



Q1 2022 Trading Statement

Strong finish to Q1 2022 as restrictions were lifted in On-Trade – outlook maintained

Statement by Royal Unibrew's CEO, Lars Jensen: "It has been an eventful first quarter of the year. The quarter started relatively slow with continued restrictions in the On-Trade channel, but as restrictions were lifted in all markets, momentum built throughout the quarter and March marked a strong end to the quarter. Organic revenue growth of 14% is very satisfactory and is primarily driven by very strong momentum in Denmark, Finland and Italy in combination with an On-Trade across geographies with less restrictions than in Q1 2021. It is a pleasure that societies are open again and that our products continue to bring people together in great moments and enjoyment.

We have increased prices during Q1 2022 to mitigate the input price inflation realized in 2021, but as we have incurred the higher input prices from the beginning of the quarter, our profitability has been hurt as expected. As planned, profitability in Q1 2022 has also been affected by our continued investments in building a stronger organization and significantly higher investments in sales and marketing. The full effect of price increases from the beginning of the second quarter will cover the input cost increases seen in 2021, whereas further sales price increases are needed to cover the input cost increases seen since Russia's invasion of Ukraine. Despite the geopolitical uncertainties, we see no reason to change any of our ambitious ESG targets, including targets on packaging material, decarbonization or within low/no products. We have strong underlying momentum in the business and are well positioned going into the important quarters of the year," Lars Jensen continues.

Financial highlights Q1 2022

Net revenue increased by 35% in Q1 2022. Adjusting for acquisitions, the organic growth amounted to 14% driven by On-Trade re-opening and price increases, as reported volumes increased by 5%, corresponding to a flat organic development. Organic price/mix therefore amounted to 14% in the first quarter of the year driven by On-Trade re-opening, less beer campaigning in Finland and price increases.

Earnings before interest and tax (EBIT) decreased by 8% and amounted to DKK 209 million (2021: DKK 229 million). Organically, EBIT declined by 13%, because of higher COGS, higher sales and marketing, increased investments into the organization and higher freight costs. The EBIT margin decreased as expected by 460 bp from 14.3% to 9.7% driven by the facing of price increases vs input price inflation, increased operational expenditures and the structural lower margin in Solera. The inflationary pressure building through 2021 had full impact on our cost base from the beginning of the year, whereas our price increases towards customers were implemented during Q1 2022.

Free cash flow amounted to DKK -359 million in Q1 2022 compared to DKK -102 million in Q1 2021. The decline was expected, as last year was positively impacted by extended payment terms for excise duties and acquisitions, while current year is impacted by inventory and debtor building.

Outlook

We maintain our full-year 2022 outlook for revenue of DKK 10,000–11,000 million and EBIT of DKK 1,650–1,800 million.

Selected financial highlights and key ratios

mDKK	Q1 2022	Q1 2021	FY 2021
Volume (thousand hectolitres)	2,660	2,536	12,332
Net revenue	2,162	1,605	8,746
EBITDA	317	318	2,020
EBITDA margin (%)	14.7	19.8	23.1
EBIT	209	229	1,652
Organic EBIT growth (%)	-13	14	6
EBIT margin (%)	9.7	14.3	18.9
Profit before tax	195	223	1,647
Net profit for the period	154	177	1,298
Free cash flow	-359	-102	1,296
Net interest-bearing debt	4,012	2,448	3,536
ROIC incl. goodwill (%)*	15	19	19
ROIC excl. goodwill (%)*	25	30	32
NIBD/EBITDA (times)*	2.0	1.3	1.7
Equity ratio (%)	30	39	31
Earnings per share (EPS)	3.2	3.7	26.5

* Running 12-months

Net interest-bearing debt increased by DKK 476 million to DKK 4,012 million compared to year-end 2021. Calculated on a 12-months basis, NIBD/EBITDA was 2.0x.

Management's Review

In Q1 2022, the business developed commercially as planned. The quarter started relatively slow, as several of our markets worked itself through inventories created by the somewhat unexpected COVID-19 restrictions imposed in the latter part of Q4 2021. However, the end of the quarter was very strong as the On-Trade business in our key markets were re-opened. We increased our sales and marketing costs significantly in Q1 2022 compared to Q1 2021, as well as we continued to invest in strengthening the organization.

Raw material prices

During 2021 many raw materials and other input costs increased significantly in price. We have increased prices towards our customers during Q1 2022 to mitigate the impact from higher costs. We have not seen any signs of downtrading in any of our key markets from the general higher inflation meeting consumers, however, it is still too early to evaluate the impact of the inflationary environment on consumer behavior.

The Russian invasion of Ukraine have had a further negative impact on the input cost development, which will be delayed by our hedging, but eventually the higher costs will feed through, and we will mitigate this by sales price increases and cost mitigations. All export and import to and from Russia have now been ceased.

Outlook for the rest of the year

We maintain our full-year 2022 outlook for revenue of DKK 10,000–11,000 million and EBIT of DKK 1,650–1,800 million.

