ROYAL UNIBREW

Annual Report 2017

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

Contents

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

Royal Unibrew at a Glance

Royal Unibrew in brief

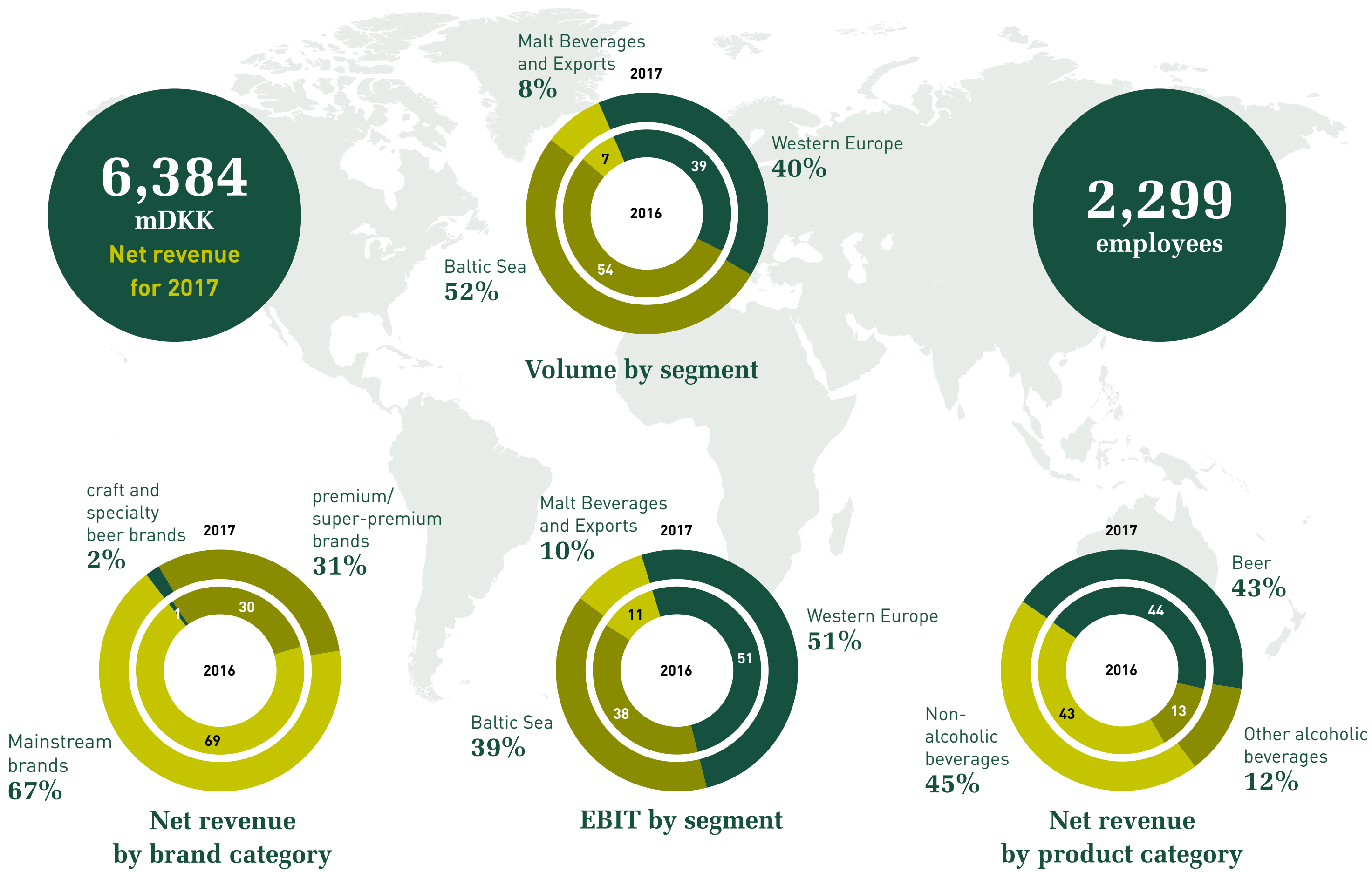
Royal Unibrew is a leading beverage provider in a number of markets – primarily in Northern Europe, Italy and in the international malt beverage markets.

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

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

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

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



Results for 2017 and outlook for 2018

The positive development continued in Royal Unibrew in 2017

Developments in 2017

- Best results ever in spite of poor summer weather
- Positive development in net revenue and earnings
- Market shares generally maintained
- EBITDA margin and EBIT margin increases
- ROIC excluding goodwill up from 28% to 32%
- Expected distribution to shareholders of DKK 870 million allocated on
  - Dividend of DKK 8.90 per share (2016: DKK 8.15)
  - New share buy-back programme of DKK 400 million (2016: DKK 560 million)
- Royal Unibrew maintain the strategic flexibility

1%

NET REVENUE INCREASE FOR 2017 TO DKK 6,384 MILLION

4%

EBITDA INCREASE FOR 2017 TO DKK 1,362 MILLION

7%

EBIT INCREASE FOR 2017 TO DKK 1,069 MILLION

16.7%

EBIT MARGIN FOR 2017, AN INCREASE OF 0.9 PERCENTAGE POINT

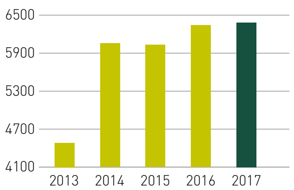
Outlook for 2018

Medium-term EBIT target increased from 16% to about 17%

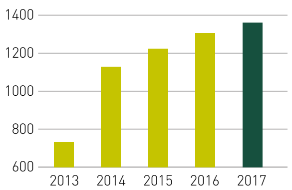
mDKK	Outlook 2018	Actual 2017	Actual 2016
Net revenue	6,650-6,900	6,384	6,340
EBITDA	1,450-1,550*	1,362	1,306
EBIT	1,090-1,190	1,069	1,001

*Approx. DKK 50 million impact from implementing IFRS 16 (operational leasing)

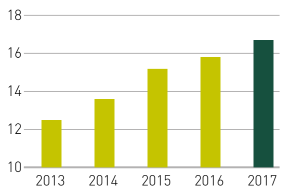
NET REVENUE
(mDKK)



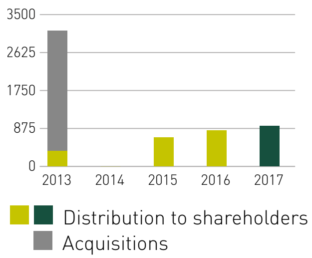
EBITDA
(mDKK)



EBIT-MARGIN
(%)



USE OF CASH
(mDKK)



Financial Highlights and Ratios

	2017	2016	2015	2014	2013
Sales (million hectolitres)	9,556	9,678	9,100	8,974	7,033
INCOME STATEMENT (MDKK)					
Net revenue	6,384	6,340	6,032	6,056	4,481
EBITDA	1,362	1,306	1,225	1,130	732
EBITDA margin (%)	*21.3*	*20.6*	*20.3*	*18.7*	*16.3*
Earnings before interest and tax (EBIT)	1,069	1,001	917	826	560
EBIT margin (%)	*16.7*	*15.8*	*15.2*	*13.6*	*12.5*
Income after tax from investments in associates	18	28	31	35	34
Other financial income and expenses, net	-31	-31	-46	-60	-45
Profit before tax	1,056	998	902	801	548
Net profit for the year	831	784	711	624	480
BALANCE SHEET (MDKK)					
Non-current assets	5,121	5,180	5,505	5,664	5,810
Total assets	6,778	6,076	6,748	7,024	6,925
Equity	2,814	2,911	2,935	2,818	2,133
Net interest-bearing debt	975	991	1,184	1,553	2,379
Net working capital	-957	-881	-990	-814	-834
Invested capital	4,030	4,111	4,347	4,650	4,813
CASH FLOWS (MDKK)					
Operating activities	1,168	985	1,160	895	653
Investing activities	-218	38	-123	-69	-2,837
Free cash flow	950	1,022	1,032	824	598
SHARE RATIOS (DKK)					
Earnings per share (EPS)	15.9	14.7	13.0	11.3	9.4
Diluted earnings per share	15.9	14.6	12.9	11.2	9.3
Free cash flow per share	17.8	18.7	18.6	14.9	11.5
Dividend per share	8.90	8.15	7.20	6.80	-
Year-end price per share	371.8	272.6	280.1	217.4	147.2

	2017	2016	2015	2014	2013
EMPLOYEES					
Average number of employees	2,299	2,350	2,314	2,374	1,935
FINANCIAL RATIOS (%)					
Return on invested capital including goodwill (ROIC)	21	18	16	13	13
Return on invested capital excluding goodwill (ROIC)	32	28	23	19	17
Free cash flow as a percentage of net revenue	15	16	17	14	13
Cash conversion	114	130	145	132	125
Net interest-bearing debt/EBITDA (times)	0.7	0.8	1.0	1.4	2,3*
Equity ratio	42	48	43	40	31
Return on equity (ROE)	29	27	25	25	28
Dividend payout ratio (DPR)	56	56	56	60	0

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

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

Definitions of financial highlights and ratios are provided on page 121.

Efficient strategy execution delivers continued progress

2017 showed continued progress for Royal Unibrew in spite of poor summer weather in Northern Europe. The positive development is due, not least, to a reinforcement of our market positions in most of the markets in which we operate. We achieved our best results ever in the past year, and revenue increased in all parts of our business adjusting for the effect of changed customer agreements and a negative exchange rate effect in our malt business. As a result of the earnings improvement combined with our outlook, we are increasing our medium-term EBIT target from 16% to about 17%. At the same time, we are continuing our distributions to shareholders by way of a share buy-back programme of up to DKK 400 million and the distribution of ordinary dividend of DKK 8.90 per share, corresponding to a 9% increase on 2016. With this distribution of a total of DKK 870 million we maintain our strategic flexibility.

Ambitious strategy as a pivotal point

During 2017, we made some changes to the responsibilities of the Executive Board members, and Lars Jensen, CFO, was assigned additional responsibility for business development and selected commercial areas. At the same time, we extended the next management level in order to further speed up the implementation of best practice, innovation and value chain optimisation across our organisation.

Having been COO of Royal Unibrew for almost nine years, I consider my appointment as CEO as a confirmation of and commitment to the retention of our special management culture which implies that our consumers and customers are at the core of everything we do. Continuity is also supported by the diversity and stability of our management team who demonstrate both the will and the ability to adapt our business to changes to our surroundings based on broad market insight and with reference to our well-defined objective of being a strong regional beverage provider supplemented by selected niche positions. This, combined with best-in-class operational efficiency, generates value to our shareholders.

Acquisition of Italian Terme di Crodo

For a number of years, Royal Unibrew has been the leader within the specialty beer segment in Italy with Ceres Strong Ale as the leading brand. Consumers are, however, increasingly demanding broader beverage portfolios; we therefore decided to expand our already strong position in Italy through the acquisition of Terme di Crodo, which is the leader within non-alcoholic citrus beverages.

Since we took over Terme di Crodo on 2 January 2018, the dedicated Terme di Crodo employees and Royal Unibrew employees have been directing targeted efforts at integrating the business, and we are positive that the acquisition will reinforce our position in Italy while also improving our financial results. We see an attractive potential for our total portfolio of unique brands which are often enjoyed in the same situations and which are distributed and marketed through the same channels – and which will, going forward, be driven by a strong team with a solid local base. We expect the new constellation of brands to be a welcome breath of fresh air for Italian consumers who appreciate a good taste experience. LemonSoda, OranSoda and PelmoSoda are all recognised Italian brands which are also expected to have growth potential outside Italy.

Local base

Our strategy is based on a combination of strong local brands supplemented by recognised international brands, and we are seeing a current trend of consumers increasingly demanding regional and local brands. Our success in recent years shows that our strong local base provides a solid platform for developing new taste varieties as well as for moving into new soft drinks and beer segments – with our national and regional brands as well as with the strong international brands.

Continued focus on innovation

Consumers around the world continue to focus on their own health and wellbeing, but they are also increasingly focusing on the planet and the environment. That is why our organic beer Royal Økologisk has won the hearts of Danish consumers and has become the market leader in this segment, just as Lapin Kulta Pure holds a leading position within gluten-free and organic beer in Finland. These are good examples of our efforts to adapt to changing consumer preferences.

The good taste, however, remains consumers' key priority – also when it comes to craft and speciality beer. These days, consumers are presented with a steady flow of launches, and confirmed and experimenting beer drinkers show a clear interest in product origins, the special experience and the good taste. We are making a whole-hearted commitment to craft and specialty beer, and Anders Kissmeyer, who is an internationally acclaimed and legendary master brewer, is spearheading these activities. He has with great passion and insight boosted innovation across our markets, and we have launched a number of interesting beer varieties. Moreover, we have invested in new facilities for brewing specialty beer in Lahti in Finland and in Odense in Denmark. This combination of innovation and the right brewing facilities has won us a leading position within craft and specialty beer in several of our markets.

Increased efficiency

However, innovation and other initiatives will increase the value of our business only if our costs are kept at a competitive level allowing us to improve our margins over time. A broader beverage portfolio and increased complexity continuously challenge our way of operating, and it is therefore crucial to focus on costs in all parts of our organisation. It is very important to us that all employees are aware of and open to working in new ways and using both digital and other new tools. This is required in order to achieve sufficient flexibility – and to continue to generate value.

In 2017, we made targeted investments in areas where increased efficiency may be achieved, and it is part of our DNA to continue this pursuit of improvements.

EBIT margin target increased to about 17% and distribution continues

Based on our good results for 2017 and the expectation of a good development, we believe that we will be able to meet our medium-term EBIT margin target of about 17%. The target is increased only one year after we set the 16% target despite the keen competition and impact of regulatory tightening measures in several markets.

At the same time, the Board of Directors has decided to launch a share buy-back programme of up to DKK 400 million as soon as possible, and we will recommend to the AGM in 2018 that the ordinary dividend be increased to DKK 8.90 per share compared to DKK 8.15 last year, a 9% increase. Thus, DKK 870 million is expected to be distributed based on the Financial Statements for 2017.

I take this opportunity to thank everyone at Royal Unibrew for a very dedicated effort and unique cooperation across our organisation in the past year. It is our ability to cooperate and a flexible customer- and consumer-focused mindset among all employees that pave the way for our good results.

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

Hans Savonije
President & CEO

Strategy and targets

Strategy

Royal Unibrew's overall strategy is to continue being a regional beverage provider, and ceaseless efforts are directed at reinforcing this position. The results of the strategy have led to continuous improvement of our earnings capacity, and our medium-term EBIT margin target is increased to about 17%. The capital structure and dividend targets are maintained.

Overall strategy

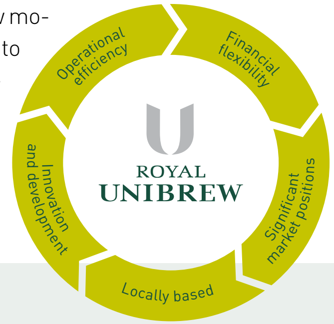
It is Royal Unibrew's strategy to be a focused, strong regional beverage provider within beer, malt beverages and soft drinks, including soda water, mineral water and fruit juices as well as cider and long drinks (RTD). Our objective is, with as well own brands as strong international licence brands,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

Based on the satisfactory results for 2017 and our outlook for the future development, we increase our medium-term EBIT margin target to about 17% compared to the previous target of about 16%. The target increase should be viewed in light of, among other things, our expectation of generating synergies in connection with the acquisition of Terme di Crodo in 2017. The EBIT margin target of about 17% is considered ambitious when comparing to the margins of international and regional beverage providers in Europe.

Over the coming years, we will scale up our sales and marketing efforts with a view to reinforcing our market positions in the individual markets and increasing the total business volume of the Group – thus ensuring the long-term value of our many brands.

Our strategy has been determined taking into account that Royal Unibrew operates in markets that are characterised by different dynamics.

Insight and strong competences are required to reach our ambitious strategic targets and to navigate in markets characterised by rapid change. We therefore give high priority to retaining experienced employees and recruiting new employees who bring new momentum and knowledge, and to strengthening core competences through development and training.



Main elements of the overall strategy

Key market positions

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

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

Royal Unibrew's natural market area is characterised by considerable industry concentration.

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

Efforts will be made to reinforce mainstream market positions through focus on a broader beverage portfolio in order for Royal Unibrew's customers to benefit further from the partnership.
See examples of consumer activities on page 12.

Innovation, development and local roots

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

Royal Unibrew's strong position as a regional brewer builds on strong local market positions established on the basis of well-known local brand portfolios subject to continuous further development. The product portfolio development includes the Group's own development of new taste varieties, products and brands within existing and new beverage categories as well as the conclusion of new licence agreements both as a licensee and a licensor. A Growth Leadership Team facilitates development and implementing the Royal Unibrew best practice across the entire Group.
See examples of innovation activities on page 13.

Operational efficiency

Focus on operational efficiency

Royal Unibrew will continue its focus on pursuing all opportunities of continuously enhancing the efficiency of all links in the Company's value chain.
See examples of efficiency activities on page 16.

Financial flexibility

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

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

Market outlook

Despite Royal Unibrew primarily operating in Europe, our individual markets are characterised by many different development trends. Our strategy has been determined based on market-by-market considerations. Royal Unibrew's outlook for developments in the individual markets is as follows:

Western Europe

2017:
Revenue **2,829** mDKK EBIT margin **19.9 %**

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

The **Italian beer market** is characterised by a low per capita consumption compared to other "wine countries", and beer consumption is expected to show only slight structural increases in the coming years. The economic challenges faced by Italy, including the continuously high unemployment rate and low consumer confidence, are expected to reduce growth opportunities within the super-premium segment due to, among other things, consumption pattern changes which imply a shift of sales from on-trade to off-trade, whereas consumption in the Craft and specialty beer segment is expected to increase, thus adding value to the category as a whole, but from a very low starting point. The Italian soft drinks market is expected to decline slightly in the coming years, but within the category, growth is expected in the consumption of premium/super-premium products in a market dominated by mainstream products.

Baltic sea

2017:
Revenue **3,076** mDKK EBIT margin **14.0 %**

In **Finland**, the total beverage market in which Hartwall operates is, despite beginning positive signs on macroeconomic improvement, expected to stagnate structurally in the coming years, due to, among other things, the high excise duties level and unemployment. If the unemployment rate declines, demand in the mainstream category is expected to increase, and demand within discount/private label is expected to decline. Excise duties changes at 1 January and 1 March 2018 will change the distribution of a number of products which could previously only be sold by the Alko monopoly; this will imply different market dynamics. The development is not expected to change total consumption but will probably change category composition. Innovation will continue to be an important element in developing the overall beverage market, eg through the development of new categories.

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

Malt Beverages and Exports

2017:
Revenue **479** mDKK EBIT margin **22.2 %**

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

Royal Unibrew and consumers

It is crucial for Royal Unibrew to understand what consumers want and to be able to offer products that meet their needs. Actually, we also expect from ourselves that we can surprise and launch products that consumers did not even know they wanted – but which exactly match their needs.

It is not necessarily an easy discipline to read consumers and their needs because these needs change depending on the here-and-now situation and change over time.

Three important trends

Therefore, consumers cannot be put into boxes, but we do see some clear trends across our markets which give us a good indication. Especially three trends are predominant. Consumers focus on authenticity, health and quality, and they focus on experiences.

Authenticity is about genuineness and credibility. Consumers want products to which they can relate, and preferably products that have a story and local roots, and with great care put into ingredients. The strong interest in craft and specialty beer as well as local beer brands brewed at breweries with a long history is a good example of this trend.

Health and quality are also key focus areas. Consumers are increasingly demanding products that can contribute positively to their health. They may be products with a lower sugar content or without sugar, products with a low alcohol content, products with eg extra vitamins or minerals, mineral water or organic products. This trend does not imply that consumers drink less – merely that they are more conscious about what they drink.

Finally, consumers want good **experiences**. There is a growing trend that we, as consumers, largely measure our life quality in terms of what we experience – and less in terms of physical things. It is therefore important that our products are enjoyed in connection with experiences – and that they make the experience even better. Examples of such experiences are concerts, festivals, sports events tastings and events.

Royal Unibrew and innovation

To us, innovation is a variety of things. Obviously, our ultimate goal is to be able to offer consumers the right beverages and live up to their wishes, but there are many more sides to it than that. Not least, it is about co-operating with our customers and business partners and about entering into an active and close dialogue with consumers.

Close cooperation with our customers

Good ideas often emerge in close interaction between people, and in 2017 we launched a number of initiatives in cooperation with our customers.

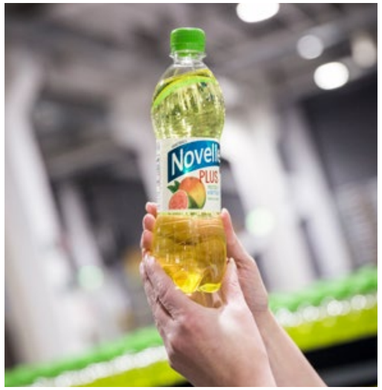
For example, we cooperated with bars and restaurants to find new ways in which to present our products. One of the results of this cooperation has been the installation of new draught beer dispensers with up to 15 cocks at a number of bars – each dispenser looks exactly the way the bar wants it, and the new type of dispensers allows consumers to try something different and new. Another new initiative is training by beer sommeliers, who, among other things, train bartenders, participate it tasting events, have a presence on the social media and prepare beer menus for restaurant menus in cooperation with chefs.

We also have a presence at many festivals and have made inspirational trips to other countries together with organisers in order to jointly develop festival concepts – making them even more exciting for the music-loving festival audience.

Supermarkets in the individual countries are the centre points of a large part of our product sales, and we are working closely with them to develop concepts and identify consumer wishes. Among other things, we cooperate on defining the supermarket of the future to enable us jointly to adjust to the new trends in the best possible way. Also in this respect, we get inspiration from trends abroad.

Consumer closeness is key

In all of our markets, we have a long tradition for being close to consumers. This is a natural element of the local rooting of a large number of our products. We also have a long tradition for involving consumers in numerous different ways and through different channels – not least through the social media where we are continuously increasing our presence and communicate with our consumers in new ways, at concerts and festivals, at sports events and at tasting events. The close interaction plays an important part in relation to our innovation and new product launches.



Many launches in 2017

In 2017, we launched new exciting products across all of our markets and beverage categories.

Within our leading mineral water brands, we launched new taste varieties of both Novelle (Finland), Mangali (Baltic countries) and Egekilde (Denmark). Moreover, new taste varieties of soft drinks such as Faxe Kondi Sommer, Jaffa Blueberry and Pepsi Max with ginger were launched during the year.

In the beer category, we launched new products and taste varieties – eg three new varieties of the historical beer brand Bergschlösschen in the Baltic countries, Anarkist in Denmark, Lapin Kulta Pure in Finland and Kissmeyer varieties in a number of countries.

Craft and specialty beer at Royal Unibrew

"Fundamentally, Craft and specialty beer is not about beer types and the latest whims of fashion – it is about who we are, and how we want to be perceived. And, craft and specialty beer is an idealistic idea about doing things better and differently – and about being honest and on the same wavelength as consumers." This statement was made by the internationally acclaimed master brewer Anders Kissmeyer, who has spearheaded Royal Unibrew's ambitious Craft and specialty beer venture since 2016.

Below, Anders Kissmeyer gives us his thoughts on current trends in the rapidly growing Craft and specialty beer market.

Why are we seeing growth of this magnitude these years in demand for Craft and specialty beer in a market that is declining in many countries?

I am positive that the increasing interest in Craft and specialty beer should be viewed in the context of the very general consumer trends. We are generally seeing consumers going for local products, high quality and health, something new and sustainable. Craft and specialty beer fits this picture very well because Craft and speciality beer is indeed about the local initiative, about being an active player in the local communities. It is also about constant innovation and about replacing expensive machinery with passion and dedication. In short, it is about authenticity.

