Company Announcement No 47/2022 – 26 October 2022

Q3 2022
Trading Statement

Resilient volumes and solid pricing drive top-line growth

Statement by Royal Unibrew's CEO, Lars Jensen: "It has been a challenging quarter with a continued high pressure on our cost base and also the changing behavior of our consumers has started to have an impact on our business towards the end of the quarter. The underlying business momentum continues to be strong, and I am proud that we are able to drive an organic revenue growth of 12% in the quarter. This result is a testimony of our strong brand portfolio and resilient categories and evidenced by the favorable market share development for our key brands."

"The changed outlook for the full-year, which we communicated last week, is driven by three different challenges impacting the business towards the end and after the quarter, and the underlying root cause remains the inflationary environment. We are experiencing an environment where consumers to a greater extent use the discount stores in their daily shopping, and in the marketplace we are experiencing a more competitive landscape. On top of this, we have seen a one-off destocking at our wholesalers in Italy, as they work to optimize their cash management in uncertain times with high inflation and higher interest rates. Despite of this, our brands continue to grow market shares. We are working hard on having the right products, in the right packaging sizes, at the right prices, in the right location and at the right time for our consumers to mitigate the negative impact on our business," Lars Jensen continues.

"Our growth formula with a focus on key growth categories has proven to work. We are delivering a solid profit outlook, which is around 9% higher than what we realized pre-COVID in 2019. We are convinced that to secure future growth, even in times of high uncertainty, we need to continue to invest behind our key brands, with a continued focus on ROIC on these investments," says Lars Jensen.

Key highlights:

- Organic volume growth of 2% (Q1-Q3 2022: 2%)
- Positive price/mix from pricing initiatives
- Organic revenue growth of 12% (Q1-Q3 2022: 14%)
- Continued commercial investments behind our key brands
- Favorable market share development for key brands
- EBIT margin negatively impacted by raw material price increases, higher freight costs, higher energy prices and margin dilutive M&A

Financial highlights Q3-2022
Volume for Q3 2022 increased by 11% compared to Q3 2021 and amounted to 3.8 million hectoliters. Organic volume growth was 2% with the difference explained by acquisitions. For Q1-Q3, volume is up by 10%, corresponding to 2% organic growth. In Q3, net revenue increased by 35% (organic: 12%) and amounted to DKK 3,296 million. Net revenue growth in Q1-Q3 was 37% (organic: 14%) compared to the same period in 2021 and amounted to DKK 8,669 million.

Earnings before interest and tax (EBIT) for Q3 was DKK 106 million lower than in 2021 and amounted to DKK 490 million (2021: DKK 596 million). In Q1-Q3, EBIT declined by DKK 136 million compared to 2021 and amounted to DKK 1,210 million (Q1-Q3 2020: DKK 1,346 million).

EBIT went down by DKK 119 million organically in Q3. The decline is primarily caused by an increase in marketing costs and continued investments in organizational capabilities and capacities totaling around DKK 50 million, around DKK 30 million higher logistic costs and the time-lag between increases in COGS and sales price increases. The increase in marketing costs were planned and committed before the war in Ukraine began, and the logistic cost increase, which is stemming from the International division is difficult to push on to customers, as we are up against local competition.

The time-lag between COGS inflation and sales price increases, in combination with a negative mix effect, impacted gross profit negatively by around DKK 40 million. Northern Europe explains a minor part of the negative mix effect, which is mainly driven by Western Europe because our CSD portfolio here has grown faster than our beer portfolio. That said, our super-premium beer offering has grown faster than the market (year-to-date approx. 10%) measured by sales out numbers, whereas destocking, which took place towards the end of Q3, also drove a negative mix effect.

The reported EBIT margin decreased by 7.2 percentage point to 14.0% in the period Q1-Q3 as a consequence of higher energy and other input costs, a negative impact from acquisitions and a base effect from the fact that we are raising sales prices to safeguard our absolute earnings per hectoliter.

Free cash flow amounted to DKK 304 million in Q3 2022 compared to DKK 551 in Q3 2021, whereas free cash flow for the first nine months of 2022 was DKK 614 million compared to DKK 1,234 million in Q1-Q3 2021. The development is negatively impacted by an increase in working capital, higher capex and last year's positive contribution from extended payment terms for taxes in Finland, which is not repeated in current year.

