Financial statements for 2019

Consolidated balance sheet as at 31 December 2019

(before profit appropriation, in thousands of euros)

			2019		2018
Assets					
Fixed assets					
Intangible fixed assets	2.				
Goodwill		17,162		13,618	
Emission allowances		700		688	
Software		10,008		7,368	
Intellectual property rights		-		30,809	
Prepayments on intangible fixed assets		3,289		974	
			31,159		**53,457**
Tangible fixed assets	3.				
Land and buildings		147,029		146,690	
Plant and equipment		176,676		162,954	
Other fixed operating assets		39,463		32,528	
Other real estate		19,601		21,635	
Assets under construction		14,242		24,908	
			397,011		**388,715**
Financial fixed assets	4.				
Participating interests		5,191		1,063	
Receivables from participating interests		59		-	
Deferred tax assets		1,615		620	
Other receivables		13,108		11,787	
			19,973		**13,470**
Current assets					
Inventories	5.				
Raw materials and consumables		28,546		30,624	
Work in progress		9,358		7,743	
Finished goods and trade goods		34,792		33,795	
Other inventories		13,778		15,370	
			86,474		**87,532**
Receivables and other receivables					
Trade receivables	6.	154,942		139,220	
Corporate income tax		4,197		-	
Taxes and social security contributions		3,664		2,244	
Other receivables and prepayments and accrued income	7.	18,450		22,765	
			181,253		**164,229**
Cash and cash equivalents	8.		**35,892**		**26,334**
Total Assets			**751,762**		**733,737**

The notes on pages 85 to 110 form an integrated part of these consolidated financial statements.

Liabilities

	Note		2019		2018
Group equity	9.				
Share of Royal Swinkels Family Brewers Holding N.V.		327,275		354,441	
Minority interests		24,552		20,859	
			351,827		**375,300**
Provisions	10.				
Deferred tax liabilities		18,271		19,115	
Provision for claims, disputes and legal proceedings		1,156		927	
Jubilee provision		2,101		1,796	
Other provisions		2,179		1,338	
			23,707		**23,176**
Debts					
Non-current liabilities	11.				
Loans		88		105	
Deferred payment obligations		38,003		37,631	
Credit institutions		138,808		94,039	
			176,899		**131,775**
Current liabilities	12.				
Current portion of non-current liabilities	11.	5,410		3,099	
Credit institutions		6,134		3,778	
Accounts payable to suppliers and trade creditors		66,476		77,527	
Corporate income tax		1,315		2,348	
Other taxes and social security contributions	13.	25,444		28,724	
Pension liabilities		157		365	
Deposit and VBR obligation	14.	27,194		26,155	
Other liabilities, accruals and deferred income	15.	67,199		61,490	
			199,329		**203,486**
Total Liabilities			**751,762**		**733,737**

The notes on pages 85 to 110 form an integrated part of these consolidated financial statements.

Consolidated profit and loss account for 2019

(in thousands of euros)

			2019		2018*
Net turnover	16.		**896,999**		**854,437**
Changes in inventories of finished products and work in progress		2,612		6,634	
Other operating income	17.	17,731		21,541	
Total operating income			**917,342**		**882,612**
Cost of raw materials and consumables		340,550		310,095	
Cost of outsourced work and other external costs	18.	347,279		350,366	
Wages and salaries	19.	87,676		77,122	
Social security and pension charges	20.	20,166		19,640	
Other personnel costs		22,445		23,099	
Amortisation and depreciation of (in)tangible fixed assets	21.	56,212		45,906	
Other movements in the value of (in)tangible fixed assets	2. and 3.	29,589		-	
Other operating expenses		5,037		3,914	
Total operating expenses			**908,954**		**830,142**
Operating result			**8,388**		**52,470**
Interest income and similar income	22.	396		1,601	
Interest expenses and similar charges	23.	-5,903		-4,595	
Net finance expenses			**-5,507**		**-2,994**
Result before tax			**2,881**		**49,476**
Tax on result	24.		**5,477**		**11,777**
Share of result of participating interests			**-59**		**120**
Result after tax			**-2,655**		**37,819**
Minority interests			**-2,688**		**-1,495**
Net result			**-5,343**		**36,324**

The notes on pages 85 to 110 form an integrated part of these consolidated financial statements.

* Adjusted for comparison purposes, see page 85.

Consolidated cash flow statement for 2019

(in thousands of euros)

			2019		2018*
Cash flow from operating activities	25.				
Net result			**-5,343**		**36,324**
Minority interests			**2,688**		**1,495**
Adjustments for:					
Amortisation and depreciation of (in)tangible fixed assets	2. and 3.	56,212		45,906	
Other movements in the value of (in)tangible fixed assets	2. and 3.	29,589		-	
Book results on disposal of fixed assets		-1,666		-1,948	
Changes in provisions	10.	1,375		-339	
Interest income and similar income	22.	-396		-1,601	
Interest expenses and similar charges	23.	5,903		4,595	
Income tax	24.	5,477		11,777	
Share of result of participating interests		59		-120	
			96,553		**58,270**
Changes in working capital:					
Trade receivables		-15,248		-12,495	
Inventories		2,870		-16,706	
Accounts payable to suppliers and trade creditors		-14,891		12,927	
Other receivables and other payables		-2,128		-15,294	
Debts to credit institutions		4,090		2,595	
			-25,307		**-28,973**
Total cash flow from business operations			**68,591**		**67,116**
Interest received		396		332	
Interest paid		-3,300		-4,475	
Income tax paid		-9,892		-8,845	
			-12,796		**-12,988**
Total cash flow from operating activities			**55,795**		**54,128**
Cash flow from investing activities					
Investments in (in)tangible fixed assets		-71,136		-65,511	
Income from the sale of tangible fixed assets		3,907		4,050	
Loans granted		-6,904		-8,771	
Payments received on loans to customers		5,524		4,204	
Acquisition of group companies		-10,723		-11,273	
Total cash flow from investing activities			**-79,332**		**-77,301**
Transport			**-23,537**		**-23,173**

The notes on pages 85 to 110 form an integrated part of these consolidated financial statements.

Cash flow statement continued on next page ›››

* Adjusted for comparison purposes, see page 85.

››› Continued cash flow statement for 2019

	Note		2019		2018
Transport			**-23,537**		**-23,173**
Cash flow from financing activities	25.				
Take-up of non-current debt	11.	112,711		94,361	
Repayments of borrowings		-63,494		-63,826	
Dividend paid to parent company	9.	-16,346		-11,804	
Dividend paid to holders of minority interests	9.	-1,580		-518	
Capital contributions	9.	2,850		6,237	
Total cash flow from financing activities			**34,141**		**24,450**
Net cash flow			**10,604**		**1,277**
Exchange rate and translation differences on cash and cash equivalents			**-1,046**		**203**
Change in cash and cash equivalents			**9,558**		**1,480**

Consolidated statement of comprehensive income for 2019

In thousands of euros.

		2019		2018
Shareholders' equity as at 1 January		**354,441**		**329,449**
Net result	-5,343		36,324	
Change in reserve for translation differences	-3,372		406	
Dilution of share capital in participating interests	-2,105		66	
Comprehensive income		**-10,820**		**36,796**
Dividend distribution	-16,346		-11,804	
Total changes in shareholders' equity in relation to depositary receipt holders		**-16,346**		**-11,804**
Shareholders' equity as at 31 December		**327,275**		**354,441**

The notes on pages 85 to 110 form an integrated part of these consolidated financial statements.

Notes to the consolidated financial statements of 2019

The original annual report was drafted in Dutch. This document is an English translation of the original. In case of any discrepancies between the English and the Dutch text, the latter will prevail.

General

Reporting entity and relationship with parent company

On 27 March 2019, the name of Swinkels Family Brewers Holding N.V. was changed to Royal Swinkels Family Brewers Holding N.V.

Royal Swinkels Family Brewers Holding N.V. ('the company'), having its legal address in Lieshout, De Stater 1, is a public limited company registered in the trade register as a financial holding under number 64910792. Ambrig B.V. holds 100% of the shares.

These financial statements include the financial information of both the company and consolidated group companies.

Royal Swinkels Family Brewers Holding N.V. is a holding company. The main activities of the group comprise the production and selling of beer, soft drinks and malt.

The operations of the company and that of the group are both in the Netherlands and abroad.

Financial reporting period

The financial statements relate to the financial year 2019, which ended at the balance sheet date of 31 December 2019.

Basis of preparation

The consolidated financial statements of the company are part of the statutory financial statements of the company and have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code.

Unless stated otherwise below, the principles applied for the measurement of assets and liabilities and determination of results are based on the historical cost convention.

Application of Section 402, Book 2 of the Dutch Civil Code

The financial information of Royal Swinkels Family Brewers Holding N.V. is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

Going concern

The financial statements of the company have been prepared on the basis of the going concern assumption.

Changes in structure

A change in the structure was made on 5 March 2019. The interest held by Royal Swinkels Family Brewers Holding N.V. in Palm N.V., was transferred to Swinkels Family Brewers N.V. ('Bavaria N.V.' until 1 November 2019) on that date (including the deferred payment obligation) at carrying amount ('carry over accounting') . For the principles with regard to acquisitions under common control, see page 86 of the principles.

Accounting policies for the measurement of assets and liabilities and the determination of the result

General

Compared to last year, the profit and loss account is shown in a compressed format. In addition, the presentation of excise duties, promotional contributions, exchange results and other income has changed compared to last year. For more information, see the section 'Change in accounting policies' on page 87. From 2019, the net turnover will be subject to different geographical segmentation, which is better in line with how the company is managed. The figures for 2018 have been reclassified to facilitate comparability with the figures for 2019.

Assets and liabilities

Assets and liabilities are measured at historical cost, unless stated otherwise in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains recognised on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises of which the size can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

Presentation and functional currency
The financial statements are presented in euros, which is the company's functional currency. All financial information in euros has been rounded to the nearest thousand.

Use of estimates
In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The following accounting policies are in the opinion of management the most critical in preparing these financial statements and require judgements, estimates and assumptions:
- The realisable value of the portfolio of brands associated with the purchase of Palm N.V. in 2016;
- Deposit and VBR obligation;
- Provision for debtors;
- Provision for obsolescence.

Consolidation principles

Consolidation scope
The consolidated financial statements include the financial information of Royal Swinkels Family Brewers Holding N.V. and its subsidiaries in the group, other group companies and other companies over which the company can exercise control or of which it conducts the central management. Subsidiaries are participating interests in which the company (and/or one or more of its subsidiaries) can exercise more than half of the voting rights in the general meeting, or appoint or dismiss more than half of the directors or the supervisory directors.

Group companies are participating interests in which the company has a majority interest, or in which it can exercise decisive influence (control) by other means. In assessing whether the company has control, potential voting rights are taken into account that can be exercised in such a way that they will provide the company with more or less influence.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

For a list of the consolidated group companies, reference is made to the notes to the financial fixed assets in the separate financial statements.

Business combinations
A business combination is a transaction whereby the group obtains control over the assets and liabilities and the activities of the acquired party. Business combinations are accounted for using the 'purchase accounting' method on the date that control is transferred to the group (the acquisition date). The transaction price is the cash consideration or equivalent agreed as part of the acquisition, or the fair value of the consideration transferred at the acquisition date. Transaction costs that are directly attributable to the business combination are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration.

The group recognises the identifiable assets and liabilities of the acquiree at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (liabilities), and the cost or fair value of it can be measured with reliability.

Refer to the accounting policy under the heading 'Intangible fixed assets' for the recognition of positive or negative goodwill resulting from a business combination.

An agreed possible adjustment to the cost of acquisition that is dependent on future events is included in the cost of acquisition as soon as the adjustment is probable and its amount can be reliably determined. It may also be necessary to revise an earlier estimate of the adjustment of the cost of acquisition. Such adjustments to the cost of acquisition, which are accounted for as changes in estimates, also result in adjustments to the determined goodwill (positive or negative). The adjusted goodwill will be amortised prospectively from the moment of the change in the cost of acquisition. Comparative figures are not adjusted.

Business combinations under common control
A business combination under common control is a business combination of an entity that is under common control with the acquirer. Such business combinations are also referred to as common control transactions.

Business combinations under common control are accounted for using the 'carry over accounting' method. The carrying amounts of the assets and liabilities are combined, no revaluation to fair value takes place.

Any differences between the accounting policies of the combined entities are unified through a change in accounting policies. When using the 'carry over accounting' method, the figures before the acquisition or combining date are not restated.

Consolidation method
The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of result of the group.

In the consolidated financial statements, intragroup shareholdings, liabilities, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the company has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company. Subsidiaries are consolidated in full, whereby third-party minority interest is presented separately within group equity. If losses to be allocated to the third-party minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder, except to the extent that the minority shareholder has the obligation to, and is able to, compensate for the losses. The minority interest in the result is deducted from group result on a separate line item in the consolidated profit and loss account.