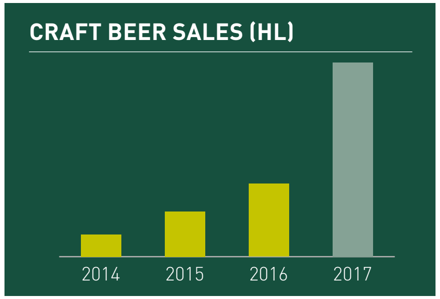
What is the story behind Craft beer?

Going back in time a little bit, you will actually see that the Craft beer markets developed more or less along the same pattern, with the USA as the front runner. In the USA, the brewing of and interest in Craft beer date all the way back to the 1970s, and today the country is still at a more advanced stage than we are in our part of the world. Here, we only see the Craft beer market really begin to develop in the 1990s and 2000s when a number of new, small specialty breweries are established, and when Craft beer gradually wins some market share as the range gets broader.

In the 2010s, the Craft beer market continues to mature, and today we are seeing a heavily increasing interest in Craft beer across western European markets. In recent years, we have also seen the range of Craft beer expand considerably in all countries.

What is happening within Craft and specialty beer right now?

At Royal Unibrew, we are in the middle of a very ambitious venture involving Craft and specialty beer, and we have over the past years launched a number of new, innovative products in our markets. In Denmark, the most well-known brands are Lottrup, Schiøtz, Tivoli Beer and Kissmeyer, in the Baltic countries, they are Vilkmerges, Kalnapillis Bergschlossen and Lacplesis Starburags, and in Finland,



Lahden Erikois. Besides our existing markets, we are also endeavouring to gradually develop a position in other markets which we are convinced will find our high-quality Craft and specialty beer to their taste.

In the past year, we established the Theodor Schiøtz Brewing Company in Odense comprising our new specialty beer brewery and a new pub which will open in 2018. We also established new facilities for brewing Craft and specialty beer in Finland. These are both pivotal points of our craft and specialty beer innovation and provide us with completely new opportunities.

Where is Craft and specialty beer headed?

There is no doubt that the Craft and specialty beer category will continue developing. Consumers constantly expect something new, and their taste is becoming more sophisticated. Therefore, I do think that we will see, among other things, a broader selection of taste varieties and beer types, the use of new raw materials and ingredients and the use of new production techniques in the coming years. It is my vision to create a new category called "New Nordic Beer" with its own style and character, in a broad working relationship across the industry and the entire value chain.

Terme di Crodo and LemonSoda

Acquisition of LemonSoda portfolio expands the position in Italy

Leading brand...
With the acquisition of Terme di Crodo, Royal Unibrew has taken an important new step in the Italian market. The name encompasses iconic soft drinks brands such as LemonSoda, OranSoda, PelmoSoda, Crodo Lisiel and Crodo Chinotto. LemonSoda is the market leader in the Italian market within the citrus category and is also the most well-known soft drink. This is due to its good taste, its high quality and its very long history dating almost 80 years back.

... supplementing existing portfolio
The LemonSoda brand and the relating modern production facilities in the north-western parts of Italy are a really good match for our existing activities in the Italian market. We have over many years developed a strong position in the beer market in the super-premium category with Ceres Stong Ale as the key brand, and we will now be able to offer consumers quality products within both the beer and soft drinks category, while significantly reinforcing our presence in the Italian market.

Worth knowing...

- The acquisition of Terme di Crodo and the LemonSoda activities from Gruppo Campari was finally realised on 2 January 2018.
- Revenue for 2016 amounted to DKK 245 million – LemonSoda accounted for approx. 2/3.
- LemonSoda and OranSoda hold very strong positions in both the on-trade and off-trade channel.
- LemonSoda and OranSoda have an awareness rate among target groups of just below 90.
- The LemonSoda products are made using water from a spring close to Terme di Crodo and juices from Italian fruits – and they are perceived as very refreshing quality products that may be enjoyed on their own or used as a drinks mixer.

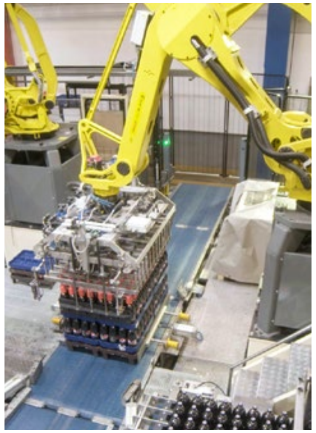
Fits our strategy well...
The acquisition is a natural part of our strategy to be a focused and regional beverage provider holding leading positions in the Nordic and Baltic countries, supplemented by considerable niche positions – such as in Italy where we are now more than doubling our business volume with two strong brands.

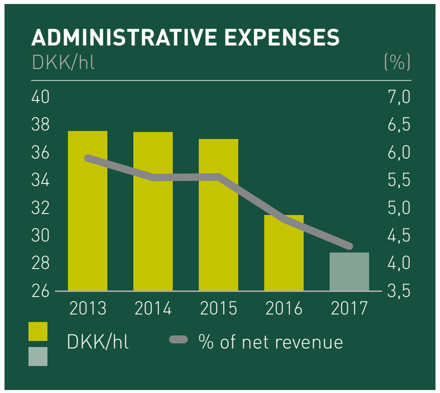
...and generates synergies
Commercially, we are envisaging good synergies between the LemonSoda products and our existing product portfolio as they are largely targeting the same consumer groups and are also distributed and marketed in the same way and through the same channels. This provides a good basis for achieving future growth in the total portfolio. The broader beverage portfolio and the higher volume are also expected to generate financial synergies as we will be able to leverage on our experience gained in other markets.

Royal Unibrew and efficiency

We are working with efficiency improvement across Royal Unibrew, considering it a never-ending process. We have succeeded over a number of years in generating continuous efficiency improvements across our value chain, which has been crucial to the improvement of our financial results and ensuring a good competitive position in our markets.

To us, efficiency is about both small and large initiatives, and it is about both people, systems and process equipment. Some initiatives require major investments, whereas others are about finding new and smarter ways to do things.





To us, the continuous efforts to improve efficiency are about achieving enough flexibility to adapt to market conditions and meet consumer wishes – while achieving good earnings and an attractive cash flow."

Teamwork increases efficiency and job satisfaction

A changed organisation of work at our production facilities is a good example of our efforts to increase efficiency. Here, we are continuously focusing on identifying possibilities of planning and performing all processes more efficiently while creating good workplaces. That implies, for example, that today we work with autonomous teams in some functions who plan their own work and who together perform more varied tasks than previously. This gives us far more flexibility as, with the right development of their competences, the individual employees can fill several different roles as needed. And our employees achieve a more varied working day. Our experience shows that this approach to work generates both higher job satisfaction and affects employees' health positively.

Better process equipment and a more efficient value chain

Our continuous efficiency measures also require considerable investments in process equipment. In recent years, we have made new investments at all of our production facilities. They include the construction of a specialty beer brewery adjacent to the Albani brewery in Odense, the establishment of new facilities for brewing craft and specialty beer in Finland and new bottling equipment. To this should be added all the other measures aimed at saving electricity and water, reducing waste and optimising across the value chain in cooperation with our suppliers. Many of these activities should also be viewed in the context of our continuous efforts to reduce our environmental impact.

Thanks to our broad efforts across the business, we have succeeded in increasing efficiency despite an increased complexity of our product portfolio."

Our efforts are working

It takes continuous monitoring to achieve the targeted results. We have therefore defined a number of KPIs against which we measure our results as we go along, and we are very pleased to conclude that our efforts are working. We have seen progress on all key parameters in recent years, and have succeeded in increasing efficiency despite an increased complexity of our beverage portfolio.

Financial targets, capital structure and distribution policy

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

EBIT margin

The medium-term EBIT margin target is adjusted upwards from 16% to about 17%. The target adjustment should be viewed in light of Royal Unibrew's envisaged opportunities of continued value creation in the medium term through additional operational efficiency, the achievement of synergies in connection with the acquisition of Terme di Crodo in Italy as well as continued development of the product portfolio.

Indebtedness

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

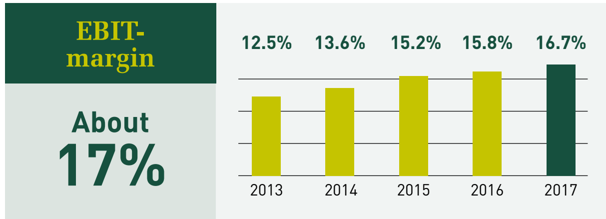
It remains the target that net interest-bearing debt should not exceed 2.5 times EBITDA, and that an equity ratio of at least 30% should be maintained at year end. Royal Unibrew may depart from the targeted ratios for a certain period if structural business opportunities arise.

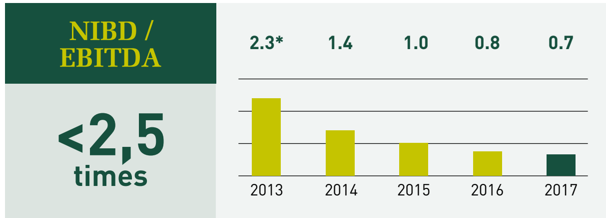
Royal Unibrew's annual investments excluding operating leases, which primarily comprise rolling stock, are expected to be about 4% of net revenue. Due to the accounting policy change relating to IFRS 16, operating leases will be included in investments going forward (represent about 0.7% of net revenue equal to approx. DKK 50 million); therefore, the total future investment level is expected to be just below 5% of net revenue.

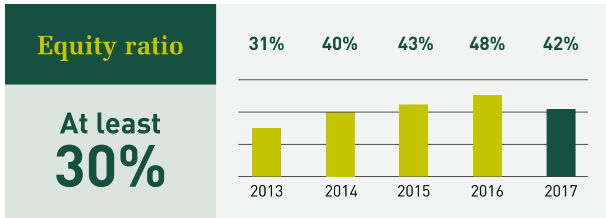
Distribution policy

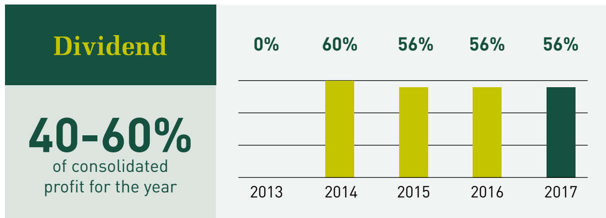
Royal Unibrew is expected to be able to generate a rather significant liquidity surplus going forward; it therefore remains the intention currently to make distributions to shareholders through a combination of dividend and share buy-backs taking into account the targets for equity ratio and indebtedness,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

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









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

Outlook for 2018

The outlook for Royal Unibrew's financial development in 2018 has been prepared taking into account a number of circumstances, including how the Company's markets are expected to be affected by general economic activity, fiscal developments and consumer sentiment. Moreover, specific assumptions relating to the development in material expense categories as well as the effect of initiatives completed and initiated are taken into account.

The Board of Directors has decided to initiate as soon as possible a share buy-back programme of up to DKK 400 million covering the period to 22 February 2019. The Board of Directors will recommend to the AGM in 2018 the distribution of ordinary dividend of DKK 8.90 per share. Hence, DKK 870 million is expected to be distributed based on the Financial Statements for 2017. With this distribution of a total of DKK 870 million we maintain our strategic flexibility.

Assumptions about markets and main priorities for 2018

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

In **Finland**, Hartwall's product range comprises a broad beverage portfolio, and Hartwall holds an overall runner-up position in the Finnish market. To ensure Hartwall's continued position as a market-leading beverage business in Finland, our main priorities in 2018 will remain concentrated, without any change, on commercial focus, organisational development and continuous improvements. The Finnish market has been characterised by declining consumption throughout a number of years due to, among other things, the very high level of excise duties. This development is expected to continue in 2018. The extraordinary campaign activity is assumed only in Q2 and Q3 2018, which will affect the net revenue development in Q1 and Q4 2018 negatively.

In the **Danish consumer market**, Royal Unibrew holds an overall runner-up market position approaching the market through a broad beverage portfolio. Danish consumption is expected to stagnate (adjusted for the weather effect), whereas the value of the overall consumption is expected to be slightly increasing because the market for branded products is expected to increase slightly, whereas the market for discount products is expected to show a slight decline.

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

OUTLOOK FOR 2018

mDKK	Outlook 2018	Actual 2017	Actual 2016
Net revenue	6,650-6,900	6,384	6,340
EBITDA	1,450-1,550*	1,362	1,306
EBIT	1,090-1,190	1,069	1,001

*Approx. DKK 50 million impact from implementing IFRS 16 (operational leasing)

In **Italy**, where Royal Unibrew holds a strong position in the super-premium segment with Ceres Strong Ale, the market is expected to increase slightly. We still expect to strengthen our working relationships with the many wholesalers, off-trade customers and cash & carry customers by expansion of the product portfolio and strong consumer-oriented initiatives. At 2 January 2018, Royal Unibrew acquired the soft drinks business Terme di Crodo, and as both the existing beer products and the acquired soft drinks products target the same customers and are sold through the same channels, further strengthening of customer relations and an increase in business volume are expected.

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

Financial assumptions

- Slightly increasing net selling prices are assumed as a result of increasing input prices assumed to be paid by consumers on an average basis. Efforts to improve the product mix will continue unchanged with focus on all product categories and channels.
- The acquisition of Terme di Crodo is expected to affect net revenue positively by about DKK 265 million, including revenue resulting from the agreement to produce Campari's products.
- Generally, basic costs are expected to follow inflation in 2018. Towards the end of 2018, certain efficiency gains are expected to be achieved from the acquisition of Terme di Crodo, primarily relating to logistics. Costs are expected to increase in connection with growth initiatives and support of the existing business. The growth initiatives relate primarily to the Malt Beverages and Exports segment, Craft and specialty beer and an increased sales and marketing effort in Italy. We will continue our focus on generating continuous improvements and enhancing efficiency across the business and in all entities.
- Based on exchange rates at the end of February 2018, the prices of the key raw materials categories are expected to increase in 2018. Royal Unibrew has entered into hedging agreements for a large part of expected consumption in 2018 in key consumption categories.
- Exchange rates between DKK and other currencies are expected to remain unchanged as compared to the end of February 2018.
- Gross investments including the effect of approx. DKK 50 million from implementing IFRS 16 (operating leases) are expected to amount to DKK 315-335 million.
- Tax is expected to amount to about 21% of profit before tax excluding income after tax from investments in associates.
- Free cash flow is expected to be negatively affected by approx DKK 120 million as an extraordinary campaign in Finland is assumed to terminate in 2018.

TOTAL DISTRIBUTION FOR THE YEAR

mDKK	2013	2014	2015	2016	2017
Dividend	242	-	374	386	426
Share buy-backs	110	-	293	443	508
Total distribution	352	-	667	829	934
as a % of prior-year consolidated profit	*94*	-	*107*	*117*	*119*

Performance

Financial review

Royal Unibrew achieved its best results ever in 2017. The result was achieved in spite of unusually poor weather conditions in Northern Europe and challenges in the Malt Beverages and Exports segment. Many innovative initiatives across the business reinforced Royal Unibrew's position and contributed to the good results. Royal Unibrew generally defended its market shares.

Business development

Royal Unibrew generally maintained its market shares in 2017. Net revenue showed a 1% increase in spite of sales being 1% below those of 2016, primarily due to the poorer summer weather. Adjusted for changed customer agreements, net revenue showed a 2% increase. The highest net revenue growth was achieved in the Baltic Sea segment, in which net revenue increased by 3% on 2016. The positive development in the segment is due to growth in craft and specialty beer sales as well as soft drinks products sales.

In 2017, Royal Unibrew improved its earnings as compared to last year. Earnings were positively affected by targeted value management across products and sales channels, and improved efficiency and a changed market mix affected earnings positively. Exchange rate developments only affected earnings to a limited extent as purchases were mainly made in the Group's revenue currencies.

Earnings before interest and tax (EBIT) amounted to DKK 1,069 million, which is DKK 68 million above the 2016 figure. The profit before tax amounting to DKK 1,056 million for 2017 was DKK 58 million above the 2016 figure. Free cash flow for 2017 amounted to DKK 950 million compared to DKK 1,022 million for 2016, which was positively affected by approx DKK 195 million from the sale of the remaining part of the brewery site in Aarhus. In 2017, dividend distribution and share buy-backs totalling DKK 934 million were made, while net interest-bearing debt was reduced by DKK 16 million to DKK 975 million. The NIBD/EBITDA debt multiple decreased from 0.8 to 0.7 in 2017.

On 8 March 2017, we launched a share buy-back programme carried out in accordance with the "Safe Harbour" method for the period to 1 March 2018 with a view to adjusting the capital structure of Royal Unibrew A/S. The share buy-back programme was completed in February 2018 at which time Royal Unibrew had bought back 1,684,260 shares representing a total market value of DKK 560 million. As expected, at 31 December 2017, Royal Unibrew had bought back 1,600,380 shares representing a market value of DKK 507 million under this programme and under the programme initiated in 2016 and held a total of 1,503,487 treasury shares, corresponding to 2.9% of the share capital. As resolved at the Annual General Meeting of Royal Unibrew in April 2017, the capital was reduced by DKK 2.8 million in 2017 and 1,400,000 shares were cancelled; as expected, 300,000 treasury shares were used for share-based payments to the Executive Board. As of today, Royal Unibrew holds 1,825,947 treasury shares, 90,500 of which are expected to be used for share-based payments to the Executive Board in the period 2017-2020, whereas 1,700,000 of the remaining shares are expected to be cancelled following the Annual General Meeting of the Company in April 2018.

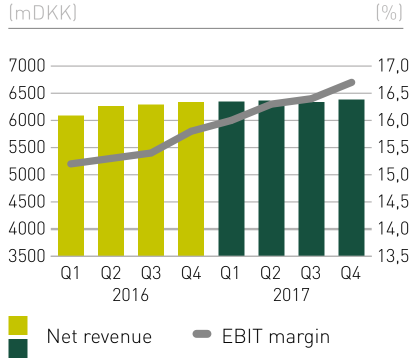
Acquisition of soft drinks business in italy

At the beginning of October 2017 (see Company Announcement No 50/2017 of 4 October 2017), Royal Unibrew entered into an agreement with Italian Gruppo Campari to acquire the company Terme di Crodo, which owns well-known soft drinks brands

AS COMPARED TO THE OUTLOOK ANNOUNCED IN MARCH AND AUGUST 2017, ACTUAL NET REVENUE, EBITDA AND EBIT WERE AS FOLLOWS:

mDKK	Actual 2017	Outlook, August 2017	Outlook, March 2017
Net revenue	6,384	6,250-6,350	6,250-6,450
EBITDA	1,362	1,320-1,370	1,285-1,385
EBIT	1,069	1,030-1,080	980-1,080

RUNNING 12-MONTH DEVELOPMENT



such as LemonSoda, OranSoda, PelmoSoda, Crodo Lisiel and Crodo Chinotto as well as production facilities in Crodo in the north-western parts of Italy close to Lago Maggiore. The acquisition will significantly reinforce Royal Unibrew's market position in Italy and was realised on 2 January 2018.

Management changes

At 18 September 2017, Hans Savonije took over as new President & CEO of Royal Unibrew. Until being appointed, Hans Savonije was COO and a member of the Executive Board. The Executive Board is now made up of Hans Savonije, President & CEO, and Lars Jensen, CFO.

In September 2017, Kåre Schultz, Chairman of the Board of Directors, announced that in consequence of his new position as CEO of Teva Pharmaceutical Industries Ltd., which is based in Israel, he had decided to resign from the Board of Directors of Royal Unibrew at the end of 2017. The Board of Directors subsequently elected Walther Thygesen as Chairman of the Board and Jais Valeur as Deputy Chairman.

Income statement

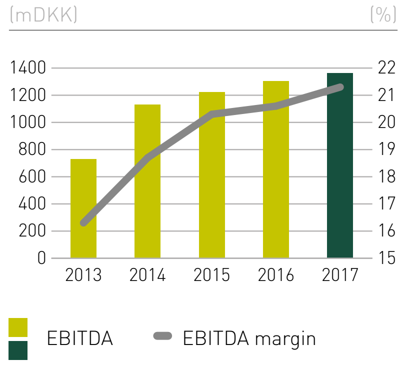
Beer and soft drinks consumption in Royal Unibrew's markets in Finland and especially the Baltic countries continues to be affected by consumer restraint.

Sales for 2017 aggregated 9.6 million hectolitres of beer, malt beverages and soft drinks, which is approx 1% below the 2016 figure. Adjusting for the effect of poor summer weather in Northern Europe, unchanged consumption is estimated for the Western Europe segment and Finland in 2017, whereas in the Baltic countries, particularly in Lithuania and Estonia, consumption declined substantially due to excise duties increases and regulatory tightening measures imposed on alcoholic beverages.

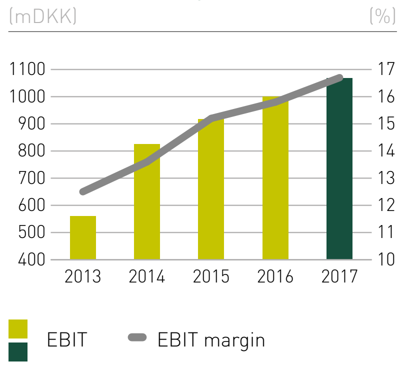
Net revenue for 2017 showed an approximate 1% increase and amounted to DKK 6,384 million (beverages accounting for DKK 6,293 million) compared to DKK 6,340 million in 2016. Net revenue development was positively affected by solid progress across markets, whereas it was negatively affected by changed customer agreements and poorer weather. Adjusted for changed customer agreements, average net selling price per volume unit was 3% higher than in 2016, primarily due to an improved product mix and a changed market mix. Net revenue for Q4 2017 was 3% above the figure for the corresponding period of 2016, whereas average net selling price per volume unit was 3% higher.

Gross profit for 2017 was DKK 13 million above the 2016 figure and amounted to DKK 3,300 million. Gross margin was

EBITDA AND EBITDA MARGIN



EBIT AND EBIT MARGIN



DEVELOPMENTS IN ACTIVITIES FOR 2017 BROKEN DOWN ON MARKET SEGMENTS

	Western Europe	Baltic Sea	Malt Beverages and Exports	Unallocated	Group 2017	Group 2016
Sales (thousand hectolitres)	3,852	4,998	706	-	9,556	9,678
Growth (%)	2.4	-4.4	2.8		-1.3	6.4
Share of sales (%)	40	52	8	-		
Net revenue (mDKK)	2,829	3,076	479	-	6,384	6,340
Growth (%)	-1.4	3.0	-1.0		0.7	5.1
Share of net revenue (%)	44	48	8	-		
EBIT (mDKK)	563	431	106	-31	1,069	1,001
EBIT margin (%)	19.9	14.0	22.2		16.7	15.8

0.1 percentage point below the 2016 margin and represented 51.7% compared to 51.8% in 2016. Adjusting for the net revenue effect of changed customer agreements as compared to 2016, gross profit showed a DKK 86 million increase for 2017, and gross margin was 0.4 percentage point higher. Gross profit per volume unit was higher than in 2016 and positively affected by the changed product and market mix. Measured as an average per volume unit, net selling prices increased by 3.1%, and production costs increased by 1.9%.

Sales and distribution expenses for 2017 were DKK 26 million below the 2016 figure (DKK 47 million higher if customer agreements in 2016 had been as in 2017) and amounted to DKK 1,956 million compared to DKK 1,982 million in 2016. As planned, marketing expenses for 2017 were higher due to a number of growth initiatives relating to both new initiatives and to support of Royal Unibrew's local brand portfolios.

Administrative expenses for 2017 were DKK 30 million below the 2016 figure and amounted to DKK 275 million compared to DKK 305 million in 2016. The development from 2016 to 2017 is partly due to lower IT costs following the implementation of the Group's ERP system in Finland, partly to lower costs relating to incentive schemes.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2017 showed a DKK 56 million increase and amounted to DKK 1,362 million compared to DKK 1,306 million in 2016. The higher earnings relate primarily to Western Europe and Baltic Sea. EBITDA margin increased by 0.7 percentage point to 21.3%. EBITDA for Q4 2017 amounted to DKK 286 million, which was DKK 32 million above the figure for the corresponding period of 2016.

