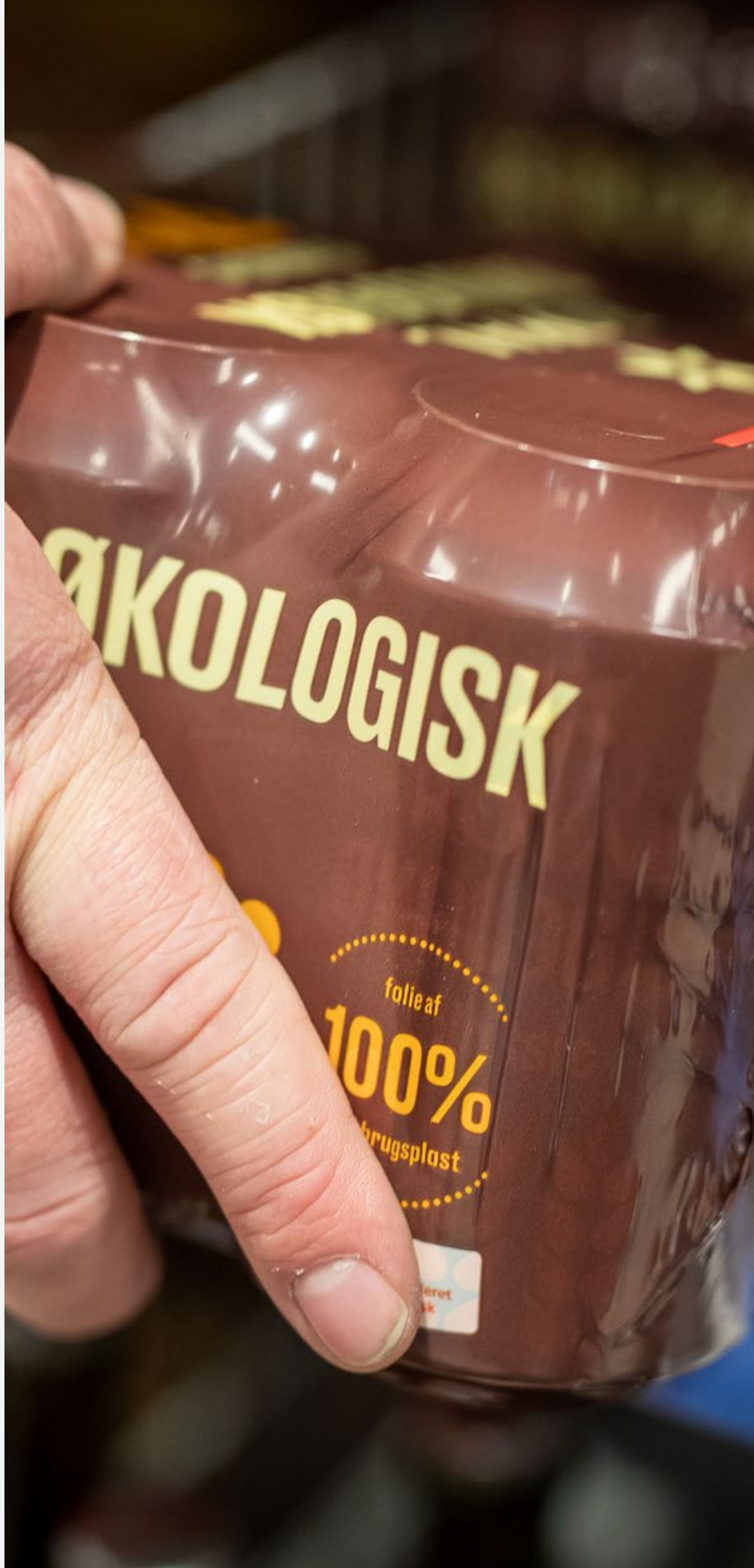
Since I took the helm as CEO on 1 September 2020, we have reorganized the leadership of the company by establishing a Senior Leadership Team with six leaders including HR with a core focus on commercial closeness, continuity and diversity. We aim to build our organization even stronger and with a bench that continuously evolves and will supplement the existing team in our aspiration to grow organically as well as through acquisitions.

Together, we have re-visited and aligned on our short-term as well as on our longer-term strategy. On our strategic route we are continuously creating evolution rather than revolution and, in that context, we have taken a longer view on categories, countries and channels during recent months and established our long-term view on consumer trends. Our conclusion is a combination of reconfirming and redefining our focus slightly. We reconfirm areas within low/no-alcohol, low/no-sugar & premium products, while we increase our ambitions and growth views in e.g. the energy drinks, enhanced drinks and ready-to-drink categories.

Finally, as specified in the full year statement from 2019 we have established a long-term ambition for the total CSR area which aims to move us in the front among sustainable beverage companies within the next five years. We are generally already performing well but have identified mid-term opportunities that will enhance the outcome quite significantly. Not all is yet known and technologies will evolve so we will stay open-minded through our journey. An important factor - and in particular in terms of the CO_2 emission - is the support we get from our suppliers but also from local municipalities in the areas where we produce. Generally, we see CSR as an integrated part of our strategy which enhances our business opportunities.

Thanks to all around us for continued support.

Lars Jensen
President & CEO



Results for 2020 - business segments

Western Europe

DENMARK, GERMANY, ITALY AND FRANCE

4,682 thl
VOLUME
(down by 3%)

3,548 mDKK
NET REVENUE
(down by 4%)

687 mDKK
EBIT
(down by 5%)

19.4%
EBIT-MARGIN
(down by 0.2pp)

Read more: page 28

Baltic Sea

FINLAND, LATVIA, LITHUANIA AND ESTONIA

5,409 thl
VOLUME
(up by 3%)

3,237 mDKK
NET REVENUE
(down by 2%)

675 mDKK
EBIT
(up by 3%)

20.8%
EBIT-MARGIN
(up by 1.0pp)

Read more: page 30

International

65 MARKETS IN AMERICAS AND EMEAA

1,002 thl
VOLUME
(up by 6%)

772 mDKK
NET REVENUE
(up by 11%)

171 mDKK
EBIT
(up by 30%)

22.2%
EBIT-MARGIN
(up by 3.2pp)

Read more: page 32

Financial Highlights and Ratios

	2020	2019	2018	2017	2016
Volume (million hectolitres)	11.1	11.0	10.8	9.9	9.9
INCOME STATEMENT (MDKK)					
Net revenue	7,557	7,692	7,298	6,384	6,340
Organic growth net revenue (%)	-3%	1%	9%	1%	5%
EBITDA	1,861	1,814	1,673	1,362	1,306
EBITDA margin (%)	24.6	23.6	22.9	21.3	20.6
Earnings before interest and tax (EBIT)	1,515	1,469	1,339	1,069	1,001
EBIT margin (%)	20.0	19.1	18.4	16.7	15.8
Income after tax from investments in associates	33	25	20	18	28
Other financial income and expenses, net	-43	-36	-31	-31	-31
Profit before tax	1,505	1,458	1,328	1,056	998
Net profit for the year	1,198	1,140	1,040	831	784
Parent company shareholders' share of net profit	1,183	1,142	1,041	831	784
BALANCE SHEET (MDKK)					
Non-current assets	7,015	7,163	6,775	5,121	5,180
Total assets	8,306	8,493	8,062	6,778	6,076
Equity	3,332	3,106	2,908	2,814	2,911
Net interest-bearing debt	2,193	2,705	2,522	975	991
Net working capital	-875	-671	-748	-957	-881
Invested capital	5,930	6,211	5,835	4,030	4,111
CASH FLOWS (MDKK)					
Operating activities	1,738	1,402	1,214	1,168	985
Investing activities	-324	-262	-401	-218	37
Free cash flow	1,414	1,140	813	950	1,022

Compared to the Annual Report 2019 the definition of fre cash flow has been updated to reflect market practise of the IFRS 16 implementation. Comparables for 2019 and 2018 have been adjusted.

	2020	2019	2018	2017	2016
SHARE RATIOS (DKK)					
Number of shares (million)	49.4	50.1	51.0	52.7	54.1
Earnings per share (EPS)	24.1	23.0	20.6	16.0	14.7
Diluted earnings per share	24.1	22.9	20.6	16.0	14.6
Free cash flow per share	28.8	23.0	16.1	17.8	18.7
Dividend per share	13.5	12.2	10.8	8.9	8.2
Year-end price per share	706.6	610.0	449.0	371.8	272.6
EMPLOYEES					
Average number of employees (FTE)	2,631	2,567	2,416	2,299	2,350
FINANCIAL RATIOS (%)					
Return on invested capital including goodwill (ROIC)	20	19	21	21	18
Return on invested capital excluding goodwill (ROIC)	33	30	33	32	28
Free cash flow as a percentage of net revenue	19	15	11	15	16
Capex as a percentage of net revenue	5	4	6	4	0
Cash conversion	118	100	78	114	130
Net interest-bearing debt/EBITDA (times)	1.2	1.5	1.5	0.7	0.8
Equity ratio	40	37	36	42	48
Return on equity (ROE)	37	38	36	29	27
Dividend payout ratio (DPR)	56	54	53	56	56

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

Definitions of financial highlights and ratios are provided on page 138.

Due to adoption in 2018 of IFRS 16 (leases) using the modified retrospective approach the 2018 to 2020 highlights and ratios are not comparable with those for 2016-2017.

Non-financial highlights and ratios

		2020	2019	2018	2017	2016
Production figures						
Production sites		9	9	9	7	7
Production volume, total	million hl	10.6	10.3	10.4	9.1	9.3
Environment & Climate						
Purchased Electricity	GWh	79.1	81.4	81.2	73.7	75.4
Natural gas	GWh	88.3	94.2	88.9	80.1	82.1
Purchased Heat/steam/cooling	GWh	30.6	37.8	40.8	43.7	46.5
Other	GWh	2.8	1.9	2.9	2.5	0.7
Energy, total	**GWh**	**200.8**	**215.3**	**213.8**	**200.0**	**204.7**
CO_2 from production (location based)*	million $kgCO_2$	35.7	40.0	39.8	36.5	37.1
CO_2 from production (market based)**	million $kgCO_2$	24.2	26.2	n/a	n/a	n/a
Total water consumption	million hl	33.3	33.3	33.3	28.2	29
Total amount of wastewater discharged	million hl	22.3	22.3	22.7	18.5	19.3
Hazardous waste	million kg	0.1	0.1	0.1	0.1	0.1
Landfilled waste	million kg	0.9	0.4	0.5	0.4	0.4
Incinerated waste	million kg	0.7	1.5	1.1	0.9	0.9
Recycled waste	million kg	5.0	5.9	5.4	3.1	4.3
Other waste***	million kg	0.5				
Solid Waste, total	**million kg**	**7.2**	**7.9**	**7.1**	**4.5**	**5.7**
Spent grain & yeast	million kg	76.8	77.4	80.9	91.3	96.7
Relative production figures						
Energy	kWh/hl	18.9	20.9	20.6	20.1	22.1
CO_2	$kgCO_2$/hl	3.4	3.9	3.8	4.0	4.0
Water	hl/hl	3.1	3.2	3.2	3.1	3.1

		2020	2019	2018	2017	2016
Packaging material******						
Cans	%	15.6	13.4	n/a	n/a	n/a
Returnable glass bottles	%	17.8	21.5	n/a	n/a	n/a
Non returnable glass bottles	%	42.8	42.8	n/a	n/a	n/a
PET	%	12.0	8.1	n/a	n/a	n/a
Kegs	%	2.1	7.5	n/a	n/a	n/a
Bulk	%	9.7	6.7	n/a	n/a	n/a
People well-being & development						
Occupational Health & Safety						
Total number of lost-time incidents (LTIs)		56	42	39	46	52
Lost time incident frequency		13.7	10.8	10.2	12.9	14.3
Number of Lost days		2,070	1,594	687	n/a	n/a
Lost day rate		506	412	180	n/a	n/a
Fatalities		0	0	0	0	0
Employee engagement						
Employee turnover	%	15.3	17.5	20.6	n/a	n/a
Leave of absence due to illness (not work related)	%	3.7	3.9	3.5	n/a	n/a
Diversity						
Percentage of employees by gender, total						
Female	%	24	25	26	24	24
Male	%	76	75	74	76	76
Employees by gender, Int. Management teams						
Female	%	33	32	31	30	35
Male	%	67	68	69	70	65

* Location based: Calculated CO_2 emission based on IEA country factors
** Market based: Subtracting CO_2 emission covered by green certificates
*** Other waste is R11 and 12 according to the EU waste directive
**** Packaging material: Weight basis distribution

CFO letter

Tight focus and planning led to strong performance

2020 started with ambitious plans and focus on continuing the underlying positive development in earnings. After a strong beginning in January and February all plans were changed in March when the COVID-19 pandemic became a reality.

To manage the high uncertainty, we revised our plans based on the following principles:

- Protect our employees
- Support customers
- Prepare for the worst case and manage cost
- Protect our liquidity position

"We expect 2021 to end with a good momentum, but the start of the year seems to be challenging"

Initially, in late March and April it was difficult to foresee how the market environment would react. However, since June our business has performed strongly until November when our main markets were impacted by the second wave of the pandemic.

Our revised new plan for the year has worked and we have managed to deliver a profitability slightly above 2019 and with growing market shares.

Strong performance in 2020

The assumptions for our plans for 2020 were no longer relevant after the lockdown in March. Compared to any other year, categories and sales channels have developed very differently during the year. The commercial parts of our organization have done an outstanding job in refocusing sales efforts to the growing categories and sales channels and at the same time spending a minimum of resources on declining areas. We have never experienced such extensive changes in volumes from On-Trade to Off-Trade and from kegs to cans and PET. Our supply chain colleagues have shown great ability to adapt to the new reality and produced record volumes during the summer.

A key learning in situations when assumptions change dramatically is to drop the budget and make a new plan with maximum flexibility. As we worked with limited visibility, we had clear guiding principles for decision making. Across the business we made many new short-term plans and shifted resources to segments with positive momentum. Our business model with strong country organizations and clear local decision power has shown very effective also in situations with high uncertainty.

Balancing short and long term

The spending level we had during the summer months was not consistent with our ambitions to continue to grow and develop the business. Consequently, we started initiatives during the late summer to ensure that we have momentum as we move into 2021. This includes capacity expansion projects, selective commercial initiatives, IT investments and maintenance cost.

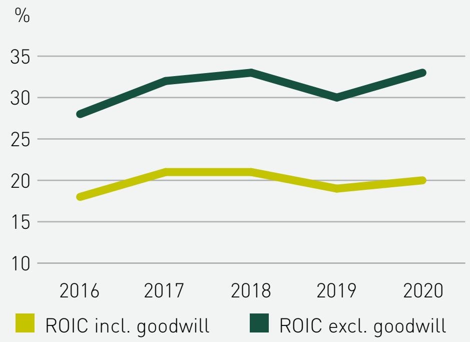
Liquidity and capital allocation

As uncertainty was high in the spring, we made additional credit facilities, postponed dividend payment and the initiated share buy-back program. The guiding principle has been to maximize our financial flexibility in order to be ready for both difficult markets but also for potential M&A projects.

Over the summer, we saw the markets develop positively and cash flow generation was strong. Therefore, we decided to pay out dividend and initiate two tranches of share buy-back programs.

In order to secure that our ROIC develops positively over time, we target to manage the investments by keeping investments around 5% of revenue (excl. M&A). This will be a challenging target to meet as our ambitions within sustainability will require investments as well as the continued growth will demand more investments in capacity.

ROIC DEVELOPMENT 2016-2020



Back to growth

Our ambition is to return to profitable topline growth again in 2021. Across the business we have interesting organic growth opportunities that we aim to focus on. The planning for 2021 is a bit unusual as we still live with COVID-19 related restrictions and it is likely that the start of the year will be difficult. Consequently, we have commercial initiatives that will not be committed before we have more clarity on how restrictions and the vaccine will impact the trading conditions.

We expect 2021 to end with a good momentum, but the start of the year may be challenging.

Lars Vestergaard
CFO

Strategy

Purpose and Ambition I Our strategy

Purpose and Ambition

ROYAL UNIBREW

The preferred choice

We want to be the preferred choice of local beverage partner that challenge the status quo by doing better every day in a fun, agile and sustainable way

The preferred choice for

our consumers

Bringing people together and facilitating great moments and enjoyment is the heart of our business. We offer strong local beverage brands in combination with global brands – continuously striving to match consumers' changing preferences through meaningful innovations and by offering a broad range of refreshments that deliver choice.

our customers

We partner with our customers and strive to grow together by offering a portfolio of relevant brands and having a challenger mindset. With our local, decentralized setup we focus on agility and close collaboration – aiming to provide best-in-class service as well as pursuing extraordinary brand execution in all channels.

our people

We recruit, develop and retain entrepreneurial and empowered people thirsting for success and striving to do better every day. Our people drive our success and progress – and live and protect our values. We work as one team and find solutions to all challenges.

our shareholders

Our main focus is to invest behind the categories and channels that grow the most, pushing premiumization and driving organic EBIT growth. On top of this, we will do value accretive bolt-on, as well as strategic acquisitions if possible. We aim to increase distribution to shareholders over time through dividend and share buy-backs.

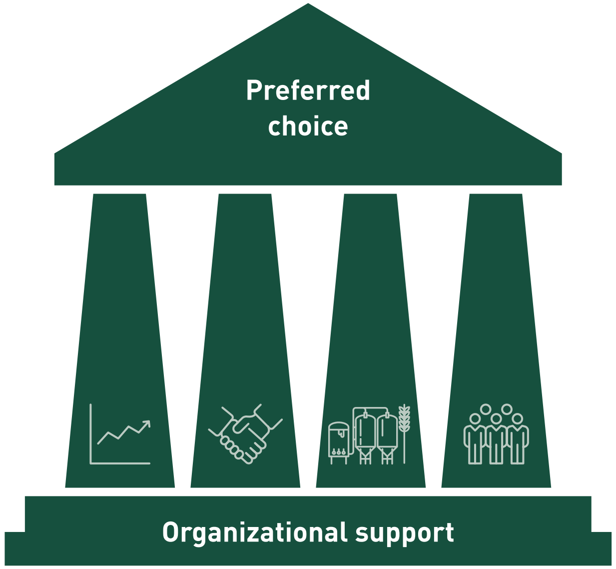
the future

We are deeply rooted in the communities where we work, and we partner with all our stakeholders to make a positive impact on society. Our focus is to build a long-term sustainable business and to minimize the environmental footprint of our operations from raw materials to the end consumption.

Our strategy

Royal Unibrew's overall strategy remains to be a strong regional multi-beverage provider in selected core markets and in other markets to build and develop strong niche positions.

Royal Unibrew operates in diverse markets that are characterized by different dynamics. We aim to be the preferred choice for our consumers, customers, shareholders and people through the following four strategic priorities.



Build sustainable business

We want to expand our markets and market shares through multi-beverage and niche strategies.

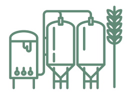
We need to continuously develop and innovate our product portfolio and channel mix to be the preferred choice for consumers. We will also continue to pursue opportunities to continuously enhance the efficiency across the company.

Prepare for future growth

We want to be the preferred partner for our customers with the most relevant innovations for our consumers by addressing consumer demographies, geographies and trends of e.g. health and wellness, authenticity and care for the environment.

We will pursue structural improvements through M&A and partnerships with focus on Western Europe.

We will maintain Royal Unibrew's financial flexibiliy by continuously considering our capital structure with the intention of adjusting it to support the realization of the strategic and financial targets.



Become the most sustainable beverage company

We will convert our energy consumption to renewable energy and also focus on the entire value chain and include the consumption by our suppliers. We will work with suppliers that share our values and focus on green energy consumption and lower the impact from packaging material through recycling.

As a regionally based beverage company founded on strong local presence in the societies of typically rural areas, Royal Unibrew aims to be a responsible member of the community.

We will invest in renewable energy and have an open mindset towards new technologies. Operational efficiencies and circular thinking have always been a part of the Royal Unibrew DNA.

Becoming the most sustainable beverage company requires that all employees are engaged in the journey and we will work persistently to embed a sustainability mindset throughout our organization.

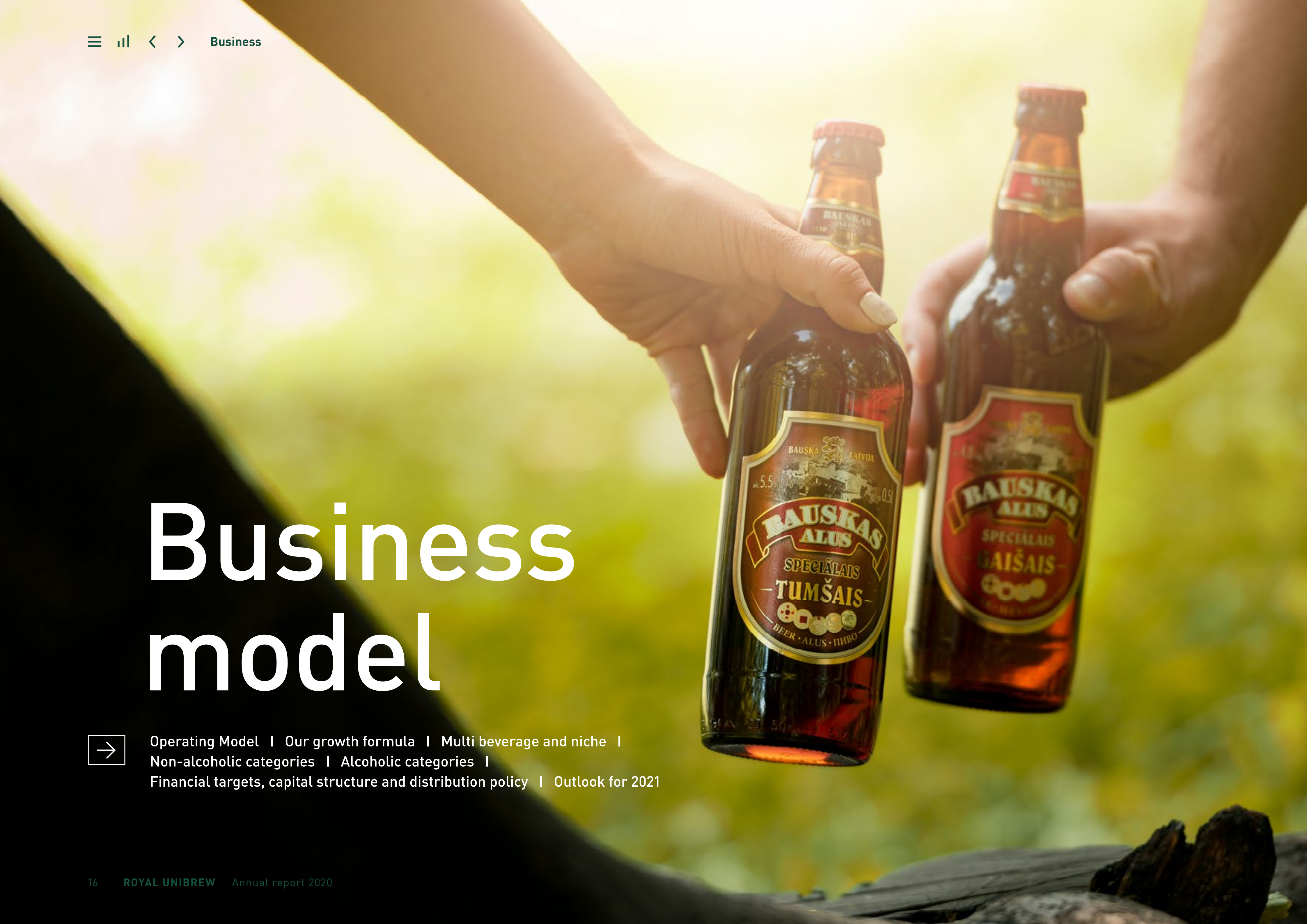
Grow the most committed employees

Insights and strong competences are required to reach our ambitious strategic targets. Therefore, we strive to create a culture that encourages talent, develops skills and competences, recognizes achievements and values each individual.

We give high priority to retaining experienced employees and recruiting new employees who bring accelerated momentum and new knowledge. This includes a diverse and strong blend of educational background, work and life experience, diversity of beliefs, nationality and gender.

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

Our growth formula: Volume + Value + Efficiency ÷ Investments in growth = Increased Earnings



Business model

Operating model

We have a strong performance culture with a very solid operating model that fits well with our portfolio of strong local brands.

Royal Unibrew has built its business on the core belief that beverages and the nature of the business make it important to be close to customers and act locally. This is reflected in the composition of our business and brands.

Our business is built on one common group IT platform, performance management system and procurement setup. This gives us the ability to obtain transparency and to optimize our business processes across the group.

All other functions are managed locally under the supervision of the country manager. We operate with marketing departments and sales organizations having competences to make commercial decisions in each individual country/market. This ensures proximity to our consumers and customers in the different markets and product portfolios which are managed locally. Profitability and competition by category differ from country to country and consequently our model enables our local organization to prioritize where to invest and focus.

Royal Unibrew operates with a flat organizational structure with few management layers. E.g., all country managers report directly to the Senior Leadership Team. The corporate functions are designed according to the business model and consequently group functions are kept at a minimum level. This ensures that activities in the single countries are not duplicated centrally.

Digital approach

Our digital journey is a key enabler of our future success. For the main processes we strive to work on common systems once the processes have reached a certain maturity level. E.g., we operate with one groupwide ERP system based on SAP and several related tools that are common across the group.

In areas where development varies across countries, we allow local solutions to be developed; particularly in the commercial area. However, as the processes mature we strive to roll out common solutions across the group.

Our growth formula

We continue to pursue and remains committed to deliver profitable growth and thereby a strong cash-flow generation. To maintain momentum in our business we work within a number of areas:

We aspire to be consumers' and customers' preferred beverage provider through investments in our existing portfolio, but also from developing new products and thereby over time providing a more sustainable beverage offering.

We strive to create a culture that attracts and maintains talents, develops skills and competences, as well as offers personal development opportunities for our employees.

We aim to create a positive total shareholders return, through a combination of growing distribution (dividends and share buy-backs) over time as well as an increasing share price.

Our target is to grow faster than the market in which we compete and consequently increase our value market share.

The ambition is to reduce the ratio of fixed costs per net revenue every year.

We also strive to create value by acquiring companies. The foundation for acquisitions is always that it can be incorporated in our operating model and our business model enables us to extract synergies.

Volume growth

- We want to be the preferred partner to our customers. This is achieved by strong focus on in-store execution and ensuring that our products are displayed well in customers' premises to ensure that customers perform well in the individual beverage categories.
- We want to grow distribution by focusing on channels where our products are underrepresented.
- We want to prioritize commercial spending to support growing categories and channels.

Premiumization

- We want to continuously develop new products at a more premium level than the average portfolio we currently offer. This enables Royal Unibrew to obtain a higher price and to deliver better value to consumers and customers.
- We want to grow the more profitable channels faster and thereby offer a product portfolio with better value.
- We want to direct our commercial spending to the more premium part of our portfolio.

Efficiency improvements

- Efficiency remains a key pillar in our value creation journey. The key driver of efficiency is operating leverage. We achieve operating leverage by growing the topline faster than our fixed cost. Our multi beverage operating model enables us to achieve higher utilization of fixed assets, sell more per salesperson, have higher average drop size to customers and in general have higher productivity per employee.
- The foundation for continued improvement of our productivity is that we are able to digitalize and standardize as many processes as possible. In terms of servicing our customers there is a constant battle between offering a good and personalized service level and at the same time manage costs. Our guiding principle is to spend as little time as possible on repetitive tasks in order to direct time towards value creating tasks.

To fuel growth in medium to long-term, we strive to increase commercial spending directed towards growth initiatives every year. The increase will depend on the opportunities identified in the marketplace.

Multi beverage and niche

Royal Unibrew has two fundamental strategic routes which is multi beverage and niche position. The multi-beverage strategy is relevant in markets with a wide coverage of beverage categories and full channel coverage. The portfolio would aim to cover mainstream and above mainstream.

The multi-beverage strategy is currently being pursued in Denmark, Finland, Lithuania, Latvia and Estonia.

From a value perspective the largest beverage categories in the markets are often beer, carbonated soft drink, energy drinks and RTD. Our brand portfolios in the multi beverage markets are combinations of own locally anchored brands and partner brands from e.g. PepsiCo, Heineken and Diageo. In the multi beverage market the combined value of the full portfolio is very important as it delivers leverage for our customers and for Royal Unibrew. Economies of scale on all dimensions is a winning formula.

The niche strategy is more targeted to either single brands or a few brands in the specific market. This strategy is currently being pursued in markets like e.g. Italy, France, Germany, Austria, Switzerland, US and Canada. Currently, most markets outside of the multi beverage territory would be either single brand or two brands markets, while markets like Italy, US, UK, Germany, Canada and France are multi-niche markets. In most cases we would leverage an individual sales organization covering several channels in multi-niche markets, while niche markets would be serviced by local partners through our international key account organization.

MARKETS

Multi beverage	Multi-niche	Niche
Denmark	Italy	Austria
Finland	US	Switzerland
Lithuania	UK	Africa
Latvia	Germany	Middle East
Estonia	Canada	Caribbean
	France	and more

Non-alcoholic categories

Our non-alcoholic beverage portfolio is outgrowing our alcoholic beverage portfolio, and we are represented in some very interesting growth categories.

