



Company Announcement No 51/2019 – 13 November 2019

Interim Report for 1 January - 30 September (9M) 2019

A balanced execution drives Net Revenue Growth of 5% and solid EBIT growth of +10%

Strong commercial execution generated a solid financial result for the first nine months of 2019, despite less favourable weather conditions in the second and third quarter in Northern Europe. EBIT increased by 10% and the higher result was attributable to a positive development in all segments. Net revenue increased by 5%, which relates to the acquisitions in H2 2018 and Q1 2019. When adjusting for the beer campaign in Finland we deliver, as expected, organic net revenue growth and on top we even cycle tough summer comparison to LY. Positive product, channel and country mix improved our overall EBIT margin by 1 percentage point to 20.4% (Q1-Q3 2018: 19.4%) where our focus on finding a "golden balance" between our innovation power and managing the incumbent complexity proved to be key. Our execution in all of our core routes to market continues to be innovative and passionate. Overall, we note our market shares improved slightly, both in value as well as volume (ex. campaign volumes in Finland). We continue our progress of extending the footprints of some of our recently acquired businesses as well as we continue to improve the efficiencies across our businesses.

We specify our outlook for 2019 to be in the top end of the outlook announced in August 2019.

Financial highlights Q1-Q3 2019

Net revenue for Q1-Q3 2019 increased by 5% to 5,905 million compared to DKK 5,624 million for Q1-Q3 2018 and was positively affected by the impact of acquisitions.

Earnings before interest and tax (EBIT) for Q1-Q3 2019 were DKK 110 million higher than in 2018 and amounted to DKK 1,202 million (2018: DKK 1,092 million). The EBIT margin increased by 1.0 percentage point to 20.4%.

Volumes for Q1-Q3 2019 showed a 1% increase and amounted to 8.5 million hectolitres compared to 8.4 million hectolitres in 2018. Acquisitions added a 3% increase, while the organic development reduced volumes by 2%.

The free cash flow for Q1-Q3 2019 amounted to DKK 1,054 million compared to DKK 1,034 million for Q1-Q3 2018. As expected, the free cash flow was negatively affected by higher paid tax and higher working capital due to lower campaign activities in Finland compared to Q1-Q3 2018.

Net interest-bearing debt went up by DKK 159 million due to the acquisitions. DKK 909 million (Q1-Q3 2018: DKK 886 million) was distributed to the shareholders. Calculated on a running 12 months' basis, NIBD/EBITDA was 1.5x and ROIC excluding goodwill was 31%. EPS increased by 11% in Q1-Q3 2019.

Acquisitions

The acquisition of Bev.Con ApS (CULT) was completed end February 2019, and CULT merged with Royal Unibrew A/S in Q2 2019. On 12 August 2019, Royal Unibrew acquired 100% of the share capital of the Bruce Ashley Group Inc. (BAG) in Canada. In Q2 2019, Royal Unibrew agreed to acquire the Latvian craft brewery SIA Bauskas Alus. The acquisition was completed in the beginning of November 2019.

Outlook

We specify our outlook for 2019 to be in the top end of the outlook announced in August 2019:

- Net revenue: DKK 7,575-7,650 million (March 2019: DKK 7,400-7,650 million)
- EBIT: DKK 1,440-1,465 million (March 2019: DKK 1,340-1,465 million)

SELECTED FINANCIAL HIGHLIGHTS AND KEY RATIOS

mDKK	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018
Sales (thousand hectolitres)	8,489	8,401	3,027	3,175
Net revenue	5,905	5,624	2,114	2,106
EBITDA	1,453	1,343	574	543
EBITDA margin (%)	24.6	23.9	27.2	25.8
EBIT	1,202	1,092	492	451
EBIT margin (%)	20.4	19.4	23.3	21.4
Profit before tax	1,191	1,080	491	444
Net profit for the period	918	852	377	351
Free cash flow	1,054	1,034	439	420
Net interest-bearing debt	2,681	2,397		
ROIC incl. goodwill (%)*	19	21		
ROIC excl. goodwill (%)*	31	34		
NIBD/EBITDA (times)*	1.5	1.5		
Equity ratio (%)	34	34		

* Running 12 months

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It will be possible for investors and analysts to follow Royal Unibrew's presentation of the Interim Report on Thursday, 14 November 2019, at 9.00 am CET by audiocast at the following telephone numbers:

Participants from Denmark: +45 32 72 80 42

Participants from the UK: +44 (0) 2071 928000

Participants from the USA: +1 6315 107 495

Confirmation code: 3588626

The presentation may also be followed at Royal Unibrew's website www.royalunibrew.com.

Financial Calendar for 2020

10 March 2020	Annual Report 2019
28 April 2020	Trading statement for the period 1 January - 31 March 2020
28 April 2020	Annual General Meeting 2020
24 August 2020	Interim Report for the period 1 January - 30 June 2020
17 November 2020	Trading statement for the period 1 January - 30 September 2020

Forward-looking statements

This Interim Report 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, 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.

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Profile

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

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

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

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

In addition to our own brands, we offer license-based international brands of the PepsiCo and Heineken groups in Northern Europe.

Financial Highlights and Key Ratios

	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	FY 2018
Sales (thousand hectolitres)	8,489	8,401	3,027	3,175	10,805
INCOME STATEMENT (MDKK)					
Net revenue	5,905	5,624	2,114	2,106	7,298
EBITDA	1,453	1,343	574	543	1,673
<i>EBITDA margin (%)</i>	24.6	23.9	27.2	25.8	22.9
Earnings before interest and tax (EBIT)	1,202	1,092	492	451	1,339
<i>EBIT margin (%)</i>	20.4	19.4	23.3	21.4	18.4
Income after tax from investments in associates	16	9	7	0	20
Other financial income and expenses, net	-27	-21	-8	-7	-31
Profit before tax	1,191	1,080	491	444	1,328
Net profit for the period	918	852	377	351	1,040
BALANCE SHEET (MDKK)					
Non-current assets	7,089	6,753			6,775
Total assets	8,594	8,161			8,062
Equity	2,934	2,776			2,908
Net interest-bearing debt	2,681	2,397			2,522
Net working capital	-695	-895			-748
Invested capital	6,018	5,588			5,835
CASH FLOWS (MDKK)					
Operating activities	1,205	1,193	490	493	1,214
Investing activities	-459	-1,524	-60	-820	-1,622
Free cash flow	1,054	1,034	439	420	942

	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	FY 2018
SHARE RATIOS (DKK PER SHARE OF DKK 2)					
Number of shares (thousand shares)	50,100	51,000			51,000
Earnings per share (EPS)	18.7	16.9	7.8	7.0	20.6
Free cash flow per share	21.2	23.6	8.8	8.3	18.7
Dividend per share					10.80
Period-end price per share	564.8	529.0			449.0
FINANCIAL RATIOS (%)					
Free cash flow as a percentage of net revenue	18	18	21	20	13
Cash conversion	115	121	116	120	91
ROIC, incl. goodwill*	19	21			21
ROIC, excl. goodwill*	31	34			33
Net interest-bearing debt/EBITDA*	1.5	1.5			1.5
Equity ratio	34	34			36

* running 12 months

Ratios comprised by the "Recommendations and Financial Ratios" issued by the CFA Society Denmark's Committee for accounting standards have been calculated according to the recommendations.

Management's Review

Business Development

As expected, Royal Unibrew continued to deliver solid financial results in Q1-Q3 2019. The solid development of net revenue and earnings confirm the positive trends in our business. Royal Unibrew is assessed to have slightly improved its market shares on branded products.

We have continued our innovative focus on organic, authentic and local produced products. During Q1-Q3 2019, we launched more new products, including new low/no sugar non alcoholic drinks, as well as non-alcoholic beer variants. Combined with our focus on pack sizes and types, we are confident that we can meet the future consumer trends and demands.