Earnings before interest and tax (EBIT) for 2017 amounted to DKK 1,069 million, which is DKK 68 million above the 2016 figure. EBIT for Q4 2017 amounted to DKK 208 million compared to DKK 176 million for the corresponding period of 2016.

EBIT margin increased by 0.9 percentage point from 15.8% to 16.7%, which is marginally higher than expected due to, among other factors, cost adjustments caused by the lower earnings in the peak season due to the unusually poor summer weather. 0.1 percentage point of the increase relates to the net revenue effect of the changed customer agreements as compared to 2016. EBIT margin for 2017 was higher in both the Western Europe segment and in the Baltic Sea segment, whereas it was marginally lower than in 2016 in the Malt Beverages and Exports segment. EBIT margin for Q4 2017 showed a 1.6 percentage points increase on the corresponding period of 2016.

Net financials for 2017 were DKK 11 million above the 2016 figure and showed a net expense of DKK 13 million. Interest expenses were DKK 1 million higher, and income after tax from investments in associates was DKK 10 million below the 2016 figure primarily due to lower income from Hansa Borg Bryggerierne than in 2016.

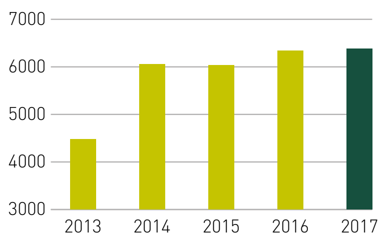
Profit before tax for 2017 showed a DKK 58 million increase amounting to DKK 1,056 million compared to DKK 998 million for 2016.

Tax on the profit for 2017 was an expense of DKK 225 million, which is as expected and corresponds to a tax rate of 22% on the profit excluding income after tax from investments in associates.

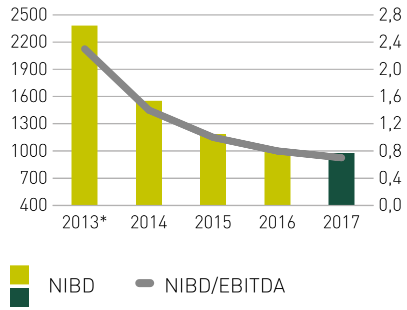
Net profit for the year amounted to DKK 831 million, which is a DKK 47 million improvement on the net profit of DKK 784 million realised for 2016.

The Parent Company's profit for the year amounted to DKK 834 million compared to DKK 748 million for 2016. Dividend income from subsidiaries and associates amounted to DKK 382 million compared to DKK 314 million for 2016.

NET REVENUE
(mDKK)



NIBD AND NIBD/EBITDA
(mDKK) (times)



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

Balance sheet

Royal Unibrew's balance sheet at 31 December 2017 amounted to DKK 6,778 million, which is DKK 702 million above the figure at 31 December 2016. Approx DKK 600 million of the increase is due to the financing of the acquisition of Terme di Crodo on 2 January 2018 having been established at 31 December 2017. Moreover, receivables and prepaid expenses were DKK 88 million higher at the end of 2017 than at the end of 2016. Invested capital was reduced by DKK 81 million in 2017, which, combined with a higher EBIT, improved ROIC excluding goodwill by four percentage points to 32%. ROIC including goodwill increased by three percentage points to 21%.

The equity ratio decreased by six percentage points, including four percentage points relating to liquidity for the acquisition of Terme di Crodo, and represented 42% at 31 December 2017 compared to 48% at the end of 2016. Equity at the end of 2017 amounted to DKK 2,814 million compared to DKK 2,911 million at the end of 2016. The DKK 97 million decrease comprised the positive comprehensive income for the year of DKK 829 million (2016: DKK 791 million) added the value of share-based payments of DKK 6 million (2016: DKK 10 million) and tax of DKK 2 million (2016: DKK 4 million) related thereto, and deducted distribution to shareholders of DKK 934 million (2016: DKK 829 million) by way of dividend and share buy-backs. The comprehensive income comprises the profit for the period of DKK 831 million added a positive development in the value of hedging instruments of DKK 6 million and deducted negative exchange rate and other adjustments relating to foreign group enterprises of DKK 5 million and tax on comprehensive income of DKK 2 million.

Net interest-bearing debt was reduced by DKK 16 million in 2017 and amounted to DKK 975 million at 31 December 2017 compared to DKK 991 million at the end of 2016. The development in net interest-bearing debt in 2017 was above expectations due to lower funds tied up in working capital at 31 December 2017 than expected. Net interest-bearing debt comprised the free cash flow less distribution to shareholders.

Funds tied up in working capital showed a negative DKK 957 million (2016: negative DKK 881 million) at the end of 2017. Funds tied up in working capital were reduced by DKK 76 million, net, which is above expectations and due to, among other factors, the extraordinary campaign activity in Finland not terminating in 2017 as expected. The working capital change comprised a reduction of DKK 85 million with cash flow effect and an increase of DKK 9 million without cash flow effect relating to value adjustment of hedging instruments. Funds tied up in inventories, trade receivables and trade payables decreased by DKK 123 million, whereas the other elements of working capital increased by DKK 47 million.

Cash flow statement

Cash flows from operating activities for 2017 were DKK 183 above the 2016 figure and amounted to DKK 1,168 million (2016: DKK 985 million). Cash flows comprised the profit for the period adjusted for non-cash operating items of DKK 1,367 million (2016: DKK 1,316 million), positive working capital cash flow of DKK 76 million (2016: negative DKK 94 million), net interest paid of DKK 29 million (2016: DKK 27 million) and taxes paid of DKK 246 million (2016: DKK 210 million).

Free cash flow for 2017 amounted to DKK 950 million (2016: DKK 1,022 million) and was, as expected, below the figure for 2016 when the sale of the remaining part of the brewery site in Aarhus contributed approx DKK 195 million. Cash flows from operating activities and dividend from associates increased by DKK 185 million, and investments in property, plant and equipment showed a net increase of DKK 257 million on 2016. As planned, gross investments were higher than those of 2016 and amounted to DKK 254 million compared to DKK 210 million for 2016. Free cash flow for Q4 2017 was DKK 239 million (2016: DKK 187 million) and thus DKK 52 million above the 2016 figure.

Western Europe

The **Western Europe** segment comprises the markets for beer and soft drinks in Denmark and Germany as well as Italy. Western Europe accounted for 44% of the Group's net revenue for 2017 and for 51% of allocated EBIT (2016: 45% and 51%, respectively).

- 2% sales and net revenue increases (adjusted for changed customer agreements) for 2017 in spite of poor summer weather in Northern Europe
- Market share growth
- Continued earnings improvement – EBIT margin of 19.9%
- Launch of a number of new craft and specialty beer products
- Opening of specialty beer brewery at Albani in Odense
- Acquisition of the Italian soft drinks business Terme di Crodo

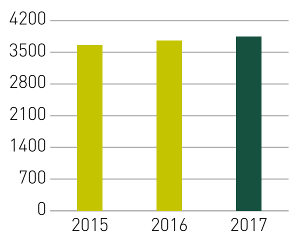
Development in 2017

Sales in Western Europe for 2017 showed a 2% increase, and Royal Unibrew increased its market shares on branded beer and soft drinks.

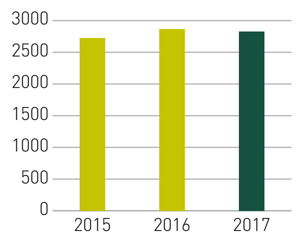
Net revenue from beverages was 2% below the 2016 figure. Adjusting for changed customer agreements, net revenue showed a 2% increase. Average net selling price per volume unit remained unchanged. A changed product and sales channel mix affected net selling price positively in Denmark and Germany and negatively in Italy. Developments in Q4 were as for the year in general.

Earnings before interest and tax (EBIT) for 2017 showed a DKK 36 million increase from DKK 527 million in 2016 to DKK 563 million in 2017. The EBIT increase was due to a strengthening of the market position as well as a favourable development of the product mix. EBIT margin increased by 1.5 percentage points to 19.9%, including 0.7 percentage point due to the changed customer agreements.

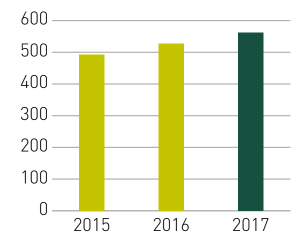
SALES
(thousand hectolitres)



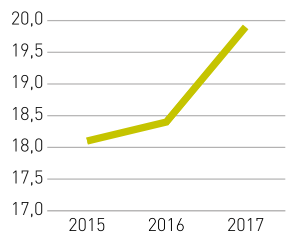
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



WESTERN EUROPE

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales (thousand hectolitres)	3,852	3,764	2	908	892	2
Net revenue,beverages (mDKK)	2,738	2,791	-2	629	643	-2
Net revenue (mDKK)	2,829	2,870	-1	656	661	-1
EBIT (mDKK)	563	527		114	90	
EBIT margin (%)	19.9	18.4		17.4	13.6	

Denmark and Germany

Development in 2017

For **Denmark and Germany**, it is estimated that underlying Danish consumption of branded beer and soft drinks increased slightly in 2017 adjusting for the negative effect in the peak season due to the extraordinarily poor summer weather in 2017.

Royal Unibrew's sales showed a 2% increase for 2017. Adjusted for changed customer agreements, net revenue showed a 3% increase. It is assessed that Royal Unibrew has increased its market shares on branded products, due to, among other factors, a number of commercial initiatives and product innovation with increasing focus on Craft and specialty beer. PepsiCo snack products sales developed as planned contributing an additional 1% net revenue increase.

In 2017, Royal Unibrew successfully launched several new products. The Craft and specialty beer segment is developing rapidly; almost every month, new Kissmeyer products have been launched, and several new products have been launched under the Albani and Anarkist brands. In 2017, the new specialty beer brewery at Albani in Odense was put into operation and, going forward, the brewery will be pivotal to

Royal Unibrew's increased commitment to craft and specialty beer in the Danish market and selected export markets. In the lager beer segment, Royal Økologisk has achieved a considerable market share in the organic beer category, which represents a growth market. In the soft drinks segment, Faxe Kondi Sommer with a strawberry flavour and Pepsi Ginger with a ginger flavour were launched. Danish consumers received the new products well. Moreover, the opening of the Royal Arena as well as the cooperation with Tivoli attracted great attention to Royal Unibrew products all over Denmark and especially in the Copenhagen area.

DENMARK AND GERMANY

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales, (thousand hectolitres)	3,441	3,365	2	830	819	1
Net revenue, beverages (mDKK)	2,162	2,220	-3	518	536	-3
Net revenue, (mDKK)	2,253	2,299	-2	545	554	-2

Profile

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

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

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

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

Royal Unibrew has two production facilities in Denmark – one in Faxe and one in Odense, where facilities for brewing Craft and specialty beer were also established in 2017.

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

Italy

Development in 2017

Due to better summer weather than in 2016, a consumption increase is estimated for Italy for 2017; however, primarily in the off-trade and in the mainstream and premium segments due to a higher campaign pressure.

Royal Unibrew's sales for 2017 showed a 3% increase on 2016, whereas net revenue only showed a 1% increase due to a changed sales channel and product mix. Royal Unibrew's market shares in the off-trade and on-trade sales channels are estimated to have been defended, whereas market shares in the premium and super-premium segments were marginally lower than those of 2016 due to a shift of consumption from on-trade towards off-trade.

Faxe 10% sales continued to increase in 2017, and several new products were launched in the specialty beer category, which is a growth category in Italy.

The marketing of Royal Unibrew products has focus on the social media and on consumer engagement. This has contributed towards enhancing the profile and the recruiting of new consumers aged between 18 and 24.

On 2 January 2018, Royal Unibrew realised the agreement with the Italian company Gruppo Campari to acquire the carve-out company Terme di Crodo S.r.l., which owns well-known soft drinks brands such as LemonSoda, OranSoda, PelmoSoda, Crodo Lisiel and Crodo Chinotto as well as production facilities in Crodo in the north-western parts of Italy. The acquisition of LemonSoda will significantly reinforce Royal Unibrew's position in Italy, and Royal Unibrew gets access to the category of non-alcoholic products in Italy. The integration of Terme di Crodo into the Royal Unibrew Group, including the establishment of agreements with business partners and the implementation of Royal Unibrew's IT platform, was made in the period from the conclusion of the agreement in October 2017 to the take-over in January 2018.

ITALY

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales (thousand hectolitres)	411	399	3	78	73	7
Net revenue (mDKK)	576	571	1	111	107	4

Profile

Ceres Strong Ale is among the market leaders in the super-premium beer segment, and Royal Unibrew holds a considerable market share in this segment. The acquisition of Terme di Crodo will in 2018 significantly reinforce Royal Unibrew's position with soft drinks brands in the super-premium segment.

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

Royal Unibrew also sells Ceres Red Erik in the super-premium segment, Nørden and Polar Monkey in the Craft and specialty beer segment as well as the lager types Ceres Top Pilsner and Faxe in the premium segment.

LemonSoda from Terme di Crodo is sold in the super-premium soft drinks segment. Moreover, OranSoda, PelmoSoda, Crodo Lisiel and Crodo Chinotto are sold.

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

Distribution in the on-trade channel takes place through many wholesalers who service and supply customers and through a number of cash & carry locations where on-trade customers themselves pick up the goods. Retail customers are serviced either directly through outlets or through distribution centres. All goods in Italy are delivered through third-party suppliers. Terme di Crodo's soft drinks brand LemonSoda has a distribution rate of more than 95% in off-trade and more than 35% in on-trade. Terme di Crodo's soft drinks products will be distributed together with Royal Unibrew's beer products.

Baltic Sea

The **Baltic Sea** segment primarily comprises the markets in Finland and the Baltic countries (Lithuania, Latvia and Estonia). Baltic Sea accounted for 48% of the Group's net revenue and for 39% of allocated EBIT for 2017 (2016: 47% and 38%, respectively).

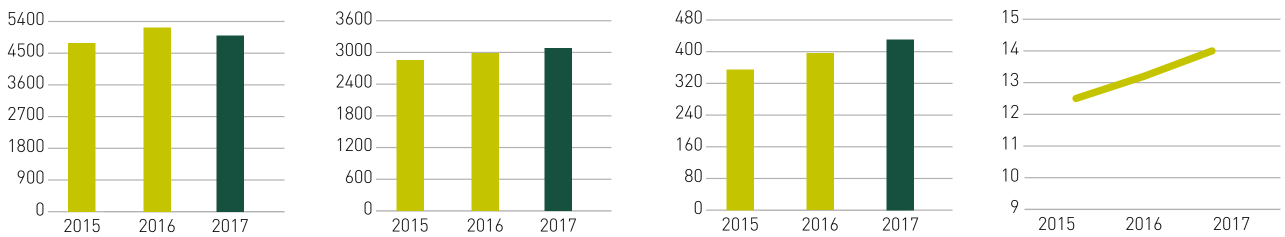
- Higher net revenue per volume unit due to sales value focus
- Efficiency improvement
- Earnings increase – EBIT margin of 14.0%
- Launch of a number specialty beer products
- Establishment of specialty beer brewery in Finland

Development in 2017

Royal Unibrew's sales for 2017 showed a 4% decrease on 2016 and were negatively affected by lower consumption due to poor summer weather in the region, lower campaign beer sales in Finland and excise duties changes in the Baltic countries. Net revenue showed a 3% increase (2% adjusted for changed customer agreements). Focus on selling price optimisation and a changed product mix resulted in higher net revenue per volume unit than in 2016.

Earnings before interest and tax (EBIT) of DKK 431 million were DKK 36 million above the 2016 figure. The positive earnings development in spite of lower sales is due to value management and continuous focus on efficiency measures. EBIT margin went up by 0.8 percentage point from 13.2% to 14.0%. Developments were positively affected by a changed product mix and cost optimisation, whereas a changed market mix and changed customer agreements had a negative effect.

SALES (thousand hectolitres) | **NET REVENUE** (mDKK) | **EBIT** (mDKK) | **EBIT-MARGIN** (%)



BALTIC SEA

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales (thousand hectolitres)	4,998	5,227	-4	1,149	1,166	-1
Net revenue (mDKK)	3,076	2,986	3	745	690	8
EBIT (mDKK)	431	395		75	65	
EBIT margin (%)	14.0	13.2		10.1	9.4	

Finland

Development in 2017

The Finnish market for beer, soft drinks, wine and spirits products continues to be affected by low consumer confidence. The macroeconomic situation in Finland has improved marginally as compared to 2016; however, as expected, this did not lead to increased consumption of branded products. As compared to 2016, beverage consumption was negatively affected by poorer summer weather than in 2016.

Sales for 2017 showed a 7% decrease, and a low single-digit percentage decline in Royal Unibrew's market shares on branded products is estimated due to value focus and lower beer campaign sales than in 2016. Net revenue for 2017 showed a 2% increase. Adjusted for the effect of changed customer agreements, net revenue remained unchanged from 2016, but it was 6% higher per volume unit than in 2016. This is due to focus on achieving a product mix with higher selling prices. Net revenue for Q4 was positively affected by high sales of Original Long Drink products in anticipation of excise duties changes at 1 January 2018.

In 2017, Hartwall's commercial position as a market-leading beverage provider was further reinforced. Our focus has been on strengthening partnerships, and priority is given to having

a high level of innovation in order to be able to offer a strong product portfolio demanded by customers and consumers.

Craft and specialty beer was given high priority in 2017. A specialty beer brewery was established adjacent to the Lahti brewery, and Lahden Erikois, the historical beer brand in the Lahti region, was relaunched during the World Ski Championships. Moreover, the distribution of Aura – a strong regional beer brand – increased significantly, and national distribution has now been achieved. In the soft drinks segment, focus is on alternative and healthier products such as the Novelle Plus spring water product. Jaffa Blueberry was launched as a seasonal variety in the category of traditional soft drinks products.

FINLAND

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales (thousand hectolitres)	3,094	3,317	-7	714	764	-7
Net revenue (mDKK)	2,380	2,334	2	587	552	6

Profile

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

In the Finnish beer and soft drinks market, we offer a combination of our own strong local and national brands and international brands as well as a number of international spirits and wine brands.

In the beer segment, we offer our own brands such as Karjala, Lapin Kulta, Aura, Hartwall Classic and Polar Monkey (specialty beer) as well as the international licence brands Heineken and Fosters. Moreover, we offer a number of alcoholic products rooted in Finland such as Original Long Drink in the RTD category as well as Upcider and Happy Joe in the cider category.

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

Hartwall offers a number of international spirits and wine brands such as Johnny Walker, Captain Morgan, Lanson, Baileys and J. P. Chenet on an agency basis.

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

A distribution network of own terminals supplies both off-trade and on-trade customers directly.

The Baltic countries

Development in 2017

The Baltic market continued to be volatile in 2017. Beer consumption declined in 2017 as large excise duties increases were introduced in both Lithuania and Estonia. A consumption decline of about 15% since March 2017 is estimated for Lithuania as a result of this. Royal Unibrew is estimated to have increased its market shares on branded products due to increased soft drinks sales as well as increased craft and specialty beer sales.

Royal Unibrew's sales were at the 2016 level. As expected soft drinks sales increased, whereas total beer products sales decreased in consequence of the declining beer consumption. Net revenue showed a 7% increase and was positively affected by the development in craft and specialty beer sales as well as soft drinks sales, whereas the excise duties increases in Lithuania and Estonia had a negative effect. Net revenue per volume unit for 2017 showed a 7% increase on 2016 due to a changed product and packaging mix.

The many product launches in the Baltic countries during the year focused, in the beer category, on the Craft and specialty beer segment and on seasonal premium products. Vilkmerges and Lielvardes Blackcurrant Stout were launched

in the craft beer category, and three varieties of Kalnapilis Bergschlösschen and Lacplesis Staburags, two historical beer brands, were launched in the specialty beer category. Due to the many legislative restrictions on alcoholic beverages which took effect in 2017 or are expected to take effect in 2018, the soft drinks category has also been a focus area and saw the launch of, among other products, Fruts with an Aloe Vera flavour and Mangali Vitafruit with a raspberry flavour, and the sports drinks category saw the launch of Mangali Fitness as a Mangali Active variety.

BALTIC COUNTRIES

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales (thousand hectolitres)	1,904	1,910	0	435	402	8
Net revenue (mDKK)	696	652	7	158	138	14

Profile

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

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

Royal Unibrew's Cido Grupa in Latvia is the second largest beverage provider in Latvia. We offer a complete portfolio of fruit juice products under the Cido brand, mineral water under the Mangali brand and nectar drinks under the Fruts brand as well as PepsiCo soft drinks. Our beer offerings comprise the national beer brands Lacplesa Alus and Livu Alus, the Lielvardes craft beer brand as well as Heineken as an international brand.

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

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

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

Malt Beverages and Exports

The **Malt Beverages and Exports** segment comprises the export and licence business for malt beverages and beer exports to other markets. Malt Beverages and Exports accounted for 8% of the Group's net revenue and for 10% of allocated EBIT for 2017 (2015: 8% and 11%, respectively).

- 3% sales increase for 2017
- Retention of position in countries with currency challenges
- Focus on increased presence in existing markets
- Net revenue and earnings negatively affected by exchange rate developments
- Continued high EBIT margin

Development in 2017

Sales for 2017 showed a 3% increase, whereas net revenue showed a 1% decrease. Adjusted for the exchange rate effect, revenue increased marginally. The sales growth is related to all market areas, except for Africa. Exchange rate developments affected net revenue negatively by approx DKK 11 million, including DKK 4 million in Q4 2017. Net revenue per volume unit was below the 2016 figure partly due to the exchange rate effect, partly due to a changed market mix.

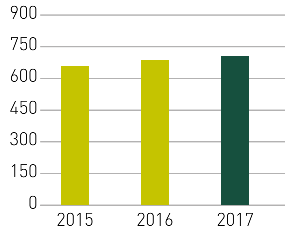
Sales in the segment are characterised by large volumes being exported to distributors at a time, which means that inventory changes should be taken into account when comparing periods. It is estimated that distributors' sales to customers and consumers increased by a low single-digit percentage in 2017. Distributors' sales to customers and consumers thus correspond to Royal Unibrew's deliveries for the year as a whole, but with market differences. The shortage of "hard" currency continues to present a challenge to the achievement of a positive business volume development.

Earnings before interest and tax (EBIT) for 2017 amounted to DKK 106 million, which is DKK 2 million below the 2016 figure. Exchange rate developments affected EBIT negatively by approx DKK 9 million. Against that background and as net selling prices in the African market have been temporarily reduced, EBIT is satisfactory. EBIT margin for 2017 was 22.2%.

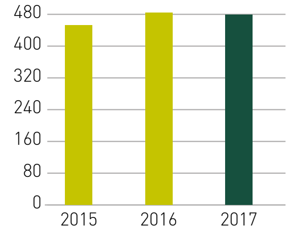
Adjusted for the negative exchange rate effect, EBIT margin for 2017 was 23.5% compared to 22.3% for 2016.

As planned, investments continued in 2017 in reinforcing the business with focus on greater presence in already established markets and in the new markets penetrated in recent years.

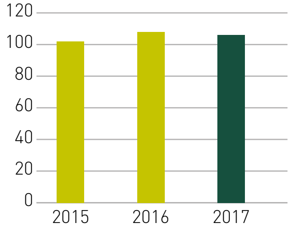
SALES
(thousand hectolitres)



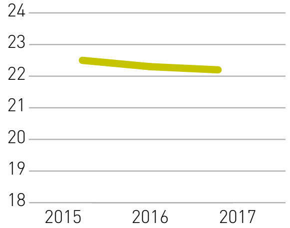
NET REVENUE
(mDKK)



EBIT
(mDKK)



EBIT-MARGIN
(%)



MALT BEVERAGES AND EXPORTS

	2017 Q1-Q4	2016 Q1-Q4	% change	2017 Q4	2016 Q4	% change
Sales (thousand hectolitres)	706	687	3	166	163	2
Net revenue (mDKK)	479	484	-1	114	115	0
EBIT (mDKK)	106	108		26	20	
EBIT margin (%)	22.2	22.3		22.8	17.1	

Profile

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

The key market areas for our malt beverages and Faxe exports are countries in the Americas region and Africa as well as, in the case of malt beverages, among ethnic groups from these areas living in and around major cities in Europe and the USA.