Carbonated Soft Drinks (CSD) constitutes 67% of our non-alcoholic revenue. We have very strong positions in Denmark and Finland where Faxe Kondi and Jaffa have market leading positions, respectively. In Italy, Lemon Soda is #1 in the lemon category in the Off-Trade. On top of these local super brands, we have an International partnership with PepsiCo covering Denmark, Finland and the Baltic countries.

Around 12% of our non-alcoholic revenue stems from water. In Finland, Novelle is the market leader and operates within still, sparkling, and enhanced water. Our CO_2 neutral brand Egekilde, which is sold in PET bottles made of 100% recycled plastic holds a market leading position in Denmark. 2020 was negatively impacted by Convenience and On-Trade sales.

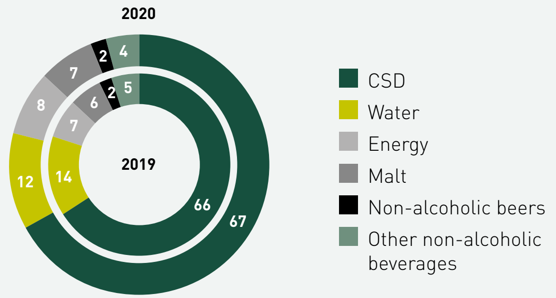
Energy has grown to become a relatively large part of our non-alcoholic portfolio with 8% of revenue in 2020. Energy is growing faster than the average beverage market in all our markets, and our brands Cult, Faxe Kondi Booster and ED is very well received by consumers and customers.

Our Malt Beverage business is 7% of our non-alcoholic revenue. Our brands, Vitamalt, Supermalt and Power Malt are primarily sold in the Americas and Africa as well as among ethnic groups from these areas living in and around major cities in Europe and the US.

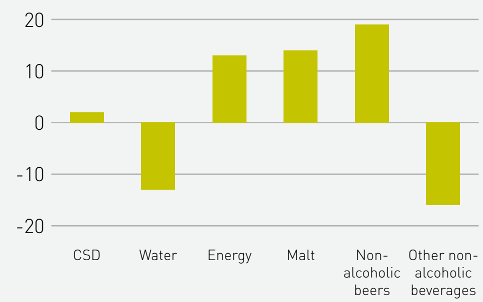
The share of non-alcoholic beers has increased to more than 2% of our non-alcoholic beverage revenue, as it grew almost 19% from 2019 to 2020. We have a strong portfolio of alcohol-free beers based on our local strong brand portfolio, as well as Heineken 0.0 through our international partnership covering Denmark and Finland.

Other non-alcoholic beverages constitute 4% of our non-alcoholic revenue of which the majority is juice where our Cido brand has a very strong market position in the Baltic countries.

REVENUE SPLIT, NON-ALCOHOLIC BEVERAGES
(%)

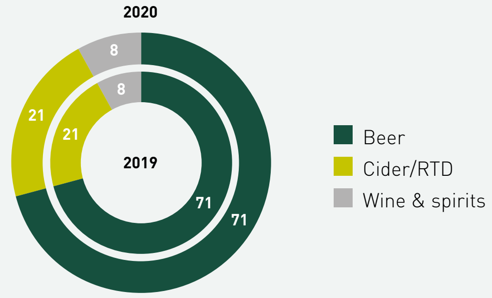


NON-ALCOHOLIC REVENUE GROWTH RATES (2020 VS 2019)
(%)

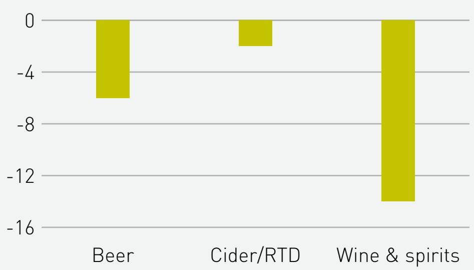


Alcoholic categories

REVENUE SPLIT, ALCOHOLIC BEVERAGES
(%)



ALCOHOLIC REVENUE GROWTH RATES (2020 VS 2019)
(%)



In 2020, the alcoholic beverage segment was severely impacted by COVID-19 in all our markets, especially in the On-Trade segment.

Beer is by far the largest revenue contributor to our alcoholic beverage segment, as it contributes around 71% of revenue. We have strong market positions in Denmark, Finland and the Baltic Countries and is the market leader in the super premium segment in Italy. We also produce, sell and distribute Heineken in Denmark and Finland. Our export brand Faxe is growing significantly in the international segment and is heading toward 1 mhl in 2021.

Around 21% of our alcoholic beverage revenue stems from Cider and RTD where we have strong positions in Denmark and Finland. In Denmark, Shaker has a strong position, whereas Original Long Drink in Finland is the market leader in the segment.

In Finland, we offer a range of international spirits and wine brands, including Johnny Walker, Captain Morgan, Lanson, JP Chenet and Baileys on an agency basis, and constitutes around 8% of revenue in the alcoholic beverages segment.

Financial targets, capital structure and distribution policy

Our financial targets are based both on creating shareholder value and developing the business for the benefit of all stakeholders. To achieve this, we aim to create financial flexibility to develop the business over the medium to long term.

The capability of achieving the financial targets is conditional on continuous business development through focus on growth opportunities, partnerships, innovation, sales and marketing, and on continuous efficiency measures. The positive development in recent years has enabled us to increase our EBIT margin target and to make considerable distributions to our shareholders.

EBIT margin

Our medium-term EBIT margin target is 19-20%.

In 2020, we achieved an EBIT margin of 20%. The year was very unusual as the margin over the year varied significantly from a normal year due to COVID-19 and cost level was unusually low.

The EBIT margin is best in class when compared to other beverage companies in Europe and has increased substantially over recent years due to strong strategic and commercial execution and cost management. The profit growth formula has worked well in recent years and will be continued in alignment with the same principles.

Our focus is to stay within the EBIT margin target and focus on growing the absolute EBIT by securing funds to invest in supporting the organic growth opportunities that arise in our markets.

Capital structure and distribution policy

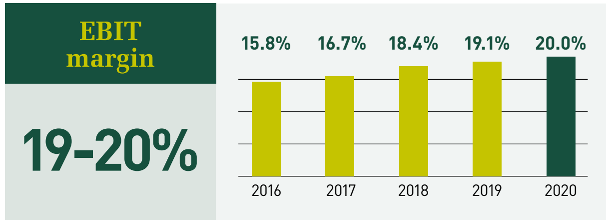
The objective of our capital structure policy is to secure enough flexibility to develop the business in line with our strategic priorities. It remains the target that net interest-bearing debt is not to exceed 2.5 times EBITDA and that an equity ratio of at least 30% is to be maintained at year-end. Given the current composition of the balance sheet, the equity ratio is the ratio that determines the pay-out capabilities. We may depart from the targeted ratios for a certain period of time if structural business opportunities arise.

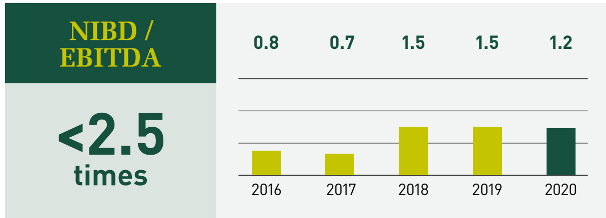
Our priorities for capital allocation are as follows:

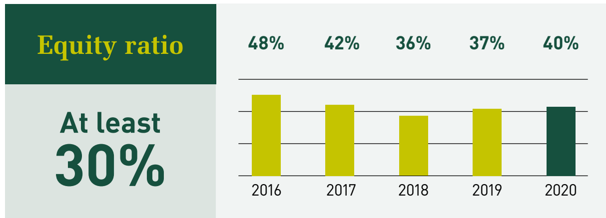
1. Maintain financial flexibility
   - Net debt/EBITDA less than 2.5
   - Equity ratio of more than 30%
2. Invest in organic growth
3. Acquisitions
4. Stable dividend pay-out ratio (40-60%)
5. Share buy-backs to adjust capital structure

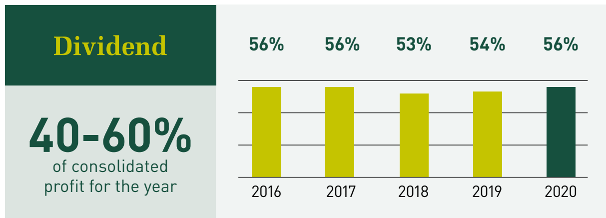
Our annual investments including repayment on lease facilities (IFRS 16) are expected to be around 5% of net revenue.

Management evaluates on an ongoing basis if the capital structure is to be adjusted by launching share buy-back programs. It is generally the intention that shares bought back will be cancelled.









Outlook for 2021

The start to 2021 has taken place in the shadow of COVID-19. Our On-Trade business has been hit through tough restrictions imposed on restaurants, bars, night entertainment, sports and music events and much more.

The Off-Trade business is not picking up as much of the lost sale in On-Trade during the winter months, as the case was in the spring of 2020. This is because there are not the same outdoor drinking occasions during the winter and because gathering restrictions are much tighter now compared to the first round of lock-downs. As a result, uncertainty continues at elevated levels, and this year's results are strongly dependable on when restrictions on the On-Trade business are lifted, and on when gathering restrictions are eased.

The current environment therefore caters for a continued focus on cost flexibility, production planning, the capability to deliver, while at the same time pursue our commercial agenda and continuously find the pockets of growth in our markets and still be ready for the reopening of societies on the back of the pandemic. Despite the current circumstances, we expect to deliver an EBIT in the range of DKK 1,475-1,625 million, which should be compared to EBIT of DKK 1,515 million in 2020. Compared to 2019 where we realized an EBIT of DKK 1,469 million, we therefore expect to grow our EBIT by up to 11%, despite the negative impacts caused by COVID-19.

OUTLOOK FOR 2021

mDKK	Outlook 2021	Actual 2020
EBIT	1,475-1,625	1,515

The Board of Directors has decided to initiate a share buy-back program of up to DKK 250 million as soon as possible covering the period until 30 June 2021. During the summer, it will be decided whether an additional share buy-back will be initiated based on the state of COVID-19 and our financial flexibility at that point.The Board of Directors will recommend to the AGM in 2021 a distribution of ordinary dividend of DKK 13.50 per share. Hence, at least DKK 915 million is expected to be distributed based on the Financial Statements for 2020.

Assumptions about markets and main priorities for 2021

We want to continue to grow faster than the market in all the markets we compete, by overinvesting in pockets of growth across our footprint. We expect to move towards normalization as restrictions are eased, normalizing our sales and marketing expenses, building our brand equity further and investing in the opportunities that will arise once societies reopen. Our organization is prepared for different scenarios given the volatile environment we are in, which means that we have a tight focus on our cost base, while we at the same time invest cautiously behind our mainstream brands. Given our new sustainability strategy we are investing in CSR to strengthen our medium-term opportunities, as well as we are investing in capacity expansions.

Our strategic focus remains set on products with low and no sugar and alcohol and premium and craft products. On top of this, we want to take advantage of the high growth in energy drinks and RTD/cocktails, as well as the continuing trend towards healthier beverages, which are benefiting our enhanced waters.

That said, 2021 will be a year with continued high uncertainty why flexibility in planning and use of cost is very important. The key risks to our business outlook are when restrictions will be lifted and gathering restrictions eased, especially in Denmark, Italy and Finland, but also if consumers after this will return towards the consumption behavior they had in 2019.

The high end of our EBIT guidance range assumes that On-Trade restrictions are lifted and gathering restrictions eased around 1 April 2021, and that the On-Trade therefore is opened through the entire summer. At the low end of our EBIT guidance range, we have assumed that restrictions are lifted around 1 July 2021.

The low end of our EBIT guidance range includes lower sales and marketing costs, compared to the high end of the guidance range. In that scenario, the development in gathering restrictions will be an important factor, because when these are eased, people are able to meet again inside, but also outside in the spring and early summer months. We are assuming a normal summer in 2021 and Christmas season.

Our free cash flow in 2020 was positively affected by several factors, of which around DKK 200 million are expected to revert during 2021. In 2020, mix shifted towards Off-Trade and northern Europe where businesses in general have shorter payment terms. We expect business activity to normalize during 2021. We also do not expect to continue the extraordinary beer campaign activity in Finland, which will impact our cash flow negatively compared to 2020. On top of this comes payment of delayed tax payments and for holiday accruals in Denmark (legislation change). In total, these factors are expected to generate a net working capital headwind of around DKK 200 million in 2021 compared to 2020.

Financial assumptions

- As 2020 was a normal summer, the 2021 outlook has been made under same assumption.
- Net selling prices are assumed to be slightly increasing during 2021 as a result of the reopening of the On-Trade business as well as growth in the convenience (single serve) channel. In addition, our overall premiumization efforts and price/pack strategies in each segment and country will support a positive price/mix development. These efforts are unchanged and include optimization of the product mix.
- Generally, costs are expected to follow the inflation in 2021. Commercial costs are expected to increase in connection with growth initiatives and investments in the existing business, as well as a pick-up in sales and marketing costs compared to 2020 following the expected reopening.
- We will continue our focus on generating continuous improvements and enhancing efficiency across the business and in all entities.
- Royal Unibrew has entered into hedging agreements for a large part of the expected consumption of key raw and packaging materials for 2021.
- Exchange rates between DKK and other currencies are expected to remain unchanged as compared to the end of February 2021.
- COVID-19 has had a significant impact on the On-Trade business in the first months of 2021, which is expected to continue until restrictions are lifted. The guidance is based on an opening during Q2.
- In 2021, our net investments are expected to be higher than set by our financial targets of around 5%, due to the fact that some capex-plans from 2020 were pushed into 2021, we will increase our investments in CSR and expand capacity to support future growth.
- Corporate income tax rate is expected to amount to around 21% of profit before tax excluding income after tax from investments in associates.

TOTAL DISTRIBUTION FOR THE YEAR

mDKK	2020	2019	2018	2017	2016
Dividend	600	538	451	426	386
Share-buy-back	362	433	484	508	443
Total distribution	962	971	935	934	829
as a % of prior year consolidated profit	*84*	*93*	*113*	*119*	*117*

Performance

Financial review | Western Europe | Baltic Sea | International

Financial review

2020 was a challenging year due to COVID-19, but through tight planning and strong cost focus, Royal Unibrew came out of 2020 with increased market shares and a strong earnings performance.

Initially 2020, started with ambitious plans to continue the underlying positive development in earnings, despite tough comparable from a very strong 2019. Already in March, the COVID-19 pandemic forced us to revise our plans, as restrictions were imposed on the On-Trade channel in many of our markets. Through tight planning and with a strong focus on costs, we managed to deliver a profitability slightly above last year, as well as expanding our market shares across most markets.

Volumes

The volumes sold increased by 1% to 11.1 mhl and were organically at the same level as last year.

Net revenue

Net revenue amounted to DKK 7,557 million and decreased 3% organically. The reported net revenue decrease by 2% as the acquisitions contributed positively with 1%.

Net revenue was negatively impacted by COVID-19 in the Western Europe and Baltic Sea segment, whereas the International segment was able to grow 6% organically.

EBIT

EBIT amounted to DKK 1,515 million, an increase of 3% compared to 2019. EBIT increased in the Baltic Sea and International segments, whereas Western Europe declined mainly related to the result in the Italian On-Trade channel.

Acquisitions impacted EBIT by less than 1% at group level.

In all our market the On-Trade business was affected by COVID-19 restrictions, which was only partly recovered by increased sales in the Off-Trade business. Lower sales, marketing and fixed costs contributed positively to the improved EBIT result.

Read more: page 80

Balance sheet

Total assets at 31 December 2020 amounted to DKK 8,306 million, which is DKK 187 million below the 31 December 2019 figure, which is mainly explained by lower receivables and because amortization and depreciation of non-current assets exceeds investments in 2020.

Equity amounted to DKK 3.332 million and the equity ratio improved by 3 percentages points to 40% by the end of 2020.

Read more: page 82

Cash flow

The free cash flow amounted to DKK 1,414 million in 2020 versus DKK 1,140 million in 2019. The increase of DKK 274 million was positively impacted by the extraordinary beer campaign in Finland, extended payment term on employee tax, as well as channel and country mix.

The positive impact on cash flow from the extraordinary beer campaign in Finland is due to longer payment terms on the excise payment compared to the customer payment and is a phasing impact between 2020 and 2021. In 2020, mix shifted towards Off-Trade and northern Europe – both with shorter payment terms than group average – this is expected to normalize in 2021. During 2020, different support programs and aid packages has been presented across countries. Royal Unibrew has only to a limited extend benefitted from these programs and packages. At the end of 2020, Danish employee taxes to a total of DKK 45 million were postponed into 2021.

We estimate that the normalized free cash flow level for Royal Unibrew in 2020 was around DKK 1,150 million. In 2021, free cash flow will be negatively impacted as some of the positive impacts from 2020 will flow back, see outlook section.

Read more: page 84

Financing

Net interest bearing debt was DKK 2,193 million at the end of 2020, corresponding to a net decrease of DKK 512 million equal to the positive free cash flow less distribution to shareholders. At the end of 2020, the net interest-bearing debt to EBITDA ratio was 1.2x (2019: 1.5x). Our revolving credit facility has been extended for 1 year with final maturity end of 2023.

Share buy-back

During the year, Royal Unibrew has repurchased shares at a total purchase price of DKK 362 million. (2019: DKK 433 million). Total announced programs were DK 400 million. The remainder of the programs have been completed in the beginning of 2021.

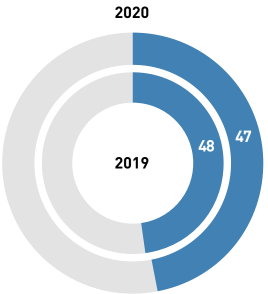
Read more about the share buy-back programs on page 46.

Overview business segments financial performance

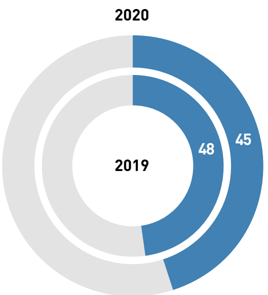
Western Europe

DENMARK, GERMANY, ITALY AND FRANCE

SHARE OF NET REVENUE



SHARE OF EBIT

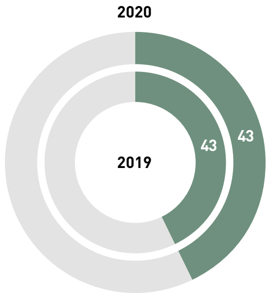


Further information: page 28

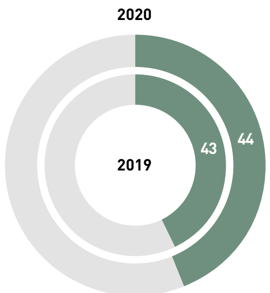
Baltic Sea

FINLAND, LATVIA, LITHUANIA AND ESTONIA

SHARE OF NET REVENUE



SHARE OF EBIT

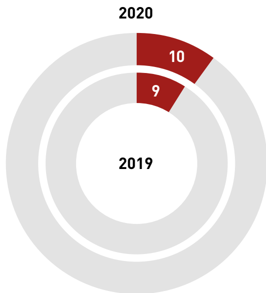


Further information: page 30

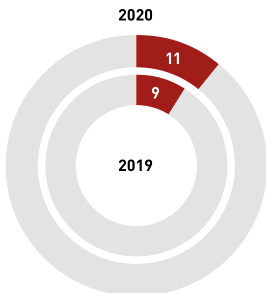
International

65 MARKETS IN AMERICAS AND EMEAA

SHARE OF NET REVENUE



SHARE OF EBIT



Further information: page 32

Western Europe

4.7 mhl
VOLUME
(down by 3%)

687 mDKK
EBIT
(down by 5%)

3.5 bDKK
NET REVENUE
(down by 4%)

19.4%
EBIT-MARGIN
(down by 0.2pp)

"The On-Trade business was highly impacted by the COVID-19 restrictions. However, due to the close cooperation with our customers as well as an agile organization and supply chain we succeeded to direct our efforts towards the growing Off-Trade business – resulting in satisfactory results and increasing market shares."

Jan Ankersen,
SVP South Europe and GM Italy

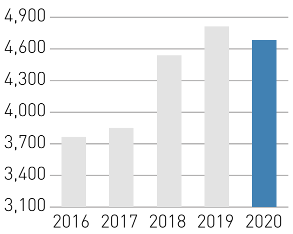
Financial Performance

In Western Europe, total volumes showed a 3% decrease in 2020 and a total of 4.7 mhl.

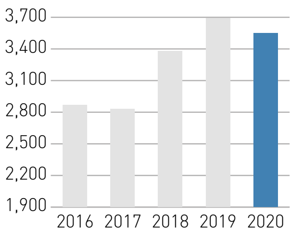
Net revenue from beverages was 5% lower than in 2019, as the On-Trade and Border business was significantly hit by COVID-19 restrictions.

Earnings before interest and tax (EBIT) for 2020 showed a DKK 35 million decrease from DKK 722 million in 2019 to DKK 687 million in 2020, due to the lower net revenue. The EBIT margin decreased slightly by 0.2 percentage points to 19.4%.

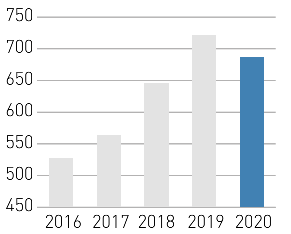
VOLUMES
(thl)



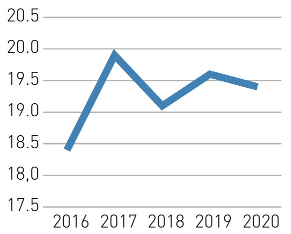
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



WESTERN EUROPE

mDKK	2020	2019	% changes	Q4 2020	Q4 2019	% changes
Volumes (thl)	4,682	4,813	-3	1,041	1,085	-4
Net revenue	3,548	3,691	-4	769	831	-7
EBIT	687	722	-5	120	132	-9
EBIT margin	19.4	19.6		15.6	15.8	

In Q4 2020, volumes declined by 4% compared to Q4 2019, whereas net revenue declined by 7% in the same period. Both due to the COVID-19 restrictions imposed on the On-Trade channel throughout the region.

The EBIT margin declined by 0.2 percentage point from 15.8% in Q4 2019 to 15.6% in Q4 2020.

Development and initiatives in 2020

During 2020, COVID-19 restrictions on social gatherings and opening hours challenged the On-Trade business in all markets. It also opened new opportunities that the organization quickly responded to.

After the COVID-19 outbreak in **Denmark**, a number of restrictions were introduced in March, including a closure of the borders to Germany. The restrictions had a positive impact on the Off-Trade business in Denmark and Germany, although not in a scale that could compensate for the lost business in the On-Trade channel and border business.

The sales and supply teams responded quickly to support the growing Off-Trade business, while at the same time supporting On-Trade customers in the difficult situation. During the lockdown, for example, we hosted the biggest virtual beer testing event in Denmark and brewed a beer to the famous Danish TV show "Natholdet", and when the market re-opened during the summer period, we supported bars and restaurants with initiatives to support their business.

To support future growth, particular in the Danish market and at the German border, the construction of a new High Bay Warehouse in Faxe started in 2020 (expected to be put in use in 2021). The new facilities will increase the storage capacity

significantly at the site and thus the flexibility of delivery to our customers.

In **Italy** about 60% of our business is in On-Trade. To partly compensate for the effects of the significant decrease in sales during the periods with lockdowns and restrictions, we have focused on boosting our supermarket operations and ensuring that the wholesale and Cash & Carry channels were well-stocked and activated with our Ceres and LemonSoda brands. Ceres has in particular performed well in the Off-Trade channel where we launched a range of speciality beer next to our iconic Ceres Strong Ale. We have also actively supported bar owners in the periods between the lockdowns.

In **France**, we focus on building a solid platform from which we can drive high value creation and with focus on in-store execution and e-commerce initiatives for our Lorina brand. In 2020, we reach all time high market share in lemonade, a category which grew faster than the general soft drink market.

During the COVID-19 period, we have reached out to our consumers online in both Italy and France. In Italy the Italian 17.00 Ceres virtual apero event and in France the Lorina mixer event each Friday at 17.30 are just a few of many new occasions where our brands created happiness and new moments of enjoyment among consumers.

Successful virtual beer tasting events

During the very unusual 2020, we have supported a number of initiatives to help our customers and local societies. One example is our virtual beer tasting events in Denmark, where we promoted more than 30 local craft breweries and sold more than 500.000 of their beers.

Faxe Kondi in Denmark

2020 was a great year for our Faxe Kondi brand, especially for the 0 calories which grew 56% in volume.

Baltic Sea

5.4 mhl
VOLUME
(up by 3%)

675 mDKK
EBIT
(up by 3%)

3.2 bDKK
NET REVENUE
(down by 2%)

20.8%
EBIT-MARGIN
(up by 1.0pp)

"In a challenging year, we have benefited from our broad portfolio and have taken advantage of the growth in the low/no sugar/alco segments. The satisfactory results in 2020 can also be attributed to our ability to deliver the right products at the right time."

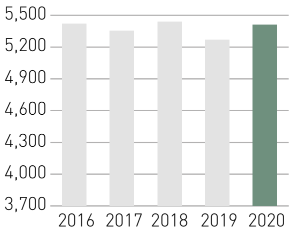
Kalle Järvinen,
SVP Baltic Sea & MD Hartwall

Financial performance

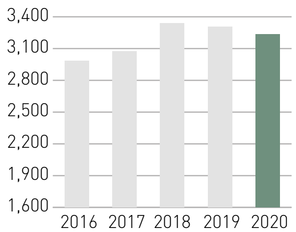
In Baltic Sea, volumes for 2020 showed a 3% increase compared to 2019 primarily due to the large beer campaign in Finland in Q4. Net revenue showed a 2% decrease and was affected by the product and channel mix.

EBIT increased to DKK 675 million and were DKK 21 million above the 2019 figure. The EBIT margin increased by 1 percentage point from 19.8% in 2019 to 20.8% in 2020. The earnings development was positively affected by tight cost management during the lockdown periods and the acquisition of Bauskas.

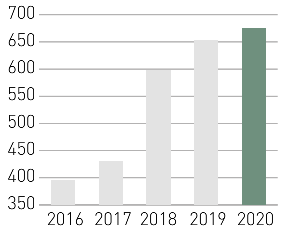
VOLUMES
(thl)



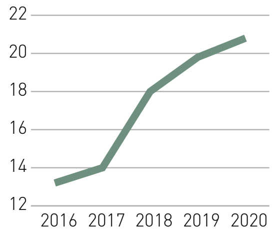
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



BALTIC SEA

mDKK	2020	2019	% changes	Q4 2020	Q4 2019	% changes
Volumes (thl)	5,409	5,268	3	1,321	1,229	7
Net revenue	3,237	3,308	-2	765	787	-3
EBIT	675	654	3	99	127	-22
EBIT margin	20.8	19.8		12.9	16.2	

Volumes increased by 7% in Q4 2020, which is primarily due to the extraordinary beer campaign in Finland, as we did not have that campaign in Q4 2019. Revenue declined by 3% due to COVID-19 restrictions, whereas the EBIT margin declined by 3.3 percentage points from 16.2% in Q4 2019 to 12.9% in Q4 2020.

Development and initiatives in 2020

The Baltic Sea segment was also impacted by the COVID-19 restrictions, but to a lesser extent as well as at a later stage for some of the countries compared to Italy and Denmark. Due to a fast response and great flexibility, we succeeded to obtain an even better result than in the record year 2019, and at the same time we gained market share.

In **Finland**, we continued the premiumization of our beer portfolio, with our brands Aura, Lahden Erikois and Lapin Kulta Pure. We also continued our efforts in the low/no sugar /alco area, including introducing a new Lapin Kulta 0.0%, and our portfolio delivered very strong growth rates.

In the Ready-to-Drink category, Original Long Drink continued to grow. The campaign "The greyest day of the year" reached 480.000 participants in 2020 compared to 200.000 the year before and despite COVID-19. In 2020, we continued our innovation adding new tastes and the Original Long Shot to the portfolio.

In the **Baltics**, we have been less impacted by COVID-19 as we are less dependent on the On-Trade channel in this region. CULT energy was introduced to the market in 2020 and was well received by the consumers. The beer sale in Lithuania and Latvia has developed positively, supported by products from our latest acquisition Bauskas, which are performing better than expected. The addition of Bauskas in Latvia has strengthened our multi-beverage model in the Baltics. Bauskas is now fully integrated into the business, which has strengthened our presence in the craft beer segment in the country. We have also successfully captured new customers in the On-Trade segment as a result of the acquisition.

On 1 March 2021, Bauskas was moved to our group-wide SAP system.

Zero Zone in supermarkets

In all countries in the Baltic Sea segment we are gaining ground with our low/no beverage portfolio, with PepsiMax leading the growth, and supported by our own strong local brands such as Jaffa and Enjoy.

To make the choice even more visible for consumers, we have established Zero Zone areas together with the supermarkets – efficiently presenting our no sugar and no alcohol products.

International

1.0 mhl

VOLUME
(up by 6%)

171 mDKK

EBIT
(up by 30%)

0.8 bDKK

NET REVENUE
(up by 11%)

22.2%

EBIT-MARGIN
(up by 3.2pp)

"In 2020, things have gone well in almost all markets in International and we have been favored by a number of factors, including a strong position of our main brands, a re-branding of some of our products and an increasingly wider distribution."