Integration of acquired businesses

The integration of Bev.Con (CULT), which was acquired on 28 February 2019, and the integration processes of Etablissements Geyer Frères (LORINA) and Nohrlund in 2018, are progressing according to plan. Focus has been on streamlining the businesses as well as improving consumer communication. The Group's ERP system, SAP, has been successfully implemented in LORINA, and CULT has been merged with Royal Unibrew A/S.

CSR objectives for 2019

In the Annual Report 2018, we published our commitment to join the UN Global Compact. In September 2019, our application was submitted, and our annual report for 2019 will be made in accordance with the responsibilities

of the 10 principles on Human rights, Labor standards, Environment and Anti-corruption. In addition, we continue implementation of the initiatives identified in our materiality assessment from 2018, i.e. initiatives related to consumer health and enjoyment, environmental footprint as well as employee safety and well-being.

Environmental Footprint

We have committed ourselves to establish the baseline for our CO₂-footprint in 2019. The baseline includes all direct emissions from activities within our control and indirect emissions from electricity, heat or steam purchased and used. We are progressing according to plan with this project and expect to finalize the development of the methodology

in Q4 2019. Furthermore, we have initiated projects with high sustainability focus concerning packaging material and transportation/logistics.

Acquisitions in H2 2019

On 12 August 2019, Royal Unibrew acquired 100% of the share capital of the Bruce Ashley Group Inc. (BAG) in Canada. BAG is an agency business that during the past 25 years has built a strong portfolio of Japanese sake and European beer brands, including the Faxe Brand. BAG has an organization of 25 people within sales and marketing. The acquisition price was DKK 5 million based on an enterprise value of DKK 9 million. Following the acquisition a DKK 5 million capital injection to BAG was made.

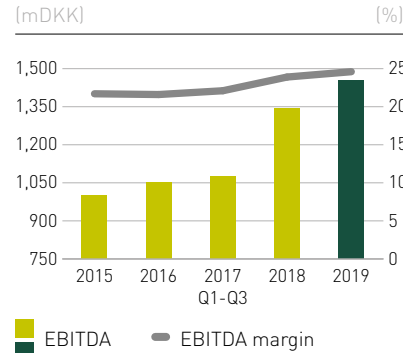
In Q2, Royal Unibrew agreed to acquire the Latvian craft brewery SIA Bauskas Alus based on an enterprise value of DKK 60 million. The acquisition was completed in the beginning of November 2019 after approval by the Latvian competition authorities.

Royal Unibrew's guidance for 2019 is not affected by the two acquisitions.

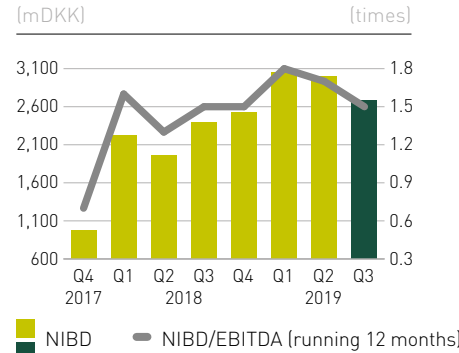
Status on share buy-back program

On 6 March 2019, Royal Unibrew launched a share buy-back program with a view to adjusting the capital structure of Royal Uni-

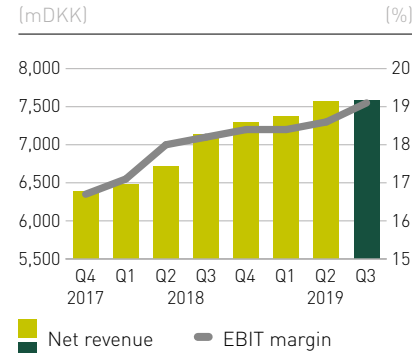
EBITDA AND EBITDA MARGIN



NIBD AND NIBD/EBITDA



REVENUE AND EBIT MARGIN RUNNING 12 MONTHS



brew A/S. The share buy-back program was carried out in accordance with the "Safe Harbour" method and was completed on 31 October 2019 after buy-back of 790,000 shares at a market value of DKK 400 million.

Under this program as well as the program launched in 2018, Royal Unibrew has bought back 860,112 shares at a market value of DKK 433 million in 2019.

At the Annual General Meeting of Royal Unibrew in April 2019, a resolution was made to reduce the share capital by nominal DKK 1.8 million, and subsequently, 900,000 shares were cancelled. After completing the share buy-back program launched in 2019, Royal Unibrew held 883,509 treasury shares, of which 90,500 are expected to be used for share-based payments to the Executive Board for the period 2017-2020, whereas the remaining shares are expected to be cancelled following the Annual General Meeting in April 2020.

Outlook

We specify our outlook for 2019 to be in the top end of the outlook announced in August 2019 for net revenue and EBIT (see Company Announcement No 8/2019 of 6 March 2019 for the outlook assumptions):

mDKK	Outlook 2019 (August 2019)	Outlook 2019 (March 2019)	Actual 2018	Actual 2017
Net revenue	7,575-7,650	7,400-7,650	7,298	6,384
EBIT	1,440-1,465	1,340-1,465	1,339	1,069

Net Capex is expected at around 4.7% against previous guidance on gross investments including leasing obligations of 4.7%. Our office building in Genova has been divested and new offices are based on a lease agreement.

The acquisitions of Bruce Ashley Group and Bauskas do not change the outlook interval for 2019.

The outlook published in March 2019 for Royal Unibrew's financial development in 2019 was prepared taking into account a number of cir-

cumstances, including how Royal Unibrew's markets are expected to be affected by the general economic activity, fiscal changes and developments in consumption behavior.

Moreover, the outlook was prepared taking into account the development in material expense categories as well as the effect of initiatives completed and initiated. The key assumptions of the financial development in 2019 were described in the Annual Report for 2018.

Financial Review

Income Statement

Volumes for Q1-Q3 2019 showed an aggregated sale of 8.5 million hectolitres of beverages, which was 1% higher than the same period in 2018. The acquisitions contributed positively by 3%, whereas a lower campaign activity in Finland and poorer weather in Q2 and Q3 compared to 2018 implied an organic volume decrease of 2%.

Net revenue for Q1-Q3 2019 increased by 5% and amounted to DKK 5,905 million compared to DKK 5,624 million for the same period in 2018. The acquisitions contributed by 5%, while organically the net revenue was at the same level as last year. Compared to the same period in 2018 the average selling price per volume unit for Q1-Q3 has increased by 4% driven by an overall improved product and market mix as well as the reduction of beer campaign volume in Finland supported higher average prices.

The gross profit for Q1-Q3 2019 was DKK 181 million above the Q1-Q3 2018 figure and amounted to DKK 3,172 million equivalent to a 6% increase (Q3: 1%). The gross margin was 0.5 percentage point above the Q1-Q3 2018

margin (Q3: 0.6pp) and represented 53.7% compared to 53.2% for Q1-Q3 2018. Gross profit per volume unit was 5% higher (Q3: 6%) than in 2018 and was positively affected by the focus on portfolio premiumization and the changed market mix.

Sales and distribution expenses for Q1-Q3 2019 were DKK 66 million above the figure for the same period in 2018 and amounted to DKK 1,721 million compared to DKK 1,655 million for Q1-Q3 2018. Organically, the expenses were DKK 23 million lower. As planned, marketing expenses for Q1-Q3 2019 were higher due to a number of growth initiatives and investments in the existing business, while distribution expenses were lower due to as well the lower volumes as a more efficient distribution. DKK 89 million relates to the acquisitions.

Administrative expenses for Q1-Q3 2019 showed a DKK 5 million increase compared to same period 2018 and amounted to DKK 249 million compared to DKK 244 million for Q1-Q3 2018. Organically, DKK 10 million was saved, whereas acquisitions added DKK 15 million.