We have several internationally strong dark malt beverage brands which are sold in the premium segment. Vitamalt is assessed to be the malt brand with the broadest global distribution, whereas Supermalt and Powermalt hold strong regional positions.

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

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

Governance

Shareholder information

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

BASIC INFORMATION

Share capital, DKK	105,400,000
Number of shares	52,700,000
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	LargeCap

Share information

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

In 2017, a total of 28,440,762 (2016: 22,299,898) shares were traded, corresponding to 54% (2016: 41.2%) of the total number of shares traded (at year end), through Nasdaq Copenhagen A/S (source: Bloomberg). The trading value amounted to DKK 8,831 million (2016: DKK 6,455 million) representing a 37% increase.

At the end of 2017, the price of the Royal Unibrew share was 371.8 compared to 272.6 per share of DKK 2 at the end of 2016. Royal Unibrew's market capitalisation amounted to DKK 19,594 million at the end of 2017 compared to DKK 14,748 million at the end of 2016. Each share carries one vote, and all shareholders registered in the Company's register of shareholders are entitled to vote.

The Board of Directors has been authorised to increase the Company's share capital on one or several occasions by up to a total nominal amount of DKK 11,000,000 in the period up to and including 29 April 2019.

DEVELOPMENT IN ROYAL UNIBREW'S SHARE CAPITAL

DKK '000	2017	2016	2015	2014	2013
Share capital 1/1	108,200	110,985	110,985	110,985	105,700
Capital reduction	-2,800	-2,785			-4,800
Capital increase					10,085
Share capital 31/12	105,400	**108,200**	**110,985**	**110,985**	**110,985**

Change of control

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

Treasury shares in 2017

At the AGM on 27 April 2016, the Board of Directors was authorised to acquire treasury shares for up to 10% of the total share capital in the period up until the AGM on 27 April 2017, at which a new authorisation was granted for the period until the AGM in 2018.

On 8 March 2017, the Board of Directors initiated a share buy-back programme of a maximum market value of DKK 560 million and for a term to 1 March 2018. At 31 December 2017, Royal Unibrew had bought back 1,361,800 shares representing a market value of DKK 443 million, and in 2018 additionally 322,460 shares have been bought back representing a market value of DKK 117 million. Thus, the initiated share buy-back programme, which has been carried out in accordance with the "Safe Harbour" method, has been completed.

Royal Unibrew has in 2017 bought back a total of 1,600,380 shares at a market value of DKK 507 million, and at 31 December held 1,503,487 treasury shares of a nominal value of DKK 2 each, corresponding to 2.9% of the Company's share capital, 90,500 of which are for the purpose of covering the incentive programme offered to the Executive Board. In 2017, 300,000 treasury shares were used for incentive pay to the Executive Board, and 1,400,000 shares were cancelled. The total number of shares of the Company is 52,700,000 including treasury shares.

Ownership

At the end of 2017, Royal Unibrew had approx 17,000 registered shareholders holding together 88% 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 2018
Chr. Augustinus Fabrikker A/S, Denmark	15.02%
	(reported on 22 September 2017)

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

At 31 December 2017, directors held 17,675 shares of the Company, and members of the Executive Board held 234,464 shares, corresponding to a total of 0.5% of the share capital.

AGM

The Company's AGM will be held on 24 April 2018, at 5 pm at the Bella Center in Copenhagen.

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

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

Board of Directors' resolutions and proposed resolutions for the AGM

The Board of Directors will propose:

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

- that the AGM authorise the Board of Directors to increase the Company´s share capital on one or several occasions by up to a total nominal amount of DKK 10 million in the period through 29 April 2023.

- the distribution of dividend of DKK 8.90 per share of DKK 2 for the 2017 financial year as well as the cancellation of 1,700,000 of the shares bought back in 2016 and 2017.

- that the companys articles of association are changed as for the number of AGM-elected directors from 4-7 to 5-8.

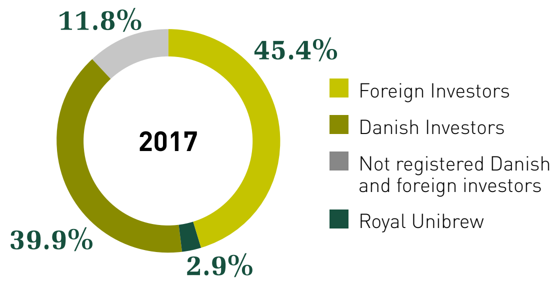
Investor relations activities

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

A number of activities are carried out continuously to ensure good contacts with the Company's stakeholders. In 2017, among other things, Royal Unibrew held four audio casts in connection with the publication of the Annual Report 2016 as well as the Q1 Report, H1 Report and Q3 Report 2017.

Moreover, Royal Unibrew holds analyst and investor meetings in both Denmark and abroad in connection with the publication of Interim and Annual Reports. In total about 200 individual meetings were held with investors and analysts in 2017.

BREAK-DOWN OF SHAREHOLDERS AT THE END OF 2017



DIVIDEND DATES FOR 2018

24 April 2018	Resolution at AGM
24 April 2018	Last trading date with right to dividend for 2017
25 April 2018	First trading date without right to dividend for 2017
30 April 2018	Distribution of dividend

THE ROYAL UNIBREW SHARE IS FOLLOWED BY:

Company	Analyst
ABG Sundal Collier	Michael Rasmussen
Bryan, Garnier & Co	Nikolaas Faes
Carnegie	Lars Topholm
Danske Bank	Jonas Guldborg Hansen
Deutsche Bank	Andrea Pistacchi
Handelsbanken	Karri Rinta
Jyske Bank	Frans Høyer
Nordea Bank	Hans Gregersen
SEB Enskilda	Søren Samsøe

FINANCIAL CALENDAR FOR 2018

24 April 2018	Interim Report for the period 1 January - 31 March 2018
24 April 2018	Annual General Meeting at the Bella Center in Copenhagen
27 August 2018	Interim Report for the period 1 January - 30 June 2018
21 November 2018	Interim Report for the period 1 January - 30 September 2018

IR CONTACT

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

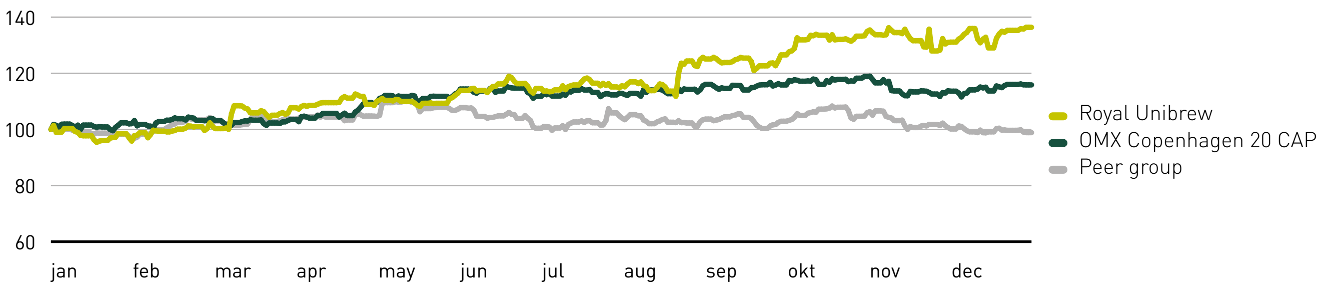
Royal Unibrew A/S
Faxe Alle 1
DK-4640 Faxe

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

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

SHARE PERFORMANCE 2017

(index)



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

SHARE RATIOS

Per share of DKK 2 – DKK	2017	2016	2015	2014	2013
Parent Company shareholders' share of earnings per share	16.0	14.7	13.0	11.3	9.2
Parent Company shareholders' diluted share of earnings per share	16.0	14.6	12.9	11.2	9.2
Free cash flow per share	22.5	19.2	18.9	14.9	11.7
Year-end price per share	371.80	272.6	280.1	217.4	147.2
Dividend per share	8.90	8.15	7.20	6.80	0.00
Number of shares	52,700,000	54,100,000	55,492,500	55,492,500	55,492,500

The share denomination was changed from DKK 10 to DKK 2 in 2015. Comparative figures for the period 2013-2014 are stated per share of DKK 2.

IN 2017, ROYAL UNIBREW PARTICIPATED IN

- The SEB Nordic Seminar in Copenhagen
- Deutsche Bank's dbAccess Small & Midcap Best Ideas Day in London
- The SEB Nordic Market Day in New York
- Handelsbanken's Nordic Mid/Small Cap Seminar in Stockholm
- Jyske Bank Company Day in Silkeborg
- Deutsche Bank's Access Global Consumer Conference in Paris
- Carnegie's Small & Mid Cap Seminar in Stockholm
- Danske Bank Markets' Copenhagen Winter Seminar in Copenhagen

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

Corporate governance

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

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

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

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

Diversity

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

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

The international management team of Royal Unibrew – comprising the Executive Board and the executives just below – comprises 70% (2016: 65%) men and 30% (2016: 35%) women. The target is at least 40% representation of each gender. When new executives are recruited, emphasis is placed on identifying candidates of both genders without discrimination,

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

Board committees (recommendation 3.4):
The Committee **recommends** that the board of directors establish an actual audit committee composed so that the chairman of the board of directors is not the chairman of the audit committee.

- The Board of Directors of Royal Unibrew has decided to take on the audit committee tasks jointly. As a result of this, as allowed under applicable legislation, the chairman of the Board of Directors is also the chairman of the audit committee. The Board's decision to take on the audit committee tasks jointly should be viewed in light of the Company's size, transparency of reporting and clear procedures, due to which the Company's Board of Directors finds no need for a separate audit committee.

Disclosure of the remuneration policy (recommendation 4.2):
The Committee **recommends** that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

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

and Royal Unibrew is seeking to encourage female candidates' interest in taking on managerial tasks.

At present, five of the directors of Royal Unibrew elected by the general meeting are men and one is a woman, while the directors elected by the employees are three men and one woman. Since 2014, the Board of Directors has had two international members and five Danish members elected by the general meeting. The target is an approximate 20% share of female directors before 2020. No directors elected by the general meeting have been replaced in 2017; therefore, the target of 20% has not yet been reached. Following the retirement of one male director, the share of female directors has increased from 14% to 17%.

It is the Board of Directors' objective that its members should, to the widest extent possible, complement each other in terms of age, background, nationality, gender, etc with a view to ensuring a competent and versatile contribution to the board duties at Royal Unibrew. These matters are assessed when the nomination committee identifies new candidates for the Board of Directors, and it is an objective of the committee to identify both male and female candidates. However, recommendation of candidates will always be based on an assessment of the individual candidates' competences and how they match Royal Unibrew's needs and contribute to the overall efficiency of the Board.

Shareholder and stakeholder relations

Royal Unibrew's Management wants and works actively to maintain good and open communication and dialogue with its shareholders and other stakeholders. The Company believes that a high level of openness in the communication of information on the Company's development supports the Company's work and a fair valuation of the Company's shares. The Group's openness is limited only by the duties of disclosure of Nasdaq Copenhagen A/S and by competitive considerations.

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

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

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

All shareholders may submit proposals for resolutions to the Board of Directors to be considered at the general meeting; such proposals for resolutions are to be received by the Board of Directors not later than six weeks prior to the date of the general meeting.

Work of the Board of Directors

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

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

The directors usually meet for five annual ordinary board meetings, one of which focuses on the Company's strategic situation and prospects. In addition, the directors meet when required. In 2017, 8board meetings were held and 5 absentees were noted.

The Board of Directors has established the following committees:

Nomination committee

The nomination committee consists of the Chairman and Deputy Chairman of the Board of Directors. In 2017, the primary activities of the nomination committee were the preparation of the annual evaluation of the Board of Directors and the recruiting of a new CEO. The committee held 3 meetings in 2017.

Remuneration committee

The remuneration committee consists of the Chairman and Deputy Chairman of the Board of Directors. In 2017, the primary activities of the remuneration committee were the assessment and recommendation of remuneration of the Board of Directors and the Executive Board. The committee held 2 meetings in 2017.

Audit committee

The Board of Directors of Royal Unibrew has so far jointly undertaken the audit committee tasks. This should be viewed in light of the Company's size until now, transparency of reporting and clear procedures. Consequently, the Company's Board of Directors has not previously found any need for a separate audit committee. The Board of Directors has decided that, going forward, it will not jointly undertake the audit committee tasks; in consequence, a separate audit committee will be established following the AGM in April 2018. Hence Royal Unibrew will going forward comply with recommandation 3.4 from the Committee on Corporate Governance. It is the Board of Directors`objective to secure quality and integrity in the Company's presentation of Financial Statements, audit and financial reporting. At the same time, the Board of Directors monitors accounting and reporting processes, the audit of the Company's financial reporting, risk issues and the external auditor's performance and independence. Moreover, due to new legislation requiring a mandatory change of external auditor, the Board of Directors has prepared a recommendation for appointment of a new external auditor for the AGM in 2018. The external auditor has participated in three meetings of the Board of Directors in connection with the Board of Directors' performance of audit committee tasks.

Evaluation of the work of the Board of Directors

Annual evaluation of the work of the Board of Directors is performed. The evaluation focuses on ensuring that the Board of Directors as a body has expertise and experience within Fast Moving Consumer Goods (FMCG), production, sales and marketing of brands globally and in business-to-business markets, strategic and general management and within economic, financial and capital market issues, including those relating to listed companies. The evaluation is made by the Chairman of the Board of Directors. For this purpose the Chairman receives written replies to a questionnaire distributed to all members of the Board. The findings of the evaluation are presented and discussed at a meeting of the Board of Directors.

The evaluation in 2017 did not give rise to changing the composition of the Board of Directors as the necessary competences are considered to be in place. Moreover, the Board of Directors evaluated that by establishing an audit committee and by continuous reporting from the nomination committee and the remuneration committee to the Board of Directors the working method could be strengthened.

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

Composition of the Board of Directors

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

Candidates for the Board of Directors are recommended for election by the general meeting supported by motivation in writing by the Board of Directors as well as a description of the recruiting criteria. The individual members' competences are described in the below section on the Board of Directors and the Executive Board. When joining Royal Unibrew, new members of the Board of Directors are given an introduction to the Royal Unibrew and to the markets in which the Group operates.

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

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

Risk management

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

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

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

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

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

Risk management structure

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

The overall risk management structure is outlined below.

RISK MANAGEMENT STRUCTURE

Board of Directors	• Approves the overall risk policy • Monitors the development in the total strategic risk exposures and the individual risk factors and verifies compliance with the overall risk policy
Executive Board	• Determines risk management policies and strategies for the individual risks and ensures implementation of these • Ensures consistency between the risk management policy and the business objectives • Monitors risk management and the development in key risks • Ensures that adequate resources are available to implement efficient risk management
Staff functions and business units	• Identify, assess, quantify and record risks • Make suggestions for addressing risks • Monitor risk management activities initiated • Report regularly to the Executive Board
Local risk owners	• Continuous monitoring and/or reduction of risks through risk-mitigating activities

Key risk factors in 2018

In addition to financial risks, the following risk factors, which are unchanged from 2017, are considered key risks in 2018:

Area	Description	Risk mitigation
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. However, in recent years, markets have been more volatile than previously experienced. Thus, considerable market fluctuations have been seen for certain product categories and in certain markets. At the beginning of 2018, several of Royal Unibrew's markets are still affected by consumer restraint, see the Outlook 2018 section on page 18. Macroeconomic uncertainty and low growth of long duration may affect earnings negatively. This could happen due to declining consumption or shifts in product mix towards products with lower earnings.	By focusing on flexibility in its action plans, Royal Unibrew is seeking to secure leeway for reducing the effect of macroeconomic uncertainty and changes to consumption patterns. The efforts directed at continuous improvements across the business will contribute towards limiting the negative effect of macroeconomic changes.
Industry and market	In most markets, the product category beer and soft drinks is characterised by tough price competition and intensive marketing from a number of suppliers. At the same time, continuous consolidation is seen among customers who handle the distribution of products to consumers and are to an increasing extent also centralising internal distribution and product range decisions. Furthermore, Royal Unibrew's market area is characterised by considerable industry concentration on the supplier side.	Royal Unibrew's earnings and competitiveness are ensured through constant focus on markets and segments in which Royal Unibrew holds or may achieve a significant position. Moreover, the Company focuses on value management through the development of products, containers and packaging, cooperation with customers and communication with consumers. The efforts directed at continuous improvements across the business will contribute towards limiting the negative effect of industry concentration.
Weather	Usually, the consumption of Royal Unibrew's products is high in the summer months. However, this presupposes dry and fair weather. In the summer months of 2017, the weather in Royal Unibrew's markets in Northern Europe was exceptionally poor, which was unfavourable to the consumption of beer and soft drinks. This affected the Group's sales and net revenue, and thus earnings, negatively.	Through focus on flexibility of action plans, Royal Unibrew aims at securing leeway to respond to lower earnings caused by unfavourable weather conditions in the summer months.
Commodity prices	The prices of a large number of key commodities fluctuate in line with world market prices. To the extent that higher unit cost cannot be compensated for by higher selling prices per unit or in other ways increasing the average selling price per unit correspondingly, Royal Unibrew's earnings will decrease. In order to maintain EBIT margin, selling prices per unit must increase more than the unit cost increase.	Royal Unibrew monitors the trend in commodity prices hedging against short-term price increases through agreements with suppliers and through commodity hedges if considered essential and economical. The Group's policy for hedging commodity risks involves a smooth and time-differentiated effect of commodity price increases. Moreover, there is systematic focus throughout the Group on streamlining the production and distribution process and on increasing net selling prices per unit.
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, eg by way of restrictions in respect of the sale, marketing and production of Royal Unibrew's products or due to increasing consumption taxes. Such restrictions may affect the Group's sales and earnings significantly.	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.
IT risks	Royal Unibrew's activities are to a large extent dependent on the use of the established IT systems and IT security. A prolonged breakdown, unintended maloperation or an unauthorised break-in into the systems supporting sales and supply processes as well as internal information systems may involve a significant risk of interruption of Royal Unibrew's activities.	Royal Unibrew has established procedures to ensure: • day-to-day operation of the IT systems supporting the key business processes, • protection against data loss, • protection against unauthorised access to and distribution of confidential data, • general protection against cybercrime.

Risk management and management structure

The full Board of Directors, which also performs the function of audit committee, has ultimate risk management responsibility. The auditors appointed at the general meeting participate in board meetings that concern the tasks of the audit committee. The audit committee monitors the total strategic risk exposure and the individual risk factors relating to Royal Unibrew's activities. The Board of Directors adopts guidelines for the key risk areas, monitors developments and ensures the existence of plans to manage the individual risk factors, including commercial and financial risks.

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

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

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

Risk assessment in 2017

In 2017, Royal Unibrew's Executive Board closely monitored the development in market-related risks and made the necessary changes to risk-mitigating activities to secure budgeted earnings. Moreover, local risk management workshops were held with participation by risk owners and other executives. Centrally, the identified risks and proposed action plans were reviewed and assessed by the Company's Executive Board. Based on this, the Executive Board presented the key risks to the Board of Directors and recommended the necessary risk-mitigating activities/action plans for approval by the Board of Directors. The Board of Directors then resolved to implement the necessary risk-mitigating measures with a view to ensuring optimum realisation of Royal Unibrew's strategic objectives.

Control and risk management activities relating to the financial reporting process

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

Control activities

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

Moreover, a central corporate function is responsible for controlling the financial reporting from the subsidiaries, which also includes a statement from each reporting group entity in relation to compliance with adopted group policies and internal control measures. In 2017, controlling visits were paid to the key subsidiaries. In 2017, the Board of Directors has also assessed that establishment of an actual internal audit department is not required at this time considering the moderate complexity of the Group and the transparency of its reporting.

Information and communication

The Board of Directors emphasises the importance of the Group communicating openly, with due regard to the confidentiality required for listed companies, and of the individual knowing his/her role with respect to internal control.

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

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

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

Monitoring

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

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

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

Remuneration

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

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

The complete remuneration policy for the Board of Directors and the Executive Board is disclosed at the Company's website.

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

Board of Directors remuneration

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

The annual remuneration paid to ordinary board members amounts to DKK 300,000. The Chairman and Deputy Chairman receive remuneration of 2.5 times (DKK 750,000) and 1.75 times (DKK 525,500) the remuneration paid to ordinary members. The total remuneration paid to the Board of Directors in 2017 amounted to DKK 4.0 million.

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

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

Executive Board remuneration

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

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

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

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

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

As part of Royal Unibrew's continued efforts to focus on value creation for shareholders, the Executive Board was offered restricted (conditional) shares for no consideration. A restricted share entitles the holder to receive one Royal Unibrew share of a nominal value of DKK 2 for no consideration. The number of shares depends on the extent to which the EBIT and free cash flow targets defined by the Board of Directors are achieved in the vesting period. The maximum number of restricted shares is expected to be appox. 90,500 shares, corresponding to a value of DKK 17 million for 64,200 restricted shares offered on 17 January 2017 and a value of DKK 10 million for 26,300 restricted shares offered on 6 March 2018.

For the vesting period 2017-2019 approx. 72,500 shares is expected to be granted when the Company's Annual Report for 2019 has been published in March 2020, and for the vesting period 2020 approx. 18,000 shares is expexted to be granted when the Company's Annual Report for 2020 has been published in March 2021.

The total remuneration of the Executive Board amounted to DKK 32 million in 2017. See also note 5.

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

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

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

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

Remuneration component	Purpose	Level of granting	Granting criteria
Fixed salary	Attract and retain the right executives by offering a salary that reflects their competences and experience.	Must reflect the level of peer companies.	Assessed annually on the basis of individual responsibilities, qualifications and results.
Benefits	Offer a competitive package that supports attraction and retention.	Benefits corresponding to market practice.	N/A
Pension	The Executive Board members make their own pension contributions.	N/A	N/A
Ordinary bonus	Ensure the achievement of Royal Unibrew's short-term targets.	May not exceed 60% of the fixed salary (gross salary).	Bonus grants and their size depend on the achievement of targets agreed for one year at a time - primarily relating to Royal Unibrew's budgeted targets and results, financial key figures or other measurable individual results.
Long-term bonus	Ensure the achievement of Royal Unibrew's long-term targets.	For the period 2017-2019, the total number of restricted shares is expected not to exceed 72,500 shares granted in connection with the publication of Royal Unibrew's Annual Report for 2019 in March 2020. The number of shares will be adjusted in proportion to the dividend distribution in the vesting period. For the period 2020, the total number of restricted shares is expected not to exceed 18,000 shares granted in connection with the publication of Royal Unibrew's Annual Report for 2020 in March 2021. The number of shares will be adjusted in proportion to the dividend distribution in the vesting period.	The number of shares granted will be subject to the level of achievement in the vesting period of the EBIT and free cash flow targets determined by the Board of Directors for financial years 2017-2019 respectively 2020.
Extraordinary bonus	Encourage the generation of shareholder value and ensure that objectives of attracting and retaining key executives are met.	May not exceed 100% of the fixed salary (gross salary), eg in the form of a retention bonus, loyalty bonus, restricted shares or bonus.	The bonus is granted to remunerate a special effort.