Principles for the translation of foreign currency

Transactions in foreign currency

At initial recognition, transactions denominated in a foreign currency are translated into the functional currency of the Company at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency on the balance sheet date at the exchange rate applying on this date. Exchange differences arising from the settlement of monetary items, or from the translation of monetary items denominated in foreign exchange, are recognised in the profit and loss account in the period in which they occur. This is except for exchange differences on monetary items that are part of the net investment in a foreign business operation (see below).

Non-monetary assets and liabilities denominated in foreign currency and recognised at historical cost are translated into the functional currency at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities in foreign currency and recognised at current value are translated into the functional currency at the exchange rates applying at the moment when the current value is determined. The translation differences are recognised directly in equity as part of the translation reserve.

Foreign operations

The assets and liabilities that form a part of the net investment in foreign operations are translated into the presentation currency at the exchange rate on the balance sheet date. Income and expenses of such operations are translated into the presentation currency at the exchange rate on the transaction date. Currency translation differences are directly recognised in the translation reserve within equity.

A group company that has received a loan from the parent company recognises any translation differences in the profit and loss account, even if the loan from the parent company is part of the net investment in a foreign operation.

If an entire or part of a foreign operation is sold, the relevant cumulative amount from the reserve for translation differences is transferred to the profit and loss account.

Hedging of the net investment in foreign operations

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign operation, are directly recognised in equity (in the translation reserve) to the extent that the hedge is effective.
The ineffective part is recognised as an expense in profit and loss.

Changes in accounting policies

Compressing the main profit and loss account

Last year, the following items were presented separately in the main overview, whereas this year, for reasons of transparency, they have been merged under the item Cost of outsourced work and other external costs:

- Marketing and selling costs (€ 78,328 thousand)
- Maintenance costs (€ 20,948 thousand)
- Energy costs (€ 14,575 thousand)
- Transport costs (€ 49,671 thousand)
- Rental and storage costs (€ 14,467 thousand)

Change in accounting policy for recognition of excise duties

As indicated in the principle for net turnover, an important degree of judgement exists in determining whether or not excise duties are collected on behalf of a third party and, as such, the way in which excise duties are recognised in the financial statements.

In 2019, Royal Swinkels Family Brewers Holding N.V. concluded that it qualifies as a principal in some countries where excise duties are levied, whereas it previously concluded that it was acting as an agent.The main aspects that formed the basis for this conclusion concern the available choice of whether or not to charge on excise duties to customers and the degree of credit risk and liquidity risk incurred. This assessment also links up with international accounting standards and the accounting treatment used within the industry.

This change in accounting policy has been incorporated in the profit and loss account for 2019 and in comparative figures. This change in accounting policy has no impact on equity and results. The change in accounting policy has the following effect on comparative figures:

- Net turnover for 2018 (previously reported): € 713,067 thousand
- Effect of change in accounting policy: € 146,040 thousand
- Net turnover for 2018 (adjusted): € 859,107 thousand

- Excise duties (part of costs of outsourced work and other external costs) for 2018 (previously reported): € 13,678 thousand
- Effect of change in accounting policy: € 146,040 thousand
- Excise duties for 2018 (adjusted): € 159,718 thousand

Change in accounting policy for recognition of promotional contributions

In determining the classification of discounts and expenditures for promotional contributions, an important degree of judgement exists to establish whether they are sales-related discounts or marketing costs.

As a result of developments in national and international accounting standards and, as a result thereof, the changes in the accounting treatment applied within the industry, the recognition/presentation of promotional contributions as part of marketing costs has changed. Based on individual contracts, the classification is determined as discounts or marketing costs. Discounts or contributions that classify as sales-related discounts are deducted from the turnover. If contributions are clearly distinguishable from sales, they are classified as marketing costs.

This change in accounting policy has been incorporated in the profit and

loss account for 2019 and in comparative figures. This change in accounting policy has no impact on equity and results. The change in accounting policy has the following effect on comparative figures:
- Net turnover for 2018 (previously reported): € 713,067 thousand
- Effect of change in accounting policy: € -9,192 thousand
- Net turnover for 2018 (adjusted): € 703,875 thousand
- Marketing and selling costs (part of Costs of outsourced work and other external costs) for 2018 (previously reported):€ 78,328 thousand
- Effect of change in accounting policy: € -9,192 thousand
- Marketing and selling costs 2018 (adjusted): € 69,136 thousand

Reclassification of part of the other operating income to turnover
As from 2019, for reasons of transparency, some of the other operating income will be presented in net turnover. This change in accounting policy has been incorporated in the profit and loss account for 2019 and in comparative figures. This change in accounting policy has no impact on equity and results. The change in accounting policy has the following effect on comparative figures:
- Net turnover for 2018 (previously reported): € 713,067 thousand
- Effect of change in accounting policy on net turnover: € 4,522 thousand
- Net turnover for 2018 (adjusted): € 717,589 thousand

- Other operating income for 2018 (previously reported):€ 27,343 thousand
- Effect of change in accounting policy: € -4,522 thousand
- Other operating income for 2018 (previously reported): € 22,821 thousand

Reclassification of exchange results of other operating income to interest income and similar income or interest expenses and similar charges
As from 2019, for reasons of transparency, exchange results are presented in interest income and similar income or interest expenses and similar charges. This change in accounting policy has been incorporated in the profit and loss account for 2019 and in comparative figures. This change in accounting policy has no impact on equity and results. The change in accounting policy has the following effect on comparative figures:
- Other operating income for 2018 (previously reported):€ 27,343 thousand
- Effect of change in accounting policy: € -1,280 thousand
- Other operating income for 2018 (previously reported): € 26,063 thousand

- Interest expenses and similar charges for 2018 (previously reported):€ 4,595 thousand
- Effect of change in accounting policy: € -1,280 thousand
- Interest expenses and similar charges for 2018 (adjusted): € 3,315 thousand

Total effect of change in accounting policy on net turnover
The total reclassification that is incorporated in net turnover is:
- Net turnover for 2018 (previously reported) € 713,067 thousand
- Excise duties € 146,040 thousand
- Promotional contributions € -9,192 thousand
- Other income € 4,522 thousand
- Net turnover for 2018 (adjusted) € 854.437 thousand

Changes in estimates
There were no changes in estimates in 2019.

Financial instruments
Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. The financial statements include the following financial instruments: Loans granted and other receivables, non-current and current liabilities and other financial liabilities and derivatives.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial and non-financial contracts may contain terms and conditions that meet the definition of derivative financial instruments. Such an agreement is separated from the host contract if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value with changes in fair value recognised in the profit and loss account.

Embedded financial instruments which are not separated from the host contract are recognised in accordance with the host contract. Derivatives separated from the host contract are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost or lower fair value. Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition.

After the initial recognition, financial instruments are measured in the manner described below.

Loans granted and other receivables
Loans granted and other receivables are measured after initial recognition at amortised cost based on the effective interest method less impairment losses. The effective interest and any impairment losses are recognised directly in the profit and loss account. Purchases and sales of financial fixed assets that belong

to the class of loans granted and other receivables are recognised at the transaction date.

Non-current and current liabilities and other financial liabilities
After initial recognition, non-current and current liabilities and other financial liabilities are valued at amortised cost using the effective interest method. The effective interest is recognised directly in the profit and loss account. Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Forward exchange contracts and commodities
The company uses forward exchange contracts and commodity swaps to hedge foreign currency and price risks arising from purchasing and selling transactions. The company applies cost price hedge accounting for simultaneously recognising the results from changes in the value of these contracts and the hedged receivable or debt in the profit and loss account. Initial measurement of these contracts is at fair value. For as long as the contract relates to an expected future transaction, it is not revalued. As soon as the hedged item of the expected future transaction leads to the recognition of a financial asset or a financial liability, the gains or losses associated with the contract are recognised in the profit and loss account in the same period in which the obtained asset or concluded liability affects the gain or the loss.

Interest rate swaps
The company uses interest rate swaps to manage interest rate risks on non-current liabilities to credit institutions. The company applies cost price hedge accounting to simultaneously recognise in the profit and loss account the results arising from interest changes in connection with the interest rate swap and the hedged liability.

Initial measurement of the interest rate swaps is at fair value. The deferral resulting from the purchase of this derivative is recognised under prepayments and accrued income or accrued expenses and deferred income. If derivatives expire or are sold, the cumulative gain or loss not yet recognised in the profit and loss account until then will be recognised in the balance sheet as a deferral until the hedged transactions take place. If the transactions are no longer expected to occur, the cumulative gain or loss is transferred to the profit and loss account. If the derivative instrument no longer meets the criteria for hedge accounting, but the financial instrument is not sold, then hedge accounting is also discontinued. The financial instrument is subsequently valued at the lower of cost or market value.

Conditions for hedge accounting
Royal Swinkels Family Brewers Holding N.V. documents its hedging relationships in generic hedging documentation and regularly checks the effectiveness of the hedging relationships by establishing whether the hedge is effective or that there is no over-hedging.

At each balance sheet date, the company determines the degree of ineffectiveness of the combination of the hedging instrument and the hedged item (the hedging relationship).

The extent of the hedging relationship's ineffectiveness is established by comparing the critical features of the hedging instrument and the hedged item in the hedging relationship. If the critical features, assessed in the context of the hedging relationship, are (or have been) the same, the hedging relationship is not (or has not been) ineffective. If the critical features, assessed in the context of the hedging relationship, are not (or have not been) the same, the hedging relationship is (or has been) ineffective. In that case, the extent of ineffectiveness is established by comparing the change in fair value of the hedging instrument to the change in fair value of the hedged item. In the case of a cumulative loss on the hedging relationship for the period from the initial recognition of the hedging instrument until the balance sheet date, this ineffectiveness (the loss) is recognised directly in the profit and loss account.

Impairment of financial assets

A financial asset that is not valued at (1) fair value in the profit and loss account or (2) the lower of amortised cost or market value, is assessed as at each reporting date to determine whether there are objective indications that the asset may be impaired.

A financial asset is deemed to be subject to impairment if there are objective indications that after the initial recognition of the asset, an event has occurred that has a negative impact on the expected future cash flows of the asset and that can be reliably estimated.

Objective evidence that financial assets are impaired includes financial difficulties at the legal entity or debtor which issued the instrument, a breach of contract, such as default and/or delinquency with respect to interest or principal repayments, restructuring of an amount owed to the company under terms the company would otherwise not have considered, indications that a debtor or issuer will go bankrupt or is likely to carry out a financial restructuring, or the disappearance of an active market for a particular security. In addition, subjective indicators are considered in conjunction with objective indicators of impairment. Examples include a reduction in the creditworthiness of the other party being the legal entity or debtor of the issued instrument or a reduction in the fair value of a financial asset below cost or amortised cost. The company considers evidence of impairment of receivables valued at amortised cost at both specific asset and collective level.

Separate key receivables are tested to see whether, individually, there are indications of impairment.Separate key receivables not individually impaired and separate non-key receivables are tested collectively to see whether there are indications of impairment.

Trade receivables not individually impaired are tested collectively to see whether there are indications of impairment; this is done by combining receivables with similar risk properties.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The carrying amount of receivables is reduced by the provision for bad debts. Receivables that cannot be collected are deducted from the provision. Other additions to and withdrawals from the provision are recognised in the profit and loss account.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Offsetting financial instruments
A financial asset and a financial liability are set off if the company has a legally enforceable instrument to set off the financial asset and the financial liability and the company firmly intends to settle the balance as such, either on a net basis or simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition, the transferred asset and the corresponding liability are not netted.

Intangible fixed assets

Intangible fixed assets are recognised in the balance sheet when it is probable that the future economic benefits embodied in the asset will flow to the company and the costs of the asset can be determined reliably. Intangible fixed assets are valued at cost of acquisition or manufacturing, less cumulative amortisation and impairment losses. Expenses after the initial recognition of a purchased or self-produced intangible asset are added to the cost of acquisition or manufacturing if it is probable that the expenditure will lead to an increase in expected future economic benefits and the expenditure and attribution to the asset can be determined reliably. If the conditions for capitalisation are not met, the expenditures are recognised as costs in the profit and loss account.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

Goodwill
Goodwill represents the excess of the cost of the acquisition of the participating interest (including transaction costs directly related to the acquisition) over the Company's interest in the net realisable value of the assets acquired and the liabilities assumed of the acquired entity, less cumulative amortisation and impairment losses. Internally generated goodwill is not capitalised.

Goodwill paid upon the acquisition of foreign group companies and participating interests is translated at the rate applying on the transaction date.

The capitalised positive goodwill is amortised using the straight-line method based on the estimated useful life, which varies between five and twenty years.

Negative goodwill (i.e., the surplus of the interest in fair values of the identifiable assets and liabilities at the acquisition date over the cost of acquisition) is recognised as a separate accrual. If the negative goodwill relates to expected future losses and expenses that have been taken into account in the acquisition plan and that can be determined reliably, this portion of the negative goodwill will be credited to the profit and loss account as and when these losses and expenses occur. If the negative goodwill relates to expected future losses and expenses that have been taken into account in the acquisition plan and that can be determined reliably and these expected losses and expenses are not recognised in the period in which they were expected, the negative goodwill, for the portion that does not exceed the fair values of the identifiable non-monetary assets, must be systematically credited to the profit and loss account in proportion to the weighted average of the remaining useful life of the acquired, depreciable fixed assets and the portion that exceeds the fair values of the identifiable non-monetary assets are immediately credited to the profit and loss account.