Outlook

The full-year outlook for net revenue in the upper half of the range DKK 10,700-11,700 million and an EBIT of around DKK 1,600 as set out in the Company Announcement No 44/2022 on 18 October 2022 is maintained.

Selected financial highlights and key ratios

mDKK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Volume (Thousand hectoliters)	3,772	3,402	10,272	9,359
Organic volume growth (%)	2	4	2	9
Net revenue	3,296	2,434	8,669	6,339
Organic net revenue growth (%)	12	6	14	10
EBITDA	612	697	1,552	1,624
EBITDA margin (%)	18.6	28.6	17.9	25.6
EBIT	490	596	1,210	1,346
Organic EBIT growth (%)**	-20	-3	-16	5
EBIT margin (%)	14.9	24.5	14.0	21.2
Profit before tax	474	600	1,520	1,349
Net profit for the period	381	474	1,307	1,068
Free cash flow	304	551	614	1,234
Net interest-bearing debt			4,364	3,398
ROIC incl. goodwill (%)*			14	19
ROIC excl. goodwill (%)*			23	33
NIBD/EBITDA (times)*			2.2	1.7
Equity ratio (%)			34	30
Earnings per share (EPS)	7.7	9.8	26.8	22.0

* Running 12-months

** Upon closer review of the financial numbers, it has emerged that the organic EBIT growth in Q3 2022 was -20% and not -24% as stated in the pre-release announcement (Company Announcement No 44/2022) of 18 October 2022.

Management's Review

In Q3 2021, the strong top-line momentum was supported by a resilient development in volumes, especially in the On-Trade, which is growing at a solid pace. Our Italian business continues to gain market shares in both beer and CSD, and our International export business delivered strong growth in both volumes and revenue, despite being up against tough comparable numbers from last year.

Our sales and distribution expenses increased by 38% compared to Q3 2021, partly as a result of M&A, higher freight costs in International and a fully re-opened On-Trade, including an event business fully back to normal whereas it was completely locked down in Q3 2021.

Over the past 12 months, we have invested significantly into strengthening the organization and building capabilities. As we are now moving into a more uncertain environment, we expect the fixed cost growth rate to level off.

Raw material prices
The input cost inflation has stabilized since the H1 2022 results announcement meaning that the total increase in our cost base compared to the beginning of 2021 is around DKK 0.8bn of which a part is missing to be covered by price increases. It is our ambition to pass on the remainder of the cost increase to customers. We will experience further cost inflation from the beginning of 2023 as we reprice some of our fixed price agreements with suppliers.

Acquisitions and partnerships
On 15 September 2022, we acquired the Toronto-based company Amsterdam Brewery. The acquisition is based on an enterprise value of CAD 44 million (around DKK 250 million) on a debt free basis. The company has normalized revenue of around CAD 34 million (around DKK 200 million) and a normalized EBITDA of around CAD 5 million (around DKK 28 million).

In the first nine months of the year, acquisitions have contributed with around DKK 1,450 million in net revenue and around DKK 80 million in EBIT.

For the second time during 2022, Royal Unibrew and PepsiCo extends their partnership as Royal Unibrew from 1 January 2023 will take over the responsibility, on a license basis, of the PepsiCo beverage portfolio on the border between Denmark and Germany. The agreement is expected to support the strong growth we have seen in the no/low sugar CSD category in the Nordics during the past years. The agreement includes production, logistics, sales and marketing operation in this important business area. On 1 January 2023, Royal Unibrew will also be taking over the sales, distribution, and trade marketing of Lay's and Doritos in the Nordic countries, including Denmark, Sweden, Norway, Finland, as well as in Greenland and the Faroe Islands.

As announced in company announcement No 46/2022 of 24 October 2022, Danone and Royal Unibrew agreed not to complete the contemplated sale to Royal Unibrew of Aqua d'Or, Danone's Water and Beverage's business in Denmark, that was announced on 16 November 2021. The Parties have determined that they will not be able to fulfil the closing conditions, among others the approval by the Danish Competition and Consumer Authority (DCCA). The Parties have therefore withdrawn the notification of the transaction to the DCCA.