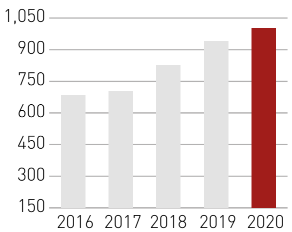
Carsten Nørland,
SVP International

Financial Performance

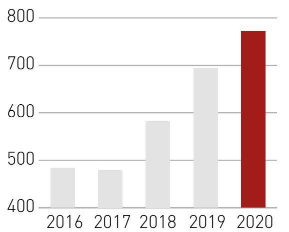
Volumes in 2020 showed a 6% increase and net revenue increased by 11%. The net revenue was impacted by positive developments in all categories and brands. EBIT amounted to DKK 171 million and were DKK 39 million above the 2019 figure.

The EBIT margin went up by 3.2 percentage points from 19.0% to 22.2%. The earnings development was positively affected by a better product mix and savings on travel costs.

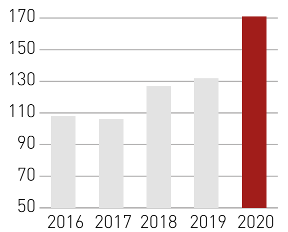
VOLUMES
(thl)



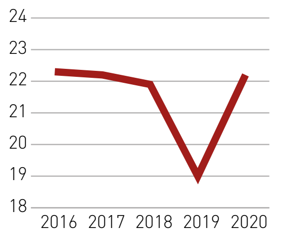
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



INTERNATIONAL

mDKK	2020	2019	% changes	Q4 2020	Q4 2019	% changes
Volumes (thl)	1,002	942	6	285	220	30
Net revenue	772	694	11	198	170	16
EBIT	171	132	30	39	24	63
EBIT margin	22.2	19.0		19.9	14.0	

In Q4 2020, volumes increased by 30% as some markets were restocked to reflect sale out. Revenue increased by 16% in the same period, less than volumes because of market mix.

The EBIT margin increased by 5.9 percentage points from 14.0% in Q4 2019 to 19.9% in Q4 2020. This development can partly be explained by impairment in Q4 of DKK 7 million last year (Q4-2019 EBIT-margin adjusted for impairment 18.2%).

Development and initiatives in 2020

The impact from COVID-19 has been fragmented in the International segment and we have seen countries in Asia moving towards a more normal situation with a reopening of bars and restaurants faster than in countries in Europe.

With reference to the Danish Vikings, our FAXE brand had a great year in 2020, especially in Africa. We have built the brand over many years in close cooperation with our local distributers offering affordable premium products to the consumers. In 2020, we also supplemented the FAXE brand with a non alcoholic variant with great taste.

The Tempt cider brand continues to grow significantly in Asia, where the COVID-19 impact was mainly seen in the beginning of the year.

The Malt business is also performing well across countries, and we have invested in digital campaigns as well as new packaging formats to support the positioning of the malt brands.

In 2021, we will focus on the areas that have performed increasingly well in the past couple of years.

Donation of Supermalt

Supermalt can in many respects be considered a dietary supplement, and during the COVID-19 outbreak we have donated Supermalt and Vitamalt to hospitals in Africa and the Caribbean to support patients and health staff.

Virtual carnival

No matter what happens in the world, we all need a break, socializing and fun – with a Vitamalt event we supported the yearly carnival in London, which in 2020 was organized as a virtual carnival.

Governance

Corporate Governance I Risk Management I Remuneration I
Board of Directors and Executive Management I Shareholder information

Corporate governance

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

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

For the financial year 2020, Royal Unibrew has prepared a remuneration report in accordance with section 139b of the Danish Companies Act. The report concludes that the remuneration of the Board of Directors and the Executive Management has been provided in accordance with the remuneration policy and incentive guidelines of Royal Unibrew adopted by the AGM on 28 April 2020.

Royal Unibrew established a whistleblower scheme in 2019 for expedient and confidential notification of possible or suspected wrong doings. In 2020, no whistleblower cases were reported.

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

Diversity and inclusion

Royal Unibrew strives to promote diversity based on a conviction that inclusion and diversity contributes to achieving Royal Unibrew's vision and goals in a competitive global business environment. This includes a diverse and strong blend of educational background work and life experience, diversity of beliefs, nationality and gender, both within the Board of Directors as well as in our respective management teams and our workforce in general. We believe that a diversified organization increases the versatility and total competences of the Company and improves decision-making processes.

The international management team of Royal Unibrew – a total of 123 leaders – comprises 67% (2019: 68%) male and 33% (2019: 32%) female. Our target is a more balanced gender representation of at least 40% of each gender in the Board of Directors and international management teams. When recruiting new executives, we prioritize identifying candidates of both genders without discrimination and aim to encourage female candidates' interest in taking on managerial tasks.

Currently, the Board of Directors consists of six Board members elected by the AGM and three Board members elected by the Danish based employees (all males). Three of the members elected by the AGM are Danish and three are non-Danish. Two of the AGM elected board members are females.

We aim for the Board of Directors to consist of expert members who should, to the widest extent possible, complement each other in terms of age, background, nationality, gender, etc., with a view to ensuring a competent and versatile contribution to the board duties at Royal Unibrew. These matters are taking into consideration when the Nomination and Remuneration Committee identifies new candidates for the

POLICY ON DATA ETHICS

Pursuant to changes in the Danish Financial Statements Act listed companies are required to adopt a policy on data ethics and include a statement of the company's policy in the annual report – or explain if the company does not have a data ethics policy. The new rules impose further obligations in addition to the GDPR and will apply from the financial year 2021.

Royal Unibrew adopted its policy on data ethics in 2020. The policy establishes the overall guidelines and principles for how data ethics is considered and included in the use of data as well as design and implementation of technologies, especially new technologies, used for processing of personal data in Royal Unibrew.

The policy is based on the 10 principles on data ethics adopted by the Danish Council for Digital Security (Rådet for Digital Sikkerhed) and sets the general guidelines as well as specific details on relevant topics, e.g. legality, ethical design, consequences of processing data, security, transparency and respect for human rights.

The existing GDPR Steering Committee (CFO, CIO, HR Director and General Counsel) is responsible for the data ethics policy and its implementation, while the practical compliance with the policy is incorporated in the existing data protection compliance program in Royal Unibrew.

The data ethics statement will be included in the 2021 annual report.

Board of Directors, and it is an objective of the committee to identify both male and female candidates. However, recommendation of candidates will always be based on an assessment of the individual candidate's competences and how he/she will match Royal Unibrew's needs and contribute to the overall efficiency of the Board.

Shareholder and stakeholder relations

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

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

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

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

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

Board of Directors

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

ATTENDANCE AT MEETINGS (IN TOTAL 12)

	Position	Board meetings
Walther Thygesen	*Chairman*	■■■■■■■■■■■■
Jais Valeur	*Vice chairman*	■■■■■■■■■■■■
Catharina Stackelberg-Hammarén	*Board member*	■■■■■■■■■■■■
Christian Sagild	*Board member*	■■■■■■■■■■■■
Claus Kærgaard	*Board member*	■■■■■■■■■■■■
Einar Esbensen Nielsen	*Board member*	■■■■■■■■■■■■
Floris van Woerkom	*Board member*	■■■■■■■■■■■■
Heidi Kleinbach Sauter	*Board member*	■■■■■■■■■■■■
Karsten Slotte	*Board member*	■■■■□□□□□□□□
Lars Vestergaard	*Board member*	■■■■□□□□□□□□
Martin Alsø	*Board member*	■■■■■■■■■■■■

■ Attended the meeting
■ Did not attend the meeting
□ Not a board member at the time

The Board of Directors performs its tasks in accordance with the Rules of Procedure of the Company governing the Board

TAX

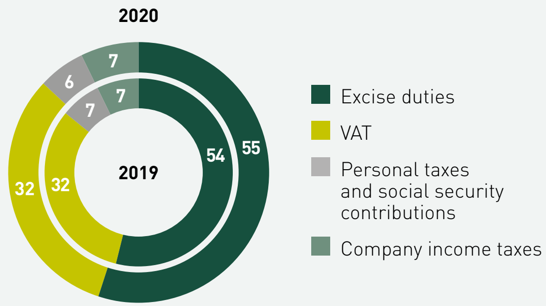
Royal Unibrew seeks to comply with all tax legislation to its business operations and, in doing so, aims to minimize its tax risk by actively seeking to identify, evaluate, monitor, and manage tax risks.

The resulting allocation of profits is regularly tested for compliance with this standard.

Royal Unibrew has taken action to ensure that it meets the enhanced transfer pricing disclosures and documentation requirements by tax authorities and OECD.

All interactions with Tax Authorities are conducted in an open, collaborative, and professional manner.

TAX BY CATEGORY
(%)



The total contribution through taxes in 2020 amounted to DKK 4.7 billion (2019: 4.8 billion).

of Directors and the Executive Management. These Rules of Procedure are reviewed and updated annually by the Board of Directors.

The Board of Directors usually meets for six annual ordinary board meetings, of which at least one focuses on the Company's strategy and prospects and one takes place in a market in which the Company operates. In addition, the Board members meet when required. In 2020, 12 board meetings were held.

The Board of Directors has established the following committees:

Nomination and Remuneration Committee

The committee consists of the Chairman and the Deputy Chairman of the Board of Directors. In 2020, the primary activities of the committee were the preparation of the annual evaluation of the Board of Directors and the Executive Management, the selection and nomination of potential new candidates for the Board of Directors, succession of the CEO, the overall succession planning of the Board of Directors as well as assessment and recommendation of remuneration of the Board of Directors and the Executive Management. Furthermore, the committee considered the implications of the implementation of the revised Shareholder Rights Directive and prepared the remuneration report to be presented at the AGM in 2021. The committee had 28 meetings in 2020.

ATTENDANCE AT MEETINGS (IN TOTAL 28)

	Position	Remuneration and Nomination Committee
Walther Thygesen	*Chairman*	■■■■■■■■■■■■■■■■■■■■■■■■■■■■
Jais Valeur	*Vice chairman*	■■■■■■■■■■■■■■■■■■■■■■■■■■■■

■ Attended the meeting
■ Did not attend the meeting
□ Not a committee member at the time

Audit Committee

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

Moreover, the Audit Committee assesses and recommends to the Board of Directors election of external auditors. The external auditor has participated in all ordinary meetings of the Audit Committee. The committee held eight meetings in 2020.

ATTENDANCE AT MEETINGS (IN TOTAL 8)

	Position	Audit Committee Meetings
Christian Sagild	*Board member*	■■■■■■■■
Floris van Woerkom	*Chairman Audit Committee, Board member*	□■■■■■■■
Lars Vestergaard	*Board member*	■□□□□□□□

■ Attended the meeting
■ Did not attend the meeting
□ Not a committee member at the time

Evaluation of the work of the Board of Directors

Evaluation of the work of the Board of Directors takes place annually. The evaluation focuses on ensuring that the Board of Directors (as a body) has expertise and experience within Fast Moving Consumer Goods (FMCG), production, sales and marketing of brands globally and in business-to-business markets, strategic and general management and within economic, financial and capital market issues, including those relating to listed companies. The evaluation is facilitated by the Chairman of the Board of Directors. For this purpose, the Chairman receives written replies to a questionnaire distributed to all members of the Board. The findings of the evaluation were presented and discussed at a Board meeting and based on the 2020 evaluation it was concluded that the Board of Directors possesses the necessary competencies taken Royal Unibrew's business model and strategy into consideration.

An external consultant is involved in the evaluation at least every third year. An evaluation by an external consultant took place in 2020.

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

Composition of the Board of Directors

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

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

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

Risk management

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

The key enterprise risks are: market risks, industry and partnerships related risk, business interruption and third-party risks and financial risks. A detailed description of the financial risks is included in note 3.

We assess risks within each of the key risk areas based on their potential impact and likelihood. To ensure a sound and deeply rooted risk culture within the Royal Unibrew group, local risk owners as well as central risk owner from group functions are appointed to facilitate the risk identification, control and mitigation, supported by the central risk management function.

A challenging 2020 with COVID-19

The Royal Unibrew multi-beverage model and risk management setup have demonstrated their resilience over time and not at least in a time with COVID-19 related uncertainties. However, the pandemic continues to challenge our employees, consumers and customers, placing additional requirements on our risk management and business planning.

Initiatives have been taken to ensure the safety of our employees during 2020, and we have succeeded not to close or reduce the production at any of our production sites during the pandemic.

With restricted opening hours at bars and restaurants, closed nightlife, no larger events and festivals as well as closed borders between many of our home markets, extra support to customers and more frequent re-planning of production has been needed during 2020.

To be able to meet changes in market demand, we continue to invest in our production sites, to secure sufficient production and storage capacity. Our agile way of working has helped us to adjust to new opportunities both commercially and across the supply chain.

Risk management structure and Governance

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

The 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 impact of the risk in relation to profit, damage to Royal Unibrew's reputation, violation of legislation or environmental implications as well as the likelihood of the risk resulting in an incident. Based on the continuous assessment of potential risks, the "heat map" is updated to bring a current and better understanding of potential risks to ensure adequate mitigations efforts are initiated.

The identified risks and proposed action plans are reviewed and assessed by the Company's Senior Leadership Team, whereas, the Audit Committee reviews the adequacy and the effectiveness of the risk management system.

Based on this the Executive Management presents the key risks to the Board of Directors and reports the necessary risk-mitigating activities/action plans for review.

The overall risk management structure is outlined below.

RISK MANAGEMENT STRUCTURE

Key risk factors in 2021

In addition to financial risks, the following risk factors are considered key risks in 2021:

Area	Description	Risk mitigation
Commodity prices and raw materials	The prices of a large number of key commodities fluctuate in line with world market prices. To the extent that higher unit costs cannot be compensated for by higher selling prices per unit or in other ways of increasing the average selling price per unit correspondingly, Royal Unibrew's earnings will decrease. The price fluctuation can also lead to deficiency of raw materials and effect Royal Unibrew's earnings negatively.	Royal Unibrew monitors the trend in commodity prices. Hedging against short-term price increases takes place through agreements with suppliers and through commodity hedges with financial institutions. The Group's policy for hedging commodity risks involves a smooth and time-differentiated effect of commodity price increases. *For 2021, more than 60% of our commodity price exposure is hedged.*
Industry	In most markets, the product categories beer and soft drinks are characterized by tough price competition and intensive marketing from a number of suppliers. The COVID-19 pandemic has led to an increase in local e-commerce and entry of global e-commerce providers has opened new routes to customers.	Royal Unibrew's earnings and competitiveness are ensured through constant focus on markets and segments in which Royal Unibrew holds or may achieve a significant position. Our investment in digital solutions and the continuous improvements across the business will contribute towards limiting the negative effect from the changes in the industry. Moreover, Royal Unibrew focuses on value management through the development of products, containers and packaging, cooperation with customers and communication with consumers. *In 2020, we have launched a B2B e-commerce platform for our customers in Denmark.*
IT risks	Royal Unibrew's activities are to a large extent dependent on the use of the established IT systems and the quality of the applied IT security solutions. A prolonged breakdown, unintended maloperation or an unauthorized break-in into the systems supporting sales and supply processes as well as internal information systems may involve a significant risk of interruption of Royal Unibrew's activities.	Royal Unibrew works consistently to improve our IT security and have established procedures to ensure: • day-to-day operation of the IT systems supporting the key business processes • protection against data loss • protection against unauthorized access to and distribution of confidential data • general protection against cybercrime and securing physical access to RU facilities When acquiring companies, it is our risk philosophy to adopt the companies into our existing IT system landscape and IT Security framework. On 1 March 2021, Bauskas was integrated into Royal Unibrew's ERP platform.
Macro-economic uncertainty	Royal Unibrew's product portfolio is sold in markets and market areas where market developments are usually determined by long-cycle trends. Macroeconomic uncertainty, including changes of free trade agreements or low growth of long duration or outbreaks causing a threat to the public health, may affect earnings negatively. As a consequence of this we might experience declining consumption or shifts in product mix towards products in other packaging formats with lower earnings.	By focusing on flexibility in our action plans, Royal Unibrew is striving to get some leeway for reducing the effect of macroeconomic uncertainty and changes to consumption patterns. The efforts directed at continuous improvements across the business will contribute towards limiting the negative effect of macroeconomic changes. We continue to invest in our production set-up, including new can filling lines.
Partnership	Royal Unibrew cooperate with different partners across markets and product categories. Changes to these relationships may affect the Group's sales and net revenue, and thus earnings.	Royal Unibrew has in general a long history with our partners and mitigate the partnership risk by entering into long term agreements and by providing adequate business results to ensure a mutually beneficial development of the partnerships.
Statutory restrictions	Royal Unibrew's activities are subject to national legislation in the markets in which Royal Unibrew operates. Any legislative changes may impact the ability to operate, e.g. by way of restrictions in respect of the sale, marketing, packing material and production of Royal Unibrew's products or due to increasing consumption taxes. Such restrictions may affect the Group's sales and earnings significantly.	Royal Unibrew participates in local and international cooperation fora within the brewery industry with a view to influencing legislative decision makers to ensure that conditions for producing and marketing beer and soft drinks do not deteriorate, and that consumption taxes are applied in a balanced manner.
Weather	The sale of Royal Unibrew's products is dependent on weather conditions. Usually, the consumption of Royal Unibrew's products is highest in the summer months. However, this presupposes dry and fair weather. The weather in the summer of 2020 is regarded as normal.	Through focus on flexibility of action plans and production capacity, Royal Unibrew operates with a flexible cost structure and can partly adjust to lower earnings caused by unfavorable weather conditions in the summer months, and at the same time ensuring the agility to support the customers in years with favorable weather.

Remuneration

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

The remuneration of the Board of Directors and Executive Management during the past financial year has been provided in accordance with the remuneration policy and incentive guidelines of Royal Unibrew adopted by the Annual General Meeting on 28 April 2020.

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

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

Read our full Remuneration Report here

Remuneration of the Executive Management

mDKK	2020	Change	2019
Fixed salaries to Executive Management	20	*63%*	12
Short-term bonus scheme for Executive Management	9	*63%*	6
Long-term bonus scheme for Executive Management	9	*41%*	6
Remuneration of Executive Management*	**38**	***57%***	**24**
Remuneration of Board of Directors	5		6
	43		30
Average remuneration of employees			
Royal Unibrew employees (Group)**	0.4	*-1%*	0.4

* The increase from 2019 to 2020 is primarily due to the changes in the Executive Management which includes severance payment to Johannes Savonije. Excluding of this, the remuneration has increased by 7%.

** The average salary is impacted by amongst other acquisitions where more employees are in countries with lower salaries, as well as postponed replacements of higher paid jobs during COVID-19.

Board of Directors and Executive Management

Board of Directors

	 **Walther Thygesen** Chairman of the Board	 **Jais Valeur** Deputy Chairman of the Board	 **Martin Alsø** Elected by the employees
Position	Professional board member in a number of enterprises	Group CEO of Danish Crown	Business Unit Manager
Directorships	Chairman of the board of directors of Sonion Holding A/S, DK, and Kartago Development ApS, DK; Member of the board of directors of German High Street and Properties A/S (GHSP), DK	Member of the board of directors of Foss A/S, DK	
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	Special expertise in general management of international enterprises within FMCG (Fast Moving Consumer Goods)	
Committees	Chairman of the Nomination and Remuneration Committee	Member of the Nomination and Remuneration Committee	
Initially elected	2010	2013	2014
Term of office	2020-2021	2020-2021	2018-2022
Considered independent	Yes	Yes	No
Nationality	Danish	Danish	Danish
Year of birth and gender	1950, male	1962, male	1974, male
No. of Royal Unibrew shares ***(change from 1 January 2020)***	15,000 *(+5,500)*	536 *(+536)*	2,400 *(+ 500)*

Board of Directors (continued)

	Einar Esbensen Nielsen Elected by the employees	**Heidi Kleinbach-Sauter** Member of the Board	**Claus Kærgaard** Elected by the employees
Position	Terminal worker	Professional board member	Sales Manager Off-Trade
Directorships		Member of the board of directors of Chr. Hansen Holding A/S, DK	
Special competences		Broad international experience within general management and special expertise within the food and beverage industry.	
Committees			
Initially elected	2018	2019	2018
Term of office	2018-2022	2020-2021	2018-2022
Considered independent	No	Yes	No
Nationality	Danish	German/US	Danish
Year of birth and gender	1954, male	1956, female	1968, male
No. of Royal Unibrew shares ***(change from 1 January 2020)***	119 *(+72)*	-	180 *(+180)*

Board of Directors (continued)

			
	Christian Sagild Member of the Board	**Catharina Stackelberg-Hammarén** Member of the Board	**Floris van Woerkom** Member of the Board
Position	Professional board member	Executive Chairman of the Board, Marketing Clinic	Entrepreneur and independent consultant
Directorships	Member of the board of directors of Ambu A/S, DK, and Danske Bank, DK; Chairman of the board of directors of Nordic Solar Energy A/S, DK, and Nordic Solar Global A/S, DK	Member of the board of directors of Alma Media, Finland, Marimekko, Finland, Marketing Clinic Oy (including subsidiaries), Finland, and Scansecurities Oy, Finland	
Special competences	Special expertise within general management of listed enterprises, including in-depth insight within finance and risk management	Special expertise in strategy and marketing within the food and beverage industry for FMCG (Fast Moving Consumer Goods) in the Nordic markets	Broad international experience, including experience within the beer industry and FMCG (Fast Moving Consumer Goods) as well as special expertise within finance, risk management, strategy and management of international corporations
Committees	Member of the Audit Committee		Chairman of the Audit Committee
Initially elected	2018	2019	2018
Term of office	2020-2021	2020-2021	2020-2021
Considered independent	Yes	Yes	Yes
Nationality	Danish	Finnish	Dutch
Year of birth and gender	1959, male	1970, female	1963, male
No. of Royal Unibrew shares ***(change from 1 January 2020)***	3,000 *(+1,500)*	450 *(+150)*	1,000

Executive Management

		
	Lars Jensen President & CEO	**Lars Vestergaard** CFO
Qualifications	Diploma in business economics, informatics and management accounting, Copenhagen Business School	Master of Science (MSc) in Economics from Aarhus University
Directorships	Member of the board of directors of Hansa Borg Holding AS including subsidiaries, Norway	
Position	CEO from September 2020 COO April-August 2020 CFO December 2011-March 2020 Joined in 1993	CFO from April 2020 Member of the Board of Directors April 2018-March 2020
Nationality	Danish	Danish
Year of birth and gender	1973, male	1974, male
No. of Royal Unibrew shares ***(change from 1 January 2020)***	71,988 *(+ 30,413)*	1,183 *(+ 768)*

Shareholder information

Royal Unibrew strives to maintain a high and consistent level of information to our shareholders and other stakeholders and to keep them continuously up-to-date on the Company's development.

Share information

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

In 2020, a total of 36,117,909 (2019: 33,720,027) shares were traded, corresponding to 73% (2019: 67%) of the total number of shares (at year end), through Nasdaq Copenhagen (source: Bloomberg). The trading value amounted to DKK 20,590 billion (2019: DKK 17.4 billion) representing an 18% increase.

At the end of 2020, the price of the Royal Unibrew share was 706.6 compared to 610.0 per share of DKK 2 at the end of 2019. Royal Unibrew's market capitalization amounted to DKK 34.9 billion at the end of 2020 compared to DKK 30.6 billion at the end of 2019. Each share carries one vote, and all shareholders registered in the Company's register of shareholders are entitled to vote.

Change of control

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

Treasury shares in 2020

At the AGM on 15 April 2020, the Board of Directors was authorized to acquire treasury shares for up to 10% of the total share capital in the period up until the next AGM.

On 10 March 2020, the Board of Directors initiated a share buy-back program for a maximum market value of DKK 400 million and for a term until 31 October 2020. Due to the evolving situation around COVID-19 the share buy-back program was suspended on 19 March 2020 at which point Royal Unibrew had bought back 112,000 shares representing a market value of DKK 45 million. A new share buy-back program was initiated on 25 September 2020 for a maximum market value of DKK 200 million and a term until 30 December 2020. The share buy-back program was completed on 16 November 2020. After completion Royal Unibrew had bought back 306,792 shares representing a market value of DKK 200 million. A third share buy-back program was initiated on 17 November 2020 for a maximum of DKK 200 million. The program was completed on 29 January 2021 with a total buy-back of 302,866 shares.

The initiated share buy-back programs were carried out in accordance with the "Safe Harbour" method.

BASIC INFORMATION

Share capital, DKK	98,700,000
Number of shares	49,350,000
Denomination	DKK2
Number of share classes	1
Restriction of voting right	None
Place of listing	Nasdaq Copenhagen A/S
Short name	RBREW
ISIN code	DK0060634707
Bloomberg code	RBREW DC
Reuter code	RBREW.CO
Index	OMXC25

In 2020, Royal Unibrew bought back a total of 594.662 shares at a market value of DKK 362 million and as of 31 December Royal Unibrew held 658,365 treasury shares of a nominal value of DKK 2 each, corresponding to 1,3% of the Company's share capital of which approx. 12,000 are for the purpose of covering the incentive program offered to the Executive Management. In 2020, 750,000 shares were cancelled.

DEVELOPMENT IN ROYAL UNIBREW'S SHARE CAPITAL

DKK '000	2020	2019	2018	2017	2016
Share capital 1/1	100,200	102,000	105,400	108,200	110,985
Capital reduction	-1,500	-1,800	-3,400	-2,800	-2,785
Capital increase	-				
Share capital 31/12	**98,700**	**100,200**	**102,000**	**105,400**	**108,200**

At the end of 2020, the total number of shares of the Company was 49,350,000, including treasury shares.

Ownership

At the end of 2020, Royal Unibrew had approx 26,876 registered shareholders holding together 95% 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 2021
Chr. Augustinus Fabrikker A/S, Denmark	15.02%
	(reported on 22 September 2017)
BlackRock, Inc., USA	10.01%
	(reported on 23 July 2019)

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

On 31 December 2020, board members held 22,385 shares of the Company, and members of the Executive Management held 73,171 shares, corresponding to a total of 0.2% of the share capital.

DIVIDEND DATES FOR 2021

Resolution at AGM

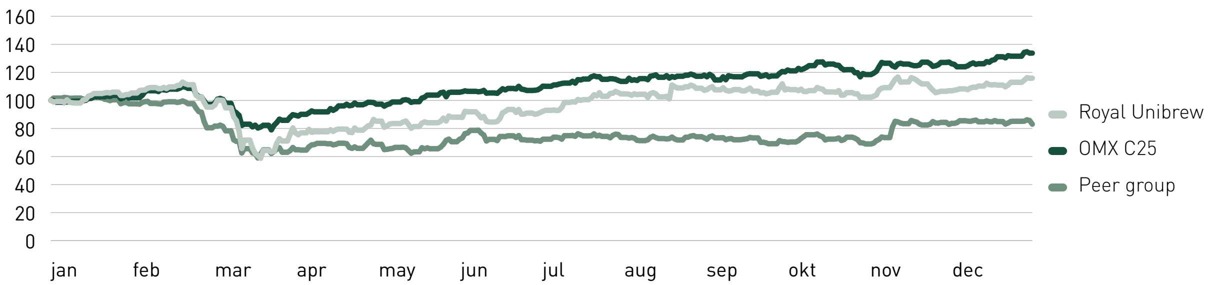
Last trading date with right to dividend for 2020

First trading date without right to dividend for 2020

Distribution of dividend

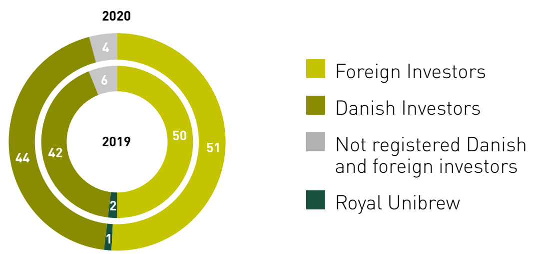
SHARE PERFORMANCE 2020

(index)



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

BREAK-DOWN OF SHAREHOLDERS AT THE END OF 2020



AGM

The Company's AGM will be held on 28 April 2021, at 5 pm CET.

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 handled by the bank holding the shares in safe custody.

The Board of Directors will propose the election of the following two new candidates at the AGM:

Peter Ruzicka is the former CEO of Orkla in Norway, and he brings international senior leadership experience within FMCG retail business. He currently serves as Chairman of Pandora A/S, board member of Norwegian Aspelin Ramm AS and Norwegian AKA AS.

Torben Carlsen is the CEO of DFDS and currently serves on the investment committee of Copenhagen Infrastructure Partners, Gro Capital and Navigare Capital. He brings a strong commercial and value creation track record with experience in Finance and M&A having previously worked as CFO and for various Private Equity companies.

Investor relations activities

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

In order to maintain and develop good relations with the Company's stakeholders a number of activities are carried out continuously. In 2020, Royal Unibrew facilitated four audio casts in connection with the publication of the Annual Report 2019 as well as the Q1 Trading Statement, H1 Interim Report and Q3 Trading Statement 2020. Audio casts and presentations from audio casts and seminars are available at Royal Unibrew's website, www.royalunibrew.com under investor.