If the negative goodwill does not relate to expected future losses and expenses that can be determined reliably on the acquisition date, the portion that does not exceed the fair values of the identifiable non-monetary assets is systematically credited to the profit and loss account in proportion to the weighted average of the remaining useful life of the acquired depreciable fixed assets and the portion that exceeds the fair values of the identifiable non-monetary assets is immediately credited to the profit and loss account.

Intellectual property rights
Intellectual property rights concern trademarks bought from third parties. In addition to the principle described above, acquired trademark rights are amortised over twenty years.

Emission allowances
Assigned emission allowances are initially recognised at the actual cost of acquisition. Bought-in allowances are initially valued at the cost of acquisition and charged to the result in the year in which they are applied. The capitalised emission allowances are subsequently valued at cost. If the actual emissions exceed the emission allowances, a provision is formed for the fair value of the additional emission allowances to be acquired. This obligation will be charged to the result to the extent that the emissions take place during the year. A provision for a possible fine is formed and charged to the result. Since emission allowances are only used/applied at the time when they are filed for the settlement of the obligation accrued by the emission, systematic depreciation of capitalised emission allowances is not possible.

Software
Software is valued at cost of acquisition, less cumulative depreciation and impairment losses. In addition to the principle described above, software is depreciated over five years.

Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet if it is probable that the future economic benefits related to this asset will flow to the company and the costs of the asset can be determined reliably.

Land and buildings, plant and equipment, other fixed operating assets, tangible fixed assets under construction and prepayments on tangible fixed assets are measured at cost, less accumulated depreciation and impairment losses.

The cost of these assets comprises their cost of acquisition or manufacturing and other costs incurred in order to bring the assets to their location and in the condition required for their intended use.

In the event that the cost of a tangible fixed asset is paid on the basis of a longer than normal payment term, the cost of the asset is based on the present value of the liability. In the event that tangible fixed assets are acquired in exchange for a non-monetary asset, the cost of the tangible fixed asset is determined on the basis of the fair value insofar as the barter transaction leads to a change in economic conditions and the fair value of the acquired or stated asset can be determined reliably. Grants related to assets are deducted from the cost of the assets.

Depreciation is calculated as a percentage of the cost of acquisition using the straight-line method based on the expected useful life, taking into account any residual value of the asset. Land, tangible fixed assets under construction and prepayments on tangible fixed assets are not depreciated. Depreciation starts when an asset is available for its intended use and ends upon its decommissioning or disposal.
The following depreciation rates apply:

- land and buildings: 0.0% – 10.0%
- plant and equipment: 6.7% – 20.0%
- other fixed operating assets: 12.5% – 33.3%
- other real estate: 3.5% – 10.0%

The company determines the amount to be depreciated without taking into account any residual value.

Tangible fixed assets with a limited useful life are depreciated separately, on the basis of the estimated useful life. In the event that significant components of a tangible fixed asset are distinguishable from each other and differ in useful life or expected usage pattern, these components will be depreciated separately.

Maintenance expenditure is only capitalised when the maintenance extends the useful life of the asset and/or leads to future economic benefits with respect to the object. Tangible fixed assets, of which the company and its group companies have economic ownership pursuant to a financial lease agreement, are capitalised. The obligation arising from the financial lease is recognised as a liability. The interest included in the future lease payments is charged to the result over the term of the financial lease agreement.

Decommissioned assets are valued at the lower of the carrying amount or net realisable value.

Financial fixed assets

Participating interests with significant influence
Participating interests where significant influence can be exercised over the business and financial policies are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated on the basis of the company's accounting policies.

If the company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Unrealised profit is eliminated from the company's results. This adjustment is recognised by elimination from net turnover and inclusion of a deferral. The company realises the eliminated profit as a result of sales to third parties, depreciation or by means of the relevant participating interest recognising an impairment
.
Participating interests with a negative net asset value are measured at nil. This measurement also covers non-current receivables from participating interests that should effectively be considered part of the net investment. This primarily concerns loans for which settlement is neither planned nor likely to occur in the near future. A share in the profit of the participating interest in later years is recognised only if and to the extent that the company's cumulative unrecognised share of the entity's loss has been made good. However, if the company fully or partially guarantees the debts of a participating interest, or if the company is effectively obliged to enable the participating interest (for its share) to settle its debts, a provision is formed for the amount of the expected payments by the company for the participating interest.

Participating interests without significant influence
Participating interests where no significant influence is exercised are valued at the lower of cost of acquisition or realisable value. If the company transfers an asset or a liability to a participating interest valued at cost of acquisition or current value, the profit or loss arising from this transfer is recognised directly and fully in the consolidated profit and loss account, unless the profit on the transfer essentially has not been realised.

Other receivables
The other receivables mainly concern loans that have been granted within the framework of sales in the hospitality industry. Interest is charged on these loans. The rate of this interest depends on the risk rate and the commercial significance of the loan. The measurement was made at amortised cost using the effective interest method, reduced by a provision for irrecoverability, where necessary.

Dividends
Dividends are accounted for in the period in which they become payable.

Other financial fixed assets
Receivables from non-consolidated participating interests are initially stated at fair value, plus directly attributable transaction costs. These receivables are subsequently valued at amortised cost on the basis of the effective interest method, less impairment losses.

The accounting policies applicable to the other financial fixed assets are described under the heading 'Financial instruments'.

Impairment of fixed assets

Tangible and intangible fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. If there is an impairment loss for a cash-generating unit, the loss is first allocated to goodwill allocated to the cash-generating unit. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

In addition, impairment losses recognised in prior years are assessed as at each balance sheet date for any indication that the impairment loss has decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's realisable value since the last impairment loss was recognised. If this is the case, the carrying amount of the asset (or cash-generating unit) is increased up to its estimated realisable value, but not in excess of the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years.

An impairment loss recognised for goodwill is not reversed in a subsequent period. In deviation from the above, the realisable value is determined at each balance sheet date for emission allowances (irrespective of whether there is evidence of impairment).

Disposal of fixed assets

Fixed assets available for sale are valued at the lower of the carrying amount or net realisable value.

Inventories

Inventories are valued at the lower of cost or net realisable value. The cost comprises the cost of acquisition or cost of manufacture, plus other costs to bring them to their current site and current state. The net realisable value is based on the most reliable estimate of the amount the inventories are expected to realise, less costs still to be incurred.

Raw materials and consumables are valued at cost of acquisition based on the lower of the first-in, first-out (FIFO) method or net realisable value.

Work in progress and finished goods are valued at cost of manufacture based on weighted average prices, comprising the costs of acquisition of raw materials and consumables used and the other costs that can be directly attributed to the manufacture. Goods for resale are valued at cost of acquisition. The cost of acquisition includes the purchase price and the associated costs, such as import duties, transport costs and other costs directly attributable to the purchasing of inventories. Trade discounts, rebates and similar considerations receivable in connection with the purchase of inventories are deducted from the cost.

Receivables

The principles for the measurement of receivables are described under the heading 'Financial instruments'.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value. If cash and cash equivalents are not at the company's free disposal, this is taken into account in their measurement. Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.Cash and cash equivalents that are expected not to be available to the company for more than twelve months are classed as financial fixed assets.

Shareholders' equity

Financial instruments that classify as equity instruments based on their economic substance are presented under shareholders' equity. Distributions to holders of these instruments are deducted from shareholders' equity after deducting any related income tax gain.

Financial instruments that classify as a financial liability based on their economic substance are presented under liabilities. Interest, dividends, income and expenses with respect to these financial instruments are recognised in the profit and loss account as income or expenses.

The purchase of own shares is deducted from the other reserves.

Minority interests

Minority interests valued at the proportional share of third parties in the net value of the assets and liabilities of a consolidated company, calculated using the accounting policies of Royal Swinkels Family Brewers Holding N.V.

Provisions

General

A provision is recognised if the following applies:

- the entity has a present legal or constructive obligation as a result of a past event;
- if the amount can be estimated reliably; and
- if it is probable that an outflow of resources will be required to settle that obligation.

Rights and obligations arising from the same agreement are not included in the balance sheet if and to the extent neither the company nor the counter-party has delivered performance. Recognition in the balance sheet occurs when the performance yet to be received or delivered and the counter-performance are not, or no longer, in balance and this has negative consequences for the company.

If (all or part of) the expenditures required to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, the compensation amount is presented separately as an asset.

Provisions are valued at the nominal value of the best estimate of the expenses deemed necessary for settling the liabilities and losses.

Provision for claims, disputes and legal proceedings

A provision for claims, disputes and legal proceedings is recognised if it is probable that the company will be ruled against in legal proceedings. The provision represents the best estimate of the amount required to settle the obligation and includes the legal costs.

Jubilee provision

The jubilee provision concerns a provision for future long-service awards. The provision concerns the estimated amount of future long-service awards. The calculation is based on commitments made, retention odds and age.

Provision for onerous contracts

The provision for onerous contracts concerns the negative difference between the expected benefits from the performance receivable by the company after the balance sheet date and the unavoidable costs in order to meet the obligations. The unavoi-dable costs are the costs needed at the very least to get out of the agreement, being the lower of the costs for honouring the obligations and, on the other hand, the considerations or fines for failing to honour the obligations.

Other provisions
Other provisions are recognised at nominal value.

Non-current liabilities
The measurement of non-current liabilities is explained under the heading 'Financial Instruments'.

Current liabilities
The measurement of current liabilities is explained under the heading 'Financial Instruments'.

Revenue recognition
Net turnover
Sale of goods
Revenue from the sale of goods is accounted for in net turnover at the fair value of the consideration received or receivable, net of returns and allowances, trade and volume discounts and other payments to customers for which no concrete counter-performance is expected. The distinction between discounts and marketing costs is determined on the basis of individual contracts. Discounts or contributions that classify as sales-related discounts are deducted from turnover. If contributions are clearly distinguishable from sales, they are classified as marketing costs. Excise duties are included in net turnover when Royal Swinkels Family Brewers Holding N.V. concludes that it is exposed to the main risks with regard to the excise duties levied.The method of processing the excise duties is determined per country.In the various countries where Royal Swinkels Family Brewers Holding N.V. operates, excise duties are a tax levied on production ("production tax"). In other countries, excise duties are a sales tax, which is levied on sale.

An important degree of judgement exists in determining whether excise duties are collected on behalf of a third party or not and, as such, the way in which excise duties are recognised in the financial statements. In its assessment, Royal Swinkels Family Brewers Holding N.V. links up with the so-called "principal agent model". Royal Swinkels Family Brewers Holding N.V. has concluded for both excise duties levied on production and excise duties levied on realised sales that the company qualifies as a principal. This means that the excise duties charged to customers are part of the net turnover. Important aspects that have been taken into consideration concern the extent of the credit risk incurred, the choice of whether or not to charge excise duties to customers, the liquidity risk for Royal Swinkels Family Brewers Holding N.V. and to what extent excise duties form part of the production costs.

Revenue from the sale of goods is recognised in the profit and loss account once the main risks and rewards of ownershiphave been transferred to the buyer, the amount of the income can be determined reliably, the collection of the due consideration is probable, the associated costs or any returns can be estimated reliably and there is no further involvement with the goods.

The transfer of risks and rewards varies according to the conditions of the relevant sales contract. For the selling of products that Royal Swinkels Family Brewers Holding N.V. produces, transfer as a rule takes place once the product arrives at the client; for some international deliveries, however, it is the moment that the goods have been loaded by the relevant shipping company.

Licence fees
Licence fees are paid for the use of the trademarks of Royal Swinkels Family Brewers Holding N.V. Revenue is recognised when the size of the consideration to be received can be determined reliably and its collection is probable. Licence revenues are recognised as soon as the licensee sells goods that carry a Royal Swinkels Family Brewers Holding N.V trademark.

Other revenue
Other revenue flows (for example from excursions and services) are included in net turnover at fair value of the consideration received or to be received after the deduction of trade discounts and other payments to customers for whom no concrete counter-performance is expected.

Changes in inventories of finished products and work in progress
This concerns the increase or decrease in the inventories of products in progress and finished goods, based on historical cost.

Other operating income
Income that cannot be classified as net turnover is accounted for as other operating income. Income from the letting of hospitality properties is recognised in the profit and loss account using the straight-line method based on the duration of the rental agreement.

Employee benefits
Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

For long-term employee benefits, including sabbatical leave, profit-sharing and bonuses, the expected expenses during the employee's service period are taken into account. The costs of employee benefits expected to be due under profit-sharing and bonus payments are recognised when the company has the obligation to pay these benefits at or before the balance sheet date and a reliable estimate can be made of the obligations. Additions to and releases of provisions are debited from and credited to the profit and loss account respectively.