BOARD OF DIRECTORS REMUNERATION

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

Board of Directors and Executive Board

Board of Directors

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

Position
Professional board member in a number of enterprises

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

Independence
Considered independent

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

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

Jais Valeur
Deputy Chairman of the Board

Position
Group CEO of Danish Crown

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

Independence
Considered independent

Member of the board of directors
Foss A/S

Ingrid Jonasson Blank
Member of the Board
Is not available for election at the AGM in 2018

Position
Professional board member in a number of Nordic enterprises

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

Independence
Considered independent

Member of the board of directors
Ambea Sweden Group AB, Sweden
Bilia AB, Sweden
Fiskars Oyj, Finland
Martin & Servera AB, Sweden
Musti ja Mirri Grp Oy, Finland
Orkla ASA, Norway
ZetaDisplay AB, Sweden
Foenom Oy, Finland

Board of Directors (continued)

Jens Due Olsen
Member of the Board
Is not available for election at the AGM in 2018.

Position
Professional board member in a number of Danish enterprises

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

Independence
Considered independent

Chairman of the board of directors
Auris III Luxembourg S.A., Luxembourg
Bladt Industries A/S
Børnebasketfonden (Charity Foundation)
NKT A/S
Nilfisk A/S
KMD A/S

Member of the board of directors
Cryptomathic A/S
Gyldendal A/S

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

Karsten Mattias Slotte
Member of the Board

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

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

Independence
Considered independent

Member of the board of directors
Ratos Ab (publ), Sweden
Scandi Standard Ab (publ), Sweden
Onvest Oy, Finland
Finsk-Svenska Handelskammaren

Hemming Van
Member of the Board

Position
Executive Officer of HV Invest ApS

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

Independence
Not considered independent due to length of service

Executive board service
CEO of Easyholding ApS,
CEO of HV Holding ApS, Chri Van ApS, Ka Van ApS,
Se Van ApS and The Van ApS

Chairman of the board of directors
Easyfood A/S
GOG Holding A/S
Halberg A/S
HV Holding (Thailand) Co., Ltd.

Member of the board of directors
Great Dane A/S
HV Invest ApS
Pro Natural Harvest Co., Ltd.
eHUBnordic ApS
NORD Gourmet ApS

Board of Directors (continued)

Martin Alsø
Elected by the employees

Position
Business Unit Manager

Jørgen-Anker Ipsen
Elected by the employees

Position
Export Area Manager

Kirsten Wendelboe Liisberg
Elected by the employees

Position
Brewery Hand

Søren Lorentzen
Elected by the employees

Position
Brewery Hand

THE BOARD OF DIRECTORS OF ROYAL UNIBREW

Name	Year of birth	Initially elected	Term of office	Position	Number of Royal Unibrew shares held at 1 January 2018	Change from 1 January 2017
Walther Thygesen	1950	2010	2017	Chairman	7,500	-
Martin Alsø	1974	2014	2014-2018	Board member elected by the employees	1,900	-1,500
Ingrid Jonasson Blank	1962	2013	2017	Board member	-	-
Jørgen-Anker Ipsen	1958	2014	2014-2018	Board member elected by the employees	-	-
Kirsten Wendelboe Liisberg	1956	2006	2014-2018	Board member elected by the employees	810	-
Søren Lorentzen	1964	2010	2014-2018	Board member elected by the employees	860	-
Jens Due Olsen	1963	2010	2017	Board member	-	-
Karsten Mattias Slotte	1953	2013	2017	Board member	-	-
Jais Valeur	1962	2013	2017	Deputy Chairman	-	-
Hemming Van	1956	2004	2017	Board member	6,605	-

Executive Board

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

Qualifications
BA Business Administration

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

Member of the board of directors
Dansk Retursystem Holding A/S including subsidiaries
Hansa Borg Holding AS including subsidiaries, Norway

Lars Jensen
CFO as of November 2011

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

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

THE EXECUTIVE BOARD OF ROYAL UNIBREW

Navn	Year of birth	Position	Number of Royal Unibrew shares held at 1 January 2018	Change from 1 January 2017
Johannes F.C.M. Savonije	1956	CEO	192,889	+79,389
Lars Jensen	1973	CFO	41,575	+15,345

Corporate social responsi-bility

Corporate social responsibility report under section 99A of the Danish Financial Statements Act

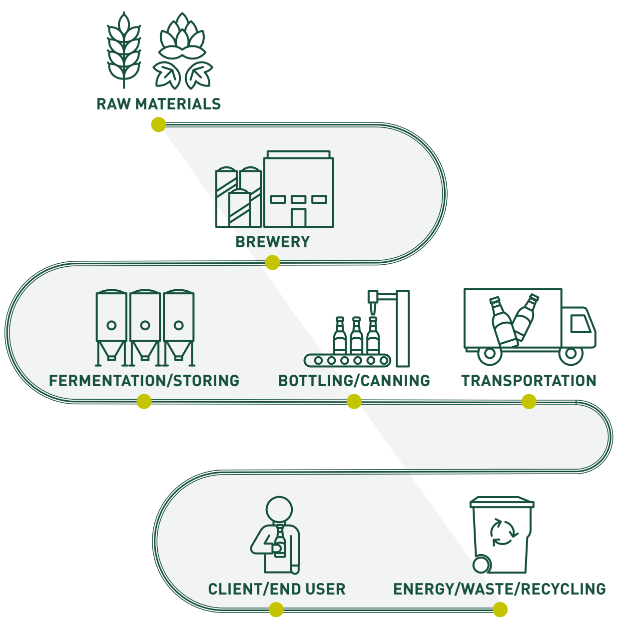
"The key to our good results over the past years has been a persistent focus on sustainable, long-term value creation and on achieving continuous improvements."

We take our social responsibility seriously

At Royal Unibrew, we are very aware of our role as a considerable beverage provider with breweries and operations in many countries – and of our responsibility to our surroundings. We want to contribute positively to the development in the areas in which we operate, to limit our environmental impact, to establish safe and good working conditions for our employees and to deliver products of a very high quality to consumers.

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

ROYAL UNIBREW'S VALUE CHAIN/PROCESS FLOW



Circular economy – a useful framework for environmental management efforts

Under the heading "Circular economy", a focus area in recent years has been how to keep products and materials circulating in order to leverage their value for as long as possible. In June 2017, the Danish Government's Advisory Board for Circular Economy published a vision for Denmark's transition to a circular economy and formulated specific objectives and recommendations for efforts to support the transition to a circular economy. Moreover, the UN has adopted 17 sustainable development goals for the world in relation to which circular economy is a crucial element in generating more sustainable economic growth.

We are continuously endeavouring to reduce our consumption and increase recycling across our entire value chain. It therefore comes very natural to us to act in accordance with the general mindset that is the mainstay of the circular economy vision – and we have been doing that for a number of years. It is very much about a sound economy and common sense, and we have achieved significant results in recent years.

As part of our continued endeavours to limit our environmental impact, we will continue our efforts to optimise the raw materials used, and we will reduce the weight of our containers and packaging and increase the use of recyclable and biodegradable materials. At the same time, we will reduce water and energy consumption, optimise the transportation of our products and increase the use of waste materials to generate energy.

Read more about our activities and results on the next pages.

Corporate social responsibility

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

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

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

We feel a special social responsibility in relation to the local areas in which we operate. It is therefore Royal Unibrew's aim to have a good dialogue with local/municipal authorities on the issues of current interest in the local areas; we make an active effort to assume responsibility for these, for example in relation to activating citizens balancing on the edge of the labour market and integrating refugees.

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

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

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

Our work to prepare and announce an overall strategy for our CSR work to create an even better framework for and insight into our targeted CSR efforts across our organisation continues in 2018.

Target areas of Royal Unibrew

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

Human rights (labour rights and competence development)

Working conditions (safety at work)

Environmental and climate issues

Financial and business matters, including
– Anti-corruption
– Competition
– Tax policy and tax payment

Consumer affairs (responsible alcohol consumption)

We have described Royal Unibrew's efforts in the individual areas on the following pages.

Human rights (labour rights and competence development)

§ Policy

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

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

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

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

Activities

Continuous efforts are made to ensure workplace diversity. Traditionally, the brewery business is relatively male-dominated, but Royal Unibrew works continuously to ensure a more equal gender representation. Royal Unibrew is also involved in other areas to eliminate discrimination; for example, we launched a project of attempting to bring newly arrived refugees into job activation in Faxe in 2016 in cooperation with the Municipality of Faxe. This project continued in 2017.

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

As part of our dialogue with suppliers, we collect information from them to ensure that Royal Unibrew is not brought into conflict with its ethical guidelines. A supplier evaluation was made in 2017.

In the period from November 2016 to February 2017, an employee satisfaction survey was performed. Based on the survey findings, in-depth analyses and action plans were launched at both group and country levels in 2017 with focus on, among other things, commitment, performance and competence development. Royal Unibrew believes in the value of on-the-job training and focuses on creating broader jobs, new responsibilities and job rotation. Various training and development activities have been initiated locally, including relation-building sales training focusing on customers, various types of executive development training to equip the "Great Leaders" of the future as well as the establishment of efficient teams.

Royal Unibrew is working continuously at raising the level of the individual employee's competences and at strengthening our managers' ability to drive changes and to support their employees' development. Every year, our employees are offered a number of courses that give the individual concrete tools to handle a more complex and changeable workday. Managers have strengthened their competences within project management, among other things, and in 2017 a mentor scheme was launched, under which young/inexperienced managers are assigned an older/experienced manager as a mentor in order to leverage the knowledge and experience existing within our organisation.

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

Human rights (labour rights and competence development) (continued)

Risk

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

In the recruiting process, Royal Unibrew always aims at attracting and recruiting a diverse labour force. Historically, however, the brewery industry is a male-dominated industry within a number of functions, which challenges our diversity target.

Outside Royal Unibrew, but in relation to Royal Unibrew's operations, there is a risk of purchasing goods or services from suppliers who do not live up to Royal Unibrew's ethical guidelines for respecting human rights.

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

KPI

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

Performance

The international management team comprised 70% (2016: 65%) men and 30% (2016: 35%) women in 2017.

GENDER REPRESENTATION ON THE INTERNATIONAL MANAGEMENT TEAM

	2017	2016
Woman	**30 %**	35 %
Men	**70 %**	65 %

Royal Unibrew had newly arrived refugees in trial jobs in 2017.

The collection of information from Royal Unibrew's suppliers in 2017 did not reveal any non-compliance with Royal Unibrew's ethical guidelines for respecting human rights.

All Royal Unibrew departments have developed action and follow-up plans based on the findings of the employee satisfaction survey in order to develop both the individual department and its employees. A Growth Leadership Team has been established across Royal Unibrew's markets who will focus on growth and development of our business and organisation, knowledge sharing and best practice.

By offering our employees a number of courses, we have provided them with specific tools to handle challenges and changes. Our managers have become better equipped for driving changes and guiding our employees through such changes.

Working conditions (safety at work)

§ Policy

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

Activities

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

At all production sites, health & safety activities are carried out adapted to the local production site and work area. In Denmark, for example, joint health & safety discussions, a joint health & safety day as well as courses with focus on tools to reduce daily peak loads were organised in 2017.

In 2017, follow-up was performed on the findings of a job satisfaction measurement made in the period from December 2016 to February 2017 among all employees, and measures have been taken locally to identify factors that may contribute towards higher job satisfaction.

Based on the job satisfaction measurement and the reporting on near-accidents in 2017, investments have been made in technical aids and measures to prevent heavy lifting and harmful movements. Financial resources are specifically allocated for this, for example for ladders, platforms and protective equipment.

! Risks

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

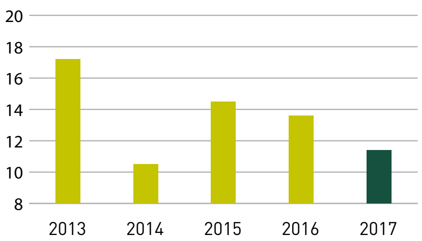
KPI

A target for the maximum number of occupational accidents per million work hours has been defined, and all occupational accidents are registered. A job satisfaction survey is regularly carried out among all employees. The survey results in an overall job satisfaction score and provides us with the possibility of monitoring developments in the area.

✓ Performance

OCCUPATIONAL ACCIDENTS

Accidents per million work hours*



*Accidents and hours have been included for all Royal Unibrew employees.

Environmental and climate issues

§ Policy

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

The major production sites of the Group must be certified under the ISO 14001 environmental management standard.

Activities

In 2017, we continued our efforts to continuously reduce Royal Unibrew's environmental footprint, primarily targeted at:

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

Royal Unibrew's compliance with environmental legislation is regularly verified, including legislation relating to waste water discharge, noise reduction and waste management. Environmental risks are monitored locally at our production sites in order to ensure compliance with standards and to ensure fast corrective action if required.

We aim at implementing electronic registration where possible. In 2017, digital solutions were implemented on several of the Group's markets with a view to supporting and streamlining the sales process.

! Risk

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

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

KPI

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

✓ Performance

The specific energy and water consumption stagnated in 2017 around the same or a marginally lower level than in 2016.

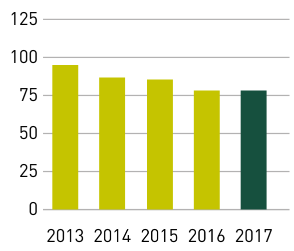
Energy:	78.0 MJ per hectolitre produced corresponding to the 2016 level
Water:	3.11 hectolitres per hectolitre produced corresponding to a 0.5% reduction from 2016

In 2017, new and more consumption-efficient bottling units were put into operation in both Denmark and Finland.

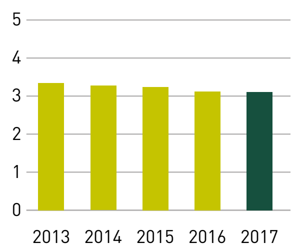
All production units continued their work of replacing old energy sources with new energy-efficient LED light sources in 2017.

In Denmark, the replacement of older distribution vehicles classified at EURO 3 and 4 levels by new ones classified at EURO 6 level continued in 2017.

ENERGY CONSUMPTION
(MJ/hl)



WATER CONSUMPTION
(hl/hl)



Financial and business matters

Anti-corruption

Policy

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

According to Royal Unibrew's Code of Ethics, our employees are not allowed to offer or accept bribes or any improper payments for personal or corporate gain. Disciplinary actions will be taken if an employee is involved in bribery.

Royal Unibrew's business relations with key suppliers and partners are subject to requirements for compliance with anti-corruption legislation.

Activities

All new employees receive Royal Unibrew's Code of Ethics in connection with their introduction programme. In 2017, all employees with responsibility for sales in areas outside the EU were individually trained in Royal Unibrew's Code of Ethics when joining the Company, which will be followed up by annual training of all these employees.

Requirements for compliance with anti-corruption rules corresponding to Royal Unibrew's Code of Ethics have been incorporated into all new agreements with distributors and key suppliers in 2017. Follow-up on the compliance with the anti-corruption rules was performed at status meetings with existing distributors and key suppliers.

Risk

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

KPI

It is Royal Unibrew's objective to avoid any violation of the anti-corruption rules internally as well as with its external partners.

Performance

Royal Unibrew did not note any violations of Royal Unibrew's anti-corruption rules in 2017.

Financial and business matters (continued)

Competition

Policy

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

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

Activities

As part of Royal Unibrew's competition law compliance programme, we continued monitoring developments in competition law and updated our compliance programme in 2017. Moreover, in 2017 we carried on our continuous training of executives and sales and purchasing staff in applicable rules, performed regular, internal controls and ensured compliance with the competition rules in connection with negotiating and entering into contracts.

Risk

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

KPI

It is Royal Unibrew's objective to avoid any violation of the competition rules.

Performance

Royal Unibrew did not note any violations of competition law in 2017.

Financial and business matters (continued)

Tax policy and tax payment

Policy

Royal Unibrew operates in a number of countries and is therefore subject to both national and international tax rules. At the same time, the nature of Royal Unibrew's business implies that both direct and excise duties are paid in the individual markets. Through its tax payments, Royal Unibrew contributes positively to society in the respective countries – as it does by creating jobs and using sub-suppliers.

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

- Royal Unibrew pays taxes on its activities in the countries in which the activities are carried out, and no special tax structures for the purpose of tax optimisation are applied.
- Royal Unibrew endeavours to live up to national and international tax legislation at all times and sets out to enter into an open and constructive dialogue with the tax authorities.
- Royal Unibrew has developed an internal organisation and has laid down well-defined control procedures designed to ensure compliance with tax legislation.
- Royal Unibrew wants to communicate openly and fairly about its tax policy and tax payments.

Risk

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

Activities

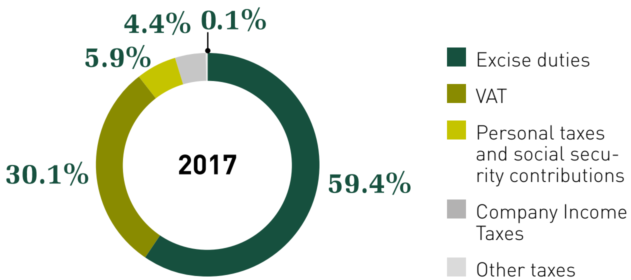
In 2017, Royal Unibrew updated its processes and documentation of tax legislation compliance in all the countries in which the Company operates.

Performance

Royal Unibrew was not involved in any cases of non-compliance with tax legislation in 2017.

In 2017, the effective tax rate was 21% of profit for the year (2016: 21%). Royal Unibrew paid corporation tax of DKK 246 million on its operating activities (2016: DKK 211 million). In addition to that, Royal Unibrew's activities generate other considerable tax payments, including excise duties on beer, mineral water and other items, VAT, personal taxes and social security contributions. The total contribution through taxes in 2017 amounted to DKK 4.7 billion (2016: 5.0 billion). Primarily, the decrease in tax contribution relates to changes in excise duties and VAT. Moreover, tax contributions from the Group's suppliers and customers are indirectly generated.

BREAKDOWN OF TAXES



Total tax contribution 2017
DKK 4.7 billion

Consumer affairs (responsible alcohol consumption)

Policy

Royal Unibrew supports The Brewers of Europe's views and initiatives concerning responsible alcohol consumption and complies with the rules on responsible marketing and consumption of beverages. We are very aware of the risk, internally and with our customers, of our alcoholic and/or sacchariferous products being abused or over-consumed.

Royal Unibrew wants to be active in industry organisations in the individual countries in which the Group has subsidiaries.

Activities

Royal Unibrew contributed actively towards responsible marketing and consumption of beverages in 2017.

In 2017, Royal Unibrew continued its existing practice of subjecting marketing material to the approval of the Company's in-house counsel and of including requirements for compliance with marketing rules in all agreements with external partners such as distributors and advertising agencies. Moreover, employees engaged in the marketing of the Group's products were trained in existing marketing legislation in 2017.

Royal Unibrew continued in 2017 to assume responsibility for preventing abuse problems among its employees and, through sponsorships, supports a large variety of sports and health initiatives nationally, regionally as well as locally. In 2017, we launched new products with a low alcohol content and with a low or no sugar content.

Risk

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

KPI

It is Royal Unibrew's objective to avoid any violation of marketing legislation.

Performance

No violations of marketing legislation were noted in 2017.

Signatures and statements

Management's Statement on the Annual Report

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Royal Unibrew A/S for 1 January - 31 December 2017.

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 2017 as well as of the results of the Group and Parent Company operations and cash flows for the financial year 1 January - 31 December 2017.

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, 6 March 2018

Executive Board

Johannes F.C.M. Savonije
President & CEO

Lars Jensen
CFO

Board of Directors

Walther Thygesen
Chairman

Jais Valeur
Deputy Chairman

Martin Alsø

Ingrid Jonasson Blank

Jørgen-Anker Ipsen

Kirsten Liisberg

Søren Lorentsen

Jens Due Olsen

Karsten Mattias Slotte

Hemming Van

Independent auditor's report

To the shareholders of Royal Unibrew A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Royal Unibrew A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Royal Unibrew A/S before 1995, and accordingly, we have to resign as auditor of the company at the general meeting in 2021 at the latest. We have been re-appointed annually by resolution of the general meeting for a total consecutive period of more than 23 years up to and including the financial year 2017.

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 financial year 2017. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of goodwill and trademarks in Baltic Sea

Goodwill and trademarks regarding Baltic Sea's cash generated units represent 44% of the Group's assets and 92% of the Group's equity. As required by applicable accounting standards in relation to goodwill and trademarks with indefinite lives, Management must conduct an impairment test on an annual basis to identify if the carrying values of recognised goodwill and trademarks are considered to be impaired and, hence, should be written down to the recoverable amount.

Management determines the recoverable amount of the CGUs on the basis of a discounted cash flow model with a six-year projection and a terminal value. Management uses assumptions in respect of future market and country risks and economic conditions such as economic growth, discount rates, revenue and margin development for the GCUs.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as 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 in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 note 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 governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Copenhagen, 6 March 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Niels-Jørgen Andersen
State Authorised
Public Accountant
MNE no.: mne30201

Consolidated financial statements 2017

Consolidated Income Statement

Consolidated Income Statement for 1 January - 31 December

DKK '000	Note	2017	2016
Net revenue	**4**	**6,384,386**	**6,340,376**
Production costs	5,6	-3,084,314	-3,053,150
Gross profit		**3,300,072**	**3,287,226**
Sales and distribution expenses	5,6	-1,956,367	-1,981,803
Administrative expenses	5,6	-275,104	-304,734
Earnings before interest and tax		**1,068,601**	**1,000,689**
Income after tax from investments in associates	13	18,418	27,802
Financial income	7	3,048	4,055
Financial expenses	8	-34,447	-34,962
Profit before tax		**1,055,620**	**997,584**
Tax on the profit for the year	9	-224,961	-213,833
Net profit for the year		**830,659**	**783,751**
Earnings per share (DKK)	18	16.0	14.7
Diluted earnings per share (DKK)	18	16.0	14.6

Consolidated Statement of Comprehensive Income for 1 January - 31 December

DKK '000	Note	2017	2016
Net profit for the year		**830,659**	**783,751**
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange adjustment of foreign group enterprises		-5,232	-9,180
Value adjustment of hedging instruments, beginning of year		7,113	27,839
Value adjustment of hedging instruments, end of year		-1,416	-7,113
Tax on other comprehensive income	9	-1,560	-4,017
Total		**-1,095**	**7,529**
Items that may not be reclassified to the income statement			
Actuarial gain on pension schemes		-104	-325
Tax on actuarial gain on pension schemes	9	23	51
Total		**-81**	**-274**
Other comprehensive income after tax		**-1,176**	**7,255**
Total comprehensive income		**829,483**	**791,006**

Consolidated Balance Sheet

Assets at 31 December

	Note	2017	2016
NON-CURRENT ASSETS			
Intangible assets	11	2,862,066	2,884,121
Property, plant and equipment	12	2,121,551	2,142,174
Investments in associates	13	127,911	143,978
Other fixed asset investments	14	9,618	10,074
Non-current assets		**5,121,146**	**5,180,347**
CURRENT ASSETS			
Inventories	15	335,338	335,944
Receivables	16	587,441	534,116
Corporation tax		16,164	
Prepayments	17	33,693	18,677
Cash at bank and in hand		684,626	6,917
Current assets		**1,657,262**	**895,654**
Assets		**6,778,408**	**6,076,001**

Liabilities and Equity at 31 December

	Note	2017	2016
EQUITY			
Share capital	18	105,400	108,200
Other reserves		770,138	790,808
Retained earnings		1,469,583	1,571,454
Proposed dividend		469,030	440,915
Equity		**2,814,151**	**2,911,377**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	19	378,231	362,117
Mortgage debt	2	858,328	859,220
Credit institutions	2	381,179	
Other payables		12,960	13,556
Non-current liabilities		**1,630,698**	**1,234,893**
CURRENT LIABILITIES			
Mortgage debt	2	3,720	4,761
Credit institutions	2	416,369	133,975
Trade payables		1,025,688	858,149
Provisions		20,846	16,876
Corporation tax			21,196
Other payables	20	866,936	894,774
Current liabilities		**2,333,559**	**1,929,731**
Liabilities	**23**	**3,964,257**	**3,164,624**
Liabilities and equity		**6,778,408**	**6,076,001**

Consolidated Cash Flow Statement

for 1 January - 31 December

	Note	2017	2016
Net profit for the year		830,659	783,751
Adjustments for non-cash operating items	22	536,784	531,825
		1,367,443	**1,315,576**
Change in working capital:			
Receivables		-71,496	32,213
Inventories		863	-20,557
Payables		146,616	-105,017
Cash flows from operating activities before financial income and expenses		**1,443,426**	**1,222,215**
Financial income		3,048	1,366
Financial expenses		-31,832	-28,237
Cash flows from operating activities		**1,414,642**	**1,195,344**
Corporation tax paid		-246,418	-210,612
Cash flows from operating activities		**1,168,224**	**984,732**
Dividends received from associates		26,735	24,863
Sale of property, plant and equipment		8,554	222,109
Purchase of property, plant and equipment		-253,771	-209,619
Free cash flow		*949,742*	*1,022,085*

	Note	2017	2016
Acquisition/sale of intangible assets and fixed asset investments		456	151
Cash flows from investing activities		**-218,026**	**37,504**
Debt financing:			
Proceeds from increased drawdown on credit facilities		901,274	400,000
Repayment on credit facilities		-240,000	-917,918
Shareholders:			
Dividends paid to shareholders		-426,527	-385,801
Acquisition of shares for treasury		-507,589	-443,584
Cash flows from financing activities		**-272,842**	**-1,347,303**
Change in cash and cash equivalents		677,356	-325,067
Cash and cash equivalents at 1 January		6,917	333,185
Exchange adjustment		353	-1,201
Cash and cash equivalents at 31 December		**684,626**	**6,917**

Consolidated Statement of Changes in Equity

for 1 January - 31 December

DKK '000	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2016	**108,200**	**834,363**	**-36,442**	**-7,113**	**790,808**	**1,571,454**	**440,915**	**2,911,377**
Changes in equity in 2017								
Net profit for the year					**0**	830,659		**830,659**
Other comprehensive income			-4,775	5,697	**922**	-561		**361**
Tax on other comprehensive income					**0**	-1,537		**-1,537**
Total comprehensive income	**0**	**0**	**-4,775**	**5,697**	**922**	**828,561**	**0**	**829,483**
Proposed dividend					**0**	-469,030	469,030	**0**
Dividends paid to shareholders					**0**		-426,527	**-426,527**
Dividend on treasury shares					**0**	14,388	-14,388	**0**
Acquisition of shares for treasury					**0**	-507,589		**-507,589**
Share-based payments					**0**	5,651		**5,651**
Capital reduction	-2,800	-21,592			**-21,592**	24,392		**0**
Tax on changes in equity, shareholders					**0**	1,756		**1,756**
Total shareholders	**-2,800**	**-21,592**	**0**	**0**	**-21,592**	**-930,432**	**28,115**	**-926,709**
Total changes in equity in 2017	**-2,800**	**-21,592**	**-4,775**	**5,697**	**-20,670**	**-101,871**	**28,115**	**-97,226**
Equity at 31 December 2017	**105,400**	**812,771**	**-41,217**	**-1,416**	**770,138**	**1,469,583**	**469,030**	**2,814,151**

The share capital at 31 December 2017 amounts to DKK 105,400,000 and is distributed on shares of DKK 2 each.
Proposed dividend for the year amounts to DKK 8.90 per share (2016: DKK 8.15 per share).