Moreover, Royal Unibrew facilitates and participates in analyst and investor meetings in connection with the publication of financial reports. This year, the majority of the meetings have been virtual and around 280 individual and group meetings with Danish as well as foreign investors have taken place.

Currently, Royal Unibrew is covered by 13 brokers including brokers from major international investment banks. Analysts covering the Royal Unibrew share can be found at www.royalunibrew.com under investor.

SHARE RATIOS

Per share of DKK 2 – DKK	2020	2019	2018	2017	2016
Parent Company shareholders' share of earnings per share	24.1	23.0	20.6	16.0	14.7
Parent Company shareholders' diluted share of earnings per share	24.1	22.9	20.6	16.0	14.6
Free cash flow per share	28.8	23.4	18.7	17.8	18.7
Year-end price per share	706.60	610.0	449.0	371.8	272.6
Dividend per share	13.5	12.20	10.80	8.90	8.15
Number of shares	49,350,000	50,100,000	51,000,000	52,700,000	54,100,000

FINANCIAL CALENDAR FOR 2021

APRIL 28 — **28 April 2021 Trading Statement for the period 1 January - 31 March 2021**

APRIL 28 — **28 April 2021 Annual General Meeting**

AUGUST 23 — **23 August 2021 Interim Report for the period 1 January - 30 June 2021**

NOVEMBER 17 — **17 November 2021 Trading Statement for the period 1 January - 30 September 2021**

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:

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Corporate Social Responsibility

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

Our new long-term sustainability strategy

"Our strategy development in 2020 was launched with an aspiration of becoming a global leader in sustainable beverages and a balanced focus on financial performance, social and environmental/ climate impact. The Growth Leadership Team headed up the development of key areas of the strategy. We believe that, Royal Unibrew has established a robust foundation with concrete initiatives, goals and KPIs for achieving our long-term ambition."

Lars Jensen, CEO & President

To be the preferred choice for the future, we want to lead the beverage industry with respect to climate action and the demand for sustainable products. Our focus is on reducing the impact of our operations and the entire value chain we are a part of while at the same time delivering sustainable business growth.

During 2020, we stepped up on our ambitions when it comes to creating a sustainable business foundation and at the end of 2020, we finalized the work with our long-term sustainability strategy defining goals and KPIs. Royal Unibrew wants to be the preferred local beverage partner. For us that entails providing sustainable products with great taste. The strategic focus being:

- **Our consumers & customers**
- **Our products**
- **Our people**

For each of these areas, we have defined 2025 and 2030 commitments complementing the short-term targets set in 2019. We aim for a substantial reduction in carbon emissions from the entire value chain, providing healthy, nutritious and responsible products (outperforming the market) and enabling a deeply engrained safety and sustainability culture at our company.

We believe that it is of particular importance to transform our pledges and objectives into concrete plans and actions with goals, operational KPIs and close follow-up. Therefore, all our goals are supported by defined initiatives.

In order to succeed with our ambitious sustainability strategy coordinated and wide-ranging efforts are needed – and we cannot do it alone. We will innovate, develop and engage in partnerships for mutual benefit with our key stakeholders, such as strategic suppliers, major customers, consumers, local communities and our employees. In general, we are tracking well on our short term targets for 2022. Due to COVID-19, the initiative on packaging waste in the Americas, Africa and Asia was postponed.

Short term targets	2020 Target	Realized	Status	2022 Target
Our consumers/customers				
New product development				
New soft drinks products	Balanced between regular, and low/no	-	●	Balanced between regular, and low/no
Number of low/no products in Beer, Cider and RtD	Increase	-	●	Increase
Our products				
Packaging, CO_2, waste, energy				
Recycled paper labels per unit	>50%	69%	●	>90%
Recycled carton/corrigated cardboard per volume	>70%	75%	●	>90%
Recycled PET per volume	>15%	19%	●	>30%
Electricity-based transportation vehicles	Test	-	●	Implement
CO_2 reduction (scope 1 and 2) per hl vs 2015	15%	22%	●	30%
Packaging waste in Americas, Africa and Asia	Reduce	-	○	Documented reduction
Our people				
Occupational health and safety				
Training and awareness campaign	Establish	Country level	◒	Repeated annually
LTI reporting	Monthly	Quarterly by month	◒	Monthly
LTIF reduction vs 2018	20%	-43%	○	40%

● Target for 2020 reached ◒ Target for 2020 partly reached ○ Target for 2020 not reached

Achievement highlights in 2020

We continued our sustainability journey in 2020 not only by developing the new long term strategy with ambitious targets, but also by continuing our efforts to reduce our footprints and potential impacts for our consumers/customers, our products and our people following up on our short term targets for 2022 and many other initiatives.

NO and LOW sugar, calories and alcohol

Royal Unibrew wants to provide choice for the consumers, but we are aware of the global challenges formulated by WHO regarding obesity as well as alcohol abuse. We take our responsibility very seriously, in our product declaration, in our marketing of products and not the least when we develop new products. We want to offer products with great taste for every occasion, including a balanced launch of regular, no and low products in different categories. Between 2017 and 2020, the volume growth for no and low products out-performed regular products, significantly for both soft drinks, beer, cider and RTD. For our CSD, water and energy portfolio, this is also reflected in a 7% general reduction in calory content per 100 ml across our markets during the same period. For beer, RTD and cider the average alcohol percentage are clearly reduced in Denmark, Finland and the Baltics between 3 to 5%.

Packaging materials reused, reduced and recycled

All our primary packaging contains information on material, recycling and deposit return, which is one of the ways we engage with consumers to close the loop. The effect can be measured in the year on year improving return rates in the well-functioning Deposit Return Systems in Finland, Denmark and Lithuania. From 2018 to 2019 the overall increase in returned cans and bottles was 2-3 % on average across the three markets. The return rate in 2019 was in a range of 90 to 94% for PET, 90 to 95 % for cans and for glass between 84 to 88%.

Royal Unibrew is working on down gauging (removing) unnecessary material and increasing the content of recycled material in all our markets. Resulting in a reduced carbon footprint from packaging and elimination of unnecessary material. In the table on short term targets on packaging material, we have indicated the achievements across the Royal Unibrew on r-PET (19%), r-paper (69%) and r-carton (75%). A few examples of material reduction we did in 2020 was e.g. down gauging of a standard 33cl can, resulting in annual material savings of 57 ton alumina. Another example is reduction in plastic material in PET bottles, where we in one market alone are saving 8 ton plastic per year by a design change. A third example is trays where we in DK alone, have reduced the corrugated carton by 216 ton per year.

Decoupling growth year-on-year

Royal Unibrew has succeeded in decoupling volume growth from carbon emissions. In the period from 2015 to 2020, we have had a decrease of 22% $kgCO_2$/hl while having a volume increase of 23%. Our success is a combination of our keen focus on optimizing our energy consumption year-on-year, the positive results of phase one of a large energy efficiency project at our Lahti site in Finland and specifically between 2019 and 2020 there was a change in product mix due to COVID-19 with a shift from the more energy consuming brewing process to less energy consuming soft drinks production.

Royal Unibrew's production facilities are not located in water scarce areas, but as water is an important raw material for us, water preservation and quality are key. Reducing water consumption remains a priority and the consumption of water per hl has decreased by 4% from 2015 to 2020 and in a like-to-like comparison by 10%.

Investing in renewable energy

We are currently awaiting approvals to build a Solar Park in Faxe, Denmark, aiming at providing 100% renewable energy for our entire power consumption in Denmark. In addition, we are looking at geo-thermal energy project at our Lahti site in Finland.

Organizational development and diversity

Establishing our new Senior Leadership Team, appointing a Senior Vice President for HR and moving Group CSR reference to our CEO are major organizational improvements to ensure the right balance between commercial, people and sustainability aspects.

Our policy and objectives on diversity and inclusion was approved by the BoD during 2020. Currently focusing on gender but to be expanded to other business critical aspects.

We are improving on diversity in our markets' management teams, where we are above 40% of the underrepresented gender, i.e. women. An analysis of equal pay across the Group shows that we do not have significant variation when comparing pay to competences, seniority, age, gender, etc.

Collective bargaining and freedom of association is a basic right for all our employees, but in all the markets where we operate. Royal Unibrew is currently establishing an overview of the percentage of the workforce covered by collective agreements.

Overall KPIs

Our consumers & customers

No/Low
growing faster than average on the portfo-lio - and faster than market (YoY)

#1
partner of choice for customers as sustainable beverage supplier by 2030*

40%
of marketing budget allocated to brands/ campaigns with a sustainability position by 2025

Our products

100%
carbon emission free by 2025 in scope 1 and 2**

50%
reduction in supply chain emissions (scope 1, 2, 3) by 2030

100%
recycled, recyclable or reusable packaging by 2025

Our people

100%
safety culture

80%
of employees are Royal Unibrew ambassadors by 2030

100%
sustainability culture by 2025

Disclaimer: The targets apply to our current footprint. It is our ambition that potential acquisitions will be integrated, but a grace period may be required

*"Preferred choice", as related to the corporate vision; ** without distribution

Sustainability - Overview

Our aspiration is to be recognized globally as a leader in sustainable beverages – delivering strong financial performance along with strong local engagement and a neutral CO_2 footprint. In 2020, we stepped up our sustainability efforts and drew up our new long-term sustainability strategy as an integrated part of our overall strategy – and we set our ambitious 2030 targets.

Our consumers & customers

We want to be the preferred partner for our customers with the most relevant innovations for our consumers regarding health and wellness, authenticity and care for the environment

KEY AREAS

- Health & nutrition
- In the market circularity
- Local engagement

3 GOOD HEALTH AND WELL-BEING | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Further information: page 57

Our products

We will convert our energy consumption to renewable energy in the entire value chain. We will work with our partners on reducing CO_2 emissions and lowering the impact from packaging material through recycling, while having a positive social impact.

KEY AREAS

- Renewable energy sources
- Product circularity
- Supplier roadmap

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

Further information: page 61

Our people

We will lead a sustainable business including fostering a sustainability culture promoting a safe and healthy working environment where employees feel proud, included, and have equal opportunities to realize their potential. We will develop tomorrow's talents while building competences that ensure our success today and tomorrow

KEY AREAS

- Proudest employees
- Diversity, equality & inclusion
- Safe workplace mindset

8 DECENT WORK AND ECONOMIC GROWTH | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Further information: page 66

Sustainability framework

At Royal Unibrew, we are committed to conducting our business in a sustainable, responsible and ethical way.

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

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

Our sustainability approach is underpinned by Royal Unibrew's purpose and strategy, the UN Global Compact (UNGC) principles and the UN Sustainable Development Goals (SDGs).

A strong company culture is crucial for our ongoing progress – a culture in which decisions are taken with respect to our customers', suppliers' and other key stakeholders' views and priorities, and which encourages people to take responsibility for their actions. We believe that this approach will help us continuously to integrate sustainability deeper into our organization and to realize our ambitious targets.

During 2020, we worked intensively to reach our short-term sustainability targets for 2020-2022 within selected areas such as alcohol and sugar content in new products, CO_2 emission for activities 'inside our fence' and packaging material as well as lost time incident frequency. Furthermore, we continued our endeavors towards establishing a well-defined and transparent corporate social responsibility framework and as planned, we have formulated our new longer-term sustainability strategy, including specific long-term targets.

SUSTAINABLE DEVELOPMENT GOALS

THE GLOBAL COMPACT
WE SUPPORT

OUR SUSTAINABILITY JOURNEY

2018

- Materiality assessment highlighting 9 strategic focus areas for sustainability

2019

- Signing up to UN Global Compact
- Establishing 2020-2022 targets aligned with the SDGs focusing on CO_2, recycled packaging, no/low products and employee safety
- Calculation of carbon footprint and overview of carbon emissions throughout the entire value chain

2020

- Establishing the framework for our sustainability strategy and setting long-term (2030) targets and KPIs
- Implementation of a number of initiatives, including renewable energy, use of recycled plastic, launch of no/low products, continued local engagement and focus on employee safety
- Disclosing climate data through CDP (Carbon Disclosure Project)

Our policies and systems

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

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

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

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

POLICIES AND SYSTEMS

	Our consumers & customers	Our products	Our people
Policy	Country level: • Quality policy • Food Safety policy	Country level: • Environmental policy Group level: • Code of Conduct	Country level: • Occupational health and safety (OHS) policy Group level: • Ethics policy • Remuneration policy • Diversity&inclusion policy
Systems, procedures and guidelines	ISO 9001 (4 sites) Global Food Safety (GFSI) recognized standards at all production sites (9) Tax compliance and transfer pricing documentation	ISO 14001 (5 sites) Energy assessment at all production sites	ISO 45001 (2 sites) Employee satisfaction survey Mandatory training: GDPR, Competition, Marketing law

Our governance structure

Our sustainability activities, including the formulation of our sustainability policies and targets, are anchored at the Board of Directors, which sets the direction for our strategy, targets and Group policies together with the Executive Management. The targets are aligned by and implemented through the Growth Leadership Team. To ensure focus on sustainability, group CSR reports directly to CEO.

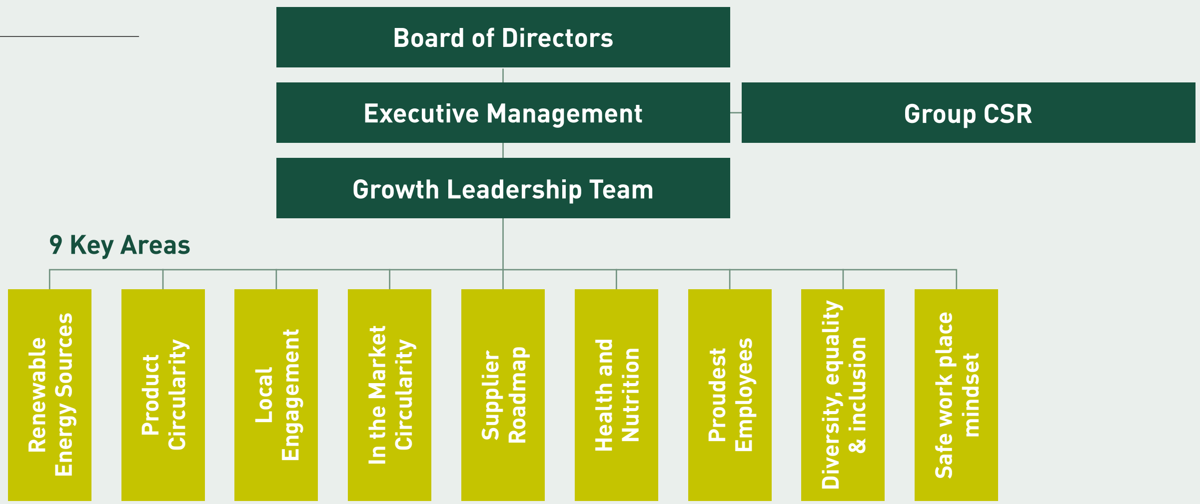
Signing up to the UN Global Compact in 2019 was the starting point for further formalization of our sustainability efforts, including further improvement of transparency in our sustainability policies, systems and due diligence processes, and these efforts were intensified during 2020.

Establishing clear accounting policies for sustainability indicators and thus establishing the basis for transparency and external assurance has been an integral part of this process. Group CSR and Finance are responsible for measuring our results including good practice guidelines for risk and controls. Based on the accounting policies, a control framework will be established to ensure a consistent quality in our reports and documentation.

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

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

GOVERNANCE STRUCTURE



Our consumers & customers

We want to be the preferred partner for our customers with the most relevant innovations for our consumers regarding health and wellness, authenticity and care for the environment. We aim to

- Support consumers in making the healthy, nutritious and sustainable choice
- Become circular by engaging consumers and customers
- Involve actively in the local communities where we are present
- Responsible drinking

KEY AREAS

- Health & nutrition
- In the market circularity
- Local engagement

KPI 2030

#1

PARTNER OF CHOICE FOR CUSTOMERS AS SUSTAINABLE BEVERAGE SUPPLIER

Health & nutrition

We believe in the consumer's choice. We want to help consumers make the healthy or nutritious choice by always having an alternative to regular products, e.g. fully sugared, alcoholic, etc. We want to provide transparency for the consumer when choosing.

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

We strive to offer consumers and customers sustainable enjoyment through a broad variety of beverages, complementing the setting/situation whether the individuals find themselves at a music venue, dining with family and friends, exercising, travelling or at other occasions. The purpose is to provide energy, refreshment, quenching thirst or simply a good time. Consequently, we develop, launch and supply products with great taste and with regular, low/no-alcohol and calorie content, all clearly declared. Our aim is to offer a low/no alternative in all categories and in all markets to enable our customers to offer healthier choices to the consumers. Royal Unibrew also wants to lead development of healthy and nutritious products and markets, not only by offering new products and outperforming market growth but also by investing in more information and communication about the products.

During recent years, Royal Unibrew has across the Group introduced more low/no sugar alternatives compared to regular, e.g. full sugar, products in the soft drink, water and energy categories. The volume of low/no sugar products increased by 37% from 2017 to 2020, while regular products increased by only 17% in the same period, which indicates our short-term 2022 target of a balanced launch of regular, low and no beverages is working.

The production of 0.0% and low alcohol containing products (Beer, Cider and RTD) increased across the Group in 2020 accommodating the general consumer trend. The no-alcohol segment increased by 265% from 2017 to 2020 compared to a 7% increase for low alcohol containing products and unchanged or slightly reduced growth for strong and regular in the same period, which indicates our 2022 target of increasing the number of beverages with 0.0% and low alcohol will be met.

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

Responsible drinking

We support national and international trade associations, such as Brewers' of Europe's views and guidelines on responsible drinking. In addition, we support a large variety of sports and health initiatives through our sponsorships regionally and locally. In Finland, for example, all beer sponsorships will be converted into 0.0% alcohol beer. Our responsibility for products containing alcohol is to prioritize quality and value over quantity.

We will continue to promote responsible drinking through support and participation in relevant programs and partnerships regionally. This also applies for sugar contents, where we participate actively in partnerships looking at ways to reduce calorie content in soft drinks.

KEY INITIATIVES

- Offer a no/low alternative in all categories
- Reduce sugar/kcal/alcohol per serving
- Promote responsible drinking

In the market circularity

We want to become circular across the value chain by engaging consumers and customers. We will close the material loop, reduce the strain on resources and reduce our footprint.

Today, all Royal Unibrew's primary packaging material has information on either deposit return or labels on recycling. Some of the secondary packaging contains this information as well. It is our objective to expand the product information not only to include packaging material information but by 2030 to include sustainability information from the entire value chain as well.

However, information is not enough in itself. For the well-functioning deposit return systems (DRS) there are generally very high return rates, e.g. +90% in Denmark and Finland. But 10% is still lacking and in markets with poor or non-existing DRS, the challenge is much bigger. Therefore, we will step up on engaging consumers in closing the loop, thus, enabling food grade material for recycling. Recycling campaigns are currently run together with the deposit return systems (DRS) in Denmark, Finland and Lithuania, and it is our plan to conduct campaigns on waste reduction and circularity in large markets by 2025 to increase consumer awareness on recycling. In fact, this also applies to our customers, where awareness and handling of secondary packaging especially in export markets, must be improved. The activities may involve support for local initiatives for improving/developing the infrastructure.

KEY INITIATIVES

- Reduce food waste
- Engage consumers in closing the loop
- Develop infrastructure

CURRENTLY ALL PRIMARY PACKAGING ARE LABELED.

Local engagement

The local connection is in our DNA – we want to be present in the local communities with local brands and products, actively engaging through the activities we support.

As a strong regional multi-beverage company, it is in our DNA to engage not only in the local societies surrounding our premises, sports clubs, employees' families but also in our brand communities, with customers, other business partners and NGOs.

We strive to provide successful brands that people trust and therefore, we have always been committed to contributing positively, wherever we operate and are connected. We believe, it is part of our responsibility and value as a company to drive, develop and support sustainability efforts through relevant touch points. Local sourcing of ingredients and developing local products are other examples of our local engagement.

Royal Unibrew has a number of on-going local engagements with local sports clubs, the local music scenes, city festivals, etc. We want to make these interactions sustainable. This also applies to music festivals and large sports events, where we participate. The initiatives encompass concepts introducing reusable cups, making your own energy in the "festival reactor", introducing organic beverages (beer, CSD, RTD), sponsorships with 0.0 beer, supporting local lake preservation in Lahti (Finland), supporting circularity mindset through a student oriented "beer for pre-owned furniture" concept and many more only partly tested in 2020. Our goal is that at least 50% of our engagements include sustainability elements by 2030, and for large events we are even more ambitious with 70% already in 2025.

Supporting local businesses in general is another important undertaking for Royal Unibrew. During the pandemic this has become even more pertinent, especially in relation to on-trade and events. Like many other beverage companies, we have assisted with alcohol for sanitizers and various support for health workers and other frontline personnel. In addition, we quickly engaged in activating consumers using our platforms and channels together with various customers for 'Take Away', we launched the 'Together together' campaign and Ceres Bar supporter in bars and restaurants and was the main driver behind Denmark's biggest virtual beer tasting supporting micro-breweries.

KEY INITIATIVES

- Drive sustainability in local communities, organizations and NGOs
- Empower local players
- Develop local products

Our products

Our ambition is to be one of the most sustainable beverage company and to be the preferred choice for the future. We will convert our energy consumption to renewable energy in the entire value chain and we will work with our partners on reducing CO_2 emissions and lowering the impact from packaging material through recycling, while having a positive social impact. We will reach our targets by:

- Shifting to renewable energy
- Becoming circular
- Engaging with our entire value chain

KEY AREAS

- Renewable energy sources
- Product circularity
- Supplier roadmap

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

KPI 2030

50%

REDUCTION IN SUPPLY CHAIN EMISSIONS (SCOPE 1,2,3)

Improving energy efficiency

At our production site in Lahti, Finland, we have successfully implemented phase 1 of our energy optimization project.

The project is mainly considering reducing thermal energy consumption for HVAC (Heat, Ventilation & Air-conditioning), CIP (Clean in Place) and pasteurization, resulting in a reduction of at least 1,200 ton CO_2 per year. In phase 2, we are expecting even higher reductions by utilizing geo-thermal energy and/or by utilizing fuel sources based on renewables.

Renewable energy sources

We will increase our renewable energy use towards 2030, starting from our own production and gradually increasing demands on suppliers.

Royal Unibrew is setting ambitious targets on carbon emissions. From our own production (scope 1 and 2) we aim at being carbon emission free in 2025, and for the entire supply chain reducing our footprint by at least 50% in 2030. We have decided on several initiatives to reach these ambitious targets, but we also acknowledge that implementation of new, not yet available technologies, are key to succeed.

For the multi-beverage industry, the main part of the CO_2 footprint is 'outside the fence'. Therefore, we need to work not only on scope 1 and 2 'inside the fence' but as well on scope 3 'outside the fence'.

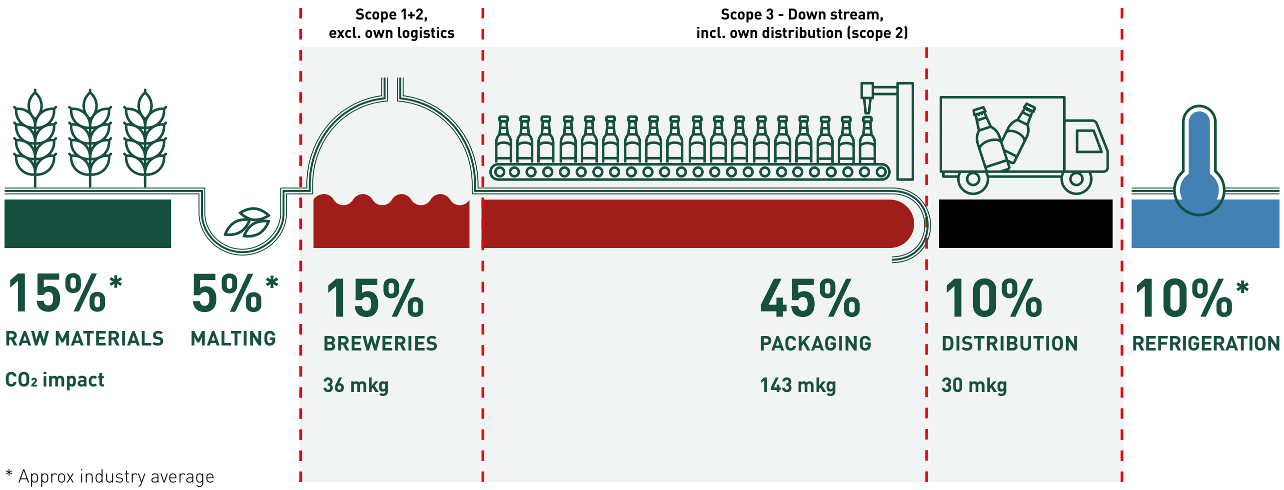
Royal Unibrew's principles for reducing carbon footprint is to work continuously with optimizations to increase energy efficiency. Based on the general consensus on the need to transform and electrify production processes, we will apply and invest in new technologies, when available and commercially viable. Investing actively in or pushing for additionality of renewable energy in the grid is included as well. The most pertinent challenge for the industry is transforming thermal processes to power-based processes. The technologies to heat/cool efficiently by power are, however, not available, yet.

KEY INITIATIVES

- Transform and electrify production
- Demand renewable energy in the supply chain
- Optimize energy and water consumption

EMISSIONS THROUGHOUT THE LIFE CYCLE

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



* Approx industry average

Principles for reducing CO_2 emission from production is:

1. Reduce energy consumption/increase energy efficiency
2. Investing in transformation of thermal energy to electrical energy
3. Actively invest in or push for additionally of renewable energy in the grid
4. As a last resort and in the short to medium term either source renewable energy power or biogas or buy accredited certificates

Our ambition to become emission free or reducing the impact significantly will also translate into new demands for our suppliers and partners across the entire value chain. Potential symbiosis and new business models in our local communities which also links into product circularity will also be part of the solution.

To support the transition towards using renewable energy we are investigating the possibility of constructing a solar park, covering our Danish power consumption, and in Finland, we are investigating solutions using geo-thermal energy for heating and for biogas replacing natural gas in our boilers.

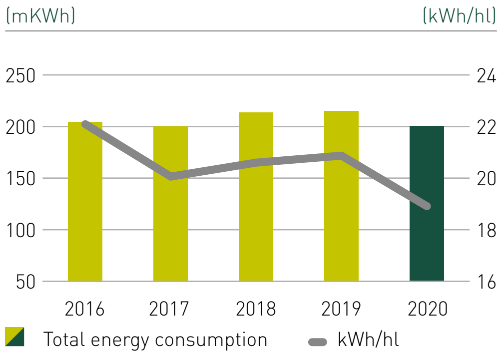
Transportation is another area where technologies for heavy duty transportation still are rather immature. The offering and availability of renewable fuel sources are gradually increasing but there are still major technological challenges in becoming carbon emission free. The industry currently estimates a potential of 30% reduction in 2030. Royal Unibrew is currently looking at fossil free fuels as transitional options as well as electric or hybrid vans/cars for lighter duty. Forklifts and other 'inside the fence' distribution is primarily power-based today.

In 2020, the CO_2 impact from production, packaging materials and distribution was 36, 143, 30 million kg CO_2, respectively. Essentially unchanged from 2019 in absolute amount but with an improvement per produced unit of 2 to 3% for transportation and packaging material. The reduction for packaging materials is triggered by increasing the content of recycled material.

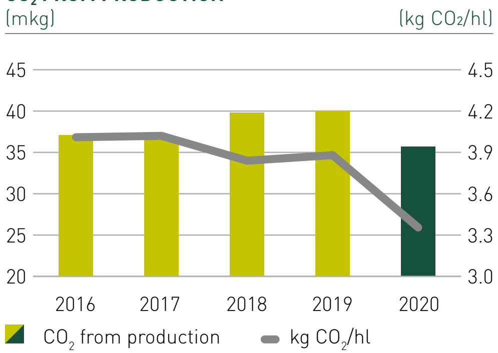
The carbon footprint for our production was reduced by 22%, measured as kg CO_2 per produced volume, from the base year 2015 to 2020. Being above our 2020 target of 15% CO_2 reduction and showing we are on the right track for our target of 30% in 2022 compared to 2015. Between 2019 and 2020, the kg CO_2 per produced volume decreased with 12%. The CO_2 reduction is a result of phase 1 of energy optimization project in Lahti in combination with a shift in product mix, i.e. during the pandemic there has been a significant increase in the soft drink production volume relative to beer production.

Water is our most important raw material and therefore water preservation and water quality are key to us. All our wastewater is treated before emission either at our site or at the municipal treatment plant to meet the requirements. Reducing water consumption remains a priority to us and the consumption of water per hl has decreased by 4% from 2015 to 2020 and in a like-to-like comparison with 10%. Royal Unibrew's production facilities are not located in water scarce areas, and some of our sites do not have full separation of rainwater and process water, resulting in a larger wastewater discharge than actual. And at our site in Italy, we use well water for the last rinse in the cleaning process and it is essentially not contaminated water but is accounted for as consumption. We only use municipal or own well water at our sites.