If employee benefits are paid that do not result in the accrual of benefits (such as continuing wage payments during sickness or incapacity for work), the expected expenses are recognised in the period in which these benefits are payable. A provision is recognised for the obligations existing at the balance sheet date to continue the payment of employee benefits (including termination benefits) to employees who at the balance sheet date are expected to remain fully or partially incapacitated for work on a permanent basis due to an illness or occupational disability.

The recognised obligation is based on the best estimate of the amounts that will be required to settle the relevant obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective labour agreement and individual employment contracts). Additions to and releases of provisions are debited from and credited to the profit and loss account respectively. A provision is recognised for disability risks that are insured for the part of the insurance premiums payable in the future that can be directly attributed to the company's individual claims history. No provision is recognised if a reliable estimate cannot be made of the size of the part of the insurance premiums payable in the future that can directly be attributed to the company's claims history.

Dutch pension plans
The principle is that the pension liability to be recognised for the reporting period is equal to the pension contributions payable to the pension provider for that period. Insofar as the contributions owed have not yet been paid on the balance sheet date, an obligation will be recognised for this. If as at the balance sheet date, the actual contributions paid exceed the payable contributions, a deferred asset is recognised to account for any repayment by the fund or set-off against contributions payable in future.

If there is an obligation on the balance sheet date with regard to a pension plan, a provision is formed if it is likely that a package of measures necessary for recovering the existing cover ratio as at the balance sheet date will lead to an outflow of resources, the size of which can be estimated reliably.

In the event of adjustments to the entitlements accrued as at the balance sheet date arising from future salary increases that have already been committed to as at the balance sheet date and which are payable by the company, a provision will be made for this.

In addition, a provision is recognised for any additional obligations to the pension fund and the company's employees as at the balance sheet date, if it is probable that the settlement of these obligations will result in an outflow of resources and the amount of the relevant obligations can be estimated reliably. The existence or non-existence of additional obligations is assessed based on the administration agreement with the fund, the pension agreement with the employees and other (explicit or implicit) commitments to the employees. The provision is valued at the best estimate of the present value of the amounts expected to be required to settle the obligations as at the balance sheet date. The pre-tax discount rate reflects the current market interest rate on the balance sheet date of high-quality corporate bonds/yield on government bonds. The risks already taken into account when estimating future expenditure are not included in this.

Foreign pension plans
Pension plans designed and functioning similarly to the way in which the Dutch pension system is designed and functions, with a strict segregation of the responsibilities of and a risk spread between the parties involved (company, fund and participants), are recognised and measured in accordance with the Dutch pension plans (see above).

As regards foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the obligation as at the balance sheet date. This obligation is subsequently measured on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of the employment. A termination benefit is recognised as a liability and an expense if the company has demonstrably and unconditionally committed to paying a termination benefit. If the dismissal is part of a reorganisation, the costs of the termination benefit are included in a reorganisation payment.

Termination benefits are measured in accordance with their nature. If the termination benefits are an enhance-ment to the employee's post-employment benefits, they are measured using the same principles applicable to pension plans. Other termination benefits are valued at the best estimate of the amounts expected to be required to settle the obligation.

Costs of outsourced work and other external costs
This includes the costs incurred for operating income, insofar as these costs have been charged by third parties and cannot be regarded as costs of raw materials and consumables.

Leasing
The company may enter into financial and operating leases. An agreement contains a lease if, in exchange for a fee to the other party (the supplier), it provides the legal entity (the customer) with control over the use of an identified asset during the agreed period of use.

A lease agreement where all or practically all of the risks and rewards associated with ownership of the lease object rest with the lessee is classified as a finance lease. All other lease agreements classify as operating leases. The classification of leases is determined on the basis of the economic substance of the transaction rather than its legal form. Leases are classified on the commencement date of the relevant lease agreement.

Financial leases
If the company acts as a lessee in a finance lease, at the inception of the lease the leased asset (and the related obligation) is accounted for in the balance sheet at fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The principles for subsequent measurement of the lease object are described under the heading 'Tangible fixed assets'. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the lease object is fully depreciated over the shorter of the lease term and its useful life.

The minimum lease payments are split into interest charges and repayment of the outstanding lease obligation. The interest charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the net obligation in relation to the financial lease. Contingent lease payments are recognised as expenses in the periods in which the payment conditions have been met.

Operating leases
If the company acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term, unless another systematic

basis is more representative of the time pattern of the benefits from the use of the leased asset.

Interest income and similar income and interest payable and similar expenses

Interest income is recognised in the period to which it relates, taking into account the effective interest rate of the relevant asset item. Interest payable and similar expenses are recognised in the period to which they relate. Exchange results are recognised in interest income and similar income or interest payable. Exchange results arise from the settlement of monetary items or from the translation of monetary items in foreign currency and are recognised in the profit and loss account in the period in which they occur.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences. For taxable temporary differences, a provision for deferred tax liabilities is recognised. For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences of the company's intended way as at the balance sheet of realising or settling its assets, provisions, debts and accrued expenses and deferred income. Deferred tax assets and liabilities are measured at nominal value.

Share in the result of participating interests

The share of result of participating interests concerns the group's share in the result of these participating interests, calculated on the basis of the group's accounting policies. Transaction results that involved the transfer of assets and liabilities between the group and its unconsolidated participating interests or between its unconsolidated participating interests are not recognised to the extent that they can be deemed unrealised.

The result of participating interests acquired or disposed of in the financial year is recognised in the group's result from the date of acquisition or disposal.

Cash flow statement

The cash flow statement is prepared using the indirect method. The cash in the cash flow statement comprises cash and cash equivalents and investments that can be converted into cash without limitations and without material risk of reduction in value as a result of the transaction. Cash flows in foreign currencies have been translated at an estimated weighted average exchange rate for the reporting period. Exchange differences relating to cash are presented separately in the cash flow statement.

Interest income and expenses, dividends received and income taxes are recognised under cash flows from operating activities. Dividends paid are recognised under the cash flow from financing activities.

To the extent that payment has been made in cash, the cost of acquisition for the acquired group company is recognised under the cash flow from investing activities. The cash available in the acquired group company has been deducted from the purchase price.

Transactions in which there is no exchange of cash, such as financial leases, are not recognised in the cash flow statement.

The payments of the lease instalments arising from the financial lease contract are designated as an expenditure from financing activities for the part that concerns the repayment and as an expenditure from operating activities for the part that concerns the interest. Cash flows from financial derivative instruments that are recognised as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives for which hedge accounting is no longer applied are classified consistently with the nature of the instrument from the date hedge accounting is discontinued.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other. The fair value of forward exchange contracts and commodities is based on the listed market price.

The fair value of interest rate swaps is based on the interest rate development in relation to the conclusion of the swap and the remaining term of the swap.

The fair value of non-listed financial instruments is determined by discounting the expected cash flows at a discount rate that is equal to the effective risk-free market interest for the remaining term plus credit and liquidity surcharges.

Related parties

Transactions with related parties are disclosed if they have not been entered into at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

1. Acquisitions

On 31 January 2019, the group expanded its interest in Brouwerij De Molen B.V. from 35% to 100% for an amount of € 6,523 thousand. The takeover of Brouwerij de Molen B.V. has been recognised using the purchase accounting method, with the fair values of the identifiable assets and liabilities of Brouwerij De Molen B.V. being determined on the acquisition date. The level of goodwill is determined as the difference between the cost of acquisition and the fair value of the assets and liabilities and amounts to € 4,538.

On 26 July 2019, the group acquired a 40% interest in JSC Argo in Tbilisi (Georgia) for an amount of € 4,491 thousand.
The interest has been recognised as a minority interest using the net asset value method. Negative goodwill of € 737 thousand has been recognised for the difference between the cost of acquisition and the interest in the fair value of the assets and liabilities. In addition to the cost of acquisition already paid, a conditional purchase price obligation applies, which depends on the operating results of JSC Argo in the period from 2019 to 2020. This conditional purchase price obligation amounts to a maximum of € 6,864 thousand. No provision has been made for this purchase price obligation (the earn-out obligation) payable under condition, because it is not considered probable that the relevant conditions will be met.

2. Intangible fixed assets

Movements in intangible fixed assets were as follows:

(in thousands of euros)	Goodwill	Emission allowances	Software	Intellectual property rights	Prepayments on intangible fixed assets	**Total**
Balance at 1 January						
Purchase price	15,872	688	13,002	35,818	974	66,354
Accumulated amortisation and impairment	-2,254	-	-5,634	-5,009	-	-12,897
Carrying amount at 1 January	**13,618**	**688**	**7,368**	**30,809**	**974**	**53,457**
Investments	-	290	1,574	-	6,279	8,143
New consolidations	4,538	-	-	-	-	4,538
Assets in use	-	-	3,964	-	-3,964	-
Amortisation	-1,039	-278	-2,771	-1,775	-	-5,863
Impairments	-	-	-	-29,034	-	-29,034
Translation differences	45	-	-127	-	-	-82
Changes in carrying amount	**3,544**	**12**	**2,640**	**-30,809**	**2,315**	**-22,298**
Balance at 31 December						
Purchase price	20,460	978	18,398	35,818	3,289	78,943
Accumulated amortisation and impairment	-3,298	-278	-8,390	-35,818	-	-47,784
Carrying amount at 31 December	**17,162**	**700**	**10,008**	**-**	**3,289**	**31,159**

The recognised goodwill concerns Latis, LLC, Bier & Co Holding B.V. and Brouwerij De Molen B.V. The remaining economic life is 16, 18 and 20 years, respectively.

Impairments
In the financial year, an impairment loss of € 29,034 thousand has been recognised in respect of intellectual property rights. This loss relates to the portfolio of brands that formed part of the purchase of Palm N.V. in 2016. Forecast results and associated cash flows do not appear to be realised, mainly due to lagging sales volumes.

The realisable value of the cash-generating unit to which the Palm N.V. brand portfolio belongs has been estimated. Based on this estimate, an impairment loss has been recognised in the profit and loss account for € 29,034. The realisable value is based on the discounted cash flow method, using the following assumptions: the income is based on expected sales volumes and expected development of the sales prices, the costs are determined on the basis of budgeted costs, also taking into account maintenance costs and overhead costs, expected investments and a 9% discount rate.

3. Tangible fixed assets

Movements in tangible fixed assets were as follows:

(in thousands of euros)	Land and buildings	Plant and equipment	Other fixed assets	Other real estate	Assets under construction	**Total**
Balance at 1 January						
Purchase price	270,359	464,939	105,959	61,101	24,908	927,266
Accumulated depreciation and impairment	-123,669	-301,985	-73,431	-39,466	-	-538,551
Carrying amount at 1 January	**146,690**	**162,954**	**32,528**	**21,635**	**24,908**	**388,715**
Investments	5,550	10,577	4,753	243	41,965	63,088
New consolidations	-	416	81	151	-	648
Disposals	-236	-12	-1,865	-127	-	-2,240
Assets in use	4,196	34,930	13,124	-	-52,250	-
Depreciation	-7,598	-28,366	-12,084	-2,301	-	-50,349
Impairment losses	-555	-	-	-	-	-555
Transfer from inventories	-	-	3,596	-	-	3,596
Translation differences	-1,018	-3,823	-670	-	-381	-5,892
Changes in carrying amount	**339**	**13,722**	**6,935**	**-2,034**	**-10,666**	**8,296**
Balance at 31 December						
Cost of acquisition	278,063	506,856	114,586	60,439	14,242	974,186
Cumulative depreciation and impairment losses	-131,034	-330,180	-75,123	-40,838	-	-577,175
Carrying amount at 31 December	**147,029**	**176,676**	**39,463**	**19,601**	**14,242**	**397,011**

Other real estate mainly concerns hospitality properties.

An impairment loss of € 555 thousand has been recognised in the financial year in respect of a building that will be demolished in 2020. Based on the assessment in 2019, the realisable value based on this building's value in use is lower than the carrying amount; an impairment loss has been recognised for this amount, which has been recognised in the profit and loss account for € 555 thousand.

The transfer concerns spare parts transferred from other inventories to other fixed operating assets.
The spare parts are held for the use of tangible fixed assets.

Royal Swinkels Family Brewers Holding N.V. has entered into an investment obligation of € 12,626 thousand, in particular regarding the renewal of the glazed surfaces, the implementation of a new ERP system and the installation of a heat recovery system in Lieshout.

Of the tangible fixed assets, an amount of € 15,273 thousand (2018: € 18,193 thousand) serves as collateral for debts to credit institutions.

The acquisition value of assets that have been fully depreciated but which are still in use, amounts to € 268,279 thousand.

The current values of the tangible fixed assets have not been determined. Because Royal Swinkels Family Brewers Holding N.V. holds the tangible fixed assets for the long term and does not intend to sell the tangible fixed assets, the current values are not considered necessary for the required insight.