Consolidated Statement of Changes in Equity

for 1 January - 31 December

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

Note 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 2017 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 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for financial statements, cf the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The Board of Directors and the Executive Board considered and adopted the Annual Report of Royal Unibrew A/S for 2017 on 6 March 2017. The Annual Report will be submitted for adoption by the shareholders of Royal Unibrew A/S at the Annual General Meeting on 24 April 2018.

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

§ Significant accounting policies

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

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

New and amended standards and interpretations that have taken effect
Royal Unibrew has during the year implemented all new IFRSs, amendments to existing standards and IFRICs adopted by the EU which take effect for the financial year 2017. The implementation has had no impact on recognition and measurement for Royal Unibrew A/S.

New and amended standards and interpretations that have not yet taken effect
At the time of publication of this Annual Report, the IASB has issued the following new and amended financial reporting standards and interpretations which are potentially relevant, but not mandatory, for Royal Unibrew A/S at the time of preparation of the Annual Report for 2017:

- IIFRS 9 Financial Instruments and subsequent amendments to IFRS 9, IFRS 7 and IAS 39
- IIFRS 15 Revenue from Contracts with Customers
- IIFRS 16 Leases (adopted by the EU in 2017)
- IIFRS 2 Classification and Measurement of Share-Based Payment Transactions - Amendments to IFRS 2
- IIFRS 10 and IAS 28 Sale of Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IIFRIC 22 Foreign Currency Transactions and Advance Consideration
- IIFRIC 23 Uncertainty over Income Tax Treatments
- IParts of annual improvements to IFRSs 2014-2016 Cycle.

IFRS 9, 15 and 16 mentioned above have been adopted by the EU.

The adopted, not yet effective standards and interpretations will be implemented as they become mandatory for Royal Unibrew A/S. It has, however, been decided to implement IFRS 16 early in financial year 2018. None of the new standards or interpretations are expected to have a significant impact on recognition and measurement for Royal Unibrew A/S except for IFRS 16, see description below.

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

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

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

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

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

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

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

The so-called "expected loss" model will require more timely recognition of expected losses, both at inception and subsequently, than the existing model under which a provision is not recognised until there are indications of a loss (incurred loss model). As the Group and the Parent Company have low bad debts historically, this change will have

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

only insignificant impact on the provision for bad debts recognised by the Group and the Parent Company.

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

The Group holds "other equity investments" classified as "available for sale". Under the existing policy, value adjustments on an ongoing basis are recognised in other comprehensive income and, in the event of realisation, the accumulated value adjustment would have to be reclassified to the income statement. After the change to IFRS 9, the accumulated value adjustments will not be reclassified to the income statement in the event of realisation.

Royal Unibrew A/S has made an analysis of the implications of the new standard to the Group and concluded that IFRS 9 will have no other material impact on recognition and measurement than the impact from (potential) realisation of the Group's other equity investments as described immediately above.

IFRS 16 "Leases" was adopted by the EU in 2017 and takes effect, mandatorily, for financial years beginning on or after 1 January 2019. Royal Unibrew has decided to implement IFRS 16 early with effect from financial year 2018. IFRS 16 changes the accounting treatment of the leases that are now treated as operating leases. Thus, the standard requires that all leases irrespective of type – with few exceptions – should be recognised as an asset in the lessee's balance sheet with a corresponding lease liability. At the same time, the lessee's income statement will be affected as, going forward, the annual lease expense will comprise two elements — partly depreciation and partly an interest expense – as opposed to the current principle of recognising the annual operating lease expense as one amount in operating expenses.

Royal Unibrew A/S has made an analysis of the implications of the new standard to the Group. At the end of 2017, the Group has operating leases and rental agreements with a net present value of approx DKK 220 million, corresponding to approx 3% of the balance sheet total, which will be recognised in the balance sheet going forward; moreover, going forward, the annual rental and lease payments of approx DKK 50 million will not be recognised as operating costs but as depreciation and financial income and expenses. Royal Unibrew's analysis shows that profit before tax and EBIT margin will only be marginally affected, whereas the equity ratio will be reduced by approx 1%.

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

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

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

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

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

Transactions in other currencies than the functional currency are initially translated into Danish kroner at the exchange rates at the dates of transaction. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment or the rates at the balance sheet date, respectively, are recognised in financial income and expenses in the income statement. Property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured at historical cost are translated at the transaction date rates.

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

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

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

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

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

🔧 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 2017, 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 2017, the following critical estimates have been made as desribed in the notes, see list below.

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

				Note
Derivative financial instruments	§	🔧		2
Segment reporting	§			3
Net revenue	§			4
Share-based payments	§		⚖	5
Expenses	§	🔧		6
Financial income and expenses	§			8
Corporation tax	§			9
Intangible assets	§		⚖	11
Property, plant and equipment	§	🔧	⚖	12
Investments in associates	§			13
Other fixed asset investments	§		⚖	14
Inventories	§			15
Receivables	§		⚖	16
Prepayments	§			17
Equity	§			18
Deferred tax	§			19
Deposit returnable packaging	§			20
Debt	§	🔧		21
Cash Flow Statement	§			22

LEGEND

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

Note 2 Financial risk management

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

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

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

The total gross currency risk (before hedging) on the balance sheet items was calculated at 31 December 2017. The following table shows the sensitivity to a positive change in the cross rates at 31 December 2017 with all other variables remaining unchanged. A negative change has a corresponding effect merely with the sign reversed.

DKK '000	Change	Earnings impact before tax 2017	Earnings impact before tax 2016	Equity impact 2017	Equity impact 2016
EUR	0.1%	-531	-548	-531	-547
USD	10%	1,582	2,233	-795	4,644
GBP	10%	-305	-696	-305	-696

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

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

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

In Royal Unibrew's assessment, the key interest rate risk is related to the immediate effect of interest rate changes on the Group's interest payment flows and Royal Unibrew focuses only secondarily on changes in the market value of the debt. It is group policy to limit the effect of interest rate changes on profit and cash flows while, within this framework, also achieving the lowest possible financing cost. At the end of 2017, mortgage debt amounted to DKK 862 million (2016: DKK 864 million) with an average term to maturity of 11 years (2016: 12 years). Bank debt comprises committed bank credit facilities with an agreed term to maturity of up to 24 months (2016: 36 months). 37% (2016: 72%) of the mortgage and bank debt is fixed-interest through the Group's hedging of interest rate risk with a fixed-interest period of up to 3 years (2016: 4 years). Interest on both mortgage and bank debt is hedged through interest swaps. A one percentage point interest rate change will affect the Group's interest expenses by approx +/- DKK 3 million (2016: approx +/- DKK 4 million), and the interest expenses of the Parent Company by approx +/- DKK 2 million (2016: approx +/- DKK 2 million).

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

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

Royal Unibrew seeks to limit risks relating to credit granting to customers in export markets through extensive use of insurance cover and other types of hedging of payments. Where effective hedges cannot be established, Royal Unibrew has established procedures for approval of such risks. There are no material credit risks on individual customers. The credit risk is generally higher relating to customers in the on-trade sales channel than relating to off-trade customers. This difference in credit risk is addressed through various approval procedures and credit granting conditions for customers in the two sales channels. In Finland, risks on major single receivables from customers are reduced through sale of the receivables. Credit risks relating to trade receivables are reduced by setting off accrued bonus. At 31 December 2017, accrued bonus amounts to DKK 194 million (2016: DKK 153 million) set off against trade receivables.

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

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

Note 2 Financial risk management (continued)

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

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

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

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

The most significant part of purchases for the next 12 months has, in accordance with Royal Unibrew's policy, been hedged by entering into supplier agreements and financial contracts. A +/-10% change in the price of aluminium would have a P/L effect at group level of approx +/- DKK 11 million (2017: DKK 7 million).

Note 2 Financial risk management (continued)

Currency and interest rate risks and use of derivative financial instruments
Derivative financial instruments entered into to hedge expected future transactions and qualifying as hedge accounting under IAS 39:

Group (DKK '000)	Period	2017 Deferred gain (+) / loss (-)	2016 Deferred gain (+) / loss (-)
Forward contracts:			
USD	0 - 1 year	-65	1,323
SEK	0 - 1 year		490
Total		**-65**	**1,813**
Commodity hedge:			
	0 - 1 year	5,993	5,593
Total		**5,993**	**5,593**
Interest rates swaps			
Mortgage and bank loans	2016-2017	-7,344	-14,519
Total hedging instruments		**-1,416**	**-7,113**

The derivative financial instruments applied in 2017 and 2016 may all be classified as level-2 instruments in the IFRS fair value hierarchy.

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

Financial liabilities

t.DKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2017					
Non-derivative financial instruments:					
Financial debt, gross	**1,659,596**	420,089	484,570	754,937	**1,659,596**
Interest expenses on financial debt	**99,065**	12,313	33,141	53,611	
Trade payables	**1,025,688**	1,025,688			**1,025,688**
Other payables	**363,333**	350,373	12,960		**363,333**
Total	**3,147,682**	**1,808,463**	**530,671**	**808,548**	**3,048,617**

The debt breaks down on the categories "debt at amortised cost" with DKK 3,042 million and "debt at fair value" with DKK 7 million. The fair value of the total debt is assessed to equal carrying amount.

t.DKK	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2016					
Non-derivative financial instruments:					
Financial debt, gross	**997,956**	138,736	191,872	667,348	**997,956**
Interest expenses on financial debt	**178,573**	13,019	56,587	108,967	
Trade payables	**858,149**	858,149			**858,149**
Other payables	**383,503**	369,947	13,556		**383,503**
Total	**2,418,181**	**1,379,851**	**262,015**	**776,315**	**2,239,608**

The debt breaks down on the categories "debt at amortised cost" with DKK 2,230 million and "debt at fair value" with DKK 10 million. The fair value of the total debt is assessed to equal carrying amount.

Vat, excise duties, etc, deposit returnable packaging and provisions has been excluded from comparables for 2016.

Note 2 Financial risk management (continued)

§ Derivative financial instruments

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

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

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

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

Derivative financial instruments

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

Note 3 Segment reporting

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

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Unallocated	Total
2017					
Net revenue	2,829.0	3,076.0	479.4		**6,384.4**
Amortisation and depreciation	83.9	193.6	13.3	2.4	**293.2**
Earnings before interest and tax (EBIT)	563.4	430.6	106.4	-31.8	**1,068.6**
Net financials	-0.2	-13.2	-0.1	-17.9	**-31.4**
Share of income from associates	18.4				**18.4**
Profit/loss before tax	581.6	417.4	106.3	-49.7	**1,055.6**
Tax				-224.9	**-224.9**
Profit/loss for the year	581.6	417.4	106.3	-274.6	**830.7**
Assets	1,605.4	5,005.9	39.2	0.0	**6,650.5**
Associates	127.9				**127.9**
Total assets	**1,733.3**	**5,005.9**	**39.2**	**0.0**	**6,778.4**
Purchase of property, plant and equipment	139.9	113.8	0.1		**253.8**
Liabilities*	**771.0**	**1,710.7**	**7.2**	**1,475.3**	**3,964.2**
Sales (million hectolitres)	3.9	5.0	0.7		**9.6**

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

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Unallocated	Total
2016					
Net revenue	2,870.3	2,986.0	484.1		**6,340.4**
Amortisation and depreciation	104.9	182.2	16.6	1.3	**305.0**
Earnings before interest and tax (EBIT)	526.8	395.5	107.8	-29.4	**1,000.7**
Net financials	-0.3	-9.8	-0.1	-20.7	**-30.9**
Share of income from associates	27.8				**27.8**
Profit/loss before tax	554.3	385.7	107.7	-50.1	**997.6**
Tax				-213.8	**-213.8**
Profit/loss for the year	554.3	385.7	107.7	-263.9	**783.8**
Assets	907.5	4,985.9	38.6	0.0	**5,932.0**
Associates	144.0				**144.0**
Total assets	**1,051.5**	**4,985.9**	**38.6**	**0.0**	**6,076.0**
Purchase of property, plant and equipment	0.0	209.5	0.1		**209.6**
Liabilities**	**248.6**	**1,697.4**	**6.2**	**1,212.3**	**3,164.5**
Sales (million hectolitres)	3.8	5.2	0.7		**9.7**

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

Note 3 Segment reporting (continued)

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

	2017		2016	
mDKK	**Net revenue**	**Non-current assets**	**Net revenue**	**Non-current assets**
Denmark	1,702.8	1,044.1	1,643.1	1,013.6
Finland	2,380.2	3,486.4	2,333.7	3,530.4
Other countries	2,301.4	590.6	2,363.6	636.3
Total	**6,384.4**	**5,121.1**	**6,340.4**	**5,180.3**

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 3 Segment reporting (continued)

Segment reporting 2013 - 2017

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

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Un-allocated	Group
2017					
Net revenue	2,829.0	3,076.0	479.4		**6,384.4**
Earnings before interest and tax (EBIT)	563.4	430.6	106.4	-31.8	**1,068.6**
Assets	1,733.3	5,005.9	39.2		**6,778.4**
Liabilities	771.0	1,710.7	7.2	1,475.3	**3,964.2**
Sales (million hectolitres)	**3.9**	**5.0**	**0.7**		**9.6**
2016					
Net revenue	2,870.3	2,986.0	484.1		**6,340.4**
Earnings before interest and tax (EBIT)	526.8	395.5	107.8	-29.4	**1,000.7**
Assets	1,051.5	4,985.9	0.0	38.6	**6,076.0**
Liabilities	248.6	1,697.4	6.2	1,212.3	**3,164.5**
Sales (million hectolitres)	**3.8**	**5.2**	**0.7**		**9.7**
2015					
Net revenue	2,727.9	2,852.5	451.7		**6,032.1**
Earnings before interest and tax (EBIT)	493.3	355.4	101.8	-33.6	**916.9**
Assets	1,420.5	5,090.6	38.9	197.5	**6,747.5**
Liabilities	804.9	1,825.9	6.3	1,175.6	**3,812.7**
Sales (million hectolitres)	**3.6**	**4.8**	**0.7**		**9.1**

mDKK	Western Europe	Baltic Sea	Malt Beverages and Exports	Un-allocated	Group
2014					
Net revenue	2,674.6	2,974.8	406.5		**6,055.9**
Earnings before interest and tax (EBIT)	483.7	295.3	83.9	-36.7	**826.2**
Assets	1,688.8	5,064.3	32.3	238.4	**7,023.8**
Liabilities	883.9	1,816.7	4.7	1,500.2	**4,205.5**
Sales (million hectolitres)	**3.7**	**4.7**	**0.6**		**9.0**
2013					
Net revenue	2,650.3	1,450.2	380.5		**4,481.0**
Earnings before interest and tax (EBIT)	424.0	101.6	81.3	-46.8	**560.1**
Assets	1,605.0	4,986.2	42.8	290.5	**6,924.5**
Liabilities	898.0	1,371.4	6.2	2,515.9	**4,791.5**
Sales (million hectolitres)	**3.6**	**2.8**	**0.6**		**7.0**

§ Segment reporting

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

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

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

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

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

Note 4 Net revenue

DKK '000	2017	2016
Denmark and Germany	2,253,177	2,299,136
Italy	575,566	571,145
Finland	2,380,234	2,333,716
Baltic countries	695,745	652,328
Malt Beverages and Exports	479,664	484,051
Total beverages sales and complementary goods	**6,384,386**	**6,340,376**

§ Net revenue

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

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

Note 5 Staff expenses

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

DKK '000	2017	2016
Fixed salaries to Executive Board	22,994	14,353
Short-term bonus scheme for Executive Board	3,753	6,750
Share-based payments to Executive Board (restricted shares)	5,651	9,900
Remuneration of Executive Board	**32,398**	**31,003**
Remuneration of Board of Directors	3,977	3,977
	36,375	34,980
Wages and salaries	767,050	803,106
Contributions to pension schemes	104,607	114,363
	871,657	**917,469**
Other social security expenses	12,502	15,098
Other staff expenses	38,400	36,647
Total	**958,934**	**1,004,194**
Average number of employees	2,299	2,350

Comment

The share-based payments to the Executive Board in 2017 comprise a programme of maximum of 64,200 restricted (conditional) shares allotted for no consideration vesting in the period 1 January 2017 to 31 December 2019. In 2018 this programme has been adjusted to comprise a maximum of approx. 72,500 restricted (conditional) shares.

The number of shares is conditional on the extent to which the EBIT and free cash flow targets for the financial years 2017-2019 defined by the Board of Directors are achieved.

On 8 March 2017, 300,000 shares vested in the period 1 September 2013 - 31 December 2016 were transferred to the Executive Board. The market price of these shares was 272.70.

Note 5 Staff expenses (continued)

§ Share-based payments

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

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

Share-based payments

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

The market value of programme applying to 2017 has at the beginning of the vesting period has been calculated under the Black-Scholes model at DKK 264 per share of DKK 2, which is equal to the Royal Unibrew A/S market price at the time of allotment 17 January 2017. The market price is DKK 17 million for the maximum number of shares. The market value is charged to the income statement on a straight-line basis over the vesting period, corresponding to the rate at which the conditions for the allotment of the shares are expected to be met. The conditions are expected to be fully (100%) met at 31 December 2017.

Note 6 Expenses broken down by type

DKK '000	2017	2016
Aggregated		
Production costs	3,084,314	3,053,150
Sales and distribution expenses	1,956,367	1,981,803
Administrative expenses	275,104	304,734
Total	**5,315,785**	**5,339,687**
break down by type as follows:		
Raw materials and consumables	2,404,418	2,364,307
Wages, salaries and other staff expenses	958,934	1,004,194
Operating and maintenance expenses	293,570	283,421
Distribution expenses and carriage	412,034	421,473
Sales and marketing expenses	774,188	805,420
Bad trade debts	13,521	3,121
Office supplies etc	165,928	152,764
Amortisation and depreciation	293,192	304,987
Total	**5,315,785**	**5,339,687**

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

	2017	2016
Production costs	192,479	197,249
Sales and distribution expenses	84,044	81,407
Administrative expenses	16,669	26,331
Total	**293,192**	**304,987**

Note 6 Expenses broken down by type (continued)

DKK '000	2017	2016
Fee to auditors		
Fee for the audit of the Annual Report:		
Ernst & Young	1,621	1,803
Total	**1,621**	**1,803**
Ernst & Young fee for non-audit services:		
Tax assistance	168	0
Other assistance	673	409
Total	**841**	**409**

Comment

The fee for other assistance primarily relates to due diligence assistances.

Expenses

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

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

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

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

Note 6 Expenses broken down by type (continued)

Leases

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

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

At this time, Royal Unibrew has operating leases.

Note 7 Financial income

DKK '000	2017	2016
Finance income		
Trade receivables	1,148	213
Other financial income	19	1,152
Exchange adjustments		
Trade payables	551	348
Intercompany loans	333	1,481
Forward contracts	997	861
Total	**3,048**	**4,055**

Note 8 Financial expenses

DKK '000	2017	2016
Finance costs		
Mortgage debt	13,614	16,775
Credit institutions	8,639	11,019
Factoring	3,562	3,535
Other financial expenses	2,911	2,765
Exchange adjustments		
Cash at bank and in hand and external loans	1,888	719
Trade receivables	3,624	128
Forward contracts	209	21
Total	**34,447**	**34,962**

§ Financial income and expenses

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

Note 9 Tax on the profit for the year

DKK '000	2017	2016
Tax on the taxable income for the year	209,133	222,785
Adjustment of previous year	-1,300	-480
Adjustment of deferred tax	16,909	-9,557
Total	**224,742**	**212,748**
which breaks down as follows:		
Tax on profit for the year	224,961	213,833
Tax on other comprehensive income	1,537	3,966
Tax on changes in equity, shareholders	-1,756	-5,051
Total	**224,742**	**212,748**
Current Danish tax rate	22.0	22.0
Adjustment of previous year	0.1	0.0
Income from associates after tax	-0.4	-0.6
Effect on tax rate of permanent differences	0.5	0.3
Differences in effective tax rates of foreign subsidiaries	-0.9	-0.3
Effective tax rate	**21.3**	**21.4**

§ 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 10 Realised hedging transactions in the income statement

DKK '000	2017	2016
Realised hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	-1,829	2,594
Production costs include foreign currency and commodity hedges of	21,267	-13,370
Financial income and expenses include currency, commodity and interest rate hedges of	-7,269	-8,030
Total	**12,169**	**-18,806**

Note 11 Intangible assets

DKK '000	Goodwill	Trademarks	Distribution rights	Customer relations	Total
2017					
Cost at 1 January 2017	1,449,465	1,236,535	234,222	67,511	2,987,733
Exchange adjustment	1,685	1,597	314	95	3,691
Cost at 31 December 2017	**1,451,150**	**1,238,132**	**234,536**	**67,606**	**2,991,424**
Amortisation and impairment losses at 1 January 2017	0	-6,205	-52,139	-45,268	-103,612
Exchange adjustment		140	-139	-72	-71
Amortisation for the year			-12,166	-13,509	-25,675
Amortisation and impairment losses at 31 December 2017	**0**	**-6,065**	**-64,444**	**-58,849**	**-129,358**
Carrying amount at 31 December 2017	**1,451,150**	**1,232,067**	**170,092**	**8,757**	**2,862,066**
2016					
Cost at 1 January 2016	1,455,776	1,240,201	235,063	67,767	2,998,807
Exchange adjustment	-6,311	-5,166	-841	-256	-12,574
Addition		1,500			1,500
Cost at 31 December 2016	**1,449,465**	**1,236,535**	**234,222**	**67,511**	**2,987,733**
Amortisation and impairment losses at 1 January 2016	0	-6,726	-40,033	-31,886	-78,645
Exchange adjustment		521	128	144	793
Amortisation for the year			-12,234	-13,526	-25,760
Amortisation and impairment losses at 31 December 2016	**0**	**-6,205**	**-52,139**	**-45,268**	**-103,612**
Carrying amount at 31 December 2016	**1,449,465**	**1,230,330**	**182,083**	**22,243**	**2,884,121**

Note 11 Intangible assets (continued)

Comment

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

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. Trademarks, distribution rights and customer relations are amortised on a straight-line basis over their estimated useful lives.