Net debt
Net interest-bearing debt by the end of Q3 2022 amounted to DKK 4,364 million, which is an increase of DKK 828 million compared to year-end 2021. Calculated on a running 12-months basis NIBD/EBITDA was 2.2 times by end of Q3 2022 (year-end 2021: 1.7). The increase in net interest-bearing debt is mainly explained by share buy-backs, dividends and acquisitions.

Corporate Social Responsibility
The integration of Hansa Borg was initiated during Q3 and as expected we see a minor negative effect on energy and water efficiencies as measured by consumption per produced unit. The energy efficiency for the Group is also marginally impacted by the temporary switch from natural gas to oil at our site in Faxe. As a consequence, we do expect the CO_2 emissions for scope 1 and 2 to increase during the next period.

Despite the challenges from the geopolitical situation, and the associated supply chain challenges, our sustainability journey continues. Our transition towards a fossil free future continues relentlessly with more efficiency projects at our sites and bio-based or electricity-based heat production, as well as we continue our focus on more renewable power through own installations or PPA in combination with certificates.

As planned, our 12 GWh solar panel park in Faxe will be ready to produce from the beginning of next year. The solar panel park will be a significant contribution in reaching our goal of being 100% fossil-free (scope 1 and 2) by 2025.

Outlook

The full-year outlook for net revenue in the upper half of the range of DKK 10,700-11,700 million and an EBIT of around DKK 1,600 million as set out in the Company Announcement No 44/2022 on 18 October 2022 is maintained.

Full Year 2022 EBIT Outlook

mDKK	Outlook 2022 (October 2022)	Outlook 2022 (August 2022)	Outlook 2022 (May 2022)	Outlook 2022 (April 2022)	Outlook 2022 (March 2022)	Actual 2021
Net revenue	upper half of 10,700-11,700	10,700 - 11,700	10,700 - 11,700	10,000 - 11,000	10,000 - 11,000	8,746
EBIT	around 1,600	1,700 - 1,850	1,700 - 1,850	1,650 - 1,800	1,650 - 1,800	1,652

The outlook is now based on a lower expectation of the development in consumers' general out of home spending during the winter season, although we are expecting the On-Trade channel to remain fully open throughout the rest of the year.

We expect that mainstream and below mainstream will gain share in the market, while premium products will likely be consumed by fewer consumers and at fewer occasions.

We expect the destocking among our wholesale partners in Italy to have a one-off impact on results that will be included in the second half of 2022.

Developments in activities for the period 1 July - 30 September broken down into market segments

	Northern Europe		Western Europe		International		Group	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021
Volumes (Thousand hectolitres)	2,963	2,668	479	436	330	298	3,772	3,402
Organic volume growth (%)	0	2	9	7	11	22	2	4
Net revenue (mDKK)	2,613	1,834	404	371	280	229	3,296	2,434
Organic net revenue growth (%)	12	4	8	5	22	17	12	6

Developments in activities for the period 1 January - 30 September broken down into market segments

	Northern Europe		Western Europe		International		Group	
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Volumes (Thousand hectolitres)	7,860	7,335	1,403	1,057	1,009	967	10,272	9,359
Organic volume growth (%)	-1	7	25	19	4	23	2	9
Net revenue (mDKK)	6,664	4,712	1,166	914	840	714	8,669	6,339
Organic net revenue growth (%)	12	7	20	21	18	20	14	10

Northern Europe

The Northern Europe segment consists of our multi-beverage businesses in Finland, Norway, Sweden, the Baltic countries, Denmark & Germany. Strong positive price/mix effect in the quarter primarily stemming from the implemented price increases, but also from positive mix from a strong On-Trade.

The Northern European organization performed well and delivered flat organic volume development and organic net revenue growth of 12% in Q3 2022, despite a negative staycation effect throughout the Nordic countries. In Finland, our sales have been impacted by the implemented price increases during the year, especially in Off-Trade, which has lead to lower promotion pressure than during the same period last year. In Denmark, we continue to see strong execution in both Off-Trade and On-Trade with volumes being higher than last year for the quarter. In the Baltics, we have experienced a weaker consumer environment, which has impacted our volumes negatively, while margins in general on a hectoliter basis are intact. The suspension of exports to Russia are negatively impacting profitability in the Baltic countries. In Norway and Sweden, top-line development is very strong, although for Norway we are seeing an expected year-on-year decline due to normalization after last year's positive COVID-19 impact on the business.