4. Financial fixed assets

Movements in financial fixed assets can be specified as follows:

(in thousands of euros)	Participating interests	Receivables from participating interests	Deferred tax assets	Other receivables	**Total**
Balance at 1 January	**1,063**	**-**	**620**	**11,787**	**13,470**
Acquisition of participating interests	5,229	59	-	44	5,332
New consolidations	-862	-	-	-	-862
Newly granted loans	-	-	-	6,801	6,801
Loans repaid	-	-	-	-5,524	-5,524
Share in result of participating interests	-59	-	-	-	-59
Translation differences	-180	-	-	-	-180
Change in deferred taxes	-	-	995	-	995
Balance at 31 December	**5,191**	**59**	**1,615**	**13,108**	**19,973**

Participating interests
For a list of the capital interests of Royal Swinkels Family Brewers Holding N.V., reference is made to the notes to the financial fixed assets in the separate financial statements. The participating interests reported here are EESV Beer & Selected Beverages (BSB), Beer & Selected Beverages Services B.V., Drankenpallet Beheer Nederland B.V., Malt Africa B.V., JSC Argo Brewery and Kestedemena Beverage Products Import & Export PLC, the latter of which is not consolidated because of the negligible significance (despite dominant control over this).
The interest in Brouwerij De Molen B.V. has increased from 35% to 100% in January 2019.

Receivables from participating interests
Receivables from participating interests concern the interest still to be received on a loan that has since been repaid.

Deferred tax assets
The deferred tax assets relate to deductible temporary differences. Of these receivables, an amount of € 208 thousand (2018: € 208 thousand) is expected to be offsettable within one year. Loss carried forward not recognised is € 683 thousand (2018: € 2,347 thousand).

Other receivables
The other receivables mainly relate to loans to on-trade businesses. For a large part of these loans, security has been provided in the form of pledges and mortgages. For the remaining risk, a provision of € 832 thousand was formed for doubtful debts, where necessary (2018: €998 thousand). The short-term part of the loans amounts to € 4,300 thousand (2018: € 2,900 thousand). The weighted average interest on these loans is approximately 2.5%.

5. Inventories

(in thousands of euros)	2019	2018
Raw materials and consumables		
Purchase price	28,677	30,883
Less: provision for obsolescence	131	259
Carrying amount	**28,546**	**30,624**
Work in progress		
Cost of manufacture	9,358	7,743
Less: provision for obsolescence	-	-
Carrying amount	**9,358**	**7,743**
Finished goods and trade goods		
Cost of manufacture	35,012	34,245
Less: provision for obsolescence	220	450
Carrying amount	**34,792**	**33,795**
Other inventories		
Purchase price/cost of manufacture	14,498	16,151
Less: provision for obsolescence	720	781
Carrying amount	**13,778**	**15,370**

The cost of inventories recognised as an expense in the profit and loss account, amounts to € 480,919 thousand (2018: € 434,558 thousand). The cost of sales can be specified as follows:

(in thousands of euros)	2019	2018
Raw materials and consumables	340,550	310,095
Wages and social security charges	46,294	43,955
Other attributable operating expenses	97,541	87,142
Net change in inventories	-2,612	-6,634
Cost of sales	**481,773**	**434,558**

The movements in the provision for obsolescence (i.e., write-down to lower net realisable value) are as follows:

(in thousands of euros)	2019	2018
Balance at 1 January	**1,490**	**978**
Addition charged to the profit and loss account	993	1,203
Write-offs charged against the provision	-723	-330
Release credited to the profit and loss account	-689	-361
Balance at 31 December	**1,071**	**1,490**

No inventories were recognised in 2019 which Royal Swinkels Family Brewers Holding N.V. does not legally own (2018: € 0). The other inventories mainly concern empty crates and bottles from Habesha Breweries SC and promotional and service materials.

6. Trade receivables

(in thousands of euros)	2019	2018
Amortised cost of outstanding receivables	160,246	144,416
Less: Allowance for doubtful debts	5,304	5,196
Total	**154,942**	**139,220**

No amounts with a residual term of more than one year are recognised under trade receivables (2018: € 0).

As the receivables are short-term and because provisions for irrecoverability have been recognised where necessary, the carrying amount of the recognised receivables approximates their fair value.

7. Other receivables and prepayments and accrued income

(in thousands of euros)	2019	2018
Other receivables		
Third-party deposits	391	1,809
Other	11,675	11,432
Prepayments and accrued income		
Prepayments	5,180	8,273
Purchase bonuses receivable	1,204	1,251
Total	**18,450**	**22,765**

Prepayments and accrued income include an amount of € 467 thousand (2018: € 930 thousand) with a remaining term of more than 1 year. The item 'Other' does not include any individual items of relative importance.

8. Cash and cash equivalents

The cash and cash equivalents are entirely at the disposal of the company (2018: ditto).

9. Group equity

(in thousands of euros)	2019
Share of Royal Swinkels Family Brewers Holding N.V.	
Balance at 1 January	**354,441**
Result for 2019	-5,343
Dividend paid	-16,346
Translation differences	-3,372
Dilution of share capital in participating interest	-2,105
Balance at 31 December	**327,275**
Minority interest (Habesha Breweries SC and Latis Imports, LLC)	
Balance at 1 January	**20,859**
Third-party share of result for 2019	2,688
Dividend paid	-1,580
Dilution result	-491
Capital contributions	5,446
Translation differences	-2,370
Balance at 31 December	**24,552**

For more details, reference is made to the notes to shareholders' equity in the separate financial statements of Royal Swinkels Family Brewers Holding N.V.

10. Provisions

The statement of movements in the provisions can be specified as follows:

(in thousands of euros)	Deferred tax assets	Provision for claims, disputes and legal proceedings	Jubilee provision	Other provisions	**Total**
Balance at 1 January	**19,115**	**927**	**1,796**	**1,338**	**23,176**
Additions charged to the result	5,168	326	451	2,158	8,103
Withdrawals	-5,346	-97	-146	-1,157	-6,746
Release credited to the result	-666	-	-	-160	-826
Balance at 31 December	**18,271**	**1,156**	**2,101**	**2,179**	**23,707**

Provision for deferred tax liabilities

The provision for deferred tax liabilities comprises the tax effect of the taxable temporary differences between the valuation principles for financial reporting purposes and for tax purposes.The deferrals with a residual term of one year and less amount to € 3,448 thousand (2018: € 1,882 thousand).

Provision for claims, disputes and legal proceedings

This provision concerns disputes involving the company and/or group companies. Although the outcome of these disputes cannot be forecast with any certainty, the expectation is, partly on the grounds of legal advice sought, that the disputes are likely to have an adverse effect on the consolidated financial position.

Jubilee provision

The provision for long-service awards concerns benefits payable to employees based on their years of service and is largely non-current. Approximately € 101 thousand (2018: € 162 thousand) has a remaining term of less than 1 year. The provision concerns the estimated amount of future long-service awards.

The calculation is based on the commitments made, retention odds and age. The main actuarial base applied in determining the provision is as follows: discount rate 0.00%, based on Dutch 10-year government bonds (negative).

Other provisions

The other provisions item consists of a provision for onerous contracts, a provision for redundancy of individual employees and a provision for vacant rented hospitality properties. The other provisions are non-current for an approximate amount of € 626 thousand (2018: approx. € 483 thousand).

11. Non-current liabilities

All non-current liabilities are denominated in euros, with the exception of loans in Ethiopian birr amounting to € 15,273 thousand.

(in thousands of euros)	Loans	Deferred payment obligations	Credit institutions in the Netherlands	Credit institutions in Ethiopia	**Total**
Balance at 1 January	**105**	**37,631**	**78,945**	**15,094**	**131,775**
New loans	-	-	110,000	2,711	112,711
Repayments	-17	-	-60,000	-378	-60,395
To current portion	-	-	-	-5,410	-5,410
Interest accrual/amortisation	-	372	-	-	372
Foreign currency translation differences	-	-	-	-2,154	-2,154
Balance at 31 December	**88**	**38,003**	**128,945**	**9,863**	**176,899**

(in thousands of euros)	2019	Repayment obligation 2020	Repayment obligation 2-5 years	Repayment obligation after 5 years	2018
Loans	88	-	88	-	105
Deferred payment obligations	38,003	-	38,003	-	37,631
Credit institutions in the Netherlands	128,945	-	128,945	-	78,945
Credit institutions in Ethiopia	15,273	5,410	9,863	-	18,193
Total	**182,309**	**5,410**	**176,899**	**-**	**134,874**

The repayment obligations for 2020 are recognised under current liabilities. The (average) contractual repricing dates or repayment dates (if earlier) and effective interest rates of the aforesaid non-current liabilities are as follows:

	Repricing date	Repayment date	Effective interest rate %
Loans	-	-	0.0%
Deferred payment obligations	-	01/01/2021	0.0%
Credit institutions in the Netherlands	7/12/2024	7/12/2024	1.6%
Credit institutions in Ethiopia	not documented	15/6/2020 to 24/4/2025	10.5%

The future development of the average interest rate depends on the development of the ratios in our financing agreements, which partly determine the level of the interest surcharges.

Loans
Loans concern non-banking debts to third parties. No interest is charged on this.

Deferred payment obligations
The deferred payment obligation relates to part of the cost of acquisition of a participating interest acquired in 2016. This amount will be settled in 2021 and is recognised at present value.

Credit institutions
In 2017, Royal Swinkels Family Brewers Holding N.V. agreed on a 5-year € 250,000 thousand line of credit with a syndicate of credit institutions. On 31 December 2019, an amount of € 128,945 thousand was drawn on this line of credit, which has been classified entirely as non-current. With this line of credit, all other outstanding loans with credit institutions were repaid in 2018, with the exception of the loans taken out locally by Habesha Breweries SC.

The movements in debts to credit institutions are as follows:

(in thousands of euros)	2019	2018
Shareholders' equity as at 1 January	**97,138**	**63,000**
New loans and draw on credit facility	112,711	94,361
Repayments	65,631	60,223
Remaining principal at 31 December	**144,218**	**97,138**
Current portion at 31 December	**5,410**	**3,099**
Non-current at 31 December	**138,808**	**94,039**

Securities
For loans from credit institutions in Ethiopia to the amount of EUR 15,273 thousand (2018: EUR 18,193 thousand) the following securities have been provided in the form of:
- first right of mortgage established on the real estate of Habesha Breweries SC;
- right of pledge, first in rank on land and buildings, plant and equipment, vehicles and inventory of Habesha Breweries SC.

Covenants
Pursuant to the agreed financing, the company must comply with a number of covenants, the main ones being:
- (net) debt/EBITDA ratio for the credit facility of Royal Swinkels Family Brewers Holding N.V.;
- liquidity (current ratio) for the loans taken out by Habesha Breweries SC.

The covenants were met at the end of the financial year.

12. Current liabilities
Current liabilities (other liabilities, accruals and deferred income) includes an amount of € 945 thousand (2018: € 2,542 thousand) with a remaining term of more than 1 year.

13. Other taxes and social security contributions

(in thousands of euros)	2019	2018
Excise duties	14,397	19,541
Value-added tax	5,674	3,055
Wage tax	3,460	3,859
Social security contributions	1,449	1,724
Other	464	545
Total	**25,444**	**28,724**

The above value-added tax payable originates from subsidiaries outside the tax entity of Royal Swinkels Family Brewers Holding NV. Within the fiscal unity, receivables and payables relating to value-added tax are shown as netted: they are presented as receivables on the balance sheet.

14. Deposit and VBR obligation
The deposit and VBR obligation (Handling Fee additional Return Packaging) is based on packaging such as bottles, crates and kegs expected to be returned and which the company is obliged to repurchase. The packaging expected to be returned is based on estimated turnaround times and the expected loss in the market.

15. Other liabilities, accruals and deferred income

(in thousands of euros)	2019	2018
Other liabilities		
Deposits received	945	1,060
Other	13,042	15,040
Accrued expenses and deferred income		
Invoices still to be received	14,092	10,092
Customer bonuses payable	10,966	11,198
Salaries and staff bonuses payable	14,784	11,553
Holiday allowance and holidays	7,550	7,641
Commission payable	1,861	1,370
Marketing costs payable	2,148	2,544
Freight charges payable	772	602
IT costs payable	581	-
Energy payable	458	390
Total	**67,199**	**61,490**

The carrying values of the recognised current liabilities approximate their respective fair values, given the short maturities of the positions.

The item 'Other' does not include any individual items of relative importance.

Financial instruments

General

During the normal course of business, the company uses various financial instruments, which expose the company to market risks, currency risks, interest rate risks, cash flow risks, credit risks and liquidity risks. In order to manage these risks, the company has drawn up a policy, including a system of limits and procedures, aimed at limiting the risks of unpredictable adverse developments on the financial markets and thus the company's financial performance.

The company uses derivative financial instruments, including forward exchange contracts, commodity swaps and interest rate swaps to manage the risks. Derivative instruments are not used for trading purposes.

Market risk

Sales

Market risks with regards to sales are not hedged using financial instruments, but differently. For details, reference is made to the Directors' Report on page 76.

Procurement

As a rule, the raw materials for beer are natural products. The climate, therefore, has a huge influence on quality, availability and, as such, the price. We implement various measures to ensure that these fluctuations impact us as little as possible. To limit price fluctuations for strategic goods, positions are taken for a maximum period of five years and the company works with multiple suppliers.