VOLUMES, NET REVENUE AND GROSS PROFIT

	Q1-Q3 2019	Q1-Q3 2018	Change, %	Q3 2019	Q3 2018	Change, %
Volumes, beverages (tHL)	8,489	8,401	1%	3,027	3,175	-5%
Net Revenue (mDKK)	5,905	5,624	5%	2,114	2,106	0%
Gross Profit (mDKK)	3,172	2,991	6%	1,163	1,146	1%

SALES AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

	Q1-Q3 2019	Q1-Q3 2018	Change, %	Q3 2019	Q3 2018	Change, %
Sales and distribution expenses (mDKK)	1,721	1,655	4%	593	602	-1%
Administrative expenses (mDKK)	249	244	2%	78	93	-16%

Earnings before interest, tax, depreciation and amortization (EBITDA) for Q1-Q3 2019 showed a DKK 110 million increase and amounted to DKK 1,453 million compared to DKK 1,343 million for Q1-Q3 2018. In Q3, EBITDA increased by DKK 31 million compared to the same period in 2018. EBIT for Q1-Q3 2019 amounted to DKK 1,202 million, which is DKK 110 million above the same period in 2018. The positive development in both EBITDA and the EBIT was driven by all segments.

The EBIT margin for Q1-Q3 2019 showed an increase of 1 percentage point to 20.4%. A better product and market mix was the primary reason for the higher EBIT margin.

Net financial expenses for Q1-Q3 2019 were DKK 6 million higher than in Q1-Q3 2018 aggregating an expense of DKK 27 million compared to DKK 21 million in Q1-Q3 2018. Net financial expenses were higher due to interest expenses from the higher interest-bearing debt as a consequence of the acquisitions.

Profit before tax for Q1-Q3 2019 was DKK 111 million above the same period in 2018 and amounted to DKK 1,191 million compared to DKK 1,080 million for Q1-Q3 2018, equivalent to an increase of 10%.

Tax on the profit for Q1-Q3 2019 was an expense of DKK 273 million. The tax has been calculated on the basis of an expected full-year tax rate of approx 23% on the profit excluding income after tax from investments in associates.

The net profit for Q1-Q3 2019 amounted to DKK 918 million, which is DKK 66 million above the Q1-Q3 2018 figure, equivalent to an increase of 8%.

The earnings per share increased in Q1-Q3 to DKK 18.7 per share compared to 16.9 for the same period in 2018, equivalent to an increase of 11%.

Balance Sheet

Royal Unibrew's balance sheet at 30 September 2019 amounted to DKK 8,594 million, which is DKK 532 million above the 31 December 2018 figure. DKK 430 million of the increase is attributable to the acquisition of CULT, whereas inventories and receivables increased by DKK 200 million due to increased production and sales activities in Q3. The balance sheet total was, however, reduced by DKK 98 million due to amortization and depreciation of non-current assets exceeding investments and reduced cash.

EBITDA, EBIT AND FINANCIALS

	Q1-Q3 2019	Q1-Q3 2018	Change, %	Q3 2019	Q3 2018	Change, %
EBITDA (mDKK)	1,453	1,343	8%	574	543	6%
EBIT (mDKK)	1,202	1,092	10%	492	451	9%
EBIT-margin (%)	20.4	19.4		23.3	21.4	
Income after tax from investments	16	9	78%	7	0	
Net financial expenses	-27	-21	29%	-8	-7	14%

PROFIT BEFORE TAX, NET PROFIT AND EARNINGS PER SHARE

	Q1-Q3 2019	Q1-Q3 2018	Change, %	Q3 2019	Q3 2018	Change, %
Profit before tax (mDKK)	1,191	1,080	10%	491	444	11%
Tax on profit (mDKK)	273	228	20%	114	93	23%
Net profit (mDKK)	918	852	8%	377	351	7%
Earnings per share (DKK)	18.7	16.9	11%	7.8	7.0	15%

Invested capital increased by DKK 430 million in the period from 31 December 2018 to 30 September 2019, of which DKK 300 million are related to acquisitions. ROIC excluding goodwill calculated on a running 12 months' basis decreased by 3 percentage points to 31% in the period, and ROIC including goodwill decreased by 2 percentage points to 19% due to a higher average tax rate and the fact that EBIT relating to the acquisitions in 2019 has not been recognized for the full period.

Compared to 31 December 2018, the equity ratio decreased by 2 percentage points in Q1-Q3 2019 representing 34% at 30 September 2019.

At the end of September 2019, equity amounted to DKK 2,934 million compared to DKK 2,908 million at the end of 2018. Equity increased in Q1-Q3 by the positive comprehensive income of DKK 924 million for the period against 858 million for Q1-Q3 2018 and DKK 7 million related to a capital injection from minority shareholders in Nohrlund and the value of the share-based payments to the Executive Board and tax on these, whereas, as planned, it was reduced by a dividend distribution of DKK 538 million and share buy-backs of DKK 371 million. The comprehensive income comprises the profit for the period of DKK 918 million plus positive exchange rate

adjustments of foreign group enterprises of DKK 2 million, and a positive development in the value after tax of hedging instruments of DKK 4 million.

Net interest-bearing debt for Q1-Q3 showed a DKK 159 million increase and amounted to DKK 2,681 million at 30 September 2019 compared to DKK 2,522 million at the end of 2018. The increase in net interest-bearing debt was as expected and comprised the positive free cash flow of DKK 1,054 million less distribution to shareholders of DKK 909 million by way of dividend and share buy-backs, the acquisition price of DKK 300 million paid for CULT and DKK 4 million related to fixed asset investments less proceeds from minority shareholders. The net interest-bearing debt to EBITDA ratio (running 12 months basis) was 1.5x (30 September 2018: 1.5x).

Funds tied up in working capital showed a negative DKK 695 million at the end of September 2019 (30 September 2018: a negative DKK 895 million) compared to a negative DKK 748 million at the end of 2018. The working capital at 30 September 2019 was, compared to 30 September 2018, negatively affected by lower campaign activities. Funds tied up in working capital thus increased by DKK 53 million in Q1-Q3 2019 (2018: increase of DKK 62 million).

Funds tied up in inventories, trade receivables and trade payables showed an increase of DKK 49 million (2018: increase of DKK 115 million) due to the higher activity at the end of the period, whereas funds tied up in the other elements of working capital decreased by DKK 6 million (2018: decrease of DKK 53 million).

Cash Flow Statement

Cash flows from operating activities for Q1-Q3 2019 amounted to DKK 1,205 million (2018: DKK 1,193 million) comprising DKK 1,458 million (2018: DKK 1,349 million) of profit for the period adjusted for non-cash operating items, negative working capital cash flow of DKK 33 million (2018: a negative DKK 22 million), net interest paid of DKK 27 million (2018: DKK 20 million) and taxes paid of DKK 193 million (2018: DKK 114 million). The increase in receivables and inventories was not compensated for by the increase in payables, causing the negative development in working capital in Q1-Q3 2019, which among others is due to country mix and acquisitions.

The free cash flow for Q1-Q3 2019 amounted to DKK 1,054 million, corresponding to an increase of DKK 20 million compared to same period in 2018. Cash flows from operating activities and dividend from associates showed a DKK 16 million increase on Q1-Q3

2018, and net investments in property, plant and equipment showed a DKK 4 million decrease, comprising DKK 32 million higher gross investments less DKK 36 million higher revenues from asset divestments.