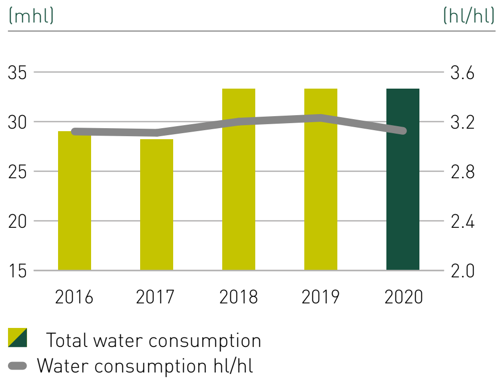
ENERGY CONSUMPTION



CO_2 FROM PRODUCTION



WATER CONSUMPTION



Product circularity

We want to become circular across the value chain by engaging suppliers. We will close the material loop, reduce the strain on resources and reduce our footprint.

In the beverage industry product circularity depends to a high degree on closing the loop for packaging material (primary, secondary and tertiary). The elements are to remove, reduce, reuse and recycle material.

The food safety requirements for primary packaging material (e.g. glass bottles, PET bottles and cans) are stringent as it is key to protect our products. The entire packaging system, e.g. bottles, crates, trays and wraps ensures there is no harm to our products during distribution, and packaging is therefore key to product protection and avoiding food waste. Thus, the packaging systems are complex, and substituting or eliminating elements such as plastic wrap or down-weighting require careful testing to ensure continued stability.

We continuously cooperate with our suppliers on reducing the weight of material/amount of material used per item. We have already reduced PET weight by 20% over a 10-year period and reduced aluminum in cans by 5%. In our secondary system, cardboard is being reduced as well. The work continues and we are in a process of setting concrete targets together with our suppliers.

Furthermore, we have worked on increasing the amount of recycled PET in our bottles for several years. In 2019, we set short term targets for 2020 and 2022 for selected categories and with our new strategy, we are setting even higher ambitions with a target of 100% recycled material for more categories in 2025 and even more by 2030. We estimate that the transitioning from virgin to recycled packaging will reduce our CO_2 footprint for packaging material by more than 40%.

It is our target only to offer products in recyclable packaging in all our markets by 2025. In principle, we only use mono materials today. Mono materials can easily be separated, sorted and recycled in clean fractions such as glass, PET, carton, aluminum, steel and shrink film. However, our juice portfolio, contributing 0.001% of packing materials in 2020 on weight basis, is currently provided in coated carton, i.e. more complex laminated materials. While the recyclability of that particular material may be improved over the next couple of years, we will however, also be looking at alternatives.

Reuse of materials is also an important part of ensuring product circularity. There is well-established reuse systems for packaging material in several of our markets, e.g, return systems for glass bottles, crates, steel kegs and pallets. However, such systems are not in place in all markets. Well-functioning deposit return systems (DRS) are in place in Denmark, Finland and Lithuania and similar systems are currently being discussed in France, Latvia and Italy. We will continue our support to DRS in our major markets to increase the return rate further and look for solutions to avoid packaging wasting in other markets with more immature systems.

KEY INITIATIVES

- Eliminate unnecessary packaging (incl. plastics)
- Source recycled packaging material
- Become the sustainable partner

100% recycled PET
Use of recycled packaging material has been increasing over the last couple of years – and will increase significantly towards 2025. For example, our Egekilde water brand is now in 100% recycled PET, Lapin Kulta and Royal Organic is packed with 100% recycled shrink film, Ceres is with 100% recycled paper labels and our Faxe Kondi Booster in 100% recycled corrugated trays.

Supplier road map

We engage with our entire value chain to reduce carbon emissions in scope 3 and minimize negative environmental impact, including biodiversity, and social impact.

We have a large share of our footprint (environmental and social) outside our own direct control, and at the same time consumer awareness about impacts of the supply chain footprint is increasing. Therefore, we engage with our supply chain to reduce the footprint and to increase supply chain transparency.

We aim to ensure that our suppliers meet our high standards. In 2020, approximately 60% of our suppliers of direct material have signed our code of conduct. We want to further develop our responsible sourcing principles by establishing a set of specific requirements. The principles will also encompass requirements for CO_2 emission reduction targets for the suppliers as more than 80% of our carbon footprint is 'outside our fence'.

By 2030, the target is a 50% reduction of the supply chain emissions and no later than 2023 all Royal Unibrew's critical suppliers should have signed the responsible procurement principles and an agreement with a defined road map to reduce their carbon footprint.

In 2020, we have had preliminary meetings with selected suppliers regarding their goals and initiatives. This in combination with the current general consensus on possible technological advances in the relevant sectors until 2030, makes us believe it is a realistic target.

Royal Unibrew has always cooperated closely with suppliers and other partners to improve our products as well as production and process performance. To reach our targets, it is pivotal on the one hand to build on these well-established relations and strengthen them further and on the other hand to identify and establish new partnerships for sustainable development.

KEY INITIATIVES

- Further develop responsible procurement principles
- Road map for CO_2 reduction in transportation, packaging, agriculture and sales refrigeration

We aim to ensure that our suppliers meet our high standards. In 2020, approximately 60% of our suppliers of direct material have signed our code of conduct.

Our people

We will lead a sustainable business including fostering a sustainability culture promoting a safe and healthy working environment where employees feel proud, included, and have equal opportunities to realize their potential. We will develop tomorrow's talents while building competences that ensures our success today and tomorrow

We will reach our targets by:

- Ensuring employees feel proud and to be an attractive employer
- Developing sustainable leadership fostering diversity, equality, inclusion and developing tomorrow's talents
- Providing a safe and healthy working environment

KEY AREAS

Proudest employees

Diversity, equality & inclusion

Safe workplace mindset

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Proudest employees

We want people to feel proud of working at Royal Unibrew and feel proud of their individual contribution. We believe that proud employees create better results and promotes us as an attractive employer

We believe a key to take proudness to an even higher level is through sustainable leadership. When we invest in sustainable leadership capabilities, we will not only stimulate more proudness but also obtain a relentless focus on developing talents as well as building today's and tomorrow's competences to secure our future success. Additionally, sustainable leadership nurtures a culture of innovation through an inclusive and diverse working environment and promotes a learning culture where everybody has equal opportunities develop their potential. Sustainable leaders recruit, develop and retain entrepreneurial and empowered talents thirsting for success and striving to do better every day. Finally, sustainable leaders ensure that the workplace culture matches the expectations and needs of multiple generations of employees through creating purpose and meaning to the task at hand while upholding our high engagement levels.

Our people drive our success and progress – and live and protect our values. We work as one team and our people are flexible while finding solutions to all challenges. Royal Unibrew wants to honor our people by offering flexible working options that provides opportunities to adapt their job to their personal life circumstances. With job crafting we will additionally provide the opportunity to raise empowerment and provide individuals to unfold their potential. With COVID-19 virtual working practice have become the new normal. We will continue utilising digital tools to drive more flexible modes of working, thereby also promoting a future environmentally friendly and sustainable workplace.

During 2020, several areas were re-organized to meet new challenges, and in general, employees across functions and business units showed an enormous flexibility and agility in meeting the unprecedented challenges related to the global COVID-19 pandemic. Developing our ability to lead remotely and building resilience as a response to the COVID uncertainties was in focus the entire year.

In Finland, Italy, and France an engagement survey was conducted in December 2020. The results demonstrated an even higher engagement than the previous one. The results from the latest Group engagement survey from late 2019 showed that 80% of the employees are proud of working at Royal Unibrew. Additionally, 89% responded that they feel they have a meaningful work, whereas the influence on own job parameter was lower at 69%. We have been working with various initiatives to improve the engagement across business units and functions in 2020.

In 2020, we initiated an improvement of our human capital management practices in our major markets ranging from recruiting, onboarding, performance, compensation, learning, succession, and development. To emphasis the importance of the people strategy Human Resources is now a part of the Senior Leadership Team.

KEY INITIATIVES

- Develop sustainable leadership capabilities
- Offering flexible working options and job crafting
- Employee involvement in local communities

The new recruits in Hartwall

We recruited the second group of graduates in 2020. In short, the idea is to recruit young potentials every year who enter a two-year trainee program. They are offered a "real" role in the business which changes after the first year and furthermore, their developed is supported by a number of activities in addition to their specific role. After two years, they get a permanent position in the organization. This is an example of how we work to attract young talents and at the same time support social responsibility.

Diversity, equality & inclusion

Diversity, equality and inclusion is a fundamental part of sustainability. We want a diverse, equal and inclusive company providing resilience and driving innovation.

We want our organization to reflect the diversity of today's society and we believe that a more diverse, equal and inclusive workforce creates the best and most dynamic workplace climate, as well as it supports innovation and long-term value creation for all our stakeholders.

Continuous efforts are made to ensure workplace diversity and inclusion. Traditionally, the beverage industry is relatively male-dominated, but Royal Unibrew strives on an ongoing basis to ensure a more equal gender representation. We measure gender diversity in international management teams and at the Board of Directors. The number of women at the Board of Directors is 2 out of 6 members elected by the shareholders. In our international management teams, we improve gender diversity year after year.

Our target is a more balanced gender representation of at least 40% of each gender by 2024 and the same applies to the Board of Directors. When recruiting new executives and managers, we prioritize identifying without discrimination and aim to encourage female candidates' interest in taking on managerial tasks. Several other initiatives were carried out, such as approval of our policy and objectives on diversity and inclusion by the Board of Directors and an improvement project on employee master data to improve the foundation for our D&I priorities. Diving into the gender diversity and inclusion performance as an effect of our initiatives, there is a very positive trend in our management teams at our different markets, where we for the past two consecutive years are above the 40% target, at 43% on average in 2020 of the underrepresented gender, i.e. women, compared to our international management teams average of 33% in 2020, which has also improved year on year.

We also work on promoting other diversity aspects for example by including people that for various reasons struggle to maintain or get a foothold on the job market. In the coming years we will focus on two initiatives: the first is to analyze where diversity is specifically challenging seen from a business critical angle being gender, competences, age, seniority, ethnicity, etc., supported by data, and the second is to work on maintaining an inclusive culture.

EMPLOYEES BY GENDER, INT. MANAGEMENT TEAMS

Gender %	2020	2019	2018
Female	33	32	31
Male	67	68	69

KEY INITIATIVES

- Ensure/enable a culture of equality and inclusion valuing diversity
- Become a driver of equality and inclusion in the local communities

Safe workplace mindset

Safety is a prerequisite for taking care of employees and ensuring that they can be something for other people outside of work. To be successful in our safety efforts this needs to be a mindset and something our employees live by every day.

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

When deploying our sustainability strategy, we will enhance our efforts to support behavioral based safety and employee well-being (where harassment is a focus area) we see that as fundamental for maintaining and further developing our safety mindset and culture. With the aim to move towards zero lost time incidents, all employees will be trained in behavior-based safety, including increasing the transparency of root cause assessments to improve learning, as well as linking safety to bonus targets.

Local focus and initiatives have resulted in a continued reduction in Lost Time Incidents per 1 million working hours (LTI frequency) by 30% from 2015 to 2018 and has leveled out between 2018 and 2019. The LTI frequency unfortunately increased between 2019 and 2020 from 10.8 to 13.7. The target of 20% reduction in 2020 compared to 2018 was therefore not met. Root cause assessments indicate that behavior is the main reason for incidents. We believe the increase may at least in part, be explained by the job rotation between on-trade and off-trade as a result of COVID-19, where employees from other functions assisted in off-trade and the unusual sales situation may have stressed the organization as well. Working overtime more than usual may be an additional factor. We will enhance our behavioral-based safety training and awareness in 2021 across the Group to reduce the LTI frequency.

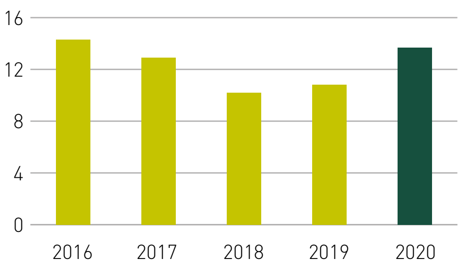
KEY INITIATIVES

- Create a harassment free working environment
- Ensure employee wellbeing
- Further develop our safety culture

Harassment free working environment

In connection with our on-going dialogue in the production area, we have identified a need for addressing and increasing awareness of potentially abusive acts and harassment to improve well-being. Royal Unibrew has zero tolerance, and we have just launched a new initiative governed by our well-being groups to facilitate our journey towards zero. The objective is to create an environment, where everyone not only has the right to speak up but also feel comfortable, when they point at a lack of consideration from a colleague, including managers.

LOST TIME INCIDENTS
Accidents per million work hours



"Further development of the safety culture by using humor is the philosophy behind our "Safety Thirst" campaign developed together with employees from various business functions. The campaign is currently being rolled out."

Descriptive notes for the non-financial highlights and ratios

Note 1: Basis for preparation

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

Note 2: Our Consumers/Customers

The data disclosed as target follow up for 2020 to 2022 is based on actual sales volume in the period from 2017 to 2020, divided into no/low and regular kcal content for the categories Carbonated soft drinks, Water and Energy and for alcohol content (Beer, Cider and RTD) no and low compared to regular and strong. The sales volumes are used as an assessment of a balanced development and launch of new no/low and regular products.

Note 3: Our products

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

Acquisitions in 2018 and 2019 increased our absolute comsumptions.

Despite acquisitions in 2018 and 2019 the absolute and relative consumption of energy decreased slightly from 2015 to 2020 and the associated CO_2 emissions as well. The energy consumption per hectoliter and the CO_2 emission per hectoliter decreased significantly compared to 2015 (baseline for the 2020/22 targets) by 20% and 22%, respectively. If corrected for the acquired sites, the CO_2 emission decreased 24%. The improvement is due to a keen focus on energy reduction projects.

The consumption of water per hectoliter has decreased by 3% compared to 2015, and more than 10%, if corrected for the acquisitions. Whereas the absolute consumption of water has levelled out from 2018 to 2020.

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

Note 4: Our People

Royal Unibrew A/S has collected data for lost time incidents (LTI) and disclosed information in our annual report since 2015. The data has been corrected to the new reporting requirements mentioned in Note 1.

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

As it may be noted other relevant data for occupational health and safety performance has only been collected for 2018 to 2020, as the recording has been lacking at some entities before that. The same applies to employee engagement and diversity.

Signatures and statements

Management's statement on the Annual Report I Independent auditor's report

Management's Statement on the Annual Report

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Royal Unibrew A/S for 1 January - 31 December 2020.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 as well as of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2020. In addition, in our opinion the Annual Report for Royal Unibrew A/S for 1 January - 31 December 2020 with the file name ROYAL-2020-12-31.zip in all material aspects is prepared in accordance with ESEF Regulation.

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

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

Faxe, 3. marts 2021

Executive Management

Lars Jensen
President & CEO

Lars Vestergaard
CFO

Board of Directors

Walther Thygesen
Chairman

Jais Valeur
Deputy Chairman

Martin Alsø

Einar Esbensen Nielsen

Heidi Kleinbach-Sauter

Claus Kærgaard

Christian Sagild

Catharina Stackelberg-Hammarén

Floris van Woerkom

Independent auditor's report

To the shareholders of Royal Unibrew A/S

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

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

Audited financial statements

Royal Unibrew A/S' consolidated financial statements and separate financial statements for the financial year 1 January – 31 December 2020 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Basis for opinion

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

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

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

Independence

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

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

Appointment as auditors

We were appointed auditors of Royal Unibrew A/S for the first time on 24 April 2018 for the financial year 2018. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of three years including the financial year 2020.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibility for the financial statements

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2020 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Valuation of intangible assets Goodwill and trademarks represent 51% of the Group's assets. Management conducts annual impairment test to determine whether the carrying values of recognised goodwill and trademarks are considered to be impaired and, hence, should be written down to the recoverable amount. Management determines the recoverable amount of the Cash Generating Units (CGUs) using a discounted cash flow model (value in use). Management uses key assumptions in respect of market and country risks, revenue and margin development and discount rate for the CGUs. The audit of the recoverable amount has been considered a key audit matter as the determination of the recoverable value is associated with significant estimation uncertainty. The carrying amount of investments in subsidiaries in the parent company's separate financial statements and the values of intangible assets contained therein is also tested to identify any impairment. This is the same test as described above. Reference is made to note 11 in the consolidated financial statement and note 11 in the Parent Company financial statements.	For the purpose of our audit, the procedures we carried out included the following: • We have discussed with Management and evaluated the internal controls and procedures for preparing impairment tests and the budget and forecasts. • We have focused our audit on the models and the appropriateness of key assumptions used by Management to calculate the values in use, as well as defined CGUs and assessed the consistency of the assumptions applied. • We have assessed the appropriateness of the discount rates applied and underlying assumptions, as well as benchmarking to market data and external information. • Our internal valuation specialists have supported the audit where relevant. • In addition, we have assessed whether the disclosures; Note 11 Intangible Assets in the consolidated financial statements meet the requirements of IFRS.
Revenue recognition There are a significant number of transactions and contracts with customers. Sales contracts with customers are relatively complex with discounts and agreements with marketing contributions etc. Furthermore locally imposed duties and fees are complex. Overall this introduce an inherent risk to revenue recognition process. Therefore we have considered this as a Key Audit Matter. Reference is made to note 5 in the consolidated financial statements.	For the purpose of our audit, the procedures we carried out included the following: • We have considered the appropriateness of the Group's revenue recognition policy and assessed the compliance with IFRS 15 Revenue from Contracts with Customers. • We have evaluated the systems and key controls, designed and implemented by Management, related to revenue recognition. • We have discussed with Management the key judgements related to recognition, measurement and classification of revenue • In addition, we have performed substantive procedures. We have discussed significant and complex customer contracts, locally imposed duties and fees and the development in discounts and the treatment of marketing contribution to ensure that accounting policies are applied correctly. • We have performed journal-entries testing and verification of proper cut-off at year-end.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of Royal Unibrew A/S we performed procedures to express an opinion on whether the annual report of Royal Unibrew A/S for the financial year 1 January – 31 December 2020 with the file name ROYAL-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial State-ments.

In our opinion, the annual report of Royal Unibrew A/S for the financial year 1 January – 31 December 2020 with the file name ROYAL-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 3 March 2021

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

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

Consolidated financial statements

2020

Consolidated Income Statement

Consolidated Income Statement for 1 January - 31 December

mDKK	Note	2020	2019
Net revenue		**7,557**	**7,692**
Production costs	6, 7	-3,613	-3,612
Gross profit		**3,944**	**4,080**
Sales and distribution expenses	6. 7	-2,085	-2,262
Administrative expenses	6, 7	-344	-349
EBIT		**1,515**	**1,469**
Income after tax from investments in associates	13	33	25
Financial income	8	3	5
Financial expenses	9	-46	-41
Profit before tax		**1,505**	**1,458**
Tax on the profit for the year	10	-307	-318
Net profit for the year		**1,198**	**1,140**
Profit for the year is attributable to:			
Equity holders of Royal Unibrew A/S		1,183	1,142
Non-controlling interests		15	-2
Net profit for the year		**1,198**	**1,140**
Earnings per share (DKK)	17	24.1	23.0
Diluted earnings per share (DKK)	17	24.1	22.9

Consolidated Statement of Comprehensive Income for 1 January - 31 December

mDKK	Note	2020	2019
Net profit for the year		**1,198**	**1,140**
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange adjustment of foreign group enterprises		-29	4
Value adjustment of hedging instruments		11	14
Tax on other comprehensive income (fair value adjustment)	10	-2	-3
Total		**-20**	**15**
Items that may not be reclassified to the income statement			
Actuarial gain on pension schemes		1	2
Tax on actuarial gain on pension schemes		0	0
Total		**1**	**2**
Other comprehensive income after tax		**-19**	**17**
Total comprehensive income		**1,179**	**1,157**
Comprehensive income for the year is attributable to:			
Equity holders of Royal Unibrew A/S		1,164	1,159
Non-controlling interests		15	-2
Net profit for the year		**1,179**	**1,157**

Sales and earnings

Volumes, net revenue and gross profit

	2020	2019	Change, %	Q4 2020	Q4 2019	Change, %
Volumes, beverages (thl)	11,093	11,024	1%	2,647	2,534	4%
Net Revenue (mDKK)	7,557	7,692	-2%	1,733	1,787	-3%
Gross Profit (mDKK)	3,944	4,080	-3%	878	908	-3%

Volumes for 2020 show an aggregated sale of 11.1 million hectolitres of beverages, which was 1% higher compared to 2019. Organically the volumes were at the same level as in 2019.

Net revenue for 2020 decreased by 2% and amounted to DKK 7,557 million compared to DKK 7,692 million in 2019. The decrease primarily related to impact from Covid-19 in Western Europe and Baltic Sea. In the International segment the Covid-19 impact was more than compensated by increased sales in International and due to better product-mix and USD currency rates in Americas. Organic growth decreased 3% compared to 2019. Compared to 2019 the overall average selling price per volume unit has decreased with 2% due to Covid-19-related shift from On-Trade to Off-Trade sales channel.

The gross profit for 2020 was DKK 136 million below 2019 figure and amounted to DKK 3,944 million equivalent to a 3% decrease (Q4: -3%). The gross margin was 0.8 percentage point below the 2019 margin (Q4: increase 0.6pp) and represented 52.2% compared to 53.0% for 2019. Gross profit per volume unit was 4% lower (Q4: lower 8%) than in 2019.

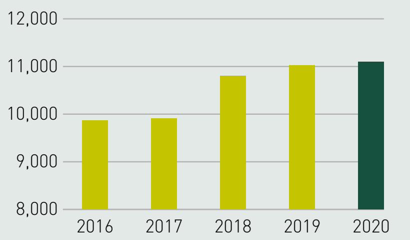
Expenses

	2020	2019	Change, %	Q4 2020	Q4 2019	Change, %
Sales and distribution expenses (mDKK)	2,085	2,262	-8%	528	541	-2%
Administrative expenses (mDKK)	344	349	-1%	98	100	-2%

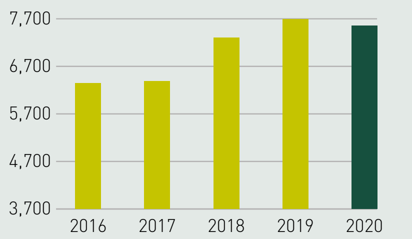
Sales and distribution expenses for 2020 was DKK 177 million below the figure 2019 and amounted to DKK 2,085 million compared to DKK 2,262 million for 2019. The net saving covers lower spending on sales activity due to COVID-19 and marketing, while increased provision for loss on trade receivables has had the opposite impact.

Administrative expenses for 2020 showed a DKK 5 million decrease compared to 2019 and amounted to DKK 344 million compared to DKK 349 million for 2019, primarily caused by COVID-19 related cost savings.

VOLUMES
(thl)



NET REVENUE
(mDKK)



7,557 mDKK
in net revenue

A DECREASE OF 2% COMPARED TO 2019

EBITDA, EBIT and financials

	2020	2019	Change, %	Q4 2020	Q4 2019	Change, %
EBITDA (mDKK)	1,861	1,814	3%	329	361	-9%
EBIT (mDKK)	1,515	1,469	3%	252	267	-6%
Net interest expenses	-43	-36	19%	-13	-9	44%
Income after tax from investments	33	25	32%	15	9	67%

Earnings before interest, tax, depreciation and amortization (EBITDA) for 2020 showed a DKK 47 million increase and amounted to DKK 1,861 million compared to DKK 1,814 million for 2019. In Q4 EBITDA decreased by DKK 32 million compared to the same period in 2019. EBIT for 2020 amounted to DKK 1,515 million, which is DKK 46 million above the 2019 figure. The positive development in both EBITDA and the EBIT are primarily attributable to the International and Baltic Sea segments, while due to COVID-19 EBIT and EBITDA decreased in the western europe.

The EBIT margin for 2020 was 20.0% compared to 19.1 % realized in 2019.

Net financials expenses for 2020 were DKK 7 million higher than in 2019 aggregating an expense of DKK 43 million. Financial expenses were DKK 46 million on a net basis compared to DKK 41 million in 2019, mainly due to exchange rate losses.

Profit and earnings per share

	2020	2019	Change, %	Q4 2020	Q4 2019	Change, %
Profit before tax (mDKK)	1,505	1,458	3%	254	267	-5%
Tax on profit (mDKK)	-307	-318	-3%	-36	-45	-20%
Net profit (mDKK)	1,198	1,140	5%	218	222	-2%
Earnings per share (DKK)	24.1	23.0	5%	4.6	4.3	7%

Profit before tax for 2020 was DKK 47 million above the 2019 figure and amounted to DKK 1,505 million compared to DKK 1,458 million for 2019, equivalent to an increase of 3%.

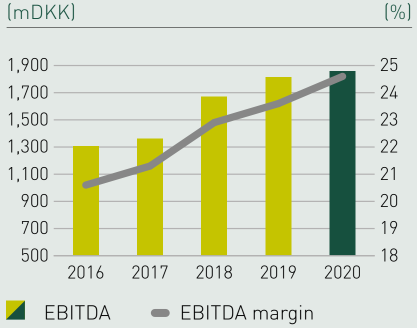
Tax on the profit for 2020 was an expense of DKK 307 million and corresponds to a tax rate of 20.9% on the profit excluding income after tax from investments in associates.

The net profit for 2020 amounted to DKK 1,198 million, which is DKK 58 million above the 2019 figure, equivalent to an increase of 5%.

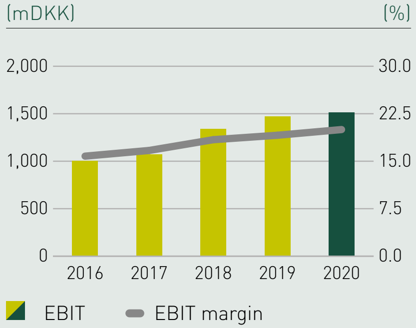
The earnings per share increased in 2020 to DKK 24.1 per share compared to 23.0 for in 2019, equivalent to an increase of 5%.

The Parent Company's profit for the year amounted to DKK 1,070 million compared to DKK 1,074 million for 2019. Dividend income from subsidiaries and associates amounted to DKK 531 million compared to DKK 559 million for 2019.

EBITDA AND EBITDA MARGIN



EBIT AND EBIT MARGIN



Consolidated Balance Sheet

Assets at 31 December

mDKK	Note	2020	2019
NON-CURRENT ASSETS			
Intangible assets	11	4,408	4,516
Property, plant and equipment	12	2,455	2,501
Investments in associates	13	131	126
Other non-current investments	14	21	20
Non-current assets		**7,015**	**7,163**
CURRENT ASSETS			
Inventories	15	517	463
Receivables	16	639	736
Prepayments		54	59
Cash and cash equivalents		81	72
Current assets		**1,291**	**1,330**
Assets		**8,306**	**8,493**

Liabilities and Equity at 31 December

mDKK	Note	2020	2019
EQUITY			
Share capital	17	99	100
Other reserves		716	746
Retained earnings		1,827	1,640
Proposed dividend		666	611
Equity contributable to equity holders of Royal Unibrew A/S		**3,308**	**3,097**
Non-controlling interests		24	10
Equity		**3,332**	**3,107**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	18	554	546
Mortgage debt	3, 20	831	851
Credit institutions	3, 20	1,293	1,303
Other payables		52	105
Non-current liabilities		**2,730**	**2,805**
CURRENT LIABILITIES			
Mortgage debt	3, 20	19	4
Credit institutions	3, 20	131	619
Trade payables		1,047	1,018
Provisions		10	17
Corporation tax	10	9	29
Other payables	19	1,028	894
Current liabilities		**2,244**	**2,581**
Liabilities	22	**4,974**	**5,386**
Liabilities and equity		**8,306**	**8,493**

Balance sheet and financial position

Balance Sheet

Royal Unibrew's balance sheet 2020 amounted to DKK 8,306 million, which is DKK 187 million below the 2019 figure. The decrease is mainly caused by a net inventories and receivables decrease of DKK 43 million due to lower sales activities end of Q4 and to amortisation and depreciation of non-current assets exceeding investments in the amount of DKK 154 million. Further, the performance based earn-out part of the agreed purchase price for Bev.Con ApS (Cult) will not be paid due to lower than expected performance in 2020, hence the fair value of the assets and the earn-out debt have been lowered by DKK 55 million when preparing the final purchase price allocation (we refer to note 24).

Invested capital decreased by DKK 281 million from 2019 to 2020. ROIC excluding goodwill calculated on a running 12 months basis increased by 2.8 percentage points to 32.6% mainly due to the decrease in the invested capital. ROIC including goodwill increased by 1.4 percentage points to 20.2%.

Compared to 2019, the equity ratio increased by 3 percentage points in 2020 amounting to 40% end of 2020 compared to 37% at the end of 2019.

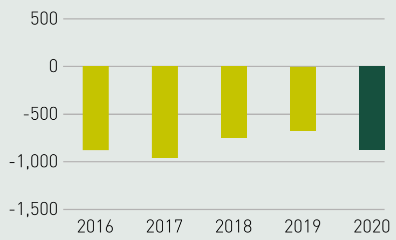
Equity at the end of December 2020 amounted to DKK 3,332 million compared to DKK 3,107 million at the end of 2019. The DKK 226 million increase comprised the positive comprehensive income of DKK 1,179 million (2019: DKK 1,157 million) reduced by distribution to shareholders of DKK 962 million (2019: DKK 971 million) by way of dividend and share buy-back.