The company hedges price fluctuations by means of commodity swaps, specifically for the purchase of aluminium. These are further explained under the off-balance sheet assets and liabilities.

Credit risk

The company is exposed to credit risks on loans and receivables recognised under financial fixed assets, trade and other receivables, cash and cash equivalents and the positive market value of derivative financial instruments. The company's exposure to credit risk is mainly determined by the individual profile of each customer. In addition, management also takes into account demographic aspects of the customer base, including the risk of default in the industry and the country in which the customers operate. As part of the credit policy formulated by the management board, each new customer is assessed separately to determine his creditworthiness before the standard terms for payment and delivery are offered. Where available, external credit assessments are considered in this assessment. A buying limit is set for each customer, i.e. the maximum outstanding amount allowed without approval from the management board. These limits are reviewed each quarter. Customers who do not meet the creditworthiness standards of Royal Swinkels Family Brewers Holding N.V. can only do business with the group on the basis of payment in advance. The maximum credit risk that the company is exposed to is € 222,392 thousand (2018: € 200,106 thousand), mainly accounted for by trade receivables and cash and cash equivalents. The accounts receivable balance is spread. The highest individual debtor positions are in the retail segment in the Netherlands, in export debtors and within Holland Malt.

Interest rate risk

The company is exposed to an interest rate risk on interest-bearing receivables and payables and refinancing of existing financing. The company is exposed to future cash flow risks pertaining to receivables and payables with variable interest rate agreements. To mitigate the variability of variable-interest loans, the company has concluded interest rate derivatives for € 38,945 thousand. The company has not taken out interest rate derivatives for the remainder, because this interest rate risk is considered limited in view of market developments.

The following derivative instruments were outstanding at the end of the financial year:

Principal in thousands of euros	Interest payable	Interest receivable	Start date dd/mm/yy	End date dd/mm/yy	Market value in thousands of euros
38,945	1.36%	3m Euribor	07/12/2017	07/12/2022	-1,882

The derivatives are plain vanilla interest rate swaps for which the company pays a fixed interest rate and receives a variable interest rate based on Euribor. In addition, the company has concluded an interest rate floor, by which means the negative variable interest rate is fixed at 0.00%.

If interest were to increase or decrease by 1% on December 31, 2019, interest charges - assuming all variables constant - would be € 1,442 thousand lower / higher respectively.

Currency risk

As a result of its international operations, the company is exposed to currency risks by virtue of receivables and payables, net investments in foreign operations and future transactions recognised on the balance sheet. This mainly concerns Ethiopian birrs, US dollars, Canadian dollars, British pounds and Georgian lari. As at the balance sheet date, an amount of € 48.448 thousand (2018: € 33,641 thousand) was invested in foreign participating interests in foreign currency (translated into euros), with an amount of € 15,273 thousand in debt outstanding to credit institutions (2018: € 18,193 thousand). The company's policy is, where possible, to hedge 70% of the balance of the expected future cash inflows and outflows.

If the euro were to strengthen or weaken 10% against the Ethiopian birr on December 31, 2019, the pre-tax result - assuming all variables constant - would be € 1,287 thousand higher / lower respectively.

Liquidity risk
The company monitors its cash position by means of successive liquidity budgets. Management ensures that the company has at all times sufficient liquidity available to meet its obligations, while maintaining sufficient financial space within the available facilities. The liquidity risk run by the group is considered to be very limited.

Fair value
The fair value of the financial instruments stated under cash and cash equivalents, current receivables, non-current liabilities and current liabilities on the balance sheet approximates their carrying amount.

Off-balance sheet assets and liabilities

Long-term financial obligations
The charges as at the balance sheet date arising from rent, ground rent, lease and other commitments are as follows:

(in thousands of euros)	2019	2018
< 1 year	14,514	13,736
1-5 years	21,914	22,160
> 5 years	9,653	11,833

The amount of rent and lease payments recognised as an expense in 2019 is € 16,919 thousand (2018: € 16,015 thousand).

Warranties
Warranties have been extended to third parties up to € 64,425 thousand (2018: € 11,575 thousand). In addition, a first mortgage of € 1,500 thousand is available for excise duty credit for the State of the Netherlands (2018: € 1,500 thousand). Securities for third parties have been issued for up to € 402 thousand (2018: € 449 thousand).

Rights and obligations arising from financial instruments
Hedge contracts have been taken out to hedge fluctuations in the aluminium prices. The fair value of the aluminium hedge contracts as at 31 December 2019 is € -411 thousand (2018: € 88 thousand). The nominal value of these aluminium hedge contracts as at 31 December 2019 amounts to € 31,038 thousand (2018: € 31,549 thousand). The contracts have terms until 2022. There is no obligation to settle a negative market value of the hedge contracts. As at the balance sheet date, hedge contracts have largely been concluded for the expected volume in 2020. Hedge contracts have also already been partially concluded for expected volumes for 2021 and beyond. Additional hedge contracts will be concluded for these volumes in the coming years.

As at the balance sheet date, the liability arising from forward exchange contracts still to be settled was € 31.703 thousand (2018: € 25,815 thousand). This concerns forward contracts in frequently traded foreign currency. We will sell this currency during 2020 at fixed forward exchange rates to hedge exchange rate fluctuations.

The fair value of the unmeasured forward exchange contracts totals € -787 thousand (2018: € -103 thousand). No currency options are outstanding as at the balance sheet date (2018: none).

Credit facilities
In 2017, Royal Swinkels Family Brewers Holding N.V. agreed on a 5-year € 250,000 thousand line of credit with a syndicate of credit institutions. On 31 December 2019, an amount of € 128,945 thousand was drawn on this line of credit.

In addition to this facility, Royal Swinkels Family Brewers Holding N.V. has a credit facility of € 20,000 thousand. On December 31, 2019, nothing was drawn on this facility.

At the end of 2019, Habesha Breweries SC agreed on a 5-year € 50,000 thousand credit facility. On 31 December 2019, nothing was drawn on this facility.

Investment obligations
The investment obligations as at the balance sheet date of € 12,626 thousand (2018: € 9,778 thousand) mainly concern investments for the brewery in Lieshout, the implementation of a new ERP system and the installation of a heat recovery system in Lieshout.

Earn-out scheme
As regards the acquisition of a 40% interest in JSC Argo (see page 96), a conditional purchase price obligation applies, which depends on the operating results of JSC Argo in the period from 2019 to 2020. This conditional purchase price obligation amounts to a maximum of € 6,864 thousand.

Disputes
There are different legal disputes pending against the company and/or group companies, which are being contested. Although the outcome of these disputes cannot be predicted with certainty, it is assumed, partly on the basis of legal advice obtained, that it will have no material adverse effect on the consolidated financial position.

16. Net turnover

Net turnover can be specified as follows:

(in thousands of euros)	2019	2018 *
Beer	653,748	634,196
Soft drinks	49,463	47,740
Malt	127,507	108,531
Licences	6,674	8,637
Other	59,607	55,333
Total	**896,999**	**854,437**

The item ‘Other’ mainly concerns turnover from the sale of residual products, drinks purchased from third parties and CereX products.

Net turnover according to geographical area:

(in thousands of euros)	2019	2018 *
Western Europe **	525,792	515,255
Rest of Europe	131,426	132,245
Middle East and Africa	147,330	125,721
Canada and USA	17,355	15,440
Rest of America	38,935	29,142
Asia Pacific	36,161	36,634
Total	**896,999**	**854,437**

** The Netherlands, Belgium, France, United Kingdom, Ireland

(in thousands of euros)	2019	2018 *
Net turnover as recognised in the profit and loss account	896,999	854,437
Which includes: excise duties	149,742	159,718
Net turnover after deduction of excise duties	**747,257**	**694,719**

17. Other operating income

(in thousands of euros)	2019	2018 *
Rental income (hospitality) properties	11,981	11,770
Release of deposit obligation	982	1,002
Income from assets sold	1,666	1,948
Settlement of disputes	-	4,000
Grants	813	664
Sale of residual goods	583	221
Other	1,706	1,936
Total	**17,731**	**21,541**

* Adjusted for comparison purposes, see page 86.

18. Cost of outsourced work and other external costs

(in thousands of euros)	2019	2018 *
Excise duties	149,742	159,718
Transport costs	54,189	49,671
Marketing and selling costs	52,113	69,136
Maintenance costs	22,106	20,948
Energy costs	16,602	14,575
Rental and storage costs	15,564	14,467
Other costs of outsourced work	36,963	21,851
Total	**347,279**	**350,366**

* Adjusted for comparison purposes, see page 86.

The other costs of outsourced work mainly consist of office expenses, IT costs, insurance costs and consultancy costs. The marketing and selling costs have decreased because of more sales-related discounts that are deducted from the net turnover.

19. Wages and salaries

During the 2019 financial year, the average number of employees of the group was 1,762 FTE (2018: 1,679).
This staffing level (average number of FTE) can be broken down into various geographical areas:

	2019	2018
The Netherlands	949	881
Belgium	175	175
Ethiopia	535	514
Other	103	109
Total	**1,762**	**1,679**

20. Social security costs and pension charges

This item includes pension charges for a total of € 6,718 thousand (2018: € 6,732 thousand).

Employees in the Netherlands have a pension plan administrated by Stichting Achmea Algemeen Pensioenfonds – Kring Bavaria. This pension plan is a conditionally indexed average salary scheme with a collective fixed premium. This means that the actual contribution is fixed and that annual revisions are in place to see whether the actual contribution, possibly supplemented from the premium deposit, is sufficient to finance the statutory pension accrual for the following year. Pursuant to the Dutch Pensions Act, the pension plan is classified as a defined benefit agreement.

The key elements contained in this administration agreement are:

- The maximum contribution is 24.5% of the sum of the pension bases of all active members
- The board may decide to supplement the pension entitlements of Kring Bavaria members if, in the board's opinion, the resources are sufficient
- The board can decide to lower Kring Bavaria pension entitlements, if the policy coverage ratio does not meet the requirements set out in the Pensions Act with regard to the minimum level of own funds required.

The board aims to adjust the accrued pension rights of the (former) members, partners and pension beneficiaries annually on the basis of the derived consumer price index for all households. A supplement will be granted if the policy coverage ratio is above 110% as of 1 January of the financial year. The supplement to be potentially awarded is determined on the basis of FTK indexation rules. However, no reservation is made for this and no contribution is charged for these supplements. Supplementation is financed from the investment return.

The sharp fall in interest rates in recent years has made it more expensive to pay out pensions in the long term. Consequently, purchasing a pension has become more expensive as well. As a result, the Kring Bavaria group scheme experiences a reserve shortfall as at the balance sheet date 2019. The coverage ratio (market value of the investments expressed as a percentage of the provision for pension liabilities in accordance with the DNB principles) of the fund was 93.3% as at the end of December 2019. The minimum required shareholders' equity (coverage ratio) according to DNB is 105%.

Based on the financial situation at the end of September 2019, the Board of Stichting Achmea Algemeen Pensioenfonds is obliged to submit another recovery plan to De Nederlandse Bank in 2020. On the basis of this recovery plan, it will be examined whether and, if so, by how much, the pensions of Kring Bavaria members must be cut.

Employees in Belgium have a pension plan that is comparable to the way in which the Dutch pension system is structured and operates. In Ethiopia and France, the pension plans are regulated by the state with the foreign group entities paying regular contributions to the state. In this context, no additional liabilities for foreign group entities as at year-end 2019 (2018: nil) were recognised in the consolidated financial statements of Royal Swinkels Family Brewers Holding N.V., other than /the liabilities with respect to the regular contribution payments.

21. Depreciation and amortisation

		2019		2018
Intangible fixed assets				
Goodwill	1,039		1,405	
Emission allowances (utilisation)	278		325	
Software	2,771		1,231	
Intellectual property rights	1,775		1,775	
		5,863		**4,736**
Tangible fixed assets				
Land and buildings	7,598		7,326	
Plant and equipment	28,366		24,220	
Other fixed operating assets	12,084		7,852	
Other real estate	2,301		1,772	
		50,349		**41,170**
Total		**56,212**		**45,906**

22. Interest income and similar income

(in thousands of euros)	2019	2018 *
Loans granted	331	269
Exchange differences	-	1,280
Other	65	52
Total	**396**	**1,601**

* Adjusted for comparison purposes, see page 86.

23. Interest expenses and similar charges

(in thousands of euros)	2019	2018
Amount borrowed	3,898	3,357
Exchange differences	1,449	-
Financing expense	371	368
Other	185	870
Total	**5,903**	**4,595**

24. Tax on result

Royal Swinkels Family Brewers Holding N.V. together with Swinkels Family Brewers N.V., Bavaria Overseas Breweries B.V., Bavaria Overseas Breweries (B.O.B.) II B.V., Bavaria Overseas Breweries (B.O.B.) III B.V., Bavaria Vastgoed B.V., B.B.H. B.V., Bierbrouwerij De Koningshoeven B.V., Brand Direct B.V., Brouwershuys Moorees B.V., CereX B.V., Craft Beer B.V., H-West B.V. and Swinkels Innovations B.V. forms a fiscal unity for corporate income tax purposes.