Developments in individual Market Segments

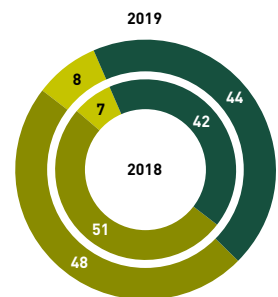
DEVELOPMENTS IN ACTIVITIES FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2019 BROKEN DOWN ON MARKET SEGMENTS

	Western Europe	Baltic Sea	Inter-national	Un-allocated	Group 2019	Group 2018
Volumes (thousand hectolitres)	3,728	4,039	722	-	8,489	8,401
Growth (%)	7	-6	15		1	11
Net revenue (mDKK)	2,860	2,521	524	-	5,905	5,624
Growth (%)	10	-3	21		5	16
EBIT (mDKK)	591	527	108	-24	1,202	1,092
Growth (%)	12	7	11		10	27
EBIT margin (%)	20.7	20.9	20.7		20.4	19.4

Below graphics illustrating how volumes, net revenue and allocated EBIT were divided between our three market segments in Q1-Q3 2019 and 2018:

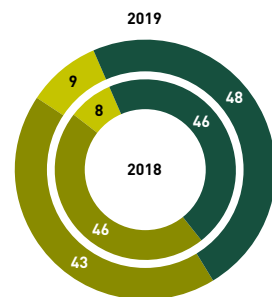
VOLUME

(%)



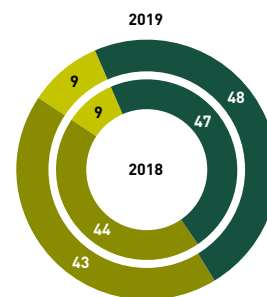
NET REVENUE

(%)



EBIT (allocated)

(%)



■ Western Europe ■ Baltic Sea ■ International

Western Europe

	Q1-Q3 2019	Q1-Q3 2018	% change	Q3 2019	Q3 2018	% change	2018
Volumes, beverages (thousand hectolitres)	3,728	3,474	7	1,350	1,296	4	4,536
Net revenue, beverages (mDKK)	2,772	2,512	10	989	922	7	3,269
Net revenue (mDKK)	2,860	2,589	10	1,018	947	7	3,378
EBIT (mDKK)	591	526		237	218		645
EBIT margin (%)	20.7	20.3		23.3	23.0		19.1

- Net revenue positively affected by acquisitions
- Earnings improvement – EBIT margin of 20.7%
- Integration of acquisitions progressing as planned

EBIT for Q1-Q3 2019 increased by DKK 65 million from DKK 526 million in 2018 to DKK 591 million in 2019. The EBIT margin increased by 0.4 percentage point to 20.7%.

The average selling price per volume was 3% above the 2018 level due to a better product mix in the segment.

The **Western Europe** segment comprises the markets in Denmark, Germany, Italy and France.

Volumes in Western Europe showed a 7% increase on the same period of 2018, and net revenue was 10% above the 2018 level. The revenue in the three first quarters of 2019 was positively affected by a 7% increase from acquisitions.

DENMARK AND GERMANY

	Q1-Q3 2019	Q1-Q3 2018	% change	Q3 2019	Q3 2018	% change	2018
Volumes, beverages (thousand hectolitres)	2,795	2,739	2	1,003	990	1	3,596
Net revenue, beverages (mDKK)	1,935	1,819	6	694	665	4	2,381
Net revenue (mDKK)	2,023	1,896	7	723	690	5	2,490

For **Denmark and Germany**, the market development is as expected.

Volumes showed a 2% increase for Q1-Q3 2019 and were positively affected by the CULT acquisition. Net revenue increased by 7% of which 1% was organic growth (Q3: volume increase of 1% and net revenue increase of 5%).

The average selling price per volume continues to be above the 2018 level due to a good price pack execution and a strong price mix effect from various initiatives, supported by acquisitions and our wide product portfolio.

We have had a high level of commercial activities during the year, and Q3 was the high season for festivals. This year we celebrated the 40th anniversary as partner of the Skanderborg festival. With a partnership like this, we have the opportunity to test new products

and to follow upcoming trends. Furthermore, we continuously work closely with our suppliers to develop new and more environment friendly packaging formats, to reduce plastic and waste at the festivals.

Having a wide product portfolio plays a still more important role and in September 2019, we launched Fonti di Crodo still and sparkling water in 1l PET bottles as well as a sparkling and a lemon variant in 33 cl sleek cans to the Danish market.

CULT merged with Royal Unibrew A/S in May 2019 and the integration of CULT is progressing as planned. As part of the integration new production equipment has been installed in Faxø to insource the production. For further information on CULT, reference is made to note 5.

SOUTHERN EUROPE

	Q1-Q3 2019	Q1-Q3 2018	% change	Q3 2019	Q3 2018	% change	2018
Volumes, beverages (thousand hectolitres)	933	735	27	347	306	13	940
Net revenue (mDKK)	837	693	21	295	257	15	888

Southern Europe comprises sales in Italy, the Lorina sales in France and the Terme di Crodo sales in the Balkan countries.

The market environment in Southern Europe have seen a slight increase in the Italian beer sales driven by positive performance in the premium category. The Italian market for soft drinks has been flat, whereas we have seen a positive development in both the soft drinks and lemonades categories in France.

Volumes showed a 27% increase for Q1-Q3 2019, which was positively affected by the LORINA acquisition, and net revenue increased by 21% (Q3: volume increase of 13% and net revenue increase of 15%). Organically, volumes increased by 6%, whereas the net revenue increased organically by 7% compared to last year.

In **Italy**, Royal Unibrew is estimated to have maintained its market shares in the beer cat-

egory where Ceres Stong Ale is performing well, and we estimate to have increased the market share in the soft drinks category with our LemonSoda and OrangeSoda. We continue our innovative agenda for Crodo products in order to support our markets not only in Italy but also in other of the group's markets, e.g. production of still and sparkling products for the Danish market.

To strengthen our presence in Italy we have decided to move our sales office from Genova to Milan with effect from 1 November 2019.

In **France**, the integration of the Lorina business is progressing as planned, including simplifying the business, streamlining the portfolio, strengthening the relationship to our customers and harvesting synergies from the implementation of the ERP system SAP, which was implemented earlier this year.

Baltic Sea

	Q1-Q3 2019	Q1-Q3 2018	% change	Q3 2019	Q3 2018	% change	2018
Volumes, beverages (thousand hectolitres)	4,039	4,299	-6	1,428	1,649	-13	5,441
Net revenue (mDKK)	2,521	2,603	-3	914	990	-8	3,338
EBIT (mDKK)	527	493		216	202		599
EBIT margin (%)	20.9	18.9		23.7	20.4		18.0

- No extraordinary beer campaign in Q2 and Q3 in Finland affects volumes and net revenue negatively compared to last year
- Positive product mix development
- Earnings improvement – EBIT margin of 20.9%

The **Baltic Sea** segment comprises the markets in Finland and the Baltic countries (Lithuania, Latvia and Estonia) as well as a license business in Russia.

EBIT for Q1-Q3 2019 increased by DKK 34 million to DKK 527 million and the EBIT margin increased by 2 percentage points to 20.9%. The lower campaign activity in Finland affects the margin positively together with a better product mix.

It is estimated that our market share in **Finland** has increased slightly (exclusive of the large beer campaign with a specific customer). We continue to see good performance in the ready-to-drink (RTD) category, where

our latest launch of Original Long Drink with orange flavour had a great start. Furthermore, the positive trend in the non-sugar soft drinks category continues with good sales of both PepsiMax and Jaffa. In the energy drink category, Faxe Kondi Booster has been introduced to the Finish Market. To support our commercial activities, we have intensified the use of various digital platforms.

The beer market in the **Baltic countries** continues to be challenging, but the market has started to recover. On the other hand, the non-alco segment is growing driven by a soft drinks sales increase, despite unfavorable weather in Q3. It is estimated that in the Baltic countries we have maintained our market position in the beer category and gained market shares in the soft drinks category in all three countries.

The acquisition of the Latvian craft brewery SIA Bauskas Alus was completed in the beginning of November 2019.