Net interest-bearing debt for 2020 showed a DKK 512 million decrease and amounted to DKK 2,193 million at 31 December 2020 compared to DKK 2,705 million at the end of 2019. The decrease in net interest-bearing debt was as expected and comprised the positive free cash flow before prepayment of lease facilities of DKK 1,487 million less distribution to shareholders of DKK 962 million and other items of DKK 13 million. The net interest-bearing debt to EBITDA ratio (running 12 months basis) was 1.2x (2019: 1.5x).

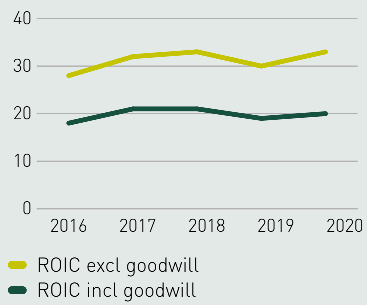
Funds tied up in working capital showed a negative DKK 875 million at the end of December 2020 compared to a negative DKK 671 million at the end of 2019. Funds tied up in working capital thus decreased by DKK 204 million in 2019 (2019: increase of DKK 77 million), mainly due to the beer campaign in Finland and channel mix.

Funds tied up in inventories, trade receivables and trade payables decreased by DKK 76 million (2019: increase of DKK 55 million), whereas funds tied up in the other elements of working capital such as excise taxes and witholding tax on salaries decreased by DKK 128 million (2019: decrease of DKK 23 million).

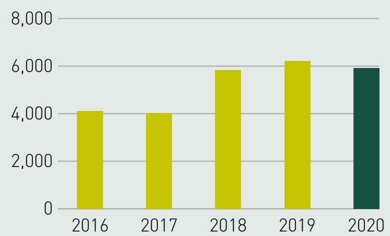
NET WORKING CAPITAL
(mDKK)



ROIC
(%)



INVESTED CAPITAL
(mDKK)



3,332 mDKK
in equity

AN INCREASE OF 225 MDKK COMPARED TO 2019

Consolidated Cash Flow Statement

for 1 January - 31 December

mDKK	Note	2020	2019
Net profit for the year		1,198	1,140
Adjustments for non-cash operating items	21	670	680
Change in working capital		227	-43
Received financial income		4	5
Paid financial expenses		-46	-40
Financial expenses related to leasing		-2	-2
Corporation tax paid		-313	-338
Cash flows from operating activities		**1,738**	**1,402**
Dividends received from associates		21	25
Sale of property, plant and equipment		8	36
Purchase of property, plant and equipment		-280	-261
Acqusition of subsidiaries		-6	-365
Purchase/-sale of intangible assets and fixed asset investment		-1	-7
Cash flows from investing activities		**-258**	**-572**

mDKK	Note	2020	2019
Debt financing:			
Proceeds from increased drawdown on credit facilities	20	149	546
Repayment on credit facilities	20	-579	-419
Repayment on lease facilities	20	-73	-62
Dividends paid to shareholders		-600	-538
Acquisition of shares for treasury		-362	-433
Capital increase, minority shareholders		0	2
Cash flows from financing activities		**-1,465**	**-904**
Change in cash and cash equivalents		15	-74
Cash and cash equivalents at 1 January		72	145
Exchange adjustment		-6	1
Cash and cash equivalents at 31 December		**81**	**72**

From the 1 January 2020 Royal Unibrew defines the free cash flow as net cash operating activities less net cash used in investing activities excluding acquisitions and net proceeds from intangible assets and fixed asset investments, less repayment on leasing facilities. Comparable numbers 2019 have been adjusted.

	2020	2019
Free cash flow		
Net cash from operating activities	1,738	1,402
Net cash used in investing activities	-251	-200
Repayment on lease facilities	-73	-62
Free cash flow	**1,414**	**1,140**
Effect from changed free cash flow definition		-18

Cash Flow

Cash Flow Statement

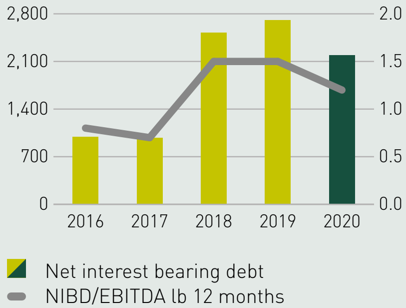
Cash flows from operating activities for 2020 amounted to DKK 1,738 million (2019: DKK 1,402 million) comprising DKK 1,868 million (2019: DKK 1,820 million) of profit for the period adjusted for non-cash operating items, positive working capital cash flow of DKK 227 million (2019: a negative DKK 43 million), net interest paid of DKK 44 million (2019: DKK 37 million) and taxes paid of DKK 313 million (2019: DKK 338 million).

The free cash flow for 2020 amounted to DKK 1,414 million, which was an increase of DKK 274 million compared to 2019. Cash flows from operating activities and dividend from associates showed a DKK 332 million increase compared to the 2019 figures, and net investments in property, plant and equipment showed a DKK 47 million decrease, comprising DKK 19 million higher gross investments and DKK 28 million lower revenues from asset divestments. Further repayment on lease facilities increased DKK 11 million. We estimate that the normalized free cash flow level (without COVID-19 impact and extraordinary beer campaign in Finland) for Royal Unibrew was around DKK 1,150 million.

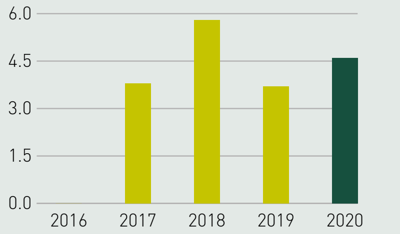
1,414 mDKK
free cash flow

274 MDKK HIGHER THAN 2019
OF WHICH 270 MDKK FROM WORKING CAPITAL

NIBD AND NIBD/EBITDA
(mDKK)

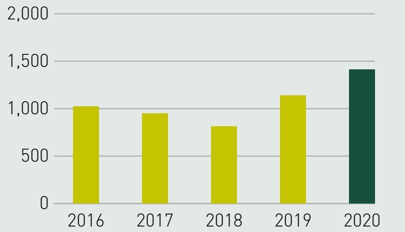


INVESTMENTS IN % OF NET REVENUE
(%)



Due to adoption in 2018 of IFRS 16 (leases) using the modified retrospective approach 2016-2017 are not comparable to 2018-2020

FREE CASH FLOW
(mDKK)



Consolidated Statement of Changes in Equity

for 1 January - 31 December

mDKK	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Parents company share of equity	Minority share	Total
Equity at 31 December 2019	**100**	**773**	**-24**	**-3**	**746**	**1,641**	**611**	**3,098**	**9**	**3,107**
Changes in equity in 2020										
Net profit for the year					**0**	1,183		**1,183**	15	**1,198**
Other comprehensive income			-29	11	**-18**	1		**-17**		**-17**
Tax on other comprehensive income					**0**	-2		**-2**		**-2**
Total comprehensive income	**0**	**0**	**-29**	**11**	**-18**	**1,182**	**0**	**1,164**	**15**	**1,179**
Dividends paid to shareholders					**0**		-600	**-600**		**-600**
Dividend on treasury shares					**0**	2	-2	**0**		**0**
Acquisition of shares for treasury					**0**	-362		**-362**		**-362**
Proposed dividend					**0**	-657	657	**0**		**0**
Capital reduction	-1	-12			**-12**	13		**0**		**0**
Share-based payments					**0**	7		**7**		**7**
Tax on changes in equity, shareholders					**0**	1		**1**		**1**
Total shareholders	**-1**	**-12**	**0**	**0**	**-12**	**-996**	**55**	**-954**	**0**	**-954**
Total changes in equity in 2020	**-1**	**-12**	**-29**	**11**	**-30**	**186**	**55**	**210**	**15**	**225**
Equity at 31 December 2020	**99**	**761**	**-53**	**8**	**716**	**1,827**	**666**	**3,308**	**24**	**3,332**

The share capital at 31 December 2020 amounts to DKK 98,700,000 (2019: DKK 100,200,000) and is distributed on shares of DKK 2 each.
Proposed dividend for the year amounts to DKK 13.50 per share (2019: DKK 12.20 per share).

Consolidated Statement of Changes in Equity

for 1 January - 31 December

mDKK	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Parents company share of equity	Minority share	Total
Equity at 31 December 2018	**102**	**787**	**-31**	**-17**	**739**	**1,507**	**551**	**2,899**	**9**	**2,908**
Changes in equity in 2019										
Net profit for the year					**0**	1,142		**1,142**	-2	**1,140**
Other comprehensive income			7	14	**21**	-1		**20**		**20**
Tax on other comprehensive income					**0**	-3		**-3**		**-3**
Total comprehensive income	**0**	**0**	**7**	**14**	**21**	**1,138**	**0**	**1,159**	**-2**	**1,157**
Minority shareholders' share of acquired businesses								**0**	2	**2**
Dividends paid to shareholders					**0**		-538	**-538**		**-538**
Dividend on treasury shares					**0**	13	-13	**0**		**0**
Acquisition of shares for treasury					**0**	-433		**-433**		**-433**
Proposed dividend					**0**	-611	611	**0**		**0**
Capital reduction	-2	-14			**-14**	16		**0**		**0**
Share-based payments					**0**	6		**6**		**6**
Tax on changes in equity, shareholders					**0**	5		**5**		**5**
Total shareholders	**-2**	**-14**	**0**	**0**	**-14**	**-1,004**	**60**	**-960**	**2**	**-958**
Total changes in equity in 2019	**-2**	**-14**	**7**	**14**	**7**	**134**	**60**	**199**	**0**	**199**
Equity at 31 December 2019	**100**	**773**	**-24**	**-3**	**746**	**1,641**	**611**	**3,098**	**9**	**3,107**

Notes to Consolidated Annual Report

Descriptive notes

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

Other notes

Descriptive notes to Consolidated Annual Report

Note 1 Basis of preparation of Consolidated Annual Report

Basis of preparation
Royal Unibrew A/S is a limited liability company registered in Denmark. The Financial Statements for the period 1 January - 31 December 2020 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 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for financial statements, cf the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The Board of Directors and the Executive Management considered and adopted the Annual Report of Royal Unibrew A/S for 2020 on 3 March 2021. The Annual Report will be submitted for adoption by the shareholders of Royal Unibrew A/S at the Annual General Meeting on 28 April 2021.

The Financial Statements are presented in Danish kroner (DKK). Accounting policies are unchanged from last year.

§ Significant accounting policies

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

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

Accounting policies are unchanged from last year except from implemention of:

- Amendments to References to the Conceptual Framework in IFRS Standards
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1 (IBOR)

None of the new standards have had any impact on recognition and measurement on the Group's consolidated financial statements 2020.

New and amended standards and interpretations that have not yet taken effect
At the time of publication of this Annual Report, the IASB has issued new and amended financial reporting standards and interpretations which are potentially relevant, but not mandatory, for Royal Unibrew A/S at the time of preparation of the Annual Report for 2020:

- IFRS 17 Insurance Contracts including amendments to IFRS 17
- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Asset: Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements 2018 – 2020
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

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.

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, unrealized intercompany profits and losses, balances and shareholdings. Comparative figures are not adjusted for newly acquired, sold or wound-up enterprises.

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

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

Translation policies
For each of the reporting entities of the Group, a functional currency is determined. The functional currency is the currency of the primary

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

economic environment in which the reporting entity operates. Transactions in other currencies than the functional currancy are transactions in foreign currencies.

Transactions in other currencies than the functional currency are initially translated into Danish kroner (DKK) 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 asset purchase in foreign currencies and measured at historical cost are translated at the transaction date rates.

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

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

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

Note 2 Significant accounting estimates and judgements

In connection with the preparation of the Parent Company and Consolidated Financial Statements, Management makes estimates and judgements as to how recognition and measurement of revenue, 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 2020, the following judgments have been considered material 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 2020, the following critical estimates have been made as described in the notes, see list below.

				Note
Derivative financial instruments	§			4
Segment reporting	§			5
Net revenue	§	🔧		5
Share-based payments	§			6
Expenses	§			7
Financial income	§			8
Financial expenses	§			9
Corporation tax	§			10
Intangible assets	§		⚖	11
Property, plant and equipment	§	🔧		12
Investments in associates	§			13
Other fixed asset investments	§	🔧		14
Inventories	§		⚖	15
Receivables	§		⚖	16
Equity	§			17
Deferred tax	§			18
Deposit returnable packaging	§			19
Debt	§			20
Cash Flow Statement	§			21
Purchase Price Allocation (PPA)	§	🔧	⚖	24

Legends

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

Note 3 Financial risk management

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

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

The above describes Royal Unibrew's transaction risks, which are hedged actively according to the Treasury Policy. EUR is not hedged as the risk is immaterial provided that the existing 0.5% band of DKK to EUR under Denmark's monetary policy is maintained. The objective is to reduce negative effects on the Group's profit and cash flows (cf. note 4). The risk is therefore monitored and hedged continually. The Group's cash flows are primarily in EUR, USD, CAD and GBP.

The total gross currency risk (before hedging) on the balance sheet items was calculated at 31 December 2020. The following table shows the sensitivity to a positive change in the cross rates at 31 December 2020 with all other variables remaining unchanged. A negative change has a corresponding effect merely with the sign reversed.

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

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

Interest rate risk
Royal Unibrew's interest rate risk at consolidation 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 expenses and 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 2020, mortgage debt amounted to DKK 850 million (2019: DKK 855 million) with an average term to maturity of 9.3 years (2019: 9.8 years).

Bank debt comprises committed bank credit facilities and long term loan with an agreed term to maturity between 2 to 5 years (2019: 3 to 6 years). 52% (2019: 46%) of the mortgage and bank debt is fixed-interest through the Group's hedging of interest rate risk and fixed rate loans with a fixed-interest period between 4-5 years (2019: 1-6 years). A one percentage point interest rate change will affect the Group's interest expenses by approx +/- DKK 7 million (2019: approx +/- DKK 11 million), and the interest expenses of the Parent Company by approx +/- DKK 5 million (2019: 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. The credit risk is generally higher relating to customers in the on-trade sales channel than relating to off-trade customers. This difference in credit risk is addressed through various approval procedures and credit granting conditions for customers in the two sales

mDKK	Change	Earnings impact before tax 2020	Earnings impact before tax 2019	Equity impact 2020	Equity impact 2019
EUR	0.1%	-1.1	0.7	-1.1	0.7
USD	10%	2.5	3.6	2.5	3.6
GBP	10%	-1.1	0.3	-1.1	0.3
CAD	10%	2.1	1.3	2.1	1.3

Note 3 Financial risk management (continued)

channels. In Finland, risks on major single receivables from customers are reduced through sale of the receivables DKK 481 million (2019: DKK 347 million). The increase was caused by the beer campaign in Finland ending Q1 2021. Credit risks relating to trade receivables are reduced by setting off accrued bonus. At 31 December 2020, accrued bonus amounts to DKK 188 million (2019: DKK 236 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. It is the target that the Group's net interest-bearing debt should not exceed 2.5 x EBITDA and that an equity ratio of at least 30% should be maintained at year end. The target for dividend payout ratio is 40-60% of the profit.

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

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

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

The most significant part of purchases for the next 12 months has, in accordance with Royal Unibrew's policy, been hedged by entering into supplier agreements and financial contracts. A +/-10% change in the price of aluminium would have an effect on the income statement of approx +/- DKK 7 million (2019: DKK 4 million).

Note 3 Financial risk management (continued)

Financial liabilities

Group mDKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2020					
Non-derivative financial instruments:					
Financial debt, gross	2,185	121	1,616	448	2,121
Leasing	156	72	81	3	153
Trade payables	1,047	1,047			1,047
Other payables	475	423	52		475
Total	**3,863**	**1,663**	**1,749**	**451**	**3,796**

The debt is classified as "debt at amortised cost" with DKK 3,794 million and "debt at fair value" with DKK 2 million.

Group mDKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2019					
Non-derivative financial instruments:					
Financial debt, gross	2,631	606	1,343	682	2,554
Leasing	231	64	163	4	223
Trade payables	1,018	1,018			1,018
Other payables	526	421	105		526
Total	**4,406**	**2,109**	**1,611**	**686**	**4,321**

The debt is classified as "debt at amortised cost" with DKK 4,317 million and "debt at fair value" with DKK 4 million.

§ 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 ineffec-tiveness identified is recognised in the income statement.

Note 4 Derivatives

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

Hedging of currency, commodity and Interest risk
The risk is managed by entering into derivatives such as forward contracts and swaps.

At the end of 2020, the Group had only few short term FX contracts, to cover the balance sheet exposure end of 2020 in USD, CAD and GBP.

The Group actively hedges the commodity risk related to aluminium. At the end of 2020, the Group has hedged 61% (2019: 71%) of the expected use with in the next 12 month.

The interest rate swaps hedge the interest rate exposure on the the mortgage debt in Denmark and Finland.

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

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

Group mDKK		2020	2019
	Period	Deferred gain (+) / loss (-)	Deferred gain (+) / loss (-)
Forward contracts:			
USD	0 - 1 year	0	0
CAD	0 - 1 year	0	0
GBP	0 - 1 year	0	0
Total		**0**	**0**
Commodity hedge:			
mainly aluminium	0 - 1 year	10	1
Total		**10**	**1**
Interest rate swaps:			
Mortgage and bank loans	5 year	-2	-4
Total hedging instruments		**8**	**-3**

The fair value of the hedging instruments is included in current liabilities under other payables.
The derivative financial instruments applied in 2020 and 2019 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.

Realized hedging transactions in the income statement mDKK	2020	2019
Realized hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	0	0
Production costs include foreign currency and commodity hedges of	-10	-17
Financial income and expenses include currency, commodity and interest rate hedges of	-4	-4
Total	**-14**	**-21**

Note 5 Segment reporting

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

mDKK	Western Europe	Baltic Sea	Inter-national	Unallocated	Total
2020					
Net revenue*	3,548	3,237	772		7,557
Amortisation and depreciation	150	171	23	2	346
Impairment					0
Earnings before interest and tax (EBIT)	687	675	171	-18	1,515
Financial income					0
Financial cost	-6	-11	0	-26	-43
Share of income from associates	33				33
Profit/loss before tax	714	664	171	-44	1,505
Tax				-307	-307
Profit/loss for the year	**714**	**664**	**171**	**-351**	**1,198**
Assets	2,766	5,353	56		8,175
Associates	131				131
Total assets	**2,897**	**5,353**	**56**	**0**	**8,306**
Additions of property, plant and equipment	268	102	3		373
Additions by acquisitions (adjustment fair value)	-58				-58
Liabilities**	**682**	**1,817**	**21**	**2,454**	**4,974**
Sales (million hectolitres)	4.7	5.4	1.0		11.1

* all goods sold in International are produced by group entities in Western Europe
** Unallocated liabilities include the Parent Company's net interest-bearing debt.

mDKK	Western Europe	Baltic Sea	Inter-national	Unallocated	Total
2019					
Net revenue*	3,691	3,308	694		**7,693**
Amortisation and depreciation	147	170	19	2	**338**
Impairment			7		**7**
Earnings before interest and tax (EBIT)	722	654	132	-39	**1,469**
Financial income		1	0	4	**5**
Financial cost	-5	-10		-26	**-41**
Share of income from associates	25				**25**
Profit/loss before tax	742	645	132	-61	**1,458**
Tax				-319	**-319**
Profit/loss for the year	**742**	**645**	**132**	**-380**	**1,139**
Assets	2,991	5,287	89	0	**8,367**
Associates	126				**126**
Total assets	**3,117**	**5,287**	**89**	**0**	**8,493**
Additions of property, plant and equipment	202	141	1		**344**
Additions by acquisitions	1	10	1		**12**
Liabilities**	**957**	**1,788**	**25**	**2,616**	**5,386**
Sales (million hectolitres)	4.8	5.3	0.9		**11.0**

* all goods sold in International are produced by group entities in Western Europe
** Unallocated liabilities include the Parent Company's net interest-bearing debt.

Note 5 Segment reporting (continued)

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

mDKK	2020 Net revenue	2020 Non-current assets	2019 Net revenue	2019 Non-current assets
Denmark	2,229	1,574	2,070	1,565
Italy	714	663	853	664
Finland	2,418	3,384	2,515	3,504
Other countries	2,196	1,394	2,255	1,430
Total	**7,557**	**7,015**	**7,693**	**7,163**

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

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

Note 5 Segment reporting (continued)

Segment reporting 2016 - 2020
The Group's activities break down as follows on segments:

mDKK	Western Europe	Baltic Sea	Inter-national	Un-allocated	Group
2020					
Net revenue	3,548	3,237	772		7,557
Earnings before interest and tax (EBIT)	687	675	171	-18	1,515
Assets	2,897	5,353	56		8,306
Liabilities	682	1,817	21	2,454	4,974
Sales (million hectolitres)	**4.7**	**5.4**	**1.0**		**11.1**
2019					
Net revenue	3,691	3,308	694		**7,693**
Earnings before interest and tax (EBIT)	722	654	132	-40	**1,468**
Assets	3,117	5,286	89		**8,492**
Liabilities	957	1,788	25	2,616	**5,386**
Sales (million hectolitres)	**4.8**	**5.3**	**0.9**		**11.0**
2018					
Net revenue	3,378	3,338	582		**7,298**
Earnings before interest and tax (EBIT)	645	599	127	-32	**1,339**
Assets	2,816	5,166	80		**8,062**
Liabilities	976	1,719	28	2,431	**5,154**
Sales (million hectolitres)	**4.5**	**5.5**	**0.8**		**10.8**

mDKK	Western Europe	Baltic Sea	Inter-national	Un-allocated	Group
2017					
Net revenue	2,829	3,076	479		**6,384**
Earnings before interest and tax (EBIT)	564	431	106	-32	**1,069**
Assets	1,733	5,006	0	39	**6,778**
Liabilities	771	1,711	7	1,475	**3,964**
Sales (million hectolitres)	**3.9**	**5.3**	**0.7**		**9.9**
2016					
Net revenue	2,870	2,986	484		**6,340**
Earnings before interest and tax (EBIT)	527	395	108	-29	**1,001**
Assets	1,051	4,986	0	39	**6,076**
Liabilities	250	1,697	6	1,212	**3,165**
Sales (million hectolitres)	**3.8**	**5.4**	**0.7**		**9.9**

§ Segment reporting

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

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

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

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

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

Note 5 Segment reporting (continued)

§ Net revenue

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

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

The Group gives various discounts and fees depending on the nature of the customer and business.

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

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

Note 6 Staff expenses

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

mDKK	2020	2019
Fixed salaries to Executive Management	20	12
Short-term bonus scheme for Executive Management	9	6
Long-term bonus scheme for Executive Management	9	6
Remuneration of Executive Management	**38**	**24**
Remuneration of Board of Directors	5	6
	43	30
Wages and salaries	966	951
Contributions to pension schemes	109	112
	1,075	1,063
Other social security expenses	21	21
Other staff expenses	44	46
Total	**1,183**	**1,160**
Average number of employees	2,631	2,567

Note 6 Staff expenses (continued)

Share-based payment	Executive Management Board	Share price at grant date	Total fair value at time of grant
	Number	DKK	DKK thousand
Program 2017/2019	58,564	264	15,058
Program 2017/2019	8,250	370	3,052
Program 2020	17,921	370	6,631
Anti-dilution adjustment	1,457		
Outstanding at 1 January 2019	**86,192**		
Anti-dilution adjustment	1,535		
Outstanding at 31 December 2019	**87,727**		
Excercised	-69,806		
Outstanding at 31 December 2020	**17,921**		
Exercisable at 31 December 2020	17,921		

	2020		2019	
	Matching shares	Remaining term to maturity	Matching shares	Remaining term to maturity
	Number	Months	Number	Months
Matching shares 2017-19	0	0	69,806	0
Matching shares 2020	17,921	0	17,921	12
Outstanding at 31 December 2020	**17,921**		**87,727**	

Comment

The share-based payments to the Executive Management comprise a programme of 17,921 restricted (conditional) shares allotted for no consideration vesting in the period 1 January 2017 to 31 December 2020.

These shares are excerciable at 31 December 2020. No further restricted (conditional) shares are outstanding at 31 December 2020.

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 of program applying to 2020 has been calculated under the Black-Scholes model at DKK 370 per share of DKK 2, which is equal to Royal Unibrew A/S market price at the time of allotments 6 March 2018. The market price was DKK 7 million for the estimated maximum number of shares. The market value has been charged to the income statement on an estimated straight-line basis over the vesting period, corresponding to the rate at which the conditions for the allotment of the shares was expected to be met. The conditions have been fully (100%) met at 31 December 2020.

Note 7 Expenses broken down by nature

mDKK	2020	2019
Aggregated by function		
Production costs	3,613	3,612
Sales and distribution expenses	2,085	2,262
Administrative expenses	344	349
Total	**6,042**	**6,223**
Break down by nature as follows:		
Raw materials and consumables	2,856	2,862
Wages, salaries and other staff expenses	1,183	1,160
Operating and maintenance expenses	263	281
Distribution expenses and carriage	532	564
Sales and marketing expenses	713	869
Bad trade debts	27	5
Office supplies etc	122	137
Amortisation and depreciation	346	345
Total	**6,042**	**6,223**
Total amortisation and depreciation are included in the following items in the income statement:		
Production costs	185	177
Sales and distribution expenses	145	143
Administrative expenses	16	25
Total	**346**	**345**
Fee to auditors elected at the general assemply		
Fee for the audit of the Annual Report:		
KPMG	2	2
Total	**2**	**2**
KPMG fee for non-audit services:		
Other assurance services	0	0
Other assistance*	0	2
Total	**0**	**2**

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

§ Expenses

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

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

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

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

Leases

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

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

Note 8 Financial income

mDKK	2020	2019
Finance income		
Trade receivables	1	2
Other financial income	1	1
Interest tax-extempt	0	0
Exchange adjustments		
Trade receivables	0	2
Trade payables	1	
Cash at bank and in hand and external loans		
Total	**3**	**5**

Note 9 Financial expenses

mDKK	2020	2019
Finance costs		
Mortgage debt	8	8
Credit institutions	27	26
Leasing	2	2
Finance costs on liabilities at amortised cost	**37**	**36**
Other financial expenses	1	2
Exchange adjustments		
Cash at bank and in hand and external loans		0
Trade receivables	6	
Trade payables		0
Forward contracts	2	3
Total	**46**	**41**

§ Financial income and expenses

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

Note 10 Tax on the profit for the year

mDKK	2020	2019
Tax on the taxable income for the year	302	303
Adjustment of previous year	2	2
Adjustment of deferred tax	4	11
Total	**308**	**316**
which breaks down as follows:		
Tax on profit for the year	307	318
Tax on other comprehensive income	2	3
Tax on changes in equity, shareholders	-1	-5
Total	**308**	**316**
Current Danish tax rate	22.0	22.0
Adjustment of previous year	0.1	0.2
Income from associates after tax	-0.4	-0.4
Effect on tax rate of permanent differences	0.4	0.3
Differences in effective tax rates of foreign subsidiaries	-1.7	-0.3
Effective tax rate	**20.4**	**21.8**

§ Tax on the profit for the year

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

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

§ Corporation tax

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

Note 11 Intangible assets

mDKK	Goodwill	Trademarks	Distribution rights	Customer relations	Total
2020					
Cost at 1 January 2020	2,342	1,962	248	154	4,706
Exchange adjustment	-9	-7	-2	-1	-19
Disposals			-13		-13
Addition by acquisition	-43	-15			-58
Cost at 31 December 2020	**2,290**	**1,940**	**233**	**153**	**4,616**
Amortisation and impairment losses at 1 January 2020	-7	-6	-87	-90	-190
Exchange adjustment			1	2	3
Reversal of depreciation of disposals			13		13
Amortisation for the year			-15	-19	-34
Imparment for the year					0
Amortisation and impairment losses at 31 December 2020	**-7**	**-6**	**-88**	**-107**	**-208**
Carrying amount at 31 December 2020	**2,283**	**1,934**	**145**	**46**	**4,408**

mDKK	Goodwill	Trademarks	Distribution rights	Customer relations	Total
2019					
Cost at 1 January 2019	2,125	1,775	235	128	4,263
Exchange adjustment	1	1	0	0	2
Addition by acquisition	216	186	13	26	441
Cost at 31 December 2019	**2,342**	**1,962**	**248**	**154**	**4,706**
Amortisation and impairment losses at 1 January 2019		-6	-75	-74	-155
Exchange adjustment		0	0	-1	-1
Amortisation for the year			-12	-15	-27
Impairment for the year	-7				-7
Amortisation and impairment losses at 31 December 2019	**-7**	**-6**	**-87**	**-90**	**-190**
Carrying amount at 31 December 2019	**2,335**	**1,956**	**161**	**64**	**4,516**

Note 11 Intangible assets (continued)

Comment

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

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

Goodwill

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

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

Trademarks, distribution rights and customer relations

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

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

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

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

Impairment test of goodwill and trademarks
As in 2019, the impairment test in 2020 did not give rise to recognising any impairment losses.

The carrying amount of goodwill and trademarks with indefinite useful lives at 31 December 2020 is related to the cash-generating operational units and breaks down as follows:

mDKK	Goodwill	Trademarks	Total	Share
2020				
Western Europe	899	681	1,580	37%
Baltic Sea*	1,384	1,253	2,637	63%
Total	**2,283**	**1,934**	**4,217**	**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 2021-2023 approved by Management as well as estimated market driven discount rates and growth rates.