Corporate income tax is recognised in each of the companies for that part that the relevant company would have been due to pay as an independent taxpayer, taking into account the tax facilities that apply to the company.

The tax charge in the profit and loss account is composed as follows:

(in thousands of euros)	2019	2018
Tax expense for current financial year	5,024	13,265
Adjustments for prior years	-978	520
Movement in deferred tax liabilities	1,431	-2,008
Total	**5,477**	**11,777**

The weighted average tax rate is 7.9% (2018: 25.4%), where the weighted average rate is calculated on the basis of the pre-tax results in the various tax jurisdictions. The low weighted average tax rate is caused by the relatively high tax rate for jurisdictions where a loss has been realized. The tax expense in the profit and loss account for 2019 amounts to € 5,477 thousand, which is 190.1% of the result before taxes (2018: 23.8%). This is mainly due to the fact that the impairment of the intangible assets of € 29,034 thousand is not tax-deductible.

The numerical reconciliation between the applicable tax rate and the effective tax rate is as follows:

	2019	2018
Result before tax	**2,881**	**49,476**
Income tax using the applicable tax rate in the Netherlands	709	12,349
Tax effect of:		
• other applicable tax rates abroad	-800	131
• non-deductible expenses	8,537	1,240
• tax incentives	-1,236	-1,751
• settlement of foreign withholding tax	-45	-42
• other differences and tax exemption Ethiopia	-710	-478
• rate change for deferred tax liabilities	-	-192
• adjustments for prior years	-978	520
Tax expense	**5,477**	**11,777**

25. Notes to the consolidated statement of cash flows

The net cash flow for 2019 is positive. The key developments with respect to cash flows in 2019 are:
- The cash flow from operating activities is in line with 2018.
- The cash flow from investing activities is in line with 2018.
- The cash flow from financing activities was higher in 2019 than in 2018 because the financing received was higher and the loan repayments were lower. For reasons of transparency, the non-current liabilities have been split into income and repayments.

In the preparation of the statement of cash flows, account was taken of changes that do not involve cash flows, including:
- The change in accounts payable to suppliers and trade creditors has been adjusted for the outstanding investment invoices as at year-end.
- The change in working capital from other receivables and debts concerns the total changes in the receivables and current liabilities category on the balance sheet, excluding trade receivables, accounts payable to suppliers and trade creditors (shown separately) and credit institutions and the current portion of the non-current liabilities (shown in cash flow from financing activities).
- The investments have been adjusted for the outstanding investment invoices to provide insight into the cash flow from investing activities.

Transactions with related parties

A related party is defined as a relationship between the company and a natural person or entity related to the company. This includes relationships between the company and its participating interests, shareholders, directors and key management personnel. Transactions are defined as any transfer of resources, services or obligations, regardless of whether an amount has been charged.

There were no transactions with related parties that were not at arm's length.

As part of its normal operations, the company sells goods and services from and to participating interests over which significant influence can be exercised. As a rule, these transactions are performed at arm's length under conditions that are similar to those of transactions with third parties. The remuneration of directors and supervisory directors is disclosed in the notes to the separate financial statements.

Auditor's fees

The following fees were charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code.

	KPMG Accountants N.V.	Other entities in KPMG network	Total KPMG
(in thousands of euros)	**2019**	**2019**	**2019**
Audit of the financial statements	368	114	482
Other audit engagements	88	-	88
Tax-related advisory services	-	17	17
Other non-audit services	-	60	60
Total	**456**	**191**	**647**
	2018	**2018**	**2018**
Audit of the financial statements	430	65	495
Other audit engagements	79	-	79
Tax-related advisory services	-	21	21
Other non-audit services	3	178	181
Total	**512**	**264**	**776**

Subsequent events

At the time of writing the 2019 annual report, the outbreak of the COVID-19-virus is having a huge impact on public life and the economy and as such, on our business. This is mainly due to the fact that in our major markets, such as Italy, France, Spain, Belgium and the Netherlands, the impact of the COVID-19 virus is currently substantial, especially after the closing of the hospitality industry and events by national governments in the course of March. The effects on our exports of beer and malt and on our business in Ethiopia are also uncertain.

We expect the COVID-19 crisis to have a negative effect on the financial results for 2020, the magnitude of which cannot be quantified at this time because the expected duration and therefore impact are unknown. The effect on turnover, customer payment behaviour, staffing levels in our breweries and malt houses, the development in freight charges and the effect of this situation on the competition and price development of beer and malt later this year are still unclear.

In connection with the COVID-19 virus outbreak, we have taken precautions based on information provided by the official health authorities. We have set up a separate "crisis team" for this. The health of our employees, our customers and our company is paramount. In addition, we have taken the following measures with regard to our business:

- A stronger focus on working capital management in order to limit the effect of the COVID-19 crisis on our liquidity, where possible. This does not alter the fact that, despite these exceptional times, we are here for our customers and, where necessary, we will make individual agreements.
- We will critically assess our costs and implement cost savings programmes, where possible. In addition, we will review our investment programmes and investments will be adjusted or postponed, depending on the impact.
- We will use the facilities made available by governments, such as deferral of tax payments. These measures are also important for our customers to help them through these difficult economic times.

We will continue to monitor our activities on a daily basis and, based on this, assess whether additional measures are necessary. Despite the current state of affairs regarding the COVID-19 virus, we are confident that we will achieve our long-term growth objectives.

Separate balance sheet as at 31 December 2019

(before profit appropriation, in thousands of euros)

			2019		2018
Assets					
Fixed assets					
Financial fixed assets	26.		**443,054**		**459,565**
Current assets					
Receivables from group companies	27.		**42,731**		**43,989**
Corporate income tax			**4,121**		**-**
Other receivables and prepayments and accrued income	28.		**1,499**		**1,903**
Cash and cash equivalents	29.		**10,945**		**12,134**
Total Assets			**502,350**		**517,591**

			2019		2018
Liabilities					
Shareholders' equity	30.				
Issued capital		45		45	
Share premium reserve		49,777		49,777	
Foreign currency translation reserve		-10,950		-7,578	
Other statutory reserves		5,845		1,047	
Other reserves		287,901		274,826	
Unappropriated result		-5,343		36,324	
			327,275		**354,441**
Non-current liabilities	31.				
Deferred payment obligations		-		37,631	
Credit institutions		128,945		78,945	
			128,945		**116,576**
Current liabilities					
Credit institutions		1,465		-	
Liabilities to group companies	27.	42,974		43,156	
Accounts payable to suppliers and trade creditors		173		-	
Corporate income tax		-		1,238	
Other liabilities, accruals and deferred income	32.	1,518		2,180	
			46,130		**46,574**
Total Liabilities			**502,350**		**517,591**

The notes on pages 112 to 118 form an integrated part of these separate financial statements.

Separate profit and loss account for 2019

(in thousands of euros)

	2019	2018
Share of result of participating interests, after tax	-4,460	36,849
Other income and expenses, after tax	-883	-525
Net result	**-5,343**	**36,324**

The notes on pages 112 to 118 form an integrated part of these separate financial statements.

Notes to the separate financial statements for 2019

General

The separate financial statements are part of the company's statutory financial statements for 2019. The financial information of the company is included in the consolidated financial statements.

Insofar as no further explanations are provided below on items in the separate balance sheet and profit and loss account, reference is made to the notes to the consolidated balance sheet and profit and loss account.

Accounting policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following principles:

Correction of error

After its adoption, the 2018 financial statements revealed a non-material error with regard to the presentation and composition of shareholders' equity as included in the separate financial statements.

Royal Swinkels Family Brewers Holding N.V. has formed a statutory reserve for participating interests in the acquisition of Palm N.V., which has been processed in accordance with RJ 216, in the amount of the responsible fair value step-up on trademark rights and tangible fixed assets of € 64,614 thousand. This statutory reserve wrongly assumed an increase in capital at Palm N.V. as a result of the step-up. As this correction only has an impact on the book values used at the level of Royal Swinkels Family Brewers Holding N.V. and not at the level of Palm N.V., this statutory reserve of the participating interests is nil (in accordance with RJ 240). In addition, in the past, a statutory reserve was also wrongly formed for differences between the statutory equity of group companies and equity according to group principles.

The error found leads to the following changes in the separate financial statements of Royal Swinkels Family Brewers Holding N.V. 2019:

- Shareholders' equity as at 1 January 2018: reclassification of € 64,323 thousand from other statutory reserves to other reserves;
- Shareholders' equity as at 1 January 2019: reclassification of € 61,760 thousand from the other statutory reserves to other reserves.

The identified error has no effect on the company result or equity. Also, the error found has no impact on the consolidated financial statements, the result or the total equity.

Financial instruments

In the separate balance sheet, financial instruments are presented in accordance with their legal form.

Participating interests in group companies

In the separate financial statements, participating interests in group companies are valued using the equity accounting method based on their net asset value. For further details, reference is made to the accounting policies for financial fixed assets in the consolidated financial statements.

Result of participating interests

This item concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

26. Financial fixed assets

Royal Swinkels Family Brewers Holding N.V. heads the group and participates directly or indirectly in the capital of:

Direct interests (fully consolidated)		
1	Swinkels Family Brewers N.V. (formerly Bavaria N.V.), Lieshout	100%
2	Bavaria Overseas Breweries B.V., Lieshout	100%
3	Holland Malt Holding B.V., Lieshout	100%
Indirect interests (fully consolidated)		
4	Bavaria Far East Ltd, Wan Chai (Hong Kong)	100%
5	Bavaria Overseas Breweries (B.O.B.) II B.V., Lieshout	100%
6	Bavaria Overseas Breweries (B.O.B.) III B.V., Lieshout	100%
7	Bavaria Panama S.A., Panama City (Panama)	100%
8	Bavaria USA, LLC, Ridgefield (VS)	100%
9	Bavaria Vastgoed B.V., Lieshout	100%
10	B.B.H. B.V., Amsterdam	100%
11	Bierbrouwerij De Koningshoeven B.V., Berkel-Enschot	100%
12	Bier & Co Holding B.V., Amsterdam	100%
13	Bier & Co Sweden AB, Sundsvall (Sweden)	100%
14	Bierenko Amsterdam B.V., Amsterdam	100%
15	Bierenzo B.V., Amsterdam	100%
16	Brand Direct B.V., Lieshout	100%
17	Brasserie Palm Québec Inc., Chambly (Canada)	100%
18	Brasserie Bavaria Québec Inc., Chambly (Canada)	100%
19	Brewfinder B.V., Amsterdam	100%
20	Brouwerij De Molen B.V., Bodegraven	100%
21	Brouwershuys Moorees B.V., Lieshout	100%
22	CereX B.V., Lieshout	100%
23	Craft Beer B.V., Berkel-Enschot	100%
24	Drinks Rotterdam B.V., Rotterdam	100%
25	Habesha Breweries SC, Addis Ababa (Ethiopia)	62%
26	Holland Bavaria Mexico, S.A. de C.V., Puebla (Mexico)	100%
27	Holland Malt B.V., Lieshout	100%
28	Holland Malt overseas malting B.V., Lieshout	100%
29	H-West B.V., Helmond	100%
30	Latis, LLC, Ridgefield (US)	90%
31	Mouterij Lieshout B.V., Lieshout	100%
32	Palm N.V., Steenhuffel (Belgium)	60% *
33	Swinkels Family Brewers France S.A.R.L, Mareil Marly (France)	100%
34	Swinkels Family Brewers Ibérica, S.A., Barcelona (Spain)	100%
35	Swinkels Family Brewers Italia S.R.L., Turin (Italy)	100%
36	Swinkels Family Brewers Spain, S.L., Madrid (Spain)	100%
37	Swinkels Family Brewers U.K. Limited, Burton-on-Trent (United Kingdom)	100%
38	Swinkels Innovations B.V., Lieshout	100%

* This concerns the legal interest as at the balance sheet date. Economically, this is a 100% interest.

Table continued on next page ›››

››› Continued table of interests

Indirect (participating) interests		
39	Beer & Selected Beverages Services B.V., Raamsdonksveer	9%
40	Drankenpallet Beheer Nederland B.V. (DPB), Amsterdam	13%
41	EESV Beer & Selected Beverages (BSB), Raamsdonksveer	9%
42	JSC Argo Brewery, Tbilisi (Georgia)	40%
43	Kestedemena Beverage Products Import & Export PLC, Addis Abeba (Ethiopia)	51%
44	Malt Africa B.V., Lieshout	15%

(in thousands of euros)	2019	2018
Participating interests in group companies	353,418	404,310
Receivables from group companies	89,636	55,255
Total	**443,054**	**459,565**

Changes in financial fixed assets can be specified as follows:

(in thousands of euros)	Participating interests in group companies	Receivables from group companies	Total
Balance at 1 January	**404,310**	**55,255**	**459,565**
Loans provided	-	34,381	**34,381**
Capital contribution	34,302	-	**34,302**
Internal restructuring participating interest	-72,305	-	**-72,305**
Translation differences	-3,468	-	**-3,468**
Dilution of share capital	-2,105	-	**-2,105**
Share of result of participating interests	-4,460	-	**-4,460**
Dividends	-2,856	-	**-2,856**
Balance at 31 December	**353,418**	**89,636**	**443,054**

The capital contribution concerns the balance of the transfer of the interest in Palm N.V. (€ 72,305 thousand) and the transferred deferred payment obligation (€ 38,003 thousand), as explained on page 85 of the accounting principles.