International

	Q1-Q3 2019	Q1-Q3 2018	% change	Q3 2019	Q3 2018	% change	2018
Volumes, beverages (thousand hectolitres)	722	628	15	249	230	8	828
Net revenue (mDKK)	524	432	21	182	169	8	582
EBIT (mDKK)	108	98		46	39		127
EBIT margin (%)	20.7	22.7		25.3	22.9		21.9

- Double digit sales growth
- Positive impact from currency development
- Challenging development in the Malt business with focus on BREXIT

The **International** segment comprises the export and license business to international markets outside Denmark, Finland, Italy and the Baltic countries.

Volumes for Q1-Q3 2019 showed a 15% increase and the positive development is driven by the newly acquired brands as well as good performance of old brands like Faxe, especially for the Faxe 10% beer. Net revenue increased by 21% of which 1% was organic growth, but with better product mix.

We continue to invest in the different markets and focus on distribution quality combined

with high rotation. The integration of the Bruce Ashley Group Inc., acquired in August 2019, is progressing well with focus on building the right organization and partnerships.

EBIT for Q1-Q3 2019 amounted to DKK 108 million, which was DKK 10 million above the Q1-Q3 2018 result, while the EBIT margin declined to 20.7% from 22.7%. The decline of the EBIT margin is attributable to the acquisition effect and the challenging market conditions in the malt business caused by a challenging macroeconomic and exchange rate development in a few core markets, as well as the BREXIT situation in UK.

The segment continues to be positively affected by the development in the US dollar exchange rate.

Management's Statement

The Executive Board and the Board of Directors have presented the Interim Report of Royal Unibrew A/S. The Interim Report has today been considered and adopted.

The Interim Report, which has not been audited or reviewed by the Company's independ-

ent auditors, was prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the Interim Financial Statements give a true and fair view of the financial

position of the Group at 30 September 2019 as well as of the results of the Group operations and cash flows for the period 1 January – 30 September 2019.

In our Opinion, Management's Review gives a true and fair account of the development

in the activities and financial circumstances of the Group, of results of operations for the period and of the overall financial position of the Group, and a description of the key risks and uncertainties facing the Group.

Faxe, 13 November 2019

Executive Board

Johannes F.C.M. Savonije
President & CEO

Lars Jensen
CFO

Board of Directors

Walther Thygesen
Chairman

Jais Valeur
Deputy Chairman

Martin Alsø

Einar Esbensen Nielsen

Heidi Kleinbach-Sauter

Claus Kærgård

Christian Sagild

Karsten Mattias Slotte

Catharina Stackelberg-Hammarén

Lars Vestergaard

Floris van Woerkom

Income Statement and Statement of Comprehensive Income

Income Statement

DKK '000	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	FY 2018
Net revenue	5,905,032	5,623,759	2,113,972	2,105,705	7,298,086
Production costs	-2,733,152	-2,632,905	-951,426	-959,228	-3,471,098
Gross profit	3,171,880	2,990,854	1,162,546	1,146,477	3,826,988
Sales and distribution expenses	-1,721,052	-1,655,227	-592,725	-601,984	-2,167,325
Administrative expenses	-248,931	-243,793	-77,733	-93,418	-320,272
EBIT	1,201,897	1,091,834	492,088	451,075	1,339,391
Income after tax from investments in associates	15,781	9,140	6,651	226	19,607
Financial income	6,017	1,196	3,746	-647	5,074
Financial expenses	-32,534	-21,692	-11,308	-6,528	-36,346
Profit before tax	1,191,161	1,080,478	491,177	444,126	1,327,726
Tax on the profit for the period	-273,258	-228,180	-114,128	-93,400	-287,780
Net profit for the period	917,903	852,298	377,049	350,726	1,039,946
Profit for the period is attributable to:					
Equity holders of Royal Unibrew A/S	919,293	852,445	377,699	350,873	1,039,946
Non-controlling interests	-1,390	-147	-650	-147	0
Net profit for the period	917,903	852,298	377,049	350,726	1,039,946
Earnings per share (DKK)	18.7	16.9	7.8	7.0	20.6
Diluted earnings per share (DKK)	18.7	16.8	7.9	6.9	20.6

Statement of Comprehensive Income

DKK '000	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	FY 2018
Net profit for the period	917,903	852,298	377,049	350,726	1,039,946
Other comprehensive income					
<i>Items that may be reclassified to the income statement:</i>					
Value and exchange adjustments of foreign group enterprises	1,703	9,849	2,036	2,949	9,738
Value adjustment of hedging instruments, beginning of year	17,315	1,416	12,820	5,449	1,416
Value adjustment of hedging instruments, end of year	-11,977	-6,168	-11,977	-6,168	-17,315
Tax on other comprehensive income	-1,024	944	-155	94	3,154
Total	6,017	6,041	2,724	2,324	-3,007
<i>Items that may not be reclassified to the income statement:</i>					
Actuarial loss on pension schemes					314
Tax on actuarial loss on pension schemes					-62
Total	0	0	0	0	252
Other comprehensive income after tax	6,017	6,041	2,724	2,324	-2,755
Total comprehensive income	923,920	858,339	379,773	353,050	1,037,191
Comprehensive income for the period is attributable to:					
Equity holders of Royal Unibrew A/S	925,310	858,486	380,423	353,197	1,038,160
Non-controlling interests	-1,390	-147	-650	-147	-969
Net profit for the period	923,920	858,339	379,773	353,050	1,037,191

Balance Sheet

Assets

DKK '000	30/9 2019	30/9 2018	31/12 2018
NON-CURRENT ASSETS			
Goodwill	2,288,901	2,106,376	2,124,891
Trademarks	1,973,505	1,864,864	1,769,089
Distribution rights	164,221	162,248	159,759
Customer relations	52,320		54,145
<i>Intangible assets</i>	<i>4,478,947</i>	<i>4,133,488</i>	<i>4,107,884</i>
Property, plant and equipment	2,473,230	2,487,279	2,529,777
Investments in associates	117,294	120,246	124,462
Other fixed asset investments	19,648	12,381	12,390
Non-current assets	7,089,119	6,753,394	6,774,513
CURRENT ASSETS			
Inventories	526,368	490,207	439,676
Receivables	804,631	747,418	666,478
Prepayments	58,965	30,689	35,842
Cash at bank and in hand	115,016	139,607	145,151
Current assets	1,504,980	1,407,921	1,287,147
Assets	8,594,099	8,161,315	8,061,660

Liabilities and Equity

DKK '000	30/9 2019	30/9 2018	31/12 2018
EQUITY			
Share capital	100,200	102,000	102,000
Other reserves	729,863	748,846	738,082
Retained earnings	2,093,919	1,915,734	1,508,191
Proposed dividend			550,800
Equity contributable to equity holders of Royal Unibrew A/S	2,923,982	2,766,580	2,899,073
Non-controlling interests	9,673	9,905	9,083
Equity	2,933,655	2,776,485	2,908,156
Deferred tax	539,723	546,874	542,328
Mortgage debt	852,110	855,766	855,347
Credit institutions	1,369,562	622,455	1,709,582
Other payables	100,720	41,849	44,485
Non-current liabilities	2,862,115	2,066,944	3,151,742
Mortgage debt	3,714	3,734	3,572
Credit institutions	571,092	1,054,693	98,383
Trade payables	1,157,567	1,226,175	974,930
Provisions	16,426	16,396	16,428
Corporation tax	138,314	96,120	9,761
Other payables	911,216	920,768	898,688
Current liabilities	2,798,329	3,317,886	2,001,762
Liabilities	5,660,444	5,384,830	5,153,504
Liabilities and equity	8,594,099	8,161,315	8,061,660

