



COMPANY ANNOUNCEMENT NO 44/2022 – 18 OCTOBER 2022

Royal Unibrew reports preliminary results for Q3 2022 and updates outlook

Preliminary results for Q3 2022 are as follows:

- Net revenue amounted to DKK 3,296 million in Q3 2022, corresponding to organic net revenue growth of 12%
- EBIT amounted to DKK 490 million in Q3 2022, corresponding to an organic decline of 24%

Royal Unibrew continues to deliver solid organic net revenue growth despite significant uncertainty in our business environment. In general, our market shares develop favourably for our key brands. Our growth formula works, and we will continue to follow the strategy that have delivered strong results for the past many years.

We are experiencing unprecedented inflation that is both impacting our cost levels, but also have an impact on consumers and customers. Our top-line is developing satisfactory, whereas we are seeing pressure on margins in the short term due to the unprecedented inflation that has hit us during the past year.

Strong top-line performance

During the year, our growth framework with focus on key growth categories has worked well, and our market shares continue to develop positively. Our ambition is to continue to invest behind the key categories and strengthen our organization to secure that we continue to grow even in times of very high uncertainty.

In Q3, net revenue grew 12% organically. On-Trade had a positive impact on these numbers, as well as price increases also supported the strong growth.

Our Italian business continues to gain market share in both beer and CSD according to sell out market share data in both On-Trade and Off-Trade. Despite our growing sell out, we have seen reductions in stocking levels among the wholesalers towards the end of Q3. This is driven by the high inflationary environment and general uncertainty, which strengthen the wholesalers' focus on cash management.

Business environment

We have seen a worsening of the business environment during the past weeks as in particular high electricity bills are impacting both customers and consumers.

We work closely with our customers to ensure that we can support them with attractive offerings in an environment where consumers have less disposable income and where retailers, bars and restaurants need to implement higher prices to cover up the inflation.

The competitive landscape is characterized by different levels and timing of price increases, which leads to higher demand for our sales force to balance the need for higher prices and staying competitive. Therefore, we see many changes to campaigns and a need to stay agile to ensure that we and our customers get through this uncertain environment in a financially responsible way.

Management agenda

The full-year outlook was provided a few days after Russia invaded Ukraine and uncertainty and inflation have increased since then. We have continued our commercial investments as planned as they support our brands and market share development and thereby ensure that we in the coming years will continue the strong performance of Royal Unibrew that we have had for many years.

In the coming periods, we will evaluate even further our total spending as uncertainty is increasing and consumer purchasing power is under pressure. We expect that mainstream and below mainstream will gain share, while premium products will likely be consumed by less consumers and at less occasions. This is not a shift in strategy, but an adjustment to the current business environment.

Efficiency is still very important, and we will continue to implement initiatives that will help drive efficiency, including integration of acquired businesses.

Q3 profit and loss

Below is the profit and loss statement that will be released together with the Q3 Trading Statement on 8 November 2022.

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
<i>Profit for the period is attributable to:</i>					
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

The outlook intervals are updated as follows

- Net revenue in the upper half of the previous range of DKK 10,700-11,700 million
- EBIT of around DKK 1,600 million (previously DKK 1,700-1,850 million)

The negative development in our EBIT expectations is primarily driven by:

- Customer destocking in Italy towards the end of Q3
- A tougher pricing environment than anticipated across the business
- Changed consumer behavior, which drives negative mix

The above three elements have broadly the same negative effect on the change to our full-year outlook.

The input cost inflation has stabilized since H1 reporting, and it is still our ambition to pass on the remaining cost inflation to customers as fast as possible into next year. On-Trade remains strong despite lower disposable income for our consumers, while we now expect more prudence on out of home spending during the winter season.

We will announce our Q3 2022 Trading Statement on 8 November 2022 with an analyst and investor call on 9 November 2022 at 9:00am CET. Until then, we will not comment further on the results or developments.

For further information on this announcement:

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