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

Distribution rights are amortised on a straight-line basis over their estimated useful lives, maximum 20 years. Customer relations are amortised on a 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 2016, the impairment test in 2017 did not give rise to recognising any impairment losses.

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

DKK '000	Goodwill	Trademarks	Total	Share
2017				
Western Europe	80,645	1,500	82,145	3%
Baltic Sea*	1,363,668	1,230,567	2,594,235	97%
Malt Beverages and Exports	6,837		6,837	0%
Total	**1,451,150**	**1,232,067**	**2,683,217**	**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 2018-2020 approved by Management as well as estimated market driven discount rates and growth rates.

Only limited revenue growth is expected in the medium term as consumption in the total beverage market in several of Royal Unibrew's markets is not expected to increase significantly. In the Baltic Sea segment , unchanged consumption is expected for 2018 and 2019 in both Finland and the Baltic countries disregarding the effect of summer weather variations. Through continued focus on exploiting commercial opportunities and innovation, Royal Unibrew expects to be able to maintain its revenue and earnings at the present level excluding extraordinary campaigns in Finland. Slightly increasing revenue and earnings are expected for the Baltics countries as compared to the present level. Gross margin rations are expected to remain stable at the present level through continued focus on value management and continuous efficiency improvements. The key assumptions for the calculation of recoverable amount are shown below.

	Western Europe	Baltic Sea	Malt Beverages and Exports
Growth rate 2021-2024	1%	0-1%	0%
Growth rate on terminal value	2%	1,5-1,8%	2%
Discount rate	6.6%	6,6-7,9%	15.3%

Note 11 Intangible assets (continued)

The forecasted results approved by Management are based on previously achieved results and expected market developments, see above. The average growth rates applied are in accordance with Management's expectations taking into account industry conditions in the individual markets. The discount rates applied are before tax and reflect current specific risks in the individual market. 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.

DKK '000	Goodwill	Trademarks	Total	Share
2016				
Western Europe	80,645	1,500	82,145	3%
North Eastern Europe (from 2014: Baltic Sea)	1,361,745	1,228,830	2,590,575	97%
Malt Beverages and Exports	7,075		7,075	0%
Total	**1,449,465**	**1,230,330**	**2,679,795**	**100%**

*the most significant value relates to Finland

The key assumptions underlying the calculation of recoverable amount in 2016 were:

	Western Europe	Baltic Sea	Malt Beverages and Exports
Growth rate 2021-2024	1%	0-1%	0%
Growth rate on terminal value	2%	1,5-1,8%	2%
Discount rate	6.0%	6,0-7,5%	15.3%

The forecasted results approved by Management are based on previously achieved results and expected market developments. 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. In Baltic Sea, the lowest point of the range indicated for the discount rate relates to Finland. The assumptions applied by Management are inherently subject to uncertainty and unpredictability. Reasonably probable changes will not lead to recognition of impairment losses.

§ Impairment

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

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

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

Intangible assets

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

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

Note 12 Property, plant and equipment

DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total other property, plant and equipment
Cost at 1 January 2017	1,728,267	2,151,258	769,934	94,068	**4,743,527**
Exchange adjustment	1,484	1,347	381	20	**3,232**
Additions	12,024	99,231	93,930	48,586	**253,771**
Disposals	-4,726	-17,996	-58,586		**-81,308**
Transfers for the year	2,926	52,955	13,998	-69,879	**0**
Cost at 31 December 2017	**1,739,975**	**2,286,795**	**819,657**	**72,795**	**4,919,222**
Depreciation, revaluation and impairment losses at 1 January 2017	-621,860	-1,431,900	-547,593	0	**-2,601,353**
Exchange adjustment	-382	-815	-308		**-1,505**
Depreciation for the year	-55,039	-124,354	-91,597		**-270,990**
Reversal of depreciation of assets sold and discontinued	2,233	17,570	56,374		**76,177**
Depreciation, revaluation and impairment losses at 31 December 2017	**-675,048**	**-1,539,499**	**-583,124**	**0**	**-2,797,671**
Carrying amount at 31 December 2017	**1,064,927**	**747,296**	**236,533**	**72,795**	**2,121,551**

Land and buildings at a carrying amount of DKK 932 million have been provided as security for mortgage debt of DKK 862 million.

Contracts for the delivery of property, plant and equipment in 2018 have been entered into only to an immaterial extent.

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

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

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

Contracts for the delivery of property, plant and equipment in 2017 have been entered into only to an immaterial extent.

Note 12 Property, plant and equipment

Property, plant and equipment (continued)

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

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

Profits and losses on the disposal of property, plant and equipment are calculated as the difference between the sales sum less the expenses necessary to make the sale and the carrying amount at the time of sale. Profits or losses were immaterial in both 2017 and 2016 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 2016 and are as follows:

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

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

Leases

For accounting purposes, lease obligations are classified as either finance or operating lease obligations. A lease is classified as a finance lease if it substantially transfers the risks and rewards of ownership of the leased asset. All other leases are classified as operating leases.

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

Note 13 Investments in associates

DKK '000	Investments in associates
Cost at 1 January 2017	75,748
Cost at 31 December 2017	**75,748**
Value adjustments at 1 January 2017	68,230
Exchange adjustment	-8,156
Dividend, net	-26,735
Share of profit for the year	18,418
Other comprehensive income	406
Value adjustments at 31 December 2017	**52,163**
Carrying amount at 31 December 2017	**127,911**
Cost at 1 January 2016	75,748
Reclassification, beginning of year	
Cost at 31 December 2016	**75,748**
Value adjustments at 1 January 2016	59,623
Exchange adjustment	5,689
Dividend, net	-24,863
Share of profit for the year	27,802
Other comprehensive income	-21
Value adjustments at 31 December 2016	**68,230**
Carrying amount at 31 December 2016	**143,978**

Financial disclosures on associates

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

Royal Unibrew's share of:

DKK '000	2017	2016
Profit from continuing operations for the year	18,418	27,802
Other comprehensive income	406	-21
Comprehensive income	**18,824**	**27,781**
Total carrying amount at 31 December of the Group's total investments in associates, share of equity	**127,911**	**143,978**

Investments in associates in the Consolidated Financial Statements

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

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

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

Note 14 Other fixed asset investments

DKK '000	Other invest-ments	Other recei-vables	Total other fixed asset investments
Cost at 1 January 2017	56,788	2,703	**59,491**
Exchange adjustment	2,836	-19	**2,817**
Additions		32	**32**
Disposals	-2	-473	**-475**
Cost at 31 December 2017	**59,622**	**2,243**	**61,865**
Value adjustments at 1 January 2017	-49,054	-363	**-49,417**
Exchange adjustment	-2,830		**-2,830**
Value adjustments at 31 December 2017	**-51,884**	**-363**	**-52,247**
Carrying amount at 31 December 2017	**7,738**	**1,880**	**9,618**
Cost at 1 January 2016	58,979	4,385	**63,364**
Exchange adjustment	-2,191	4	**-2,187**
Disposals	0	-1,686	**-1,686**
Cost at 31 December 2016	**56,788**	**2,703**	**59,491**
Value adjustments at 1 January 2016	-51,275	-364	**-51,639**
Exchange adjustment	2,174	1	**2,175**
Revaluations and impairment losses for the year	47		**47**
Value adjustments at 31 December 2016	**-49,054**	**-363**	**-49,417**
Carrying amount at 31 December 2016	**7,734**	**2,340**	**10,074**

§ Other investments

Other investments not included in the Group's trading portfolio (available for sale) are recognised in non-current assets at fair value at the trading date and are subsequently measured at fair value equal to the market price as regards listed securities and at estimated fair value calculated on the basis of market data and recognised valuation methods as regards unlisted securities. Unrealised value adjustments are recognised in other comprehensive income except for impairment losses and reversal of impairment losses which are recognised in financial income and expenses in the income statement. Upon realisation, the accumulated value adjustment recognised in other comprehensive income is transferred to financial income and expenses in the income statement. Other investments may be classified as level-3 instruments.

§ Other receivables

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

Other investments

In connection with the presentation of the Financial Statements for 2011, Management estimated the fair value of its investments (48% of the share capital) in the Polish brewery company Perla Browary Lubelskie at DKK 0 due to governance issues. Since 2011, Management has maintained its fair value estimate of DKK 0 as these issues have not subsequently been resolved. The consolidated financial statements of Perla Browary Lubelskie S.A. for 2016 have been prepared on the basis of Polish accounting law and show a profit after tax of PLN 53 million (DKK 94 million) and equity of PLN 245 million (DKK 437 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

DKK '000	2017	2016
Raw materials and consumables	134,563	120,456
Work in progress	21,808	24,057
Finished goods and goods for resale	178,967	191,431
Inventories	**335,338**	**335,944**

Inventories

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 19 million (2016: DKK 23 million). As in 2016, inventories have not been written down materially.

§ Inventories

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

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

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

Note 16 Receivables

DKK '000	2017	2016
Trade receivables	558,409	512,369
Other receivables	29,032	21,747
Receivables	**587,441**	**534,116**

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

Trade receivables fall due as follows:

DKK '000	31/12 2017		31/12 2016	
Not due and prepaid bonus		463,674		443,525
Due:				
From 1-15 days	83,268		66,486	
From 16-90 days	16,666		13,905	
More than 90 days	32,334	132,268	19,441	99,832
Provisions for bad debts, not due and prepaid bonus	-11,168		-8,471	
Provisions for bad debts, 1-15 days	-3,017		-1,627	
Provisions for bad debts, 16-90 days	-3,338		-3,601	
Provisions for bad debts, more than 90 days	-20,010	-37,533	-17,289	-30,988
Total		**558,409**		**512,369**
Provisions for bad debts, beginning of year		-30,988		-35,608
Bad debts realised during the year		5,249		6,159
Provision for the year		-11,794		-1,539
Total		**-37,533**		**-30,988**

Current receivables, other than trade receivables, all fall due for payment in 2018.

Note 16 Receivables (continued)

Receivables

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

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

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

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

Trade receivables

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

Note 17 Prepayments

DKK '000	2017	2016
Prepayments	**33,693**	**18,677**

Prepayments

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

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

Treasury shares held by the Parent Company:

DKK '000	Number	Nom. value	% of capital
Portfolio at 1 January 2017	1,603,107	3,206	3.0
Additions	1,600,380	3,201	3.2
Capital reduction	-1,400,000	-2,800	-2.7
Used for incentive pay	-300,000	-600	-0.6
Portfolio at 31 December 2017	**1,503,487**	**3,007**	**2.9**
Portfolio at 1 January 2016	1,492,118	2,984	2.7
Additions	1,503,489	3,007	2.8
Capital reduction	-1,392,500	-2,785	-2.5
Portfolio at 31 December 2016	**1,603,107**	**3,206**	**3.0**

The Group holds no other treasury shares.

Basis of calculation of earnings and cash flow per share

	2017	2016
The Parent Company shareholders' share of profit for the year amounts to (DKK '000)	830,659	783,751
The average number of treasury shares amounted to (number, DKK 2 each)	1,276,331	1,333,869
The average number of shares in circulation amounted to (number)	51,948,669	53,288,319
The average number of shares in circulation incl restricted shares amounted to (number)	52,012,869	53,588,319
Cost of share buy-backs during the year	507,589	443,584

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

Comment

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

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

§ Policy Equity/ Proposed dividend

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

§ Treasury shares

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

§ Share premium account

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

§ Revaluation reserves

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

§ Translation reserve

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

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

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

§ Hedging reserve

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

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

Note 19 Deferred tax

DKK '000	2017	2016
Deferred tax at 1 January	362,117	375,396
Change in deferred tax for the year	16,909	-9,557
Exchange adjustments	425	-1,067
Adjustment of previous year	-1,220	-2,655
Deferred tax at 31 December	**378,231**	**362,117**
Expected realisation within 1 year	10,837	14,006
Deferred tax relates to:		
Intangible assets	254,398	258,123
Property, plant and equipment	144,171	157,811
Current assets	18,163	17,982
Non current liabilities	-146	
Current liabilities	-38,355	-71,399
Total	**378,231**	**362,117**

The utilisation of unutilised tax losses in one of the Group's foreign enterprises is not certain. Therefore, the tax asset corresponding to approx DKK 2.2 million (2016: approx DKK 2.3 million) has not been capitalised.

Note 19 Deferred tax (continued)

Deferred tax

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

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

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

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

Note 20 Other current payables

DKK '000	2017	2016
VAT, excise duties, etc	388,339	399,102
Other payables	350,373	369,947
Deposit, returnable packaging	128,224	125,725
Total other current payables	**866,936**	**894,774**
Deposit, returnable packaging is specified as follows:		
Balance at 1 January	125,725	129,750
Adjustment for the year	2,499	-4,025
Balance at 31 December	**128,224**	**125,725**

Comment

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

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

Provisions has been excluded from comparables for 2016.

Deposit, returnable packaging

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

Note 21 Debts

DKK '000	2017	2016
Mortgage debt	862,048	863,981
Credit institutions	797,548	133,975
Other debts	1,926,430	1,804,551
Debts	**3,586,026**	**2,802,507**

Changes to interest-bearing debts

	31/12 2016	Cash flow	Exchange adjustment	31/12 2017
Interest-bearing long-term debts	859,220	379,897	390	1,239,507
Interest-bearing short-term debts	138,736	281,377	-24	420,089
Total	**997,956**	**661,274**	**366**	**1,659,596**

	31/12 2015	Cash flow	Exchange adjustment	31/12 2016
Interest-bearing long-term debts	1,462,000	-601,517	-1,263	859,220
Interest-bearing short-term debts	55,137	83,599		138,736
Total	**1,517,137**	**-517,918**	**-1,263**	**997,956**

§ 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 2017, the net liability amounted to approx DKK 8.5 million (2016: approx DKK 8.6 million). Taking into account the amount of the liability, that it has been at the same level in recent years and that it is being phased out, Management does not consider it material to provide the disclosures on the composition of the liability required by IAS 19.

Note 22 Cash Flow Statement

Adjustments for non-cash operating items:

DKK '000	2017	2016
Financial income	-3,048	-4,055
Financial expenses	34,447	34,962
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	296,665	294,654
Tax on the profit for the year	224,961	213,833
Income from investments in associates	-18,418	-27,802
Profit and loss from sale of property, plant and equipment	-3,474	10,333
Share-based payments and remuneration	5,651	9,900
Other adjustments		
Total	**536,784**	**531,825**

§ Cash flow statement

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

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

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

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

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

Note 23 Contingent liabilities, security and other liabilities

mDKK	2017	2016
Rental and operating lease commitments		
Total future payments:		
Within 1 year	52.2	46.3
Between 1 and 5 years	91.1	90.3
Beyond 5 years	2.0	3.6
Total	**145.3**	**140.2**

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

Third-party guarantees	**12.0**	**12.1**

Finance lease commitments		
Total future payments:		
Within 1 year		45.2
Total	**0.0**	**45.2**

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

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

As regards security for loan agreements with mortgage credit institutes, reference is made to note 12.

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

Note 24 Related parties

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

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

The following transactions have been made with related parties:

	Group	
DKK '000	2017	2016
Revenue		
Sales to associates	5,868	5,152
Financial income and expenses		
Dividends received from associates	26,735	24,863
Executive Board		
Remuneration paid	29,744	32,260
Debt re cash-based bonus schemes	3,753	6,750
Debt re share-based bonus scheme	5,651	33,000
Board of Directors		
Remuneration	3,977	3,977

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

Note 25 Acquisition of subsidiary

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

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

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

The company has approximately 73 employees related to production and internal logistics.

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

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

Following the acquisition, external logistics and commercial activities will be undertaken by Royal Unibrew's Italian distribution company Ceres S.p.A., or in cooperation with external parties.

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

The acquisition is expected to generate value for Royal Unibrew's shareholders by reinforcing the total Italian business, and by leveraging optimisation potential across the Group's operations. On that basis, the acquisition is expected to increase Royal Unibrew's profit and earnings per share already with effect from 2018.

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

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

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

	DKK'000
Intangible assets	238,237
Other non-current assets	82,797
Current assets	34,612
Deferred tax	-59,304
Current liabilities	-6,519
Acquired net assets	**289,823**
Goodwill	307,719
Estimated fair value of the business	**597,542**
Acquired cash at bank and in hand	9,588
Cash consideration	**607,130**

No trade receivables were acquired. Goodwill relates to synergies and the potential for development of the acquired activities and is not deductible for tax purposes.

Note 25 Acquisition of subsidiary (continued)

Business combinations

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

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

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

Recognition of acquisition of subsidiary

On 2 January 2018, Royal Unibrew acquired Terme di Crodo S.r.l. by purchasing 100% of the outstanding shares. Terme di Crodo's assets, liabilities and contingent liabilities will be recognised under the purchase method in the Financial Statements of Royal Unibrew. The key assets of Terme di Crodo are goodwill, trademarks, property, plant and equipment and inventories. 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 preliminary 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 preliminary fair value calculation is subject to uncertainty and will subsequently be adjusted in 2018 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

2017

Parent Company Income Statement

Income Statement for 1 January - 31 December

DKK '000	Note	2017	2016
Net revenue		**3,167,525**	**3,214,703**
Production costs	3,4	-1,537,006	-1,521,484
Gross profit		**1,630,519**	**1,693,219**
Sales and distribution expenses	3,4	-856,223	-924,970
Administrative expenses	3,4	-172,091	-186,941
Earnings before interest and tax		**602,205**	**581,308**
Dividends received from subsidiaries and associates		381,522	313,565
Financial income	5	7,403	6,415
Financial expenses	6	-24,738	-26,434
Profit before tax		**966,392**	**874,854**
Tax on the profit for the year	7	-132,029	-126,983
Net profit for the year		**834,363**	**747,871**
Earnings per share (DKK)		16.0	14.7
Diluted earnings per share (DKK)		16.0	14.6

Statement of Comprehensive Income for 1 January - 31 December

DKK '000	Note	2017	2016
Net profit for the year		**834,363**	**747,871**
Other comprehensive income			
Items that may be reclassified to the income statement			
Value adjustment of hedging instruments, beginning of year		7,927	18,270
Value adjustment of hedging instruments, end of year		-1,030	-7,927
Tax on other comprehensive income	7	-1,517	-2,335
Total		**5,380**	**8,008**
Items that may not be reclassified to the income statement			
Total		**0**	**0**
Other comprehensive income after tax		**5,380**	**8,008**
Total comprehensive income		**839,743**	**755,879**

Parent Company Balance Sheet

Assets at 31 December

DKK '000	Note	2017	2016
NON-CURRENT ASSETS			
Intangible assets	9	82,145	82,145
Property, plant and equipment	10	879,933	849,135
Investments in associates	11	77,374	77,374
Investments in subsidiaries	11	3,707,625	3,484,365
Receivables from subsidiaries	12	128,055	120,624
Other fixed asset investments	12	4,619	4,936
Non-current assets		**4,879,751**	**4,618,579**
CURRENT ASSETS			
Inventories	13	131,611	141,458
Receivables	14	252,566	245,808
Receivables from subsidiaries		63,504	34,141
Corporation tax		17,401	4,462
Prepayments		19,206	16,146
Cash at bank and in hand		47,304	118
Current assets		**531,592**	**442,133**
Assets		**5,411,343**	**5,060,712**

Liabilities and Equity at 31 December

DKK '000	Note	2017	2016
EQUITY			
Share capital	15	105,400	108,200
Other reserves		811,741	826,436
Retained earnings		1,522,551	1,620,137
Proposed dividend		469,030	440,915
Equity		**2,908,722**	**2,995,688**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	16	110,985	91,286
Mortgage debt	2	579,505	580,858
Other payables		12,960	13,556
Non-current liabilities		**703,450**	**685,700**
CURRENT LIABILITIES			
Mortgage debt	2	3,720	4,761
Credit institutions	2	389,536	74,753
Trade payables		454,670	344,194
Payables to subsidiaries		685,026	678,018
Other current payables	17	266,219	277,598
Current liabilities		**1,799,171**	**1,379,324**
Liabilities		**2,502,621**	**2,065,024**
Liabilities and equity		**5,411,343**	**5,060,712**

Parent Company Cash Flow Statement

for 1 January - 31 December

DKK '000	Note	2017	2016
Net profit for the year		834,363	747,871
Adjustments for non-cash operating items	18	-121,989	-36,324
		712,374	**711,547**
Change in working capital:			
Receivables		-40,172	39,737
Inventories		9,847	-18,409
Payables		102,412	4,433
Cash flows from operating activities before financial income and expenses		**784,461**	**737,308**
Financial income		7,403	6,368
Financial expenses		-22,389	-22,393
Cash flows from operating activities		**769,475**	**721,283**
Corporation tax paid		-125,030	-132,365
Cash flows from operating activities		**644,445**	**588,918**
Dividends received from subsidiaries and associates		381,522	313,565
Sale of property, plant and equipment		4,580	206,432
Purchase of property, plant and equipment		-139,896	-137,226
Free cash flow		*890,651*	*971,689*

DKK '000	2017	2016
Increase of capital/Business acquisitions	-223,260	0
Acquisition/sale of intangible assets and fixed asset investments	317	185
Cash flows from investing activities	**23,263**	**382,956**
Debt financing:		
Proceeds from increased drawdown on credit facilities	552,389	400,000
Repayment on credit facilities	-240,000	-924,099
Change in financing of subsidiaries	1,205	372,863
Shareholders:		
Dividends paid to shareholders	-426,527	-385,801
Acquisition of shares for treasury	-507,589	-443,584
Cash flows from financing activities	**-620,522**	**-980,621**
Change in cash and cash equivalents	47,186	-8,747
Cash and cash equivalents at 1 January	118	8,865
Cash and cash equivalents at 31 December	**47,304**	**118**

Parent Company Statement of Changes in Equity

for 1 January - 31 December

DKK '000	Share capital	Share premium account	Revaluation reserves	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Equity at 31 December 2016	**108,200**	**834,363**	**0**	**-7,927**	**826,436**	**1,620,137**	**440,915**	**2,995,688**
Changes in equity in 2017								
Profit for the year					**0**	834,363		**834,363**
Other comprehensive income				6,897	**6,897**			**6,897**
Tax on other comprehensive income					**0**	-1,517		**-1,517**
Total comprehensive income	**0**	**0**	**0**	**6,897**	**6,897**	**832,846**	**0**	**839,743**
Dividends paid to shareholders					**0**		-426,527	**-426,527**
Dividend on treasury shares					**0**	14,388	-14,388	**0**
Acquisition of shares for treasury					**0**	-507,589		**-507,589**
Share-based payments					**0**	5,651		**5,651**
Proposed dividend					**0**	-469,030	469,030	**0**
Capital reduction	-2,800	-21,592			**-21,592**	24,392		**0**
Tax on changes in equity, shareholders					**0**	1,756		**1,756**
Total shareholders	**-2,800**	**-21,592**	**0**	**0**	**-21,592**	**-930,432**	**28,115**	**-926,709**
Total changes in equity in 2017	**-2,800**	**-21,592**	**0**	**6,897**	**-14,695**	**-97,586**	**28,115**	**-86,966**
Equity at 31 December 2017	**105,400**	**812,771**	**0**	**-1,030**	**811,741**	**1,522,551**	**469,030**	**2,908,722**

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 2017 amounts to DKK 105,400,000 and is distributed on shares of DKK 2 each.