Western Europe

Western Europe consists of our multi-niche businesses in Italy and France. Sales out growth has remained at a high level in Italy in all categories, but especially in CSD, which as a category has been helped by the hot summer weather. The pricing effect in Italy is positive for the quarter but neutralized by a negative product mix, where CSD is outgrowing beer and energy drinks from a volume perspective. In France, we have seen solid growth in the Lorina business and after a challenging first half with very fierce competition in the energy drinks category, Crazy Tiger is back to growth. Towards the end of the quarter, we experienced a destocking at wholesalers in Italy, impacting especially the beer business.

During Q4 2021, we invested heavily in organizational capabilites in both France and Italy, which we believe has paid off and been one of the reasons why our organic growth rates are healthy. During Q4 2022, this fixed cost increase will be annualized.

Volumes increased organically by 9% in Q3 2022, while net revenue grew organically by 8% because of the negative product/mix in Italy.

International

The International segment comprises the export and license business in markets outside Denmark, Finland, Norway, Sweden, Italy, France and the Baltic countries. Volumes and net revenue grew by double-digit percentages in Q3 2022, despite being up against tough comparable numbers.

Very strong organic volume growth of 11%, whereas net revenue increased organically by 22% in the quarter. Growth is centered around a strong development in the European exports markets, whereas consumer spending power is challenged in developing countries, in particularly in Africa, as well as we have seen unrest in two of our major markets during the year. High logistic costs impact the earnings negatively, and as previously communicated, supported by the acquisition of Amsterdam Brewery and a license agreement in Trinidad, we work towards more local sourcing in this business segment.

Revenue for selected markets

Development in net revenue – selected countries

mDKK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	FY 2021
Northern Europe					
Denmark	893	811	2,388	2,112	2,814
Norway	478	30	1,013	31	278
Sweden	96	19	284	29	118
Finland	854	728	2,259	1,896	2,569
Baltics	291	247	721	644	827

In Denmark and the Baltics, organic net revenue growth was in double-digit-percentages stemming from the price increases implemented during the year. In Finland, net revenue grew by 17% in the quarter positively impacted by the Solera acquisition.

The net revenue growth in Norway and Sweden are driven by the acquisitions of Hansa Borg and Solera. We see strong growth in Sweden from most categories, whereas Norway, as expected, is down organically compared to a strong last year, which was positively impacted by COVID-19.

For further information on this Announcement:
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Investors and analysts can register for a conference call on **Thursday, 27 October 2022, at 11.00 am CEST** at the following link:
https://register.vevent.com/register/BI450ac2f9dd744968bad3266e54026852

The presentation may also be followed here:
https://edge.media-server.com/mmc/p/rwsutevr

Financial Calendar for 2023

1 March 2023	Annual Report
27 April 2023	Trading Statement for 1 January – 30 March 2023
27 April 2023	Annual General Meeting 2023
22 August 2023	Interim Report for 1 January – 30 June 2023
8 November 2023	Trading Statement for 1 January – 30 September 2023

Forward-looking statements
This Trading Statement contains forward-looking statements, including statements about the Group's sales, revenue, earnings, spending, margins, cash flows, inventories, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the following words or phrases "believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, likely to result, could, may, might", or any variations of such words or other words with similar meanings. Any such statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause the Group's actual results, performance or industry results to differ materially from the results expressed or implied in such forward-looking statements. Royal Unibrew assumes no obligation to update or adjust any such forward-looking statements (except for as required under the disclosure requirements for listed companies) to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

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

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

Appendix 1

Consolidated Income Statement

mDKK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	FY 2021
Net revenue	**3,296**	**2,434**	**8,669**	**6,339**	**8,746**
Production costs	-1,908	-1,171	-4,845	-3,150	-4,490
Gross profit	**1,388**	**1,263**	**3,824**	**3,189**	**4,256**
Sales and distribution expenses	-758	-550	-2,213	-1,526	-2,189
Administrative expenses	-140	-117	-401	-317	-415
EBIT	**490**	**596**	**1,210**	**1,346**	**1,652**
Result after tax from investments in associates	6	13	-3	28	37
Gain on remeasurement of investments in associates	0	0	360	0	0
Financial income	38	3	39	6	7
Financial expenses	-60	-12	-86	-31	-49
Profit before tax	**474**	**600**	**1,520**	**1,349**	**1,647**
Tax on the profit for the period	-93	-126	-213	-281	-349
Net profit for the period	**381**	**474**	**1,307**	**1,068**	**1,298**
Profit for the period is attributable to:					
Equity holders of Royal Unibrew A/S	381	474	1,308	1,069	1,299
Non-controlling interests	0	0	-1	-1	-1
Net profit for the period	**381**	**474**	**1,307**	**1,068**	**1,298**