In accordance with Section 403 of Title 9, Book 2 of the Dutch Civil Code, the company has taken joint and several liability for Swinkels Family Brewers N.V., Holland Malt Holding B.V., Bavaria Vastgoed B.V., B.B.H. B.V., Bierbrouwerij De Koningshoeven B.V., Brand Direct B.V., Brouwershuys Moorees B.V., CereX B.V., Craft Beer B.V., Holland Malt B.V., H-West B.V., Mouterij Lieshout B.V., Bier & Co Holding B.V., Bierenko Amsterdam B.V. and Swinkels Innovations B.V. In addition, a letter of support has been issued for Swinkels Family Brewers U.K. Limited.

Receivables from group companies
Receivables from group companies consist of loans granted to Bavaria Vastgoed B.V., Holland Malt B.V., Swinkels Family Brewers N.V., Swinkels Innovations B.V., Craft Beer B.V. and Bier & Co Holding B.V., with a total principal of € 89,636 thousand (2018: € 55,255 thousand) and a term of 5 years. The average annual interest on the loans is 1.8%. The loans are repaid no later than at the end of the term. The carrying amount of the recognised receivables approximates their fair value.

27. Receivables from and liabilities to group companies
Receivables from group companies include € 42.731 thousand (2018: € 43,989 thousand) from receivables from participating interests in which the company can exercise significant influence and have an expected term of less than 1 year. The interest on these receivables is the 3-month basic interest (Libor or Euribor) plus a surcharge of 0.6%. The other receivables from and debts to group companies concern the current account relationships with group companies, which mainly relate to zero-balancing of the bank accounts. No interest is charged on this.

28. Other receivables, prepayments and accrued income
The other receivables and prepayments and accrued income consist entirely of the market value of the old interest rate swaps that were novated during the refinancing in 2017. These are amortised on a straight-line basis over a period up to and including 2023.

29. Cash and cash equivalents

The cash and cash equivalents are at the company's free disposal.

30. Shareholders' equity

(in thousands of euros)	Issued capital	Share premium reserve	Foreign currency translation reserve	Other statutory reserves	Other reserves	Unappro-priated result	**Total**
Balance as at 1 January 2018	**45**	**49,777**	**-7,984**	**949**	**251,248**	**35,414**	**329,449**
Changes in 2018							
Result for 2018	-	-	-	-	-	36,324	**36,324**
Dividend paid	-	-	-	-	-	-11,804	**-11,804**
Translation differences	-	-	406	-	-	-	**406**
Dilution of share capital in participating interests	-	-	-	-	66	-	**66**
To statutory reserves	-	-	-	98	-98	-	**-**
To reserves	-	-	-	-	23,610	-23,610	**-**
Balance as at 1 January 2019	**45**	**49,777**	**-7,578**	**1,047**	**274,826**	**36,324**	**354,441**
Changes in 2019							
Result for 2019	-	-	-	-	-	-5,343	**-5,343**
Dividend paid	-	-	-	-	-	-16,346	**-16,346**
Translation differences	-	-	-3,372	-	-	-	**-3,372**
Dilution of share capital in participating interests	-	-	-	-	-2,105	-	**-2,105**
To statutory reserves	-	-	-	4,798	-4,798	-	**-**
To reserves	-	-	-	-	19,978	-19,978	**-**
Balance as at 31 December 2019	**45**	**49,777**	**-10,950**	**5,845**	**287,901**	**-5,343**	**327,275**

Issued capital

The company's authorised capital is € 225 thousand, divided into 225,000 ordinary shares with a nominal value of € 1.00 each, of which 45,000 have been issued. The issued and paid-up capital is fully classified as paid up for tax purposes within the meaning of Section 3a of the Dividend Withholding Tax Act 1965.

Share premium reserve

The share premium comprises the payment on shares insofar as it exceeds the amount of the payment obligation. The share premium is freely available.

Foreign currency translation reserve

Recognised in this statutory reserve are translation differences that result from the translation of the functional currency from foreign business operations to the presentation currency of the parent company. Upon the disposal of a participating interest, the accumulated translation differences for the participating interest are transferred to the profit and loss account.

Other statutory reserves

This comprises the statutory reserves at the subsidiaries. In addition, a statutory reserve has been formed for when the participating legal entity cannot effect payment of the (cumulative) gains or capital increases incorporated in the participation value, for example, because there is no decisive control or because the profit or capital increase has not been recognised by the participating interest in its own financial statements.

Other reserves

In 2014, Swinkels Family Brewers N.V. purchased 32,798 Ambrig B.V. depositary receipts from its parent company Ambrig B.V. In 2017, a total of 25,155 of these depositary receipts were sold.

Unappropriated result

The result after tax for 2019 has been recognised in the unappropriated result item of shareholders' equity. The financial statements for 2018 were adopted in the annual general meeting held on 17 April 2019. The annual general meeting adopted the appropriation of the result in accordance with the board's proposal.

Proposed result appropriation
The board, with the approval of the supervisory board, proposes to the annual general meeting that the result after tax for 2019 be charged to the other reserves.

Dividend distribution
The board, with the approval of the supervisory board, proposes to the annual general meeting to pay an amount of € 10,661 thousand as a dividend and to charge this amount to the other reserves.

The company can only pay dividends to shareholders and other parties entitled to the distributable profit to the extent that shareholders' equity exceeds the paid-up and called-up part of the capital plus the statutory reserves and insofar as this is deemed advisable based on the dividend distribution test performed by management.

31. Non-current liabilities
All non-current liabilities are denominated in euros.

(in thousands of euros)	**2019**	Repayment obligation 2020	Repayment obligation 2-5 years	Repayment obligation after 5 years	**2018**
Credit institutions	128,945	-	128,945	-	78,945

The (average) contractual repricing date, repayment date and effective interest rates of the aforesaid non-current liabilities are as follows:

(in thousands of euros)	Repricing date	Repayment date	Effective interest rate %
Credit institutions	7/12/2024	7/12/2024	1.6%

Credit institutions
In 2017, Royal Swinkels Family Brewers Holding N.V. agreed on a 5-year € 250,000 thousand line of credit with a syndicate of credit institutions. This facility was extended by one year in 2018 and 2019, bringing the remaining term to 5 years at the end of 2019.
On 31 December 2019, an amount of € 128,945 thousand was drawn on this line of credit, which has been classified entirely as non-current.

The movements in debts to credit institutions are as follows:

(in thousands of euros)	**2019**	**2018**
Shareholders' equity as at 1 January	**78,945**	**48,945**
Draw on credit facility	110,000	86,000
Repayments	60,000	56,000
Residual principal at 31 December	**128,945**	**78,945**
Current portion at 31 December	**-**	**-**
Non-current at 31 December	**128,945**	**78,945**

Covenants
Pursuant to the agreed financing, the company must comply with a number of covenants, the main ones being:
- (net) debt/EBITDA ratio.

The covenants were met at the end of the financial year.

32. Other liabilities, accruals and deferred income
Other liabilities, accruals and deferred income only include the market value of the interest rate swap which was novated during the refinancing. This is amortised on a straight-line basis over a period up to and including 2022.

Financial instruments

General
The treatment of the applicable financial instruments and risks incurred is explained in the notes to the consolidated financial statements. However, some specific financial instruments apply that only appear in the separate financial statements. This mainly concerns receivables from group companies and debts to group companies.

Market risk
Given the nature of the activities of the holding company Royal Swinkels Family Brewers Holding N.V., no additional market risks have been identified compared to the consolidated financial statements.

Credit risk
The company is exposed to credit risks on loans and receivables recognised under financial fixed assets, receivables from group companies, other receivables, cash and cash equivalents and the positive market value of derivative financial instruments. The maximum credit risk the holding company Royal Swinkels Family Brewers Holding N.V. is exposed to is € 143.312 thousand (2018: € 111,378 thousand), mainly accounted for by (non-current) receivables from group companies. The credit risk with regard to such receivables from group companies is estimated to be very limited, given the nature and counter-parties of these receivables.

Interest rate risk
The company is exposed to an interest rate risk on interest-bearing receivables and payables and refinancing of existing financing.
For an explanation of the exposure to interest rate risk and the applicable interest rate derivatives to hedge the exposure to interest rate risks, reference is made to the notes to the consolidated financial statements.

Currency risk
Since the number of transactions of the holding company Royal Swinkels Family Brewers Holding N.V. is limited and because such transactions mainly take place in the reporting currency of euros, the currency risk is limited. However, the company is exposed to a currency risk on participating interests held in foreign currency, as explained in the consolidated financial statements.

Liquidity risk
The company monitors its cash position by means of successive liquidity budgets. For an explanation of the exposure to liquidity risk, reference is made to the notes to the consolidated financial statements.

Fair value
The fair value of the financial instruments stated under cash and cash equivalents, non-current receivables and current receivables, non-current liabilities and current liabilities on the balance sheet approximates their carrying amount.

Off-balance sheet assets and liabilities

Royal Swinkels Family Brewers Holding N.V. has issued liability claims on behalf of some of the wholly-owned consolidated group companies as referred to in section 2:403 of the Dutch Civil Code. For that reason, Royal Swinkels Family Brewers Holding N.V. is jointly and severally liable for the debts arising from legal acts of those group companies, amounting to € 133,067 thousand. For details, reference is made to the notes to the financial fixed assets.

Royal Swinkels Family Brewers Holding N.V. together with Swinkels Family Brewers N.V., Bavaria Overseas Breweries B.V., Bavaria Overseas Breweries (B.O.B.) II B.V., Bavaria Overseas Breweries (B.O.B.) III B.V., Bavaria Vastgoed B.V., B.B.H. B.V., Bierbrouwerij De Koningshoeven B.V., Brand Direct B.V., Brouwershuys Moorees B.V., CereX B.V., Craft Beer B.V., H-West B.V. and Swinkels Innovations B.V. forms a fiscal unity for corporate income tax purposes. Corporate income tax is recognised in each of the companies for the portion that the relevant company would have been due to pay as an independent taxpayer, taking into account the tax facilities that apply to the company.

Settlement between the company and its subsidiaries is effected via the current account relationships. The following method is used with regard to the charging on/allocation of corporate income tax within the fiscal unity: as the company settles with its subsidiaries within the fiscal unity as if the subsidiaries were separately liable for tax, the deferred taxes of the subsidiaries are, in principle, deferred assets and/or deferred liabilities towards the company.

Royal Swinkels Family Brewers Holding N.V. agreed on a 5-year € 250,000 thousand line of credit with a syndicate of credit institutions. On 31 December 2019, an amount of € 128,945 thousand was drawn on this line of credit.

In addition to this facility, Royal Swinkels Family Brewers Holding N.V. has a credit facility of € 20,000 thousand. On December 31, 2019, nothing was drawn on this facility.

Staff

Royal Swinkels Family Brewers Holding N.V. does not employ any staff in 2019 (2018: 0 FTE).

Share of result of participating interests after tax

This concerns the company's share in the results of its participating interests, of which € -4,401 thousand (2018: (€ 36,729 thousand) concerns group companies.

Remuneration of managing and supervisory directors

The total amount charged to the group in the financial year for the remuneration of (former) directors is € 4,678 thousand (2018: € 4,193 thousand). Of this, an amount of € 3,559 thousand relates to former directors. Remuneration includes periodic benefits, long-term benefits, payments upon termination of employment and the applicable LTI plan. This LTI depends on the increase in the average normalised EBITDA over an uninterrupted period of 4 years. The LTI is paid out shortly after the end of the 4-year period. The LTI scheme is subject to a claw-back clause. The LTI is paid out in cash, with the board members, provided they are a member of the Swinkels family, being entitled to use the amount to purchase Ambrig B.V. depositary receipts. The receipts thus acquired are subject to a lock-up scheme.

The supervisory directors' remuneration was € 214 thousand (2018: € 227 thousand).

Transactions with related parties

For a description of the transactions with related parties, reference is made to the notes to the consolidated financial statements.

Subsequent events

After the balance sheet date, Royal Swinkels Family Brewers Holding N.V. was confronted with the negative effects of the COVID-19-crisis. For a description of these effects and the precautions taken, reference is made to page 110 of the consolidated financial statements.

Signing of the financial statements

Lieshout, 3 April 2020

Management Board

P-J.J.M. Swinkels
G. van Iwaarden

Supervisory Board

J.W. Baud, chair
L.J.G.M. Swinkels
A.T.J. van Melick
E.C.R. Lauwers
P.P.M.M. Swinkels