Cash Flow Statement

DKK '000	Note	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Net profit for the period		917,903	852,298	1,039,946
Adjustments for non-cash operating items	4	539,866	496,518	641,052
		1,457,769	1,348,816	1,680,998
Change in working capital:				
Receivables		-139,339	-58,922	15,855
Inventories		-66,219	-78,570	-27,599
Payables		173,149	115,806	-173,082
Cash flows from operating activities before financial income and expenses		1,425,360	1,327,130	1,496,172
Financial income		2,194	1,196	5,074
Financial expenses		-27,952	-20,070	-33,774
Financial expenses related to leasing		-1,436	-1,595	-2,095
Cash flows from ordinary activities		1,398,166	1,306,661	1,465,377
Corporation tax paid		-192,821	-113,900	-251,120
Cash flows from operating activities		1,205,345	1,192,761	1,214,257
Dividends received from associates		24,234	20,412	21,412
Sale of property, plant and equipment		52,207	16,706	27,199
Purchase of property, plant and equipment*		-227,497	-195,950	-320,877
<i>Free cash flow</i>		<i>1,054,289</i>	<i>1,033,929</i>	<i>941,991</i>
* inclusive net additions from leasing (IFRS 16) (mDKK)		44.7	56.1	60.3

DKK '000	Note	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Acquisition of subsidiary		-299,982	-1,343,056	-1,327,395
Purchase/sale of intangible assets and fixed asset investments		-7,477	-21,867	-21,863
Cash flows from investing activities		-458,515	-1,523,755	-1,621,524
<i>Debt financing:</i>				
Change in long term credit facilities		-403,031	186,048	1,215,548
New leasing facilities		74,280	56,592	60,250
Change in short term credit facilities		536,827	472,676	-421,559
Repayment on leasing facilities		-78,261	-45,191	-55,601
<i>Shareholders:</i>				
Dividends paid to shareholders		-537,996	-450,874	-450,874
Acquisition of shares for treasury		-370,896	-435,386	-484,090
Proceeds from minority shareholders		1,980		
Cash flows from financing activities		-777,097	-216,135	-136,326
Change in cash and cash equivalents		-30,267	-547,129	-543,593
Cash and cash equivalents at 1 January		145,151	684,626	684,626
Exchange adjustment		132	2,110	4,118
Cash and cash equivalents at 30 September		115,016	139,607	145,151

Statement of Changes in Equity

For 1 January - 30 September

DKK '000	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Parent Company share of equity	Minority share	Total
Equity at 31 December 2018	102,000	786,553	-31,156	-17,315	738,082	1,508,191	550,800	2,899,073	9,083	2,908,156
Changes in equity in 2019										
Net profit for the year					0	919,293		919,293	-1,390	917,903
Other comprehensive income			323	5,338	5,661	1,380		7,041		7,041
Tax on other comprehensive income					0	-1,024		-1,024		-1,024
Total comprehensive income	0	0	323	5,338	5,661	919,649	0	925,310	-1,390	923,920
Dividend paid to shareholders					0		-537,996	-537,996		-537,996
Dividend on treasury shares					0	12,804	-12,804	0		0
Minority shareholders injection					0	0		0	1,980	1,980
Acquisition of shares for treasury					0	-370,896		-370,896		-370,896
Capital reduction	-1,800	-13,880			-13,880	15,680		0		0
Share-based payments					0	5,007		5,007		5,007
Tax on changes in equity, shareholders					0	3,484		3,484		3,484
Total shareholders	-1,800	-13,880	0	0	-13,880	-333,921	-550,800	-900,401	1,980	-898,421
Total changes in equity 1/1-30/9 2019	-1,800	-13,880	323	5,338	-8,219	585,728	-550,800	24,909	590	25,499
Equity at 30 September 2019	100,200	772,673	-30,833	-11,977	729,863	2,093,919	0	2,923,982	9,673	2,933,655

The share capital at 30 September 2019 amounts to DKK 100,200,000 and is distributed on shares of DKK 2 each (30 September 2018: DKK 102,000,000).

Statement of Changes in Equity

For 1 January - 30 September

DKK '000	Share capital	Share premium account	Translation reserve	Hedging reserve	Total other reserves	Retained earnings	Proposed dividend for the year	Parent Company share of equity	Minority share	Total
Equity at 31 December 2017	105,400	812,771	-41,217	-1,416	770,138	1,469,583	469,030	2,814,151		2,814,151
Changes in equity in 2018										
Net profit for the year					0	852,445		852,445	-147	852,298
Other comprehensive income			9,678	-4,752	4,926	171		5,097		5,097
Tax on other comprehensive income					0	944		944		944
Total comprehensive income	0	0	9,678	-4,752	4,926	853,560	0	858,486	-147	858,339
Minority shareholders' share of acquired businesses					0			0	10,052	10,052
Liability upon acquisition					0	-29,000		-29,000		-29,000
Dividend paid to shareholders					0		-450,874	-450,874		-450,874
Dividend on treasury shares					0	18,156	-18,156	0		0
Acquisition of shares for treasury					0	-435,386		-435,386		-435,386
Capital reduction	-3,400	-26,218			-26,218	29,618		0		0
Share-based payments					0	6,031		6,031		6,031
Tax on changes in equity, shareholders					0	3,172		3,172		3,172
Total shareholders	-3,400	-26,218	0	0	-26,218	-407,409	-469,030	-906,057	10,052	-896,005
Total changes in equity 1/1-30/9 2018	-3,400	-26,218	9,678	-4,752	-21,292	446,151	-469,030	-47,571	9,905	-37,666
Equity at 30 September 2018	102,000	786,553	-31,539	-6,168	748,846	1,915,734	0	2,766,580	9,905	2,776,485

Notes

Note 1 Significant Accounting Policies; Accounting Estimates and Judgements

The Interim Report is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

The accounting policies are unchanged from those applied in the Annual Report for 2018, to which reference is made.

The Annual Report for 2018 provides the total description of accounting policies significant to the Financial Statements.

Accounting Estimates and Judgements

The preparation of interim financial reporting requires that Management make accounting estimates and judgements which affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The key estimates made by Management in applying the Group's accounting policies and the key uncertainties relating to the estimates are the same when preparing the interim financial reporting as when preparing the Annual Report at 31 December 2018.

Note 2 Assets and Derivative Financial Instruments Measured at Fair Value

DKK '000	30/9 2019	30/9 2018	31/12 2018
Derivative financial instruments	-11,977	-6,168	-17,315

Derivative financial instruments are classified as level-2 instruments in the IFRS fair value hierarchy. The determined fair value of derivative financial instruments is based on observable market data such as yield curves or forward rates.

The fair value of the total debt is assessed to correspond to carrying amount.

Notes

Note 3 Segment Reporting

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

Q1-Q3 2019

mDKK	Western Europe	Baltic Sea	International	Un-allocated	Total
Net revenue	2,860	2,521	524		5,905
Earnings before interest and tax (EBIT)	590.6	527.3	108.3	-24.3	1,201.9
Share of income from associates	15.8				15.8
Other financial income and expenses	-2.6	-6.8	-0.2	-16.9	-26.5
Profit/loss before tax for the period	603.8	520.5	108.1	-41.2	1,191.2
Tax on the profit/loss for the period				-273.3	-273.3
Net profit for the period					917.9
EBIT margin, %	20.7	20.9	20.7		20.4
Volumes, beverages (thousand hectolitres)	3,728	4,039	722		8,489
Net revenue, beverages	2,772	2,521	524		5,817

Q1-Q3 2018

mDKK	Western Europe	Baltic Sea	International	Un-allocated	Total
Net revenue	2,589	2,603	432		5,624
Earnings before interest and tax (EBIT)	526.4	492.8	97.9	-25.3	1,091.8
Share of income from associates	9.1				9.1
Other financial income and expenses	-2.6	-8.3	-0.1	-9.4	-20.4
Profit/loss before tax for the period	532.9	484.5	97.8	-34.7	1,080.5
Tax on the profit/loss for the period				-228.2	-228.2
Net profit for the period					852.3
EBIT margin, %	20.3	18.9	22.7		19.4
Volumes, beverages (thousand hectolitres)	3,474	4,299	628		8,401
Net revenue, beverages	2,512	2,603	432		5,547

