COMPANY ANNOUNCEMENT NO 01/2023 – March 1, 2023

Financial review of Q4 2022 and FY 2022 results

Statement by Royal Unibrew's CEO Lars Jensen: "Royal Unibrew generated healthy top line growth in 2022 despite the headwind faced from unexpected inflation and supply chain uncertainty stemming from the war. Clearly, the inflation and especially the high energy prices, impact our earnings in the short-term, but we are confident that Royal Unibrew is on the right path. Our strategy of being THE PREFERRED CHOICE together with our multi-beverage and multi-niche business models continue to work and pave the way for building our business even stronger.

We continue to expand our platform by organic growth while at the same time growing our business through new and expanded partnerships as well as acquisitions that fit Royal Unibrew strategically and support our ambition of being THE PREFERRED CHOICE. Our top line has almost doubled since 2020, and we are in strong shape and confident about the future.

We continued our sustainability journey in a very busy 2022. At this present moment, we are finalizing the construction of our solar panel park in Denmark as well as a biogas plant in Finland. In Denmark, the solar panel park will reduce our electricity consumption significantly whereas the biogas plant will make Royal Unibrew independent of fossil fuel in our production in Finland. Hence, 2023 will mark an important milestone in our pursuit of a fossil free future. Finally, I am proud that we toward the end of 2022 submitted our ambitious emissions reduction targets to the Science Based Target initiative for official validation, and we expect approval during 2023."

The fourth quarter of 2022 marked the end to a year where our business has shown resilience and our people have executed competently in an environment with a lot of uncertainty, huge cost pressure on our customers and lower spending power for our consumers leading to changes in their shopping behaviors. We experienced an organic volume decline of -2% in Q4 2022 primarily driven by destocking in the Italian wholesale market. The destocking is driven by tougher economic conditions where wholesaler reduce inventories to improve cash flow – we experienced the same development after the financial crisis in 2008.

Top line momentum reflects the pricing initiatives we have taken through 2022 to mitigate the high inflationary pressure in input prices. Net revenue increased organically by 3% in Q4 2022 driven by a price/mix effect of 8% in Northern Europe and 6% in International, whereas product mix in Italy resulted in a negative price/mix effect for Western Europe. We have implemented price increases in some markets from the beginning of 2023 and will follow in the remaining markets during the first quarter of the year.

The development in EBIT improved sequentially in Q4 2022, as the organic decline improved to -8% (Q3 2022: -19%). In total, EBIT declined organically by -15% in H2 2022 as a result of destocking in Italy and continued headwinds in International due to primarily high freight costs. As expected, EBIT developed very favourably in Northern Europe in Q4 2022 as a result of strong execution and easy comparable numbers from 2021 where the On-Trade was closed down in December in particularly in Denmark and Finland.

Key highlights Q4:

- Organic volume growth of -2% (FY 2022: 1%)
- Positive price/mix from pricing initiatives
- Organic net revenue growth of 3% (FY 2022: 11%)
- EBIT declined organically by -8% (FY 2022: -14%)
- EBIT margin down by 1.8 percentage points to 10.9% (FY 2022: down 5.7 percentage points to 13.2%)

Financial highlights Q4 and FY 2022

Volume for Q4 2022 increased by 5% compared to Q4 2021 and amounted to 3.1 million hectoliters. Organic volume growth was -2% with the difference of approximately 200 million hectoliters explained by the acquisitions of Hansa Borg and Amsterdam Brewery. For FY 2022, volume was up by 9%, corresponding to organic growth of 1%. In Q4 2022, net revenue increased by 17% (organic: 3%) and amounted to DKK 2,818 million. Net revenue growth in FY 2022 was 31% (organic: 11%) compared to 2021 and amounted to DKK 11,487 million.

Production cost increased by DKK 433 million in Q4 2022 corresponding to an increase of 32%. As a result, gross profit declined by -2% resulting in a gross profit margin of 37.1%, which is 7.2 percentage points lower than in 2021. The decline is primarily caused by the time lag between inflation in COGS and sales price increases, but also a result of a negative channel and product mix as well as dilutive acquisitions. In FY 2022, the gross profit margin declined by 6.3 percentage points to 42.4% compared to 2021.

Sales and distribution costs increased by 8% in Q4 2022 but declined as a percentage of net revenue to 25.3% from 27.5% in Q4 2021. This was the result of lower sales and marketing expenses in the quarter, and although freight and distribution costs increased, they still constituted a lower percentage of revenue than in the same period of 2021. In FY 2022, sales & distribution costs increased by 34% and increased from 25.0% of net revenue in 2021 to 25.5% in 2022.