The consumption in the markets in which Royal Unibrew operate is generally expected to regain the negative impact from Covid-19 on the 2020 as from H2 2021. In Western Europe and Baltic Sea consumption of Royal Unibrews beverage categories is in addition to the assumed disapperance in H2 2021 of Covid-19 impact expected to be at the same level as in 2020 but changing towards high value products in the coming years. Through further developing the businesses acquired in 2018 and 2019, continued focus on exploiting commercial opportunities and innovation following the consumer trends, Royal Unibrew expects to gain market shares and consequently increase the revenue and earnings from the core brands and business areas. Gross margins are expected to remain stable at the present level through continuous focus on value management and continuous efficiency improvements. The key assumptions for the calculation of recoverable amount are shown below.

	Western Europe	Baltic Sea
Growth rate 2024-2027	0.0-1.0%	0.5-0.7%
Growth rate on terminal value	0.2-1.5%	0.9-2.0%
Discount rate pre tax	4.4-6.5%	4.4-5.4%

The forecasted results approved by Management are based on previously achieved results and expected market developments assuming no negative impact from Covid-19 as from 2022, see above. The average growth rates applied are in accordance with Management's expectations taking into account industry conditions in the individual markets. The discount rates applied are before tax and reflect current specific risks in the individual market. External consultants have advised how to determine the discounts rates.

Note 11 Intangible assets (continued)

In Western Europe, the highest point of the range indicated for the discount rate relates to Italy. In Baltic Sea, the lowest point of the range indicated for the growth rates of terminal value and discount rate relates to Finland. The assumptions applied by Management are inherently subject to uncertainty and unpredictability. Reasonably probable changes will not lead to recognition of impairment losses, and therefore no sensitivity analysis has been disclosed.

mDKK	Goodwill	Trademarks	Total	Share
2019				
Western Europe	946	698	1,644	38%
Baltic Sea*	1,389	1,258	2,647	62%
Total	**2,335**	**1,956**	**4,291**	**100%**

*the most significant value relates to Finland

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

The consumptions in markets in which Royal Unibrew operates is generally expected to remain at the same level in 2020 as in 2019. In Western Europe the Danish consumption of Royal Unibrews beverage categories is expected to be stagnant in the coming years. In the Baltic Sea segment Royal Unibrew expects unchanged Finnish consumption for 2021 while the consumption in the Baltic countries will still be negatively affected by legislative changes and the demographic development. Through further developing the business acquired in 2018 to 2020 and with continued focus on exploring commercial opportunities and innovation following the consumer trends, Royal Unibrew expects to be able to maintain or increase the revenue and earnings from the core brands and business areas mainly through volume increase. Gross margins are expected to remain stable at the present level through continuous focus on value management and continuous efficiency improvements. The key assumptions for the calculation of recoverable amount are shown below.

2019	Western Europe	Baltic Sea
Growth rate 2023-2026	0.0-1.0%	0.0-0.5%
Growth rate on terminal value	0.2-1.3%	0.7-1.3%
Discount rate pre tax	5.8-7.1%	5.8-7.4%

The forecasted results 2019 approved by Management are based on previously achieved results and expected market developments, see above. The average growth rates applied are in accordance with Management's expectations taking into account industry conditions in the individual markets. The discount rates applied are before tax and reflect current specific risks in the individual market. External consultants have advised how to determine the discounts rates. In Western Europe, the highest point of the range indicated for the discount rate relates to Italy. In Baltic Sea, the lowest point of the range indicated for the growth rates of terminal value and discount rate relates to Finland. The assumptions applied by Management are inherently subject to uncertainty and unpredictability. Reasonably probable changes will not lead to recognition of impairment losses, why no sensitivity analysis has been disclosed.

§ Impairment

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

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

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

Intangible assets

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

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

Note 12 Property, plant and equipment

2020 mDKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Leasing of property, plant and equipment	Total other property, plant and equipment
Cost at 1 January 2020	1,850	2,527	1,026	101	320	**5,824**
Exchange adjustment	-4	-4	-2	1	-1	**-10**
Adjustment previous year						**0**
Additions	6	61	102	111	89	**369**
Additions by acquisitions						**0**
Disposals	-6	-49	-71		-112	**-238**
Transfers for the year	5	44	17	-66		0
Cost at 31 December 2020	**1,851**	**2,579**	**1,072**	**147**	**296**	**5,945**
Depreciation, revaluation and impairment losses at 1 January 2020	-767	-1,730	-725	0	-100	**-3,322**
Exchange adjustment	0	2	3			**5**
Adjustment previous year						**0**
Depreciation for the year	-45	-104	-96		-69	**-314**
Reversal of depreciation of assets sold	5	48	65		23	**141**
Depreciation, revaluation and impairment losses at 31 December 2020	**-807**	**-1,784**	**-753**	**0**	**-146**	**-3,490**
Carrying amount at 31 December 2020	**1,044**	**795**	**319**	**147**	**150**	**2,455**
Leasing of property, plant and equipment:						
Cost at 31 December 2020	147		149		296	
Depreciation, revaluation and impairment losses at 31 December 2020	-60		-86		-146	
Carrying amount per asset type	**87**		**63**		**150**	

Land and buildings at a carrying amount of DKK 927 million have been provided as security for mortgage debt of DKK 850 million.

Contracts for the delivery of property, plant and equipment in 2021 or later have been entered into only to an immaterial extent.

2019 mDKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Leasing of property, plant and equipment	Total other property, plant and equipment
Cost at 1 January 2019	1,842	2,439	900	141	281	**5,603**
Exchange adjustment	0	0	0	0	0	**0**
Additions	9	0	5		-3	**11**
Additions by change in accounting policy	21	47	138	41	97	**344**
Additions by acquisitions	5	4	2	0	1	**12**
Disposals	-36	-24	-30		-56	**-146**
Transfers for the year	9	61	11	-81	0	**0**
Cost at 31 December 2019	**1,850**	**2,527**	**1,026**	**101**	**320**	**5,824**
Depreciation, revaluation and impairment losses at 1 January 2019	-727	-1,635	-653	0	-58	**-3,073**
Exchange adjustment	1	-1	2		-1	**1**
Adjustment previous year	-9	0	-5		3	**-11**
Depreciation for the year	-41	-110	-93		-63	**-307**
Reversal of depreciation of assets sold	9	16	23		19	**67**
Depreciation, revaluation and impairment losses at 31 December 2019	**-767**	**-1,730**	**-725**	**0**	**-100**	**-3,323**
Carrying amount at 31 December 2019	**1,083**	**797**	**301**	**101**	**220**	**2,501**
Leasing of property, plant and equipment:						
Cost at 31 December 2019	184		136		320	
Depreciation, revaluation and impairment losses at 31 December 2019	-44		-56		-100	
Carrying amount per asset type	**140**		**80**		**220**	

Land and buildings at a carrying amount of DKK 1,000 million have been provided as security for mortgage debt of DKK 855 million.

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

Note 12 Property, plant and equipment (continued)

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 acquisition of property, plant and equipment are capitalised.

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

Profits and losses on the disposal of property, plant and equipment are calculated as the difference between the sales sum less the expenses necessary to make the sale and the carrying amount at the time of sale. Profits or losses were immaterial in both 2020 and 2019 and have been recognised in the income statement as an adjustment to depreciation in production costs, sales or distribution expenses or administrative expenses, respectively.

Property, plant and equipment

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

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

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

Leases

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

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

Note 13 Investments in associates

mDKK	Investments in associates
Cost at 1 January 2020	76
Cost at 31 December 2020	**76**
Value adjustments at 1 January 2020	50
Exchange adjustment	-7
Dividend, net	-21
Share of profit for the year	33
Other comprehensive income	0
Value adjustments at 31 December 2020	**55**
Carrying amount at 31 December 2020	**131**
Cost at 1 January 2019	76
Cost at 31 December 2019	**76**
Value adjustments at 1 January 2019	48
Exchange adjustment	2
Dividend, net	-25
Share of profit for the year	25
Other comprehensive income	0
Value adjustments at 31 December 2019	**50**
Carrying amount at 31 December 2019	**126**

Judgement concerning accounting policy: 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:

mDKK	2020	2019
Profit from continuing operations for the year	33	25
Other comprehensive income	0	0
Comprehensive income	**33**	**25**
Total carrying amount at 31 December of the Group's total investments in associates, share of equity	**131**	**126**

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 unrealized 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 unrealized intercompany gains and losses.

Note 14 Other fixed asset investments

mDKK	Other invest-ments	Other recei-vables	Total other fixed asset investments
Cost at 1 January 2020	64	8	**72**
Exchange adjustment			**0**
Additions by acquisition		1	**1**
Additions			**0**
Disposals			**0**
Cost at 31 December 2020	**64**	**9**	**73**
Value adjustments at 1 January 2020	-52	0	**-52**
Value adjustments at 31 December 2020	**-52**	**0**	**-52**
Carrying amount at 31 December 2020	**12**	**9**	**21**
Cost at 1 January 2019	60	5	**65**
Exchange adjustment	0	0	**0**
Additions	1		**1**
Disposals	3	5	**8**
Disposals	0	-2	**-2**
Cost at 31 December 2019	**64**	**8**	**72**
Value adjustments at 1 January 2019	-52	0	**-52**
Value adjustments at 31 December 2019	**-52**	**0**	**-52**
Carrying amount at 31 December 2019	**12**	**8**	**20**

§ Other investments

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

§ Other receivables

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

Other investments

In connection with the presentation of the Financial Statements for 2011, Management estimated the fair value of its investments (48% of the share capital) in the Polish brewery company Perla Browary Lubelskie at DKK 0 due to governance issues. Since 2011, Management has maintained its fair value estimate of DKK 0 as these issues have not subsequently been resolved. The consolidated financial statements of Perla Browary Lubelskie S.A. for 2019 (2020 not yet avalable) have been prepared on the basis of Polish accounting law and show a profit after tax of PLN 24 million (DKK 39 million) and equity of PLN 364 million (DKK 594 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

mDKK	2020	2019
Raw materials and consumables	210	190
Work in progress	22	27
Finished goods and goods for resale	285	246
Inventories	**517**	**463**

Inventories

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 22 million (2019: DKK 17 million). As in 2019, write down of inventories is an insignificant amount, DKK 9 million (2019: DKK 6 million). Inventory write down recognised in the income statement amounts to DKK 41 million (2019: DKK 41 million). .

§ 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

mDKK	2020	2019
Trade receivables	600	701
Other receivables	39	35
Receivables	**639**	**736**

Receivables are classified as "assets measured at amortised cost" under IFRS 9.

Trade receivables falls due as follows:

mDKK	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2020					
Trade receivables	548	48	22	31	649
Impairment provision*	-25**	-1	-5	-18	-49
Trade receivables after impairment	523	47	17	13	600
Impairment provision % ***	-4.6%	-2.1%	-22.7%	-58.1%	-7.6%

Provisions for bad debts, beginning of year	-33
Bad debts realized during the year	12
Provision for the year	-28
Total	**-49**

* Lifetime expected credit loss.
** Hereof mDKK 17 (3.1%) relates to prepaid bonus
*** Historical average loss rate is approx. 1%

mDKK	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2019					
Trade receivables	557	89	44	44	734
Impairment provision*	-12**	-9	-5	-7	-33
Trade receivables after impairment	545	80	39	37	701
Impairment provision %***	-2.1%	-9.8%	-12.3%	-16.3%	-4.5%

Provisions for bad debts, beginning of year	-38
Bad debts realized during the year	8
Provision for the year	-3
Total	**-33**

* Lifetime expected credit loss.
** Hereof mDKK 11 (2.0%) relates to prepaid bonus
*** Historical average loss rate is approx. 1%

Note 16 Receivables (continued)

Receivable

Current receivables, other than trade receivables, all fall due for payment in 2021.

Receivables

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

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

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

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

Note 17 Equity and basis of earnings/cash flow per share

Treasury shares held by the Parent Company:

	Number	Nom. value in mDKK	% of Capital
Portfolio at 1 January 2020	883,509	2	1.8
Additions	524,856	1	1.0
Capital reduction	-750,000	-1	-1.5
Portfolio at 31 December 2020	**658,365**	**2**	**1.3**

The Group holds no other treasury shares.

Portfolio at 1 January 2019	923,397	2	1.8
Additions	860,112	2	1.7
Capital reduction	-900,000	-2	-1.8
Portfolio at 31 December 2019	**883,509**	**2**	**1.8**

The share capital has been paid in full.

Basis of calculation of earnings and cash flow per share

	2020	2019
The Parent Company shareholders' share of profit for the year amounts to (mDKK)	1,183	1,142
The average number of treasury shares amounted to (number, DKK 2 each)	585,724	911,013
The average number of shares in circulation amounted to (number)	49,108,026	49,601,487
The average number of shares in circulation incl restricted shares amounted to (number)	49,125,947	49,689,214
Cost of share buy-backs during the year (mDKK)	362	433

The share capital has been fully paid.

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

Note 17 Equity and basis of earnings/cash flow per share (continued)

Comment

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

§ Policy Equity / Proposed dividend

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

§ Treasury shares

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

§ Share premium account

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

§ Revaluation reserves

Revaluation reserves in parent company 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 realized.

§ 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 partly realisation of the net investment in the foreign enterprises, exchange adjustments are recognised in the income statement.

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

§ Hedging reserve

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

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

Note 18 Deferred tax

mDKK	2020	2019
Deferred tax at 1 January	546	542
Change in deferred tax for the year	4	11
Deferred tax, no income statement effect for the year		-48
Change in deferred tax by acqusitions		42
Exchange adjustments	1	0
Adjustment of previous year	3	-1
Deferred tax at 31 December	**554**	**546**
Expected realisation within 1 year	-31	-33
Deferred tax relates to:		
Intangible assets	428	417
Property, plant and equipment	153	147
Current assets	-7	13
Non current liabilities	-24	11
Current liabilities	4	-42
Total	**554**	**546**

The utilisation of unutilised tax losses in one of the Group's foreign enterprises is not certain. Therefore, the tax asset corresponding to DKK 1.4 million (2019: DKK 1.8 million) has not been recognised.

§ 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 realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

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

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

Note 19 Other current payables

mDKK	2020	2019
VAT, excise duties, etc	494	341
Other payables	423	421
Deposit, returnable packaging	111	132
Total other current payables	**1,028**	**894**
Deposit, returnable packaging is specified as follows:		
Balance at 1 January	132	129
Adjustment for the year	-21	3
Balance at 31 December	**111**	**132**

Comment

The change in the deposit on returnable packaging for the year reflects the net exchange with customers of returnable packaging for the year less estimated wastage of returnable packaging in circulation. The development in 2020 of the liability is due to packaging shifting from returnable packaging toward not returnable packaking, e.g. cans and PET-bottles which is not refilled but reused in production of new cans and PET-bottles.

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

§ Deposit, returnable packaging

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

Note 20 Debts

mDKK	2020	2019
Mortgage debt	850	855
Credit institutions	1,424	1,922
Other debts	2,136	2,046
Debts	**4,410**	**4,823**

Changes to interest-bearing debts

mDKK	31/12 2019	Additions by acquisitions	Repayment	New facilities	Exchange adjustment	31/12 2020
Interest-bearing long-term debts	1,991	0	-96	149	-2	2,042
Interest-bearing short-term debts	562	0	-483		0	79
Total interest-bearing debt, mortgage and credit institutions	**2,553**	**0**	**-579**	**149**	**-2**	**2,121**
Interest-bearing long-term leasing debt*	163		-13	-67	-1	82
Interest-bearing short-term leasing debt*	60		-60	71		71
Total interest-bearing leasing debt	**223**	**0**	**-73**	**4**	**-1**	**153**
Total	**2,776**	**0**	**-652**	**153**	**-3**	**2,274**

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

	31/12 2018	Additions by acquisitions	Repayment	New facilities	Exchange adjustment	31/12 2019
Interest-bearing long-term debts	2,397		-390		-16	1,991
Interest-bearing short-term debts	45		-29	546	0	562
Total interest-bearing debt, mortgage and credit institutions	**2,442**	**0**	**-419**	**546**	**-16**	**2,553**
Interest-bearing long-term leasing debt	129	1	-5	39	-1	163
Interest-bearing short-term leasing debt	56		-57	61		60
Total interest-bearing leasing debt	**185**	**1**	**-62**	**100**	**-1**	**223**
Total	**2,627**	**1**	**-481**	**646**	**-17**	**2,776**

§ Debts

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

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

Debts

In connection with the acquisition of Hartwall in 2013, defined benefit liabilities were acquired relating to a pension scheme which has not been offered to new employees for a number of years. At 31 December 2020, the net liability amounted to approx DKK 5.3 million (2019: approx DKK 6.3 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 21 Cash Flow Statement

Adjustments for non-cash operating items:

mDKK	2020	2019
Financial income	-3	-5
Financial expenses	46	41
Amortisation and impairment of intangible assets	34	35
Depreciation of property, plant and equipment	314	307
Tax on the profit for the year	307	318
Income from investments in associates	-33	-25
Profit and loss from sale of property, plant and equipment (see note 12 re leasing part)	-2	3
Share-based payments and remuneration	7	6
Total	**670**	**680**

§ 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 22 Contingent liabilities, security and other liabilities

mDKK	2020	2019
Rental and operating lease commitments		
Total future payments:		
Within 1 year	16	12
Between 1 and 5 years	23	17
Beyond 5 years	0	0
Total	**39**	**29**
Rental and lease commitments relate to low value assets and service not included under IFRS 16.		
Third-party guarantees	**31**	**26**

Security

No security has been provided in respect of loan agreements with credit institutions.
As regards security for loan agreements with mortgage credit institutes, reference is made to note 13.

Contingent liabilities

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

Note 23 Related parties

Related parties comprise the Board of Directors and the Executive Management as well as subsidiaries and associates, see the sections on Board of Directors and Executive Management on page 42 and Group Structure on page 136. No shareholder exercises control.

The following transactions have been made with related parties:

Group mDKK	2020	2019
Revenue		
Sales to associates	18	18
Financial income and expenses		
Dividends received from associates	21	25
Executive Management		
Remuneration paid	29	17
Debt re cash-based bonus schemes	7	6
Debt re share-based bonus scheme	7	19
Board of Directors		
Remuneration	5	6

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

Note 24 Acquisition of subsidiaries

Acquisition in 2020
In 2020 no acquisitions have been completed.

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

The final acquisition price has been agreed upon based on an enterprise value of DKK 346 million and has been financed by bank borrowings. The final acquisition price is divided by DKK 291 million in cash and a potential performance based earn-out of DKK 55 million. The final cash acquisition price has been settled in Q2 2019, while the earn-out part of the acquisition price should be settled in Q2 2021 based on a net revenue target for the period 1 January 2019 - 31 December 2020. As the target has not been achieved, the earn-out part of the acquisition price will be DKK 0.

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

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

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

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

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

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

Note 24 Acquisition of subsidiaries (continued)

Royal Unibrew has in Q1 2020 made the following final calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition. Compared to the calculation of the fair value disclosed in the Annual Report 2019 the final acquisition price is DKK 55 million lower than expected by the end of 2019, as the earn-out part of the acquisition price is not to be paid. The fair value of the trademark is estimated to be DKK 15 million lower than by the end of 2019.

DKK ‘000	
Trademark	148,000
Customer relations	9,000
Property, plant and equipment	2,388
Inventories	14,120
Receivables	13,677
Prepayments	773
Deferred tax	-33,538
Trade payables	-6,055
Other payables	-3,981
Acquired net assets	**144,384**
Goodwill	146,494
Estimated fair value of the business	**290,878**
Earn-out debt	0
Estimated fair value of the business at closing	**290,878**
Acquired cash at bank and in hand	26,465
Cash consideration at closing	**317,343**

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

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

Acquisition of Bruce Ashly Group Inc.

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

The acquisition price of DKK 4 million, which has been paid in cash, is based on an enterprise value of DKK 8 million. The valuation of BAG has been based on the price multiples applicable to comparable businesses.

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

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

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

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

Royal Unibrew has made the following final calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition. Compared to the preliminary calculation of the fair value disclosed in the Annual Report 2019 the final acquisition price in Q3 2020 was reduced by DKK 1 million.

DKK ‘000	
Distribution rights	11,589
Property, plant and equipment	1,369
Inventories	6,913
Receivables	6,360
Prepayments	213
Deferred tax	-443
Trade payables	-15,592
Other payables	-2,124
Acquired net assets	**8,285**
Goodwill	0
Estimated fair value of the business	**8,285**
Acquired cash at bank and in hand	-4,162
Cash consideration	**4,123**

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

Note 24 Acquisition of subsidiaries (continued)

Acquisition of SIA Bauskas Alus

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

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

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

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

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

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

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

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

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

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

Business combinations

On acquisition of new enterprises the purchase method is applied, under which the identifiable assets and liabilities of newly acquired enterprises are measured at fair value at the time of acquisition.

Upon business combinations, positive differences between cost and fair value of identifiable assets and liabilities acquired are recognised as goodwill in intangible assets. At the time of acquisition, goodwill is allocated to the cash-generating units that subsequently form the basis of impairment tests. Goodwill and fair value adjustments in connection with the acquisition of a foreign enterprise with a functional currency that differs from the presentation currency of the Group are treated as assets and liabilities belonging to the foreign entity and are translated to the functional currency of the foreign entity at the exchange rates at the dates of transaction.

Gains or losses on disposal of subsidiaries and associates are calculated as the difference between the sales sum and the carrying amount of net assets at the time of sale (including the carrying amount of goodwill) net of expected expenses and adjusted for exchange adjustments previously recognised in equity.

Recognition of acquisition of subsidiary

Royal Unibrew acquired in 2019 three businesses, Bev.Con ApS (Cult), Bruce Ashley Group Inc. and SIA Bauskas Alus by purchasing shares in the companies wherein the businesses were established. The businesses assets, liabilities and contingent liabilities has been recognised under the purchase method in the Financial Statements of Royal Unibrew. The key assets of the businesses are goodwill, trademarks, customer relations, property, plant and equipment, inventories, receivables, deferred tax and payables. Especially with regard to the intangible assets acquired, there are no efficient markets to be used to determine fair value. Management has therefore made an estimate in connection with the calculation of the fair value of the acquired assets and liabilities at the date of acquisition and has allocated the purchase price on that basis. The fair value calculation is subject to uncertainty and will subsequently be adjusted within a 12 month period from the acquisition date if a need to do so is identified. The unallocated part of the purchase price has been recognised as goodwill related to synergies and the development potential of the activities acquired.

Parent Company Annual Report

2020

Parent Company Income Statement

Income Statement for 1 January - 31 December

mDKK	Note	2020	2019
Net revenue		3,630	3,675
Production costs	3, 4	-1,774	-1,798
Gross profit		**1,856**	**1,877**
Sales and distribution expenses	3, 4	-917	-989
Administrative expenses	3, 4	-219	-199
EBIT		**720**	**689**
Dividends received from subsidiaries and associates		531	559
Financial income	5	6	6
Financial expenses	6	-31	-28
Profit before tax		**1,226**	**1,226**
Tax on the profit for the year	7	-156	-152
Net profit for the year		**1,070**	**1,074**
Earnings per share (DKK)		24.1	23.0
Diluted earnings per share (DKK)		24.1	22.9

Statement of Comprehensive Income for 1 January - 31 December

mDKK	Note	2020	2019
Net profit for the year		**1,070**	**1,074**
Other comprehensive income			
Items that may be reclassified to the income statement			
Value adjustment of hedging instruments		6	9
Tax on other comprehensive income	7	-1	-2
Total		**5**	**7**
Other comprehensive income after tax		**5**	**7**
Total comprehensive income		**1,075**	**1,081**

Parent Company Balance Sheet

Assets at 31 December

mDKK	Note	2020	2019
NON-CURRENT ASSETS			
Intangible assets	9	403	463
Property, plant and equipment	10	1,055	1,017
Investments in subsidiaries	11	4,388	4,389
Investments in associates	11	77	77
Receivables from subsidiaries	12	60	127
Other non-current investments	12	8	8
Non-current assets		**5,991**	**6,081**
CURRENT ASSETS			
Inventories	13	185	158
Receivables	14	341	325
Receivables from subsidiaries		53	71
Corporation tax		1	0
Prepayments		14	18
Cash at bank and in hand		15	0
Current assets		**609**	**572**
Assets		**6,600**	**6,653**

Liabilities and Equity at 31 December

mDKK	Note	2020	2019
EQUITY			
Share capital	15	99	100
Other reserves		765	771
Retained earnings		1,558	1,485
Proposed dividend		666	611
Equity		**3,088**	**2,967**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	16	159	154
Mortgage debt	2, 19	553	572
Credit institutions	2, 19	830	756
Other payables		50	104
Non-current liabilities		**1,592**	**1,586**
CURRENT LIABILITIES			
Mortgage debt	2, 19	19	4
Credit institutions	2, 19	82	600
Trade payables		415	391
Payables to subsidiaries		1,053	831
Corporate tax		0	1
Other current payables	17	351	273
Current liabilities		**1,920**	**2,100**
Liabilities		**3,512**	**3,686**
Liabilities and equity		**6,600**	**6,653**

Parent Company Cash Flow Statement

for 1 January - 31 December

mDKK	Note	2020	2019
Net profit for the year		1,070	1,074
Adjustments for non-cash operating items	18	-199	-240
Change in working capital		78	31
Received financial income		6	6
Paid financial expenses		-31	-28
Finacial expenses related to leasing		-1	-1
Corporation tax paid		-148	-126
Cash flows from operating activities		**775**	**716**
Dividends received from associates		531	559
Sale of property, plant and equipment*		3	5
Corporation tax paid, sale of project development properties			
Purchase of property, plant and equipment*		-173	-158
Acqusition of subsidiaries		1	-302
Purchase/-sale of intangible assets and fixed asset investment			-3
Cash flows from investing activities		**362**	**101**
Debt financing:			
Proceeds from increased drawdown on credit facilities		149	500
Repayment on credit facilities		-581	-342
Repayment on lease facilities		-26	-24
Change in financing of subsidiaries		298	18
Dividends paid to shareholders		-600	-538
Acquisition of shares for treasury		-362	-433
Cash flows from financing activities		**-1,122**	**-819**

mDKK	Note	2020	2019
Change in cash and cash equivalents		15	-2
Cash and cash equivalents at 1 January		0	2
Exchange adjustment			0
Cash and cash equivalents at 31 December		**15**	**0**
Free cash flow			
Net cash from operating activities		775	716
Net cash used in anvesting activities		361	406
Repayment on lease facilities		-26	-24
Free cash flow		**1,110**	**1,098**
Effect from reversed free cash flow definition			7

From the 1 Janury 2020 Royal Unibrew defines the free cash flow as net cash operating activities less net cash used in investing activities"" excluding acquisitions and net proceed from intangible assets and fixed asset investments, less ""repayment on leasing facilities Comparable numbers 2019 has been adjusted.

Parent Company Statement of Changes in Equity

for 1 January - 31 December

mDKK	Share capital	Share premium account	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2019	**100**	**773**	**-2**	**771**	**1,485**	**611**	**2,967**
Changes in equity in 2020							
Profit for the year				**0**	1,070		**1,070**
Other comprehensive income			6	**6**	0		**6**
Tax on other comprehensive income				**0**	-1		**-1**
Total comprehensive income	**0**	**0**	**6**	**6**	**1,069**	**0**	**1,075**
Liability upon acquisition				**0**			**0**
Dividends paid to shareholders				**0**		-600	**-600**
Dividend on treasury shares				**0**	2	-2	**0**
Acquisition of shares for treasury				**0**	-362		**-362**
Proposed dividend				**0**	-657	657	**0**
Capital reduction	-1	-12		**-12**	13		**0**
Share-based payments				**0**	7		**7**
Tax on changes in equity, shareholders				**0**	1		**1**
Total shareholders	**-1**	**-12**	**0**	**-12**	**-996**	**55**	**-954**
Total changes in equity in 2020	**-1**	**-12**	**6**	**-6**	**73**	**55**	**121**
Equity at 31 December 2020	**99**	**761**	**4**	**765**	**1,558**	**666**	**3,088**

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 2020 amounts to DKK 98,700,000 and is distributed on shares of DKK 2 each.

Proposed dividend for the year is DKK 13.50 per share (2019: DKK 12.20 per share).

Parent Company Statement of Changes in Equity

for 1 January - 31 December

mDKK	Share capital	Share premium account	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2018	**102**	**786**	**-11**	**775**	**1,418**	**551**	**2,846**
Changes in equity in 2019							
Profit for the year				**0**	1,074		**1,074**
Other comprehensive income			9	**9**	0		**9**
Tax on other comprehensive income				**0**	-1		**-1**
Total comprehensive income	**0**	**0**	**9**	**9**	**1,073**	**0**	**1,082**
Liability upon acquisition				**0**			
Dividends paid to shareholders				**0**		-538	**-538**
Dividend on treasury shares				**0**	13	-13	**0**
Acquisition of shares for treasury				**0**	-433		**-433**
Proposed dividend				**0**	-611	611	**0**
Capital reduction	-2	-13		**-13**	15		**0**
Share-based payments				**0**	6		**6**
Tax on changes in equity, shareholders				**0**	4		**4**
Total shareholders	**-2**	**-13**	**0**	**-13**	**-1,006**	**60**	**-961**
Total changes in equity in 2019	**-2**	**-13**	**9**	**-4**	**67**	**60**	**121**
Equity at 31 December 2019	**100**	**773**	**-2**	**771**	**1,485**	**611**	**2,967**

Notes to Parent Company Annual Report

Descriptive notes

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

Other notes

Note 1 Basis of preparation of Parent Company Annual Report

Basis of preparation

§ Significant accounting policies

The Parent Company's accounting policies remain unchanged from last year. Significant accounting policies are identical to those applied by the Royal Unibrew Group except for those mentioned below.