Notes

Note 3 Segment Reporting (continued)

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

Q3 2019

mDKK	Western Europe	Baltic Sea	International	Un-allocated	Total
Net revenue	1,018	914	182		2,114
Earnings before interest and tax (EBIT)	237.3	216.2	46.1	-7.5	492.1
Share of income from associates	6.8				6.8
Other financial income and expenses	-0.4	-1.8	-0.1	-5.4	-7.7
Profit/loss before tax for the period	243.7	214.4	46.0	-12.9	491.2
Tax on the profit/loss for the period				-114.2	-114.2
Net profit for the period					377.0
EBIT margin, %	23.3	23.7	25.3		23.3
Volumes, beverages (thousand hectolitres)	1,350	1,428	249		3,027
Net revenue, beverages	989	914	182		2,085

Q3 2018

mDKK	Western Europe	Baltic Sea	International	Un-allocated	Total
Net revenue	947	990	169		2,106
Earnings before interest and tax (EBIT)	218.0	202.1	38.7	-7.8	451.0
Share of income from associates	0.2				0.2
Other financial income and expenses	-0.9	-3.6	0.0	-2.6	-7.1
Profit/loss before tax for the period	217.3	198.5	38.7	-10.4	444.1
Tax on the profit/loss for the period				-93.4	-93.4
Net profit for the period					350.7
EBIT margin, %	23.0	20.4	22.9		21.4
Volumes, beverages (thousand hectolitres)	1,296	1,649	230		3,175
Net revenue, beverages	922	990	169		2,081

Notes

Note 3 Segment Reporting (continued)

FY 2018					
mDKK	Western Europe	Baltic Sea	International	Un-allocated	Total
Net revenue	3,378	3,338	582		7,298
Earnings before interest and tax (EBIT)	644.9	599.4	127.2	-32.1	1,339.4
Share of income from associates	19.6				19.6
Other financial income and expenses	-3.1	-10.4	-0.6	-17.2	-31.3
Profit/loss before tax for the period	661.4	589.0	126.6	-49.3	1,327.7
Tax on the profit/loss for the period				-287.8	-287.8
Net profit for the period					1,039.9
EBIT margin, %	19.1	18.0	21.9		18.4
Volumes, beverages (thousand hectolitres)	4,536	5,441	828		10,805
Net revenue, beverages	3,269	3,338	582		7,189

Note 4 Cash Flow Statement

DKK '000	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Adjustments for non-cash operating items			
Financial income	-6,017	-1,196	-5,074
Financial expenses	32,534	21,692	36,346
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	250,044	258,720	346,160
Tax on the profit for the period	273,258	228,180	287,780
Income from investments in associates	-15,781	-9,140	-19,607
Profit and loss on sale of property, plant and equipment	821	-7,769	-12,253
Share-based remuneration and payments	5,007	6,031	7,700
Total	539,866	496,518	641,052

Notes

Note 5 Acquisition of subsidiaries

Acquisitions in 2019

Acquisition of Bev.Con ApS (CULT)

On 21 June 2018, Royal Unibrew entered into an agreement to acquire the company Bev.Con ApS, which owns brands such as CULT Energy, SHAKER and MOKAĀ. The acquisition was completed on 28 February 2019.

The finally acquisition price has been agreed upon based on an enterprise value of DKK 345 million and has been financed by bank borrowings. The final acquisition price is divided by DKK 290 million in cash and a potential performance based earn-out of DKK 55 million. The final cash acquisition price has been settled in Q2 2019, while the earn-out part of the acquisition price will be settled in Q2 2021 based on a net revenue target for the period 1 March 2019 - 28 February 2021. The target is expected to be achieved.

CULT was the first to introduce energy drinks in the Danish market, and, through the acquisition, Royal Unibrew reinforces its market position in Denmark and broadens the range in RTD (Ready-to-Drink) and Cider categories and the market for energy drinks.

Royal Unibrew expects to be able to achieve increased distribution and activation of the CULT portfolio, and the acquisition is expected to increase Royal Unibrew's earnings per share (EPS) already in 2019.

At the time of the acquisition, the company had approx 30 employees focusing on commercial activities, while production and logistics were contracted out to a third party.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 6 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Annual Report for 2018.

The company has been included in the Consolidated Financial Statements of Royal Unibrew as of the date of acquisition in 2019.

As part of the integration activities Bev.Con ApS and its 100% owned subsidiary, Cult A/S, has been merged with Royal Unibrew A/S as the surviving company.

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

DKK '000

Trademark	203,000
Customer relations	9,000
Property, plant and equipment	1,388
Inventories	14,695
Receivables	14,144
Prepayments	773
Deferred tax	-46,838
Trade payables	-4,555
Other payables	-5,249
Acquired net assets	186,358
Goodwill	159,550
Estimated fair value of the business	345,908
Earn-out debt	-55,030
Estimated fair value of the business at closing	290,878
Acquired cash at bank and in hand	26,465
Cash consideration at closing	317,343

The receivables acquired include trade receivables of a fair value of DKK 14 million corresponding to the gross amount receivable according to contract.

Cf. company announcement no. 40/2018 of 29 June 2018, the normalized yearly net revenue and EBIT is approx DKK 200 million respectively approx DKK 28 million.

Notes

Note 5 Acquisition of subsidiaries (continued)

Acquisition of Bruce Ashly Group Inc.

On 28 June 2019, Royal Unibrew entered into an agreement to acquire 100% of the shares in the Canadian company, Bruce Ashley Group Inc. (BAG). The acquisition was completed on 12 August 2019.

The acquisition price of DKK 5 million, which has been paid in cash, is based on an enterprise value of DKK 9 million. The valuation of BAG has been based on the multiples applicable to comparable businesses.

BAG is an agency business that during the last 25 years built up a strong portfolio of Japanese sake and European beer brands, including Royal Unibrew's Faxe Brand.

BAG has an organization of 25 employees within sales and marketing.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 1 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for the period 1 January - 30 September 2019.

BAG has been included in the Consolidated Financial Statements of Royal Unibrew as of the date of acquisition.

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

DKK '000

Customer relations	12,665
Property, plant and equipment	37
Inventories	6,913
Receivables	6,360
Prepayments	213
Deferred tax	-700
Trade payables	-15,592
Other payables	-792
Acquired net assets	9,104
Goodwill	0
Estimated fair value of the business	9,104
Acquired cash at bank and in hand	-4,162
Cash consideration at closing	4,942

The receivables acquired include trade receivables of a fair value of DKK 6 million corresponding to the gross amount receivable according to contract.

Notes

Note 5 Acquisition of subsidiaries (continued)

Acquisitions in 2018

Acquisition of Terme di Crodo S.r.l.

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

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

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

The company has approx 70 employees related to production and internal logistics, whereas external logistics and commercial activities are undertaken by Royal Unibrew's Italian distribution company Ceres S.p.A., or in cooperation with external partners.

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

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

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

The acquisition is expected to generate value for Royal Unibrew's shareholders by reinforcing the total Italian business, and by leveraging optimisation potential across the Group's operations. The acquisition has allready in 2018 and 2019 increased Royal Unibrew's profit and earnings per share.

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

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

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

DKK '000

Trademark	238,237
Property, plant and equipment	82,797
Inventories	34,595
Receivables	17
Deferred tax	-58,951
Other payables	-7,784
Acquired net assets	288,911
Goodwill	308,631
Estimated fair value of the business	597,542
Acquired cash at bank and in hand	9,588
Cash consideration	607,130

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

Notes

Note 5 Acquisition of subsidiaries (continued)

Acquisition of Nohrlund ApS

On 14 June 2018, Royal Unibrew entered into an agreement to acquire 50.5% of the share capital of Nohrlund ApS at a price of DKK 10 million.