Earnings before interest and tax (EBIT) for Q4 was DKK 1 million higher than in 2021 and amounted to DKK 306 million (2021: DKK 305 million). In FY 2022, EBIT declined by DKK 136 million compared to 2021 and amounted to DKK 1,516 million (2021: DKK 1,652 million). The reported EBIT margin decreased by 1.8 percentage points to 10.9% in Q4 2022 as a consequence of higher production costs and the time lag between input price inflation and price increases. In FY 2022, the reported EBIT margin declined by 5.7 percentage points compared to 2021. In the last quarter of 2022, acquisitions diluted the EBIT margin by 0.4 percentage point, whereas they diluted the EBIT margin by 1.4 percentage points in FY 2022 compared to the year before.

Free cash flow amounted to DKK -37 million in Q4 2022 compared to DKK 62 million in Q4 2021, whereas free cash flow for FY 2022 was DKK 577 million compared to DKK 1,296 million in 2021. The development is negatively impacted by an increase in working capital of DKK 585 million driven by higher inventories and an increase in receivables that is larger than the development in payables.

Management's review

The price increases implemented throughout 2022 supported the top line in Q4 and FY 2022 while volumes remained resilient in most markets. Especially Northern Europe showed strong top line momentum in Q4 2022, whereas Western Europe, driven by destocking in Italy, experienced weakness both on top line and earnings. The International division had strong top line momentum throughout most of 2022 but continued to be negatively impacted by high cost levels.

The destocking in Italy impacted the development in Western Europe from the end of Q3 2022 and well into the last quarter of the year. The negative impact was bigger than initially estimated, as the stock level at wholesalers has been reduced predominantly due to cash optimization. The year-on-year increase in freight and distribution costs clearly decelerated in Q4 2022 and grew slower than net revenue. In 2022, freight and distribution costs grew more than net revenue.

Net debt by the end of 2022 amounted to DKK 4,460 million, which is an increase of DKK 924 million compared to year-end 2021. Net interest-bearing debt/EBITDA increased from 1.7 to 2.2 over the same period mainly explained by share buy-backs, dividends and acquisitions.

Developments in activities for the period October 1 - December 31 broken into market segments

	Northern Europe		Western Europe		International		Group	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
Volumes (million hectoliters)	2.5	2.3	0.2	0.3	0.4	0.3	3.1	3.0
Organic volume growth (%)	-2		-21		10		-2	
Net revenue (DKK million)	2,278	1,893	187	254	352	259	2,818	2,407
Organic net revenue growth (%)	6		-26		16		3	

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In Northern Europe, volumes decreased by -2% organically in Q4 2022, resulting in a FY 2022 organic volume decline of -1%. Price initiatives impacted price/mix positively leading to a 6% organic net revenue growth for Q4 2022 and a 10% organic revenue growth for FY 2022.

Volume growth in Western Europe was negatively impacted by destocking in Italy in Q4 2022. As a result, volumes declined organically by -21% in Q4 2022, whereas net revenue declined organically by -26% in the quarter as price/mix was negatively impacted by product mix. For FY 2022, volumes in Western Europe increased organically by 15%, whereas net revenue increased organically by 10% impacted by a negative price/mix.

The positive top line development in International continued in Q4 2022 with 10% organic volume growth and 16% organic net revenue growth. For FY 2022, volumes increased organically by 6% and net revenue by 17%.

On Group level this led to an organic volume decline of -2% in the last quarter of 2022 taking the full-year development to a 1% organic volume increase. Price initiatives throughout the Group supported a positive price/mix impact and an organic net revenue increase of 3% for Q4 2022 and 11% for FY 2022.

Developments in activities for the period July 1 - December 31 broken into market segments

	Northern Europe		Western Europe		International		Unallocated		Group	
	H2 2022	H2 2021	H2 2022	H2 2021	H2 2022	H2 2021	H2 2022	H2 2021	H2 2022	H2 2021
Volumes (million hectoliters)	5.5	5.0	0.7	0.7	0.7	0.6			6.9	6.4
Organic volume growth (%)	-1		-3		11				0	
Net revenue (DKK million)	4,891	3,728	591	626	631	488			6,114	4,841
Organic net revenue growth (%)	9		-6		19				8	
EBIT (DKK million)	709	706	28	118	61	89	-3	-12	796	902
Organic EBIT growth (%)	-4		-77		-35				-15	
EBIT margin (%)	14.5	18.9	4.7	18.8	9.7	18.2			13.0	18.6