Translation policies

Exchange adjustment of balances regarded as part of the total net investment in enterprises with another functional currency than DKK is recognised in financial income and expenses in the Parent Company income statement.

New and amended standards and interpretations that have taken effect

Reference is made to note 1 to the Consolidated Financial Statements.

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 2020, the following judgments have been made materially affecting the related items as described in relevant notes, see list below.

⚖ Critical accounting estimates

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

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

				Consolidated FS note		Parent Company FS note
Derivative financial instruments	§			4		
Segment reporting	§			5		
Net revenue	§	🔧		6		
Share-based payments	§			7		
Expenses	§			8		
Financial income	§			9		
Financial expenses	§			10		
Corporation tax	§			11		
Intangible assets	§		⚖	12		
Property, plant and equipment	§	🔧		13		
Investments in associates	§			14	§	11
Other fixed asset investments	§	🔧		15		11
Inventories	§		⚖	16		
Receivables	§		⚖	17		
Equity	§			18		
Deferred tax	§			19		
Deposit returnable packaging	§			20		
Debt	§			21		
Cash Flow Statement	§			22		
Purchase Price Allocation (PPA)				25		

Legends

- § 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

mDKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2020					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	1,468	87	1,089	292	1,421
Financial debt, subsidiaries	1,053	1,053	0	0	1,053
Leasing	65	25	39	1	63
Trade payables	415	415			415
Other payables	303	253	50		303
Total	**3,304**	**1,833**	**1,178**	**293**	**3,255**

The debt is classified as "debt at amortised cost" with DKK 3,252 million and "debt at fair value" with DKK 3 million.

The fair value of the total debt is assessed to equal carrying amount.

mDKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2019					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	1,909	596	869	444	1,853
Financial debt, subsidiaries	831	831			831
Leasing	82	24	58	0	79
Trade payables	391	391			391
Other payables	316	212	104		316
Total	**3,529**	**2,054**	**1,031**	**444**	**3,470**

The debt is classified as "debt at amortised cost" with DKK 3,467 million and "debt at fair value" with DKK 3 million.

The fair value of the total debt is assessed to equal carrying amount.

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:

mDKK	2020	2019
Fixed salaries to Executive Management	20	12
Ordinary bonus scheme for Executive Management	9	6
Share-based payments to Executive Management (conditional)	9	6
Remuneration of Executive Management	38	24
Remuneration of Board of Directors	5	6
	43	**30**
Wages and salaries	487	479
Contributions to pension schemes	44	43
	531	**522**
Other social security expenses	6	7
Other staff expenses	18	22
Total	**598**	**581**
Average number of employees	973	969

Note 4 Expenses broken down by nature

mDKK	2020	2019
Production costs	1,774	1,798
Sales and distribution expenses	917	989
Administrative expenses	219	199
Total	**2,910**	**2,986**
break down by nature as follows:		
Raw materials and consumables	1,426	1,444
Wages, salaries and other staff expenses	598	581
Operating and maintenance expenses*	118	131
Distribution expenses and carriage	187	186
Sales and marketing expenses	356	427
Bad trade debts	9	2
Office supplies etc	72	76
Amortisation and depreciation	144	139
Total	**2,910**	**2,986**

Note 4 Expenses broken down by nature (continued)

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

mDKK	2020	2019
Production costs	83	78
Sales and distribution expenses	46	47
Administrative expenses	15	14
Total	**144**	**139**
Fee to auditors		
Fee for the audit of the Annual Report:		
KPMG	1	1
Total	**1**	**1**
KPMG:		
Other assurance services	0	0
Other assistance*	0	2
Total	**0**	**2**

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

Note 5 Financial income

mDKK	2020	2019
Finance income		
Cash at bank and in hand	0	1
Trade receivables	0	0
Receivables from subsidiaries	2	3
Other financial income		0
Exchange adjustments		
Cash at bank and in hand and external loans	3	
Trade receivables		2
Trade payables	1	
Loans from subsidiaries		0
Forward contracts		
Income liquidation of subsidiary		0
Total	**6**	**6**

Note 6 Financial expenses

mDKK	2020	2019
Finance costs		
Mortgage debt	5	5
Credit institutions	18	16
Other financial expenses	2	3
Leasing	1	1
Exchange adjustments		
Cash at bank and in hand and external loans		0
Trade receivables	4	
Trade payables		0
Loans from subsidiaries	0	
Forward contracts	1	3
Total	**31**	**28**

Note 7 Tax on the profit for the year

mDKK	2020	2019
Tax on the taxable income for the year	146	147
Adjustment of previous year	2	0
Adjustment of deferred tax	8	3
Total	**156**	**150**
which breaks down as follows:		
Tax on profit for the year	156	152
Tax on other comprehensive income	1	2
Tax on equity entries	-1	-4
Total	**156**	**150**
Current Danish tax rate	22.0	22.0
Dividends received from subsidiaries and associates	-9.7	-10.0
Effect on tax rate of permanent differences	0.3	0.4
Adjustment of previous year	0.1	0.1
Effective tax rate	**12.7**	**12.5**

Note 8 Realized hedging transactions

mDKK	2020	2019
Realized hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	0	0
Production costs include foreign currency and commodity hedges of	-7	-11
Financial income and expenses include currency, commodity and interest rate hedges of	-2	-3
Total	**-9**	**-14**

Reference is made to note 4 to the Consolidated Financial Statements for a description of hedging policies

Note 9 Intangible assets

MDKK	Goodwill	Trademarks	Distribution rights	Customer relations	Total
Cost at 1 January 2020	270	188	12	9	**479**
Disposals			-12		**-12**
Additions by merger	-43	-15			**-58**
Cost at 31 December 2020	**227**	**173**	**0**	**9**	**409**
Amortisation and impairment losses at 1 January 2020	0	-3	-12	-1	**-16**
Reversal depreciation of disposals			12		**12**
Amortisation for the year	0	0	0	-2	**-2**
Amortisation and impairment losses at 31 December 2020	**0**	**-3**	**0**	**-3**	**-6**
Carrying amount at 31 December 2020	**227**	**170**	**0**	**6**	**403**

MDKK	Goodwill	Trademarks	Distribution rights	Customer relations	Total
Cost at 1 January 2019	80	25	12		**117**
Additions	190	163		9	**362**
Cost at 31 December 2019	**270**	**188**	**12**	**9**	**479**
Amortisation and impairment losses at 1 January 2019	0	-3	-12		**-15**
Amortisation for the year				-1	**-1**
Amortisation and impairment losses at 31 December 2019	**0**	**-3**	**-12**	**-1**	**-16**
Carrying amount at 31 December 2019	**270**	**185**	**0**	**8**	**463**

§ 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

2020 mDKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Leasing of property, plant and equipment	Total other property, plant and equipment
Cost at 1 January 2020	755	1,351	547	59	121	**2,833**
Additions	3	36	48	86	23	**196**
Additions by merger						**0**
Disposals	-6	-39	-42		-19	**-106**
Transfers for the year	3	15	7	-25		**0**
Cost at 31 December 2020	**755**	**1,363**	**560**	**120**	**125**	**2,923**
Depreciation, revaluation and impairment losses at 1 January 2020	**-418**	**-963**	**-394**	**0**	**-41**	**-1,816**
Depreciation for the year	-14	-51	-48		-28	**-141**
Reversal of depreciation and impairment of assets sold	6	39	39		6	**90**
Depreciation, revaluation and impairment losses at 31 December 2020	**-426**	**-975**	**-403**	**0**	**-63**	**-1,867**
Carrying amount at 31 December 2020	**329**	**388**	**157**	**120**	**62**	**1,055**
Leasing of property, plant and equipment:						
Cost at 31 December 2020	44		81		125	
Depreciation, revaluation and impairment losses at 31 December 2020	**-19**		**-44**		**-63**	
Carrying amount per asset type	**25**		**37**		**62**	

Land and buildings including plant and machinery at a carrying amount of DKK 321 million have been provided as security for mortgage debt of DKK 572 million.

Contracts for the delivery of property, plant and equipment in 2021 or later have been entered into only to an immaterial extent.

2019 mDKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Leasing of property, plant and equipment	Total other property, plant and equipment
Cost at 1 January 2019	728	1,308	499	52	94	2,681
Additions	20	29	57	52	37	195
Additions by change in accounting policy			1		0	1
Disposals	-1	-13	-20	0	-10	-44
Transfers for the year	8	27	10	-45	0	0
Cost at 31 December 2019	**755**	**1,351**	**547**	**59**	**121**	**2,833**
Depreciation, revaluation and impairment losses at 1 January 2019	-404	-926	-361	0	-21	-1,712
Depreciation for the year	-14	-48	-47		-25	-134
Reversal of depreciation and impairment of assets sold	0	11	14		5	30
Depreciation, revaluation and impairment losses at 31 December 2019	**-418**	**-963**	**-394**	**0**	**-41**	**-1,816**
Carrying amount at 31 December 2019	**337**	**388**	**153**	**59**	**80**	**1,017**
Leasing of property, plant and equipment:						
Cost at 31 December 2019	49		71		120	
Depreciation, revaluation and impairment losses at 31 December 2019	**-13**		**-28**		**-41**	
Carrying amount per asset type	**36**		**43**		**79**	

Land and buildings including plant and machinery at a carrying amount of DKK 330 million have been provided as security for mortgage debt of DKK 571 million.

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

Note 11 Investments in subsidiaries and associates

mDKK	Investments in subsidiaries	Investments in associates
Cost at 1 January 2020	4,478	77
Additions	-1	
Disposals		
Cost at 31 December 2020	**4,477**	**77**
Impairment losses at 1 January 2020	-89	0
Impairment losses at 31 December 2020	**-89**	**0**
Carrying amount at 31 December 2020	**4,388**	**77**
Cost at 1 January 2019	4,466	77
Additions	12	0
Disposals		0
Cost at 31 December 2019	**4,478**	**77**
Impairment losses at 1 January 2019	-89	0
Impairment losses at 31 December 2019	**-89**	**0**
Carrying amount at 31 December 2019	**4,389**	**77**

§ 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

mDKK	Receivables from subsidiaries	Other investments	Other receivables	Total other fixed asset investments
Cost at 1 January 2020	127	55	5	60
Exchange adjustment				0
Additions				0
Disposals	-67			0
Cost at 31 December 2020	**60**	**55**	**5**	**60**
Revaluations and impairment losses at 1 January 2020	0	-52	0	-52
Revaluations and impairment losses at 31 December 2020	**0**	**-52**	**0**	**-52**
Carrying amount at 31 December 2020	**60**	**3**	**5**	**8**
Cost at 1 January 2019	119	55	2	57
Exchange adjustment				0
Additions	20		3	3
Disposals	-12			0
Cost at 31 December 2019	**127**	**55**	**5**	**60**
Revaluations and impairment losses at 1 January 2019	0	-52	0	-52
Revaluations and impairment losses at 31 December 2019	**0**	**-52**	**0**	**-52**
Carrying amount at 31 December 2019	**127**	**3**	**5**	**8**

Note 13 Inventories

mDKK	2020	2019
Raw materials and consumables	78	71
Work in progress	9	11
Finished goods and goods for resale	98	76
Total inventories	**185**	**158**

Inventories

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 9 million (2019: DKK 8 million). As in 2019, inventories have not been written down materially.

Note 14 Receivables

mDKK	2020	2019
Trade receivables	324	311
Other receivables	17	14
Total receivables	**341**	**325**

Note 14 Receivables (continued)

Trade receivables fall due as follows:

	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2020					
Trade receivables	285	35	14	2	336
Impairment provision*	-6	-1	-3	-2	-12
Trade receivables after impairment	279	34	11	-	324
Impairment provision % **	-2.1%	-2.9%	-21.4%	-100.0%	-3.6%

Provisions for bad debts, beginning of year	-8
Bad debts realized during the year	7
Provision for the year	-11
Total	**-12**

* Lifetime expected credit loss.
** Historical average loss rate is approx. 1%

Current receivables, other than trade receivables, all fall due for payment in 2021.

	Not due and prepaid bonus	Due 1-15 days	Due 16-90 days	Due > 90 days	Total
2019					
Trade receivables	282	17	8	12	319
Impairment provision	-1	-	-3	-4	-8
Trade receivables after impairment	281	17	5	8	311
Impairment provision %*	-0.2%	-1.7%	-38.0%	-33.0%	-2.5%

Provisions for bad debts, beginning of year	-12
Bad debts realized during the year	6
Provision for the year	-2
Total	**-8**

* Lifetime expected credit loss.
** Historical average loss rate is approx. 0.6%

Receivables

Reference is made to note 17 to the Consolidated Financial Statements.

Note 15 Share capital

Reference is made to note 17 to the Consolidated Financial Statements.

Note 16 Deferred tax

mDKK	2020	2019
Deferred tax at 1 January	154	115
Change in deferred tax for the year	8	3
Addition by merger		37
Adjustment of previous year	-3	-1
Deferred tax at 31 December	**159**	**154**
Due within 1 year	-7	-9
Deferred tax relates to:		
Intangible assets	36	38
Property, plant and equipment	105	102
Fixed asset investments	18	18
Current assets	11	10
Current liabilities	-11	-14
Total	**159**	**154**

Note 17 Other current payables

mDKK	2020	2019
VAT, excise duties, etc	69	23
Other payables	253	212
Deposit, returnable packaging	29	38
Total other current payables	**351**	**273**
Deposit, returnable packaging is specified as follows:		
Balance at 1 January	38	38
Adjustment for the year	-9	0
Balance at 31 December	**29**	**38**

Comment

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

Note 18 Cash Flow Statement

Adjustments for non-cash operating items:

mDKK	2020	2019
Dividens received from subsidiaries and associates	-531	-559
Financial income	-6	-6
Financial expenses	31	28
Amortisation and impairment of intangible assets	2	1
Depreciation of property, plant and equipment (see note 10 re leasing part)	141	134
Tax on the profit for the year	156	152
Profit and loss from sale of property, plant and equipment	1	4
Share-based payments and remuneration	7	6
Total	**-199**	**-240**

Note 19 Debts

Changes to interest-bearing debts

mDKK	31/12 2019	Cash flow	Additions	31/12 2020
Interest-bearing long-term debts	1,272	-77	149	1,345
Interest-bearing short-term debts	1,449	-504	208	1,152
Total interest-bearing debt, mortgage and credit institutions	**2,721**	**-581**	**357**	**2,497**
Interest-bearing long-term leasing debt	56	-3	-15	38
Interest-bearing short-term leasing debt	23	-23	25	25
Total interest-bearing leasing debt	**79**	**-26**	**10**	**63**
Total	**2,800**	**-607**	**367**	**2,560**

mDKK	31/12 2018	Cash flow	Additions	31/12 2029
Interest-bearing long-term debts	1,676	-404		1,272
Interest-bearing short-term debts	805	144	500	1,449
Total interest-bearing debt, mortgage and credit institutions	**2,481**	**-260**	**500**	**2,721**
Interest-bearing long-term leasing debt	54	-12	14	56
Interest-bearing short-term leasing debt	18	-18	23	23
Total interest-bearing leasing debt	**72**	**-30**	**37**	**79**
Total	**2,553**	**-290**	**537**	**2,800**

Note 20 Contingent liabilities, security and other liabilities

mDKK	2020	2019
Guarantees		
Guarantees relating to subsidiaries	661	684
Total	**661**	**684**
Rental and lease commitments		
Total future payments:		
Within 1 year	7	8
Between 1 and 5 years	11	12
Beyond 5 years	0	0
Total	**18**	**20**
Rental and lease commitments relate to low value assets and service not included under IFRS 16.		
Third-party guarantees	**11**	**11**

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.

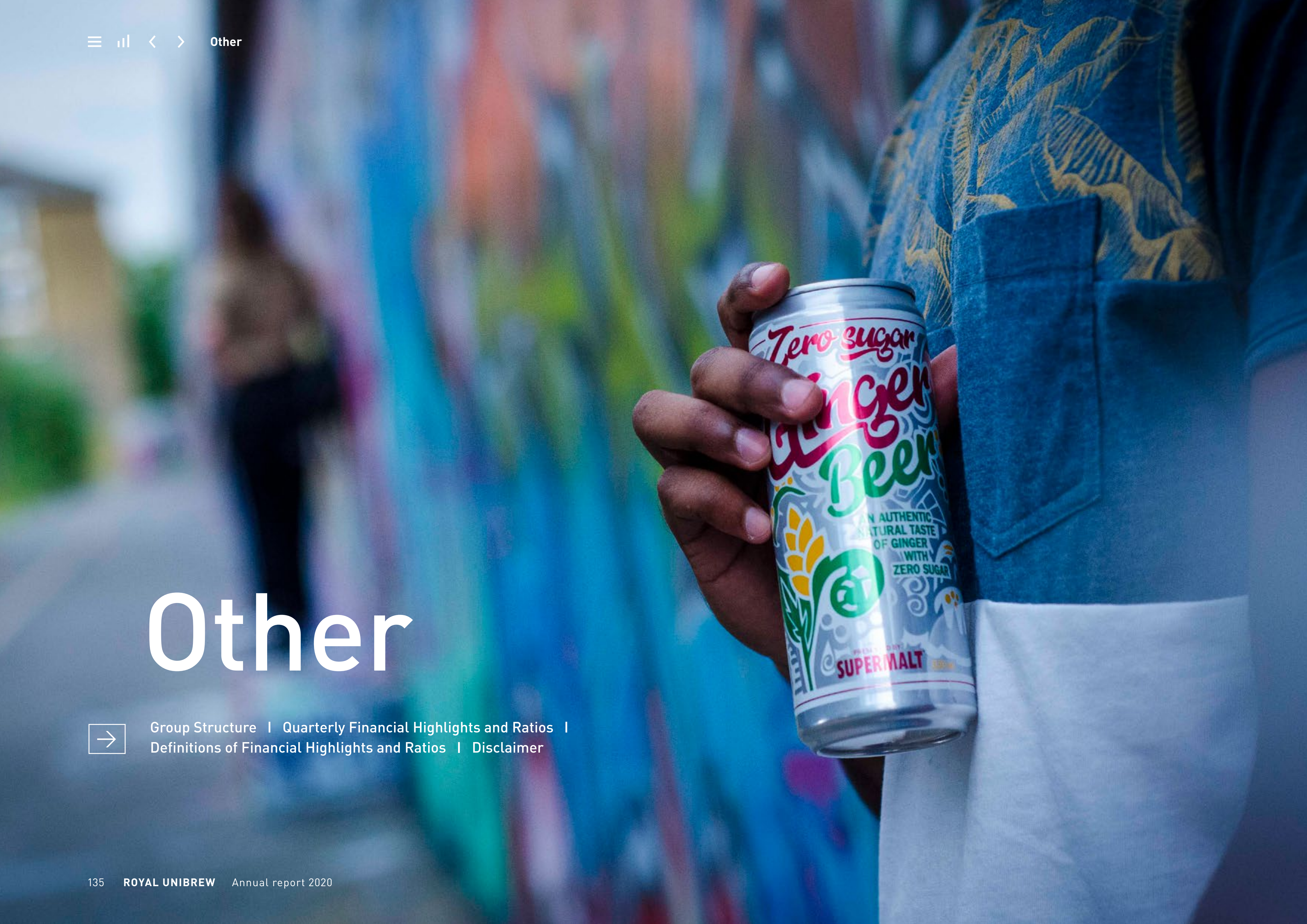
Note 21 Related parties

Related parties comprise the Board of Directors and the Executive Management as well as subsidiaries and associates, see the sections on Board of Directors and Executive Management on page 46 and Group Structure on page 119. No shareholder exercises control.

The following transactions have been made with related parties:

mDKK	2020	2019
Revenue		
Sales to subsidiaries	561	523
Sales to associates	18	18
Costs		
Purchases from subsidiaries	70	52
Financial income and expenses		
Dividends received from associates	21	25
Dividends received from subsidiaries	510	537
Interest received from subsidiaries	2	3
Interest paid to subsidiaries	0	0
Executive Management		
Remuneration paid	29	17
Debt re cash-based bonus schemes	7	6
Debt re share-based bonus scheme	7	19

mDKK	2020	2019
Board of Directors		
Remuneration	5	6
Intercompany balances at 31 December		
Loans to subsidiaries	93	183
Receivables from subsidiaries	19	15
Loans from subsidiaries	1,076	868
Payables to subsidiaries	23	-37
Capital contributed to subsidiaries		7
Guarantees and security		
Guarantee for subsidiaries	661	696



Other

Group Structure

Segment	Ownership	Currency	Capital	Activity
Parent Company				
Royal Unibrew A/S, Denmark		DKK	98,700,000	Production, sales and distribution
WESTERN EUROPE				
Subsidiaries				
Aktieselskabet Cerekem International Ltd., Denmark*	100%	DKK	1,000,000	Other
Albani Sverige AB, Sweden*	100%	SEK	305,000	Sales and distribution
Ceres S.p.A., Italy	100%	EUR	206,400	Sales and distribution
The Curious Company A/S, Denmark*	100%	DKK	550,000	Other
Etablissement Geyer-Fréres S.A., France	100%	EUR	159,687	Production, sales and distribution
Nohrlund ApS, Denmark	51%	DKK	103,030	Production, sales and distribution
Terme di Crodo S.r.l.	100%	EUR	19,000,000	Production, sales and distribution
Associates				
Grønlandskonsortiet I/S, Denmark	50%	DKK		Holding company
Hansa Borg Holding AS, Norway	25%	NOK	55,510,000	Holding company
Nuuk Imeq A/S, Nuuk, Greenland	32%	DKK	38,000,000	Sales and distribution
BALTIC SEA				
Subsidiaries				
AB Kalnapilio-Tauro Grupe, Lithuania	100%	EUR	1,153,337	Production, sales and distribution
Oy Hartwall Ab	100%	EUR	13,240,140	Production, sales and distribution
Lapin Kulta Oy	100%	EUR	16,819	Other
Royal Unibrew Services UAB, Lithuania	100%	EUR	43,500	Other
SIA "Cido Grupa", Latvia	100%	EUR	1,117,060	Production, sales and distribution
SIA Lacplesa Alus, Latvia	100%	EUR	68,945	Holding company
SIA Bauskas Alus, Latvia	100%	EUR	932,064	Production, sales and distribution
OÜ Royal Unibrew Eesti, Estonia	100%	EUR	200,000	Sales and distribution
INTERNATIONAL				
Subsidiaries				
Centre Nordique d'Alimentation EURL, France*	100%	EUR	131,000	Sales and distribution
Ferell sp. z.o.o.*	100%	PLN	120,200	Holding company
Supermalt UK Ltd., UK	100%	GBP	9,700,000	Sales and distribution
Vitamalt (West Africa) Ltd., UK	100%	GBP	10,000	Sales and distribution
Royal Unibrew Nigeria Ltd.	100%	NGN	10,000,000	Other
The Danish Brewery Group Inc., USA*	100%	USD	100,000	Sales and distribution
Bruce Ashley Group Inc.	100%	CAD	133	Sales and distribution

Activity
- Production, sales and distribution
- Sales and distribution
- Holding company
- Other

* not audited as not mandatory audit

Quarterly Financial Highlights and Ratios (Group)

mDKK (unaudited)	Q1 2020	Q1 2019	Q2 2020	Q2 2019	Q3 2020	Q3 2019	Q4 2020	Q4 2019
Sales (million hectolitres)	2.2	2.2	3.1	3.3	3.2	3.0	2.6	2.5
Income Statement								
Net revenue	1,524	1,521	2,042	2,270	2,258	2,114	1,733	1,787
EBITDA	287	296	546	584	699	573	329	361
EBITDA margin (%)	*18.8*	*19.5*	*26.7*	*25.7*	*31.0*	*27.1*	*19.0*	*20.2*
Earnings before interest and tax (EBIT)	200	211	463	499	600	492	252	267
EBIT margin (%)	*13.1*	*13.9*	*22.7*	*22*	*26.6*	*23.3*	*14.5*	*14.9*
Income from investments in associates	-2	-2	6	11	14	7	15	9
Financial income and expenses	-10	-9	-9	-10	-11	-8	-13	-9
Profit before tax	188	200	460	500	603	491	254	267
Net profit for the period	145	153	360	388	475	377	218	222
Balance Sheet								
Non-current assets	7,070	7,125	6,974	7,099	6,940	7,089	7,015	7,163
Total assets	8,518	8,735	8,837	8,907	8,390	8,594	8,306	8,493
Equity	3,181	3,001	3,545	2,663	3,398	2,934	3,332	3,106
Net interest-bearing debt	2,832	3,047	2,113	3,000	1,837	2,681	2,193	2,705
Net working capital	-465	-399	-650	-749	-957	-695	-875	-671
Invested capital	6,430	6,503	6,076	6,068	5,648	6,018	5,930	6,211
Cash Flows								
From operating activities	-5	-101	707	816	959	490	77	197
From investing activities*	-67	-62	-55	-41	-60	-63	-142	-96
Free cash flow*	-72	-163	652	775	899	427	-65	101
Financial Ratios (%)								
Free cash flow as a percentage of net revenue	-5	-11	32	34	40	20	-4	6
Cash conversion	-50	-107	181	200	189	113	-30	45
Net interest-bearing debt/EBITDA**	1.6	1.8	1.2	1.7	1	1.5	1.2	1.5
Equity ratio	37	34	40	30	41	34	40	37

Ratios comprised by the "Recommendations and Financial Ratios" issued by the Chartered Financial Analyst Society Denmark's Committee for Accounting standards have been calculated according to the recommendations. Definitions of financial highlights and ratios are provided on page 138.

* Compared to the Annual Report 2019 the definition of free cash flow has been updated to reflect market practise of the IFRS 16 implementation. Comparables for 2019 have been adjusted.
** running 12 months

Definitions of Financial Highlights and Ratios

EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses as well as profit from sale of property, plant and equipment and amortisation of intangible assets.
EBITDA margin	EBITDA as a % of net revenue.
EBIT	Earnings before interest and tax.
EBIT margin	EBIT as a percentage of net revenue.
Net interest-bearing debt	Mortgage debt and debt to credit institutions less cash at bank and in hand, interest-bearing current investments and receivables.
Net working capital	Inventories + receivables - current liabilities except for corporation tax receivable/payable as well as mortage debt and debt to credit institutions.
Invested capital	Equity + minority interests + provisions + net interest-bearing debt - financial assets.
Investing activities	Dividend received from associates, purchase net of sale of property, plant and equipment less net cash used in investing activities excluding acquisitions and net proceed from intangible assets and fixed assets investments, less repayment on lease facilities.
Free cash flow	Cash flow from operating activities less investing activities.
Earnings per share	Parent Company shareholders' share of profit for the year/average number of shares in circulation.
Diluted earnings per share	Parent Company shareholders' share of earnings from operating activities/average number of shares in circulation including restricted shares "in-the-money".
Free cash flow per share	Free cash flow from operating activities/average number of shares in circulation.
Dividend per share	Proposed dividend per share.
Return on invested capital including goodwill (ROIC)	EBIT net of tax as a percentage of average invested capital.
Return on invested capital excluding goodwill (ROIC)	EBIT net of tax as a percentage of average invested capital, excluding goodwill.
Free cash flow as a percentage of net revenue	Free cash flow as a percentage of net revenue.
Capex as a percentage of net revenue	Purchase net of sale of property, plant and equipment plus repayment on lease facilities as a percentage of net revenue.
Cash conversion	Free cash flow as a percentage of net profit for the year.
Net interest-bearing debt/ EBITDA before special items	The ratio of net interest-bearing debt at year end to EBITDA.
Equity ratio	Equity at year end as a percentage of total assets.
Return on equity (ROE)	Consolidated profit after tax as a percentage of average equity.
Dividend payout ratio (DPR)	Dividend calculated for the full share capital as a percentage of the Parent Company shareholders' share of net profit for the year.

Disclaimer

This Annual Report contains forward-looking statements, including statements about the Group's sales, revenue, earnings, spending, margins, cash flows, inventories, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the following words or phrases "believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, likely to result, could, may, might", or any variations of such words or other words with similar meanings. Any such statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause the Group's actual results, performance or industry results to differ materially from the results expressed or implied in such forward-looking statements. Royal Unibrew assumes no obligation to update or adjust any such forward-looking statements (except for as required under the disclosure requirements for listed companies) to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that may have direct bearing on the Group's actual results include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, development in the demand for the Group's products, intro- duction of and demand for new products, changes in the competitive environment and the industry in which the Group operates, changes in consumer preferences, increasing industry consolidation, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, determination of fair value in the opening balance sheet of acquired entities, litigation, pandemic, environmental issues and other unforeseen factors.

New risk factors may emerge in the future, which the Group cannot predict. Furthermore, the Group cannot assess the impact of each factor on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

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