Proposed dividend for the year is DKK 8.90 per share (2016: DKK 8.15 per share).

Parent Company Statement of Changes in Equity

for 1 January - 31 December

DKK '000	Share capital	Share premium account	Revaluation reserves	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Total
Egenkapital 31. december 2015	**110,985**	**855,839**	**102,200**	**-18,270**	**939,769**	**1,603,943**	**399,546**	**3,054,243**
Changes in equity in 2016								
Profit for the year					**0**	747,871		**747,871**
Other comprehensive income				10,343	**10,343**			**10,343**
Tax on other comprehensive income					**0**	-2,335		**-2,335**
Revaluation reserves realised			-102,200		**-102,200**	102,200		**0**
Total comprehensive income	**0**	**0**	**-102,200**	**10,343**	**-91,857**	**847,736**	**0**	**755,879**
Dividends paid to shareholders					**0**		-385,801	**-385,801**
Dividend on treasury shares					**0**	13,745	-13,745	**0**
Acquisition of shares for treasury					**0**	-443,584		**-443,584**
Aktiebaseret vederlæggelse					**0**	9,900		**9,900**
Tax on changes in equity, shareholders					**0**	5,051		**5,051**
Proposed dividend					**0**	-440,915	440,915	**0**
Capital reduction	-2,785	-21,476			**-21,476**	24,261		**0**
Total shareholders	**-2,785**	**-21,476**	**0**	**0**	**-21,476**	**-831,542**	**41,369**	**-814,434**
Total changes in equity in 2016	**-2,785**	**-21,476**	**-102,200**	**10,343**	**-113,333**	**16,194**	**41,369**	**-58,555**
Equity at 31 December 2016	**108,200**	**834,363**	**0**	**-7,927**	**826,436**	**1,620,137**	**440,915**	**2,995,688**

Note 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 2017, 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 2017, 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	§	🔧		2		
Segment reporting	§			3		
Net revenue	§			4		
Share-based payments	§		⚖	5		
Expenses	§	🔧		6		
Financial income and expenses	§			8		
Corporation tax	§			9		
Intangible assets	§		⚖	11		
Property, plant and equipment	§	🔧	⚖	12		
Investments in associates	§			13	§	11
Investments in subsidiaries					§	11
Other fixed asset investments	§		⚖	14		
Inventories	§			15		
Receivables	§		⚖	16		
Prepayments	§			17		
Equity	§			18		
Deferred tax	§			19		
Deposit returnable packaging	§			20		
Debt	§	🔧		21		
Cash Flow Statement	§			22		

SIGNATURFORKLARING

- § 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

DKK '000	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2017					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	972,761	393,256	100,253	479,252	972,761
Financial debt, subsidiaries	685,026	685,026			685,026
Interest expenses on financial debt	**28,182**	6,789	13,927	7,466	
Trade payables	**454,670**	454,670			**454,670**
Other payables	**201,103**	188,143	12,960		**201,103**
Total	**2,341,742**	**1,727,884**	**127,140**	**486,718**	**2,313,560**

The debt breaks down on the categories "debt at amortised cost" with DKK 2,309 million and "debt at fair value" with DKK 5 million. The fair value of the total debt is assessed to equal carrying amount.

DKK '000	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
31/12 2016					
Non-derivative financial instruments:					
Financial debt, debt financing, gross	**660,373**	79,514	183,694	397,165	**660,373**
Financial debt, subsidiaries	**678,018**	678,018			**678,018**
Interest expenses on financial debt	**94,155**	10,086	37,497	46,572	
Trade payables	**344,194**	344,194			**344,194**
Other payables	**217,128**	203,572	13,556		**217,128**
Total	**1,993,868**	**1,315,384**	**234,747**	**443,737**	**1,899,713**

The debt breaks down on the categories "debt at amortised cost" with DKK 1,890 million and "debt at fair value" with DKK 10 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:

DKK '000	2017	2016
Fixed salaries to Executive Board	22,994	14,353
Ordinary bonus scheme for Executive Board	3,753	6,750
Share-based payments to Executive Board (restricted shares)	5,651	9,900
Remuneration of Executive Board	32,398	**31,003**
Remuneration of Board of Directors	3,977	3,977
	36,375	**34,980**
Wages and salaries	406,185	427,824
Contributions to pension schemes	36,801	34,208
	442,986	**462,032**
Other social security expenses	5,238	5,812
Other staff expenses	20,002	20,188
Total	**504,601**	**523,012**
Average number of employees	906	888

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

Note 4 Expenses broken down by type

DKK '000	2017	2016
Aggregated		
production costs	1,537,006	1,521,484
Sales and distribution expenses	856,223	924,970
Administrative expenses	172,091	186,941
Total	**2,565,320**	**2,633,395**
break down by type as follows:		
Raw materials and consumables	1,213,857	1,195,622
Wages, salaries and other staff expenses	504,601	523,012
Operating and maintenance expenses	143,456	124,450
Distribution expenses and carriage	128,631	118,141
Sales and marketing expenses	367,591	461,845
Bad trade debts	2,233	-1,321
Office supplies etc	100,433	91,307
Amortisation and depreciation	104,518	120,339
Total	**2,565,320**	**2,633,395**

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

DKK '000	2017	2016
Production costs	69,940	83,040
Sales and distribution expenses	20,213	19,275
Administrative expenses	14,365	18,024
Total	**104,518**	**120,339**
Fee to auditors		
Fee for the audit of the Annual Report:		
Ernst & Young	715	800
Total	**715**	**800**
Ernst & Young fee for non-audit services:		
Tax assistance	94	
Other assistance	536	158
Total	**630**	**158**

Fee for other assistance primarily relates to due diligence services

Note 5 Financial income

DKK '000	2017	2016
Finance income		
Cash at bank and in hand	7	
Trade receivables	4	18
Receivables from subsidiaries	2,273	2,595
Other financial income	6	1,146
Exchange adjustments		
Trade payables		816
Intercompany loans	333	1,481
Forward contracts	4,780	359
Total	**7,403**	**6,415**

Note 6 Financial expenses

DKK '000	2017	2016
Finance costs		
Mortgage debt	10,717	14,999
Credit institutions	7,078	9,276
Payables to subsidiaries		120
Other financial expenses	1,598	1,248
Exchange adjustments		
Cash at bank and in hand and external loans	1,725	701
Trade receivables	3,600	70
Trade payables	20	
Forward contracts		20
Total	**24,738**	**26,434**

Note 7 Tax on the profit for the year

DKK '000	2017	2016
Tax on the taxable income for the year	112,128	126,810
Adjustment of previous year	-1,257	5
Adjustment of deferred tax	20,919	-2,548
Total	**131,790**	**124,267**
which breaks down as follows:		
Tax on profit for the year	132,029	126,983
Tax on other comprehensive income	1,517	2,335
Tax on equity entries	-1,756	-5,051
Total	**131,790**	**124,267**
Current Danish tax rate	22.0	22.0
Dividends received from subsidiaries and associates	-8.7	-8.0
Effect on tax rate of permanent differences	0.5	0.5
Adjustment of previous year	-0.1	
Effective tax rate	**13.7**	**14.5**

Note 8 Realised hedging transactions

DKK '000	2017	2016
Realised hedging transactions are included in the income statement as follows:		
Net revenue includes currency hedges of	-1,829	2,594
Production costs include foreign currency and commodity hedges of	13,183	-8,920
Financial income and expenses include currency, commodity and interest rate hedges of	-6,223	-7,123
Total	**5,131**	**-13,449**

Note 9 Intangible assets

DKK '000	Goodwill	Trademarks	Distribution rights	Total
Cost at 1 January 2017	80,645	4,490	11,828	**96,963**
Cost at 31 December 2017	**80,645**	**4,490**	**11,828**	**96,963**
Amortisation and impairment losses at 1 January 2017	0	-2,990	-11,828	**-14,818**
Amortisation and impairment losses at 31 December 2017	**0**	**-2,990**	**-11,828**	**-14,818**
Carrying amount at 31 December 2017	**80,645**	**1,500**	**0**	**82,145**
Cost at 1 January 2016	80,645	4,490	11,828	**96,963**
Cost at 31 December 2016	**80,645**	**4,490**	**11,828**	**96,963**
Amortisation and impairment losses at 1 January 2016	0	-2,990	-11,776	**-14,766**
Amortisation for the year			-52	**-52**
Amortisation and impairment losses at 31 December 2016	**0**	**-2,990**	**-11,828**	**-14,818**
Carrying amount at 31 December 2016	**80,645**	**1,500**	**0**	**82,145**

§ 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

DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total other property, plant and equipment
Cost at 1 January 2017	686,221	1,191,133	467,313	79,639	**2,424,306**
Additions	11,079	40,672	41,751	46,394	**139,896**
Disposals	-4,738	-10,671	-55,047		**-70,456**
Transfers for the year	2,762	42,901	13,515	-59,178	**0**
Cost at 31 December 2017	**695,324**	**1,264,035**	**467,532**	**66,855**	**2,493,746**
Depreciation, revaluation and impairment losses at 1 January 2017	-378,161	-855,010	-342,000	0	**-1,575,171**
Depreciation for the year	-13,913	-44,579	-46,476		**-104,968**
Reversal of depreciation and impairment of assets sold and discontinued	2,232	10,522	53,572		**66,326**
Depreciation, revaluation and impairment losses at 31 December 2017	**-389,842**	**-889,067**	**-334,904**	**0**	**-1,613,813**
Carrying amount at 31 December 2017	**305,482**	**374,968**	**132,628**	**66,855**	**879,933**

Land and buildings including plant and machinery at a carrying amount of DKK 680 million have been provided as security for mortgage debt of DKK 583.2 million.

Contracts for the delivery of property, plant and equipment in 2018 have been entered into only to an immaterial extent.

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

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

Contracts for the delivery of property, plant and equipment in 2017 have been entered into only to an immaterial extent.

Note 11 Investments in subsidiaries and associates

DKK '000	Investments in subsidiaries	Investments in associates
Cost at 1 January 2017	3,573,400	77,374
Additions	223,260	
Cost at 31 December 2017	**3,796,660**	**77,374**
Impairment losses at 1 January 2017	-89,035	0
Impairment losses at 31 December 2017	**-89,035**	**0**
Carrying amount at 31 December 2017	**3,707,625**	**77,374**
Cost at 1 January 2016	3,573,400	77,374
Cost at 31 December 2016	**3,573,400**	**77,374**
Impairment losses at 1 January 2016	-89,035	0
Impairment losses at 31 December 2016	**-89,035**	**0**
Carrying amount at 31 December 2016	**3,484,365**	**77,374**

§ Dividend on investments in subsidiaries and associates

Dividend on investments in subsidiaries and associates is recognised in the Parent Company's income statement in the financial year in which dividend is declared.

§ Investments in subsidiaries and associates in the Parent Company Financial Statements

Investments in subsidiaries and associates are measured at cost and tested in the event of indication of impairment. Where cost exceeds the recoverable amount, the investment is written down to its lower recoverable amount.

Estimate

The carrying amount of investments in subsidiaries and the values of intangible assets contained therein is tested to identify any impairment. Reference is made to note 11 to the Consolidated Financial Statements.

Note 12 Receivables from subsidiaries and Other fixed asset investments

DKK '000	Receivables from subsidiaries	Other investments	Other receivables	Total other fixed asset investments
Cost at 1 January 2017	120,624	54,833	2,129	**56,962**
Exchange adjustment	156			**0**
Additions	14,207			**0**
Disposals	-6,932		-317	**-317**
Cost at 31 December 2017	**128,055**	**54,833**	**1,812**	**56,645**
Revaluations and impairment losses at 1 January 2017	0	-52,026	0	**-52,026**
Revaluations and impairment losses at 31 December 2017	**0**	**-52,026**	**0**	**-52,026**
Carrying amount at 31 December 2017	**128,055**	**2,807**	**1,812**	**4,619**
Cost at 1 January 2016	164,125	54,833	3,814	58,647
Exchange adjustment	-493			0
Additions	25,916			0
Disposals	-68,924		-1,685	-1,685
Cost at 31 December 2016	**120,624**	**54,833**	**2,129**	**56,962**
Revaluations and impairment losses at 1 January 2016	0	-52,073	0	-52,073
Exchange adjustment		47		47
Revaluations and impairment losses at 31 December 2016	**0**	**-52,026**	**0**	**-52,026**
Carrying amount at 31 December 2016	**120,624**	**2,807**	**2,129**	**4,936**

Note 13 Inventories

DKK '000	2017	2016
Raw materials and consumables	56,056	54,421
Work in progress	12,179	13,507
Finished goods and goods for resale	63,376	73,530
Total inventories	**131,611**	**141,458**

Inventories

Indirect production costs are recognised in the value of work in progress and finished goods at DKK 9 million (2016: DKK 11 million). As in 2016, inventories have not been written down materially.

Note 14 Receivables

DKK '000	2017	2016
Trade receivables	244,397	238,284
Other receivables	8,169	7,524
Total receivables	**252,566**	**245,808**

Note 14 Tilgodehavender (fortsat)

Trade receivables fall due as follows:

DKK '000	31/12 2017		31/12 2016	
Not due and prepaid bonus		187,182		193,975
Due:				
From 1-15 days	33,885		36,168	
From 16-90 days	11,549		6,234	
More than 90 days	20,216	65,650	8,458	50,860
Provisions for bad debts, not due and prepaid bonus				
Provisions for bad debts, 1-15 days	-927		-468	
Provisions for bad debts, 16-90 days	-639		-921	
Provisions for bad debts, more than 90 days	-6,869	-8,435	-5,162	-6,551
Total		**244,397**		**238,284**
Provisions for bad debts, beginning of year		-6,551		-8,654
Bad debts realised during the year		389		822
Provision for the year		-2,273		1,281
Total		**-8,435**		**-6,551**

Current receivables, other than trade receivables, all fall due for payment in 2018.

Reference is made to note 2 to the Consolidated Financial Statements.

Note 15 Share capital

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

Note 16 Deferred tax

DKK '000	2017	2016
Deferred tax at 1 January	91,286	95,991
Change in deferred tax for the year	20,919	-2,548
Adjustment of previous year	-1,220	-2,157
Deferred tax at 31 December	**110,985**	**91,286**
Due within 1 year	3,804	7,510
Deferred tax relates to:		
Intangible assets	94	47
Property, plant and equipment	93,152	90,677
Fixed asset investments	15,052	15,052
Current assets	9,334	9,371
Current liabilities	-6,647	-23,861
Total	**110,985**	**91,286**

Note 17 Other current payables

DKK '000	2017	2016
VAT, excise duties, etc	43,087	41,508
Other payables	188,144	203,572
Deposit, returnable packaging	34,988	32,518
Total other current payables	**266,219**	**277,598**
Deposit, returnable packaging is specified as follows:		
Balance at 1 January	32,518	29,687
Adjustment for the year	2,470	2,831
Balance at 31 December	**34,988**	**32,518**

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:

DKK '000	2017	2016
Dividends received from subsidiaries and associates	-381,522	-313,565
Financial income	-7,403	-6,415
Financial expenses	24,738	26,434
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	104,968	95,169
Tax on the profit for the year	132,029	126,983
Profit and loss from sale of property, plant and equipment	-450	25,170
Share-based payments and remuneration	5,651	9,900
Total	**-121,989**	**-36,324**

Changes to interest-bearing debts

	31/12 2016	Cash flow	31/12 2017
Interest-bearing long-term debts	580,858	-1,353	579,505
Interest-bearing short-term debts	752,202	323,353	1,075,555
Total	**1,333,060**	**322,000**	**1,655,060**

	31/12 2015	Cash flow	31/12 2016
Interest-bearing long-term debts	1,137,391	-556,533	580,858
Interest-bearing short-term debts	409,490	342,712	752,202
Total	**1,546,881**	**-213,821**	**1,333,060**

Note 19 Contingent liabilities, security and other liabilities

mDKK	2017	2016
Guarantees		
Guarantees relating to subsidiaries	461.4	479.5
Total	**461.4**	**479.5**

The change in guarantees relating to subsidiaries relates to the Parent Company's guarantee with respect to mortgage loan in the Finnish subsidiary.

	2017	2016
Rental and operating lease commitments		
Total future payments:		
Within 1 year	25.2	23.8
Between 1 and 5 years	46.7	51.6
Beyond 5 years	0.7	2.3
Total	**72.6**	**77.7**

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

	2017	2016
Third-party guarantees	**12.0**	**12.1**

Security

No security has been provided in respect of the Group's loan agreements with credit institutions other than the Parent Company's liability for the amounts drawn by subsidiaries on group credit facilities.

As regards security for loan agreements with mortgage credit institutes, reference is made to note 10.

Contingent liabilities

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

Note 20 Related parties

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

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

The following transactions have been made with related parties:

t.DKK	2017	2016
Revenue		
Sales to subsidiaries	520,788	513,511
Sales to associates	5,868	5,152
Costs		
Purchases from subsidiaries	11,088	16,858
Financial income and expenses		
Dividends received from associates	26,735	24,863
Dividends received from subsidiaries	354,787	288,702
Interest received from subsidiaries	2,425	2,595
Interest paid to subsidiaries	189	120
Executive Board		
Remuneration paid	29,744	32,260
Debt re cash-based bonus schemes	3,753	6,750
Debt re share-based bonus scheme	5,651	33,000

t.DKK	2017	2016
Board of Directors		
Remuneration	3,977	3,977
Intercompany balances at 31 December		
Loans to subsidiaries	132,472	120,624
Receivables from subsidiaries	59,087	34,141
Loans from subsidiaries	682,299	672,688
Payables to subsidiaries	2,727	5,330
Capital contributed to subsidiaries	223,260	
Guarantees and security		
Guarantee for subsidiaries	464,785	479,500

Group Structure

Segment	Ownership	Currency	Capital
Parent Company			
Royal Unibrew A/S, Danmark		DKK	105,400,000
WESTERN EUROPE			
Subsidiaries			
Aktieselskabet Cerekem International Ltd., Danmark	100%	DKK	1,000,000
Albani Sverige AB, Sverige	100%	SEK	305,000
Ceres S.p.A., Italien	100%	EUR	206,400
The Curious Company A/S, Danmark	100%	DKK	550,000
Crodo Holding S.r.l., Italien	100%	EUR	20,000
Associates			
Grønlandskonsortiet I/S, Danmark	50%	DKK	
Hansa Borg Holding AS, Norge	25%	NOK	54,600,000
Nuuk Imeq A/S, Godthåb, Grønland	32%	DKK	38,000,000
BALTIC SEA			
Subsidiaries			
AB Kalnapilio-Tauro Grupe, Litauen	100%	EUR	1,153,337
Oy Hartwall Ab, Finland	100%	EUR	13,240,140
Hartwa-Trade Oy Ab, Finland	100%	EUR	168,188
Helepark Oy, Finland	100%	EUR	6,761
Lapin Kulta Oy, Finland	100%	EUR	16,819
Royal Unibrew Services UAB, Litauen	100%	EUR	43,500
SIA "Cido Grupa", Letland	100%	EUR	1,117,060
OÜ Royal Unibrew Eesti, Estland	100%	EUR	2,000,000

Segment	Ownership	Currency	Capital
MALT BEVERAGES AND EXPORTS			
Subsidiaries			
Centre Nordique d'Alimentation EURL, Frankrig	100%	EUR	131,000
Supermalt UK Ltd., England	100%	GBP	9,700,000
Vitamalt (West Africa) Ltd., England	100%	GBP	10,000
Royal Unibrew Nigeria Ltd., Nigeria.	100%	NGN	10,000,000
The Danish Brewery Group Inc., USA	100%	USD	100,000

Activity

- Production, sales and distribution
- Sales and distribution
- Holding company
- Other

Quarterly Financial Highlights and Ratios (Group)

	Q1		Q2		Q3		Q4	
mDKK (unaudited)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sales (million hectolitres)	2.1	2.1	2.8	2.8	2.5	2.6	2.2	2.2
Income Statement								
Net revenue	1,354	1,350	1,828	1,810	1,686	1,714	1,516	1,466
EBITDA	224	212	419	408	433	432	286	254
EBITDA margin (%)	*16.5*	*15.7*	*22.9*	*22.5*	*25.7*	*25.2*	*18.9*	*17.3*
Earnings before interest and tax (EBIT)	151	138	351	330	359	357	208	176
EBIT margin (%)	*11.2*	*10.2*	*19.2*	*18.2*	*21.2*	*20.8*	*13.7*	*12.1*
Income from investments in associates	-2	1	12	14	5	7	3	6
Financial income and expenses	-6	-12	-8	-8	-9	-9	-8	-2
Profit before tax	143	127	355	336	355	355	203	180
Net profit for the period	110	99	280	265	278	277	163	143
Balance Sheet								
Non-current assets	5,138	5,300	5,148	5,256	5,115	5,216	5,121	5,180
Total assets	6,294	6,506	6,405	6,531	6,130	6,260	6,778	6,076
Equity	2,935	2,945	2,637	2,712	2,800	2,895	2,814	2,911
Net interest-bearing debt	1,142	1,269	1,158	1,261	1,062	1,053	975	991
Net working capital	-690	-731	-949	-867	-802	-791	-957	-881
Invested capital	4,316	4,448	4,041	4,207	4,103	4,170	4,111	4,347
Cash Flows								
From operating activities	-24	-121	622	534	247	339	323	233
From investing activities	-29	124	-72	-24	-32	-17	-85	-45
Free cash flow	-54	5	551	509	214	321	239	187
Financial Ratios (%)								
Free cash flow as a percentage of net revenue	-4	0	30	28	13	19	16	13
Cash conversion	-48	5	197	192	77	116	147	131
Net interest-bearing debt/EBITDA (running 12 months)	0.9	1.0	0.9	1.0	0.8	0.8	0.7	0.8
Equity ratio	47	45	41	42	46	46	42	48

Ratios comprised by the "Recommendations and Financial Ratios 2015" issued by the Danish Society of Financial Analysts have been calculated according to the recommendations.
Definitions of financial highlights and ratios are provided on page 121.

Definitions of Financial Highlights and Ratios

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

Disclaimer

This Annual Report contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the following words or phrases "believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, likely to result, could, may, might", or any variations of such words or other words with similar meanings. Any such statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause the Group's actual results, performance, or industry results to differ materially from the results expressed or implied in such forward-looking statements. The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that may have direct bearing on the Group's actual results include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, development in the demand for the Group's products, introduction of and demand for new products, the competitive environment and the industry in which the Group operates, changes in consumer preferences, increasing industry consolidation, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, determination of fair value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors.

New risk factors can emerge in the future, which the Group cannot predict. Furthermore, the Group cannot assess the impact of each factor on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

Royal Unibrew A/S

Royal Unibrew A/S
Faxe Alle 1
DK-4640 Faxe
Tel +45 56 77 15 00

CVR No.: 41 95 67 12
Financial year: 1 January – 31 December
Registered municipality: Faxe

Homepage: www.royalunibrew.com
E-mail: contact@royalunibrew.com

Design and production: Noted