Consolidated Balance Sheet

Assets

mDKK	30/9 2022	30/9 2021	31/12 2021
NON-CURRENT ASSETS			
Intangible assets	7,581	5,823	5,861
Property, plant and equipment	3,608	2,602	2,734
Investments in associates	99	143	153
Other non-current investments	75	23	23
Non-current assets	**11,363**	**8,591**	**8,771**
CURRENT ASSETS			
Inventories	1,260	799	780
Receivables	1,557	1,155	1,188
Prepayments	123	92	89
Cash and cash equivalents	176	199	86
Current assets	**3,116**	**2,245**	**2,143**
Assets	**14,479**	**10,836**	**10,914**

Liabilities and equity

mDKK	30/9 2022	30/9 2021	31/12 2021
EQUITY			
Share capital	100	98	98
Other reserves	1,497	703	716
Retained earnings	3,322	2,470	1,808
Proposed dividend	0	0	708
Equity contributable to equity holders of Royal Unibrew A/S	**4,919**	**3,271**	**3,330**
Non-controlling interests	0	13	12
Equity	**4,919**	**3,284**	**3,342**
LIABILITIES			
Non-current liabilities			
Deferred tax	1,040	710	747
Mortgage debt	1,011	781	1,003
Credit institutions	1,954	1,678	1,995
Other payables	29	22	26
Non-current liabilities	**4,034**	**3,191**	**3,771**
Current liabilities			
Mortgage debt	185	248	14
Credit institutions	1,390	890	610
Trade payables	2,035	1,613	1,721
Provisions	0	10	11
Corporation tax	89	151	18
Other payables	1,827	1,449	1,427
Current liabilities	**5,526**	**4,361**	**3,801**
Liabilities	**9,560**	**7,552**	**7,572**
Liabilities and equity	**14,479**	**10,836**	**10,914**

Consolidated Cash Flow Statement

mDKK	Q3 2022	Q3 2021	Q1–Q3 2022	Q1–Q3 2021	FY 2021
Net profit for the period	**381**	**474**	**1,307**	**1,068**	**1,298**
Adjustments for non-cash operating items:	233	225	250	560	726
Change in working capital	–43	–39	–290	42	104
Net paid financial expenses and income	–20	–12	–46	–27	–42
Financial expenses related to leasing	0	0	0	–1	–1
Corporation tax paid	–72	–29	–180	–138	–332
Cash flows from operating activities	**479**	**619**	**1,041**	**1,504**	**1,753**
Dividend received from associates	0	9	27	21	21
Sale of property, plant and equipment	0	3	3	8	16
Purchase of property, plant and equipment	–148	–63	–382	–246	–426
Acquisition of enterprises	–253	–1,208	–277	–1,218	–1,218
Purchase/sale of intangible assets and fixed asset investments	–4	2	–22	3	3
Cash flows from investing activities	**–405**	**–1,257**	**–651**	**–1,432**	**–1,604**
External financing	–46	882	777	1,166	1,161
Repayment on leasing facilities	–27	–17	–75	–53	–68
Dividend paid to shareholders	–16	–1	–708	–658	–653
Dividends to minority shareholders	0	0	0	0	–4
Acquisition of shares for treasury	0	–78	–300	–410	–582
Proceeds from minority shareholders	16	0	16	0	0
Cash flows from financing activities	**–73**	**786**	**–290**	**45**	**–146**
Change in cash and cash equivalents	1	148	100	117	3
Cash and cash equivalents at beginning	186	50	86	81	81
Exchange adjustment	–11	1	–10	1	2
Cash and cash equivalents end of period	**176**	**199**	**176**	**199**	**86**
Free cash flow					
Net cash from operating activities	479	619	1,041	1,504	1,753
Net cash used in investing activities	–148	–51	–352	–217	–389
Payment of lease liabilities	–27	–17	–75	–53	–68
Free cash flow	**304**	**551**	**614**	**1,234**	**1,296**