EBIT declined by DKK 1 million in Q4 2022, resulting in an EBIT decline of DKK 106 million in H2 2022 corresponding to an organic decline of -15%. The International division continued to be negatively impacted by high costs and consequently EBIT declined organically by -35% in H2 2022. In Western Europe, the destocking in Italy and the time lag between input price inflation and price increases resulted in an organic EBIT decline of -77% in H2 2022 and -46% for FY 2022. In Northern Europe, EBIT developed favourably in Q4 2022 as a result of strong execution and easy comparable numbers from 2021 where the On-Trade was closed down in December in Denmark and Finland resulting in an organic EBIT decline of-4% in H2 2022 and -6% for FY 2022.

Net revenue (DKK million) - selected countries

	Q4 2022	Q4 2021	% change	H2 2022	H2 2021	% change	FY 2022	FY 2021	% change
Denmark	781	701	11	1,674	1,512	11	3,169	2,814	13
Finland	700	674	4	1,554	1,403	11	2,958	2,569	15
Norway	482	247	95	960	276	248	1,495	277	440
Sweden	95	89	7	191	108	77	379	118	221
Baltic	221	182	21	512	429	19	942	827	14

In Denmark, net revenue increased by 11% to DKK 781 million in Q4 2022 and for FY 2022, net revenue increased organically by 12%. In Finland, net revenue increased organically by 4% in Q4

2022, whereas net revenue grew by around 9% organically in FY 2022. Both markets were supported by price initiatives and strong commercial execution.

In Norway, net revenue amounted to DKK 482 million in Q4 2022, which was almost a doubling of net revenue compared to the year before and a result of the acquisition of Hansa Borg Bryggerier. Organically, net revenue declined by -17% as a result of the normalization of the market following positive impact on domestic sales during COVID-19. In FY 2022, net revenue increased organically by high-single-digits.

In Sweden, net revenue increased organically by 7% to DKK 95 million in Q4 2022. In the Baltic countries, net revenue increased organically by 21% in Q4 2022 as a result of high price increases, whereas for FY 2022 the organic net revenue growth amounted to 13%.

Outlook for 2023

We expect an EBIT in the range of DKK 1,550-1,750 million in 2023 based on net revenue of DKK 13-14 billion.

Revenue

The guided revenue is substantially higher than in 2022. Roughly DKK 0.5 billion comes from acquisitions and the remainder comes from extensions of partnerships and price/mix increases to mitigate the impact from cost increases.

The beverage category is expected to be resilient in a consumer environment characterised by high inflation and pressure on the discretionary spending amongst consumers. We expect affordability to remain a key focus for consumers during 2023 and consequently our channel mix to be slightly negative as well as we expect private label and discount brands to gain share in the overall market.

Profitability

Our focus in 2023 is to safeguard our profitability on a per hectoliter basis, which will have a margin dilutive effect in 2023. The additional revenue coming from extensions of partnerships and acquisitions has a lower margin than the group average.

The destocking we have seen in Italy continue into the beginning of 2023 and we expect the business to return to normal during early springtime.

Profitability will be slightly backend loaded in 2023 compared to normal seasonality as price increases will take effect during the year, and as the de-stocking during the second half of 2022 in Italy had a negative one-off effect during the period.

Significant cost increases are expected during 2023 primarily stemming from raw and packaging materials, but also due to the general inflationary pressure. The guidance is based on hedged commodity prices at the end of February and forward pricing on the non-hedged part.

Top and bottom end of range

The macro setting is highly uncertain due to geopolitical uncertainty, inflation and pressure on consumers discretionary spending power. The main factors impacting profitability are:

- Commodity price development and the supply situation
- Consumer behaviour and impact on channel mix
- Customers reaction to price increases

Financial assumptions

- Acquisitions of Hansa Borg and Amsterdam to add around DKK 0.5 billion in incremental net revenue with single-digit EBIT margin
- The guidance is built on normal summer weather and travelling activities
- In 2023, our capex is expected to be around 5-6% of net revenue. We will increase our investments in CSR and in expansion of capacity to support future growth
- Corporate income tax rate is expected to amount to around 21%

Outlook for 2023

	Outlook	Actual 2022	Actual 2021
Net revenue (DKKbn)	13-14	11.5	8.7
EBIT (DKKm)	1,550-1,750	1,516	1,652

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There will be a conference call on Thursday March 2, 2023, at 9:00am CET where the annual results will be presented. Registration is needed:

https://register.vevent.com/register/BI20464eac5bf6492891179de6c3d67318