The shares were acquired on 2 July 2018, and the company has been included in the Consolidated Financial Statements of Royal Unibrew as of that date.

The acquisition price agreed upon is based on an enterprise value of DKK 25 million (100%).

As part of the acquisition the minority shareholders has been granted an option after a three years period to put their shares to Royal Unibrew A/S. The liability for this has been recognized as a debt in Royal Unibrew A/S's Financial Statements.

Nohrlund produces and sells ready-to-drink organic cocktails with focus on the on-trade segment.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of less than DKK 1 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for 1 January - 30 June 2018.

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

DKK '000

Trademark	26,045
Property, plant and equipment	2,788
Other fixed assets	179
Inventories	2,673
Receivables	1,326
Prepayments	275
Deferred tax	-5,727
Trade payables	-1,015
Other payables	-752
Acquired net assets	25,792
Goodwill	0
Estimated fair value of the business	25,792
Acquired cash at bank and in hand	-5,740
Minorities part of the fair value of the business	-10,052
Cash consideration	10,000

The receivables acquired include trade receivables of a fair value of DKK 1 million corresponding to the gross amount receivable according to contract.

Notes

Note 5 Acquisition of subsidiaries (continued)

Acquisition of Etablissements Geyer Frères

On 12 July 2018, Royal Unibrew entered into an agreement to acquire the company Etablissements Geyer Frères, which owns the lemonade brand LORINA, PureThé and InFreshhh. The company was acquired on 12 July 2018.

The acquisition price amounts to DKK 660 million and is financed by bank borrowings. The enterprise value amounts to DKK 714 million.

Etablissements Geyer Frères is market-leading in the lemonade category within off-trade in France holding a market share of about 33%, whereas it has limited presence within on-trade and convenience. The company exports to about 40 countries on a minor scale, whereas exports to the USA represent a significant part of the business. Overall, exports represent about 40% of revenue, which in 2017 amounted to DKK 290 million. The company's earnings margins were on level with those of Royal Unibrew in 2017.

Etablissements Geyer Frères has about 100 permanent employees and production facilities in Munster in the north-eastern part of France.

The acquisition will establish a niche platform in France as well as a unique platform for further growth in Royal Unibrew's export portfolio.

Royal Unibrew A/S has incurred transaction costs relating to the acquisition of approx DKK 6 million for legal, financial and commercial advisers in connection with the realisation of the transaction. The costs were recognized as administrative expenses in the Interim Report for 1 January - 30 June 2018.

The company has been included in the Consolidated Financial Statements of Royal Unibrew as of 12 July 2018.

Royal Unibrew has made the following calculation of the fair value of the acquired net assets and of goodwill at the time of acquisition. In 2019 the fair value of the acquired inventories and receivables has been reduced by approx DKK 5 million.

DKK '000

Trademark	247,000
Customer relations	60,000
Property, plant and equipment	127,551
Other fixed assets	1,576
Inventories	36,544
Receivables	85,642
Prepayments	7,267
Deferred tax	-94,292
Trade payables	-44,438
Other payables	-76,774
Acquired net assets	350,076
Goodwill	364,037
Estimated fair value of the business	714,113
Acquired cash at bank and in hand	-53,776
Cash consideration	660,337

Of the receivables acquired, trade receivables have a fair value of DKK 86 million corresponding to gross amount according to contract, DKK 88 million less DKK 2 million provision for expected loss. Goodwill relates to synergies and the potential for development of the acquired activities and is not deductible for tax purposes.

Financial Highlights and Key Ratios

Quarterly

	Q1 2019	Q1 2018	Q2 2019	Q2 2018	Q3 2019	Q3 2018
Sales (thousand hectolitres)	2,226	2,127	3,236	3,099	3,027	3,175
Income Statement (mDKK)						
Net revenue	1,521	1,452	2,270	2,066	2,114	2,106
EBITDA	295	274	584	526	574	543
<i>EBITDA margin (%)</i>	19.4	18.9	25.7	25.4	27.2	25.8
Earnings before interest and tax (EBIT)	211	194	499	447	492	451
<i>EBIT margin (%)</i>	13.9	13.4	22.0	21.6	23.2	21.4
Income after tax from investments in associates	-2	-3	11	12	7	0
Other financials, net	-9	-10	-10	-4	-8	-7
Profit before tax	200	181	500	455	491	444
Net profit for the period	153	142	388	359	377	351
Balance Sheet (mDKK)						
Non-current assets	7,125	5,909	7,099	5,920	7,089	6,753
Total assets	8,735	7,347	8,907	7,445	8,594	8,161
Equity	3,001	2,791	2,663	2,554	2,934	2,776
Net interest-bearing debt	3,047	2,224	3,000	1,956	2,681	2,397
Net working capital	-399	-488	-750	-928	-695	-895
Invested capital	6,503	5,324	6,068	4,814	6,018	5,588
Cash Flows (mDKK)						
From operating activities	-101	-249	816	949	490	493
From investing activities	-353	-626	-46	-78	-60	-820
Free cash flow	-156	-278	771	892	439	420
Financial ratios (%)						
Free cash flow as a percentage of net revenue	-10	-19	34	43	21	20
Cash conversion	-102	-195	199	248	116	120
Net interest-bearing debt/EBITDA (running 12 months)	1.8	1.6	1.7	1.3	1.5	1.5
Equity ratio	34	38	30	34	34	34

Ratios comprised by the "Recommendations and Financial Ratios" issued by the CFA Society Denmark's Committee for accounting standards have been calculated according to the recommendations.

For 1 January - 30 September 2015-2019

	Q1-Q3 2019	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2015
Sales (thousand hectolitres)	8,489	8,401	7,599	7,593	6,991
Income Statement (mDKK)					
Net revenue	5,905	5,624	4,869	4,874	4,610
EBITDA	1,453	1,343	1,076	1,052	1,002
<i>EBITDA margin (%)</i>	24.6	23.9	22.1	21.6	21.7
Earnings before interest and tax (EBIT)	1,202	1,092	862	825	775
<i>EBIT margin (%)</i>	20.4	19.4	17.7	16.9	16.8
Income after tax from investments in associates	16	9	15	22	18
Other financials, net	-27	-21	-24	-29	-37
Profit before tax	1,191	1,080	853	818	756
Net profit for the period	918	852	668	641	588
Balance Sheet (mDKK)					
Non-current assets	7,089	6,753	5,115	5,216	5,505
Total assets	8,594	8,161	6,130	6,260	6,728
Equity	2,934	2,776	2,800	2,895	2,896
Net interest-bearing debt	2,681	2,397	1,062	1,053	1,323
Net working capital	-695	-895	-802	-791	-742
Invested capital	6,018	5,588	4,103	4,170	4,466
Cash Flows (mDKK)					
From operating activities	1,205	1,193	845	752	798
From investing activities	-459	-1,524	-133	83	0
Free cash flow	1,054	1,034	711	835	793
Share Ratios (DKK per share of DKK 2)					
Number of shares (thousand shares)	50,100	51,000	52,700	54,100	55,493
Earnings per share (EPS)	18.7	16.9	12.8	12.0	10.7
Free cash flow per share	21.2	23.6	13.6	15.6	14.5
Year-end price per share	564.8	529.0	345.0	327.0	249.8
Financial ratios (%)					
Free cash flow as a percentage of net revenue	18	18	15	17	17
Cash conversion	115	121	106	130	135
Net interest-bearing debt/EBITDA (running 12 months)	1.5	1.5	0.8	0.8	1.1
Equity ratio	34	34	46	46	43

Ratios comprised by the "Recommendations and Financial Ratios" issued by the CFA Society Denmark's Committee for accounting standards have been calculated according to the recommendations.