Announced acquisitions of Hansa Borg and Aqua d'Or have not closed and are not included in the outlook for 2022. We still expect to receive the approval for the Hansa Borg acquisition in Q2 2022, while the Aqua d'Or acquisition approval is expected in Q3 2022.

mDKK	Outlook 2022	Actual 2021	Actual 2020
Revenue	10,000–11,000	8,746	7,315
EBIT	1,650–1,800	1,652	1,515

We have not factored in any downtrading from the general higher inflation meeting consumers, because of relatively low unemployment rates and strong economies in our core markets. The increasing inflationary pressure on input costs from the war in Ukraine will have further negative impact on the input costs development for the rest of the year. Our

outlook assumes that this increased pressure will be partly covered by additional sales price increases as well as further cost mitigations.

We have not factored in any COVID-19 related restrictions on the On-Trade for the remainder of the year, as vaccination rates in our main markets are high, and current variants with less symptoms have reduced the pressure on hospitals. The outlook is built on normal summer weather and travelling activities, whereas we in 2021 benefitted from nice weather and positive staycation effects as many consumers decided to spend vacation in their own countries.

Acquisitions

Crazy Tiger is now included on our core IT platforms and therefore the integration of the company is proceeding according to plan.

Announced acquisitions of Hansa Borg and Aqua d'Or have not closed and are not included in the outlook for 2022. Hansa Borg has normalized annual revenue of around DKK 1.0 billion and normalized EBITDA of around DKK 150 million, whereas Aqua d'Or has normalized annual revenue of around DKK 180 million.

Share buy-back program and dividend payment

At the end of Q1 2022, we had purchased 159,133 shares at a value of DKK 100 million under our DKK 300 million share buy-back program. The share buy-back program is running until the end of June 2022.

We have proposed to the Annual General Meeting that we pay a dividend of DKK 708 million for 2021, corresponding to DKK 14.50 per share, which is an increase of 7% compared to last year.

Developments in activities for the period 1 January – 31 March broken down into market segments

	Northern Europe		Western Europe		International		Group	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Volumes (thousand hl)	2,022	1,966	323	230	315	341	2,660	2,536
Organic volume growth (%)	-2	13	24	9	-8	32	0	14
Net revenue (mDKK)	1,607	1,150	306	211	249	245	2,162	1,605
Organic revenue growth (%)	13	5	31	13	2	27	14	9

New segmentation

As announced in Company Announcement No 01/2022 on 7 January 2022, we have decided to change reporting segmentation as a result of the acquisitions made since the beginning of 2021. The New segmentation, as presented above, is Northern Europe, Western Europe and International. Northern Europe consist of our multi-beverage businesses in Finland, Norway, Sweden, the Baltic countries, Denmark and Germany. Western Europe consist of our multi-niche businesses in Italy and France, whereas International continues to consist of our niche businesses outside of these key markets.

Historical figures for the new segmentation, as well as Q1 2022 results according to the previous segmentation, are found in appendixes at the end of this Trading Statement. As Northern Europe is a very large part of our business, we provide additional detail by providing revenue by market.

Northern Europe

Total volumes increased 3%, positively impacted by acquisitions, as volumes declined organically by 2%. The development was impacted by the extraordinary beer campaign in Finland, which we participated in last year. The Baltic countries saw lower volumes, due to low campaign activity compared to 2021, but also due to high customer stocks in the Off-Trade going into the year. On the contrary, the re-opening in Denmark together with higher activity on the border to Germany secured solid volume growth.

Reported revenue increased by 40% in Q1 2022, whereas the organic revenue growth came in at 13%. The majority of the acquisitional contribution is related to Solera Beverage Group, but Fuglsang and Tanker Brewery also contributed to the growth. The strong organic price/mix development was driven by higher prices in some markets, On-Trade re-opening, the impact from not participating in the extraordinary Finnish beer campaign and a continued premiumization of our sales.

Western Europe

Compared to Q1 2021, total volumes in the Western Europe segment increased by 40% in Q1 2022 impacted by the acquisition of MC Energy in France. Adjusted for the acquisition, the organic volume growth was an impressive 24% driven by our Italian business where volumes increased significantly driven by strong performance in super-premium beer and CSD across all sales channels.

Net revenue increased by 45% in the quarter driven by the acquisition of MC Energy and an organic growth of 31% for the remaining business. The positive development in organic price/mix is driven by price increases, re-opening of the On-Trade and a continued premiumization of our portfolio.

International

Total volumes declined organically by 8% in Q1 2022 following a very strong first quarter in 2021 where inventories in the markets were build ahead of the season.

Net revenue increased organically by 2% in Q1 2022 compared to the year before. It is the malt beverage business together with the CSD category that drives both volumes and revenue growth, whereas sell-in to our beer and cider/RTD businesses declined in the quarter, as supply to markets with lower in-market stocks were prioritized. Sell-out rates in most markets and categories outperformed sell-in rates, resulting in shrinking inventories in markets compared to recent quarters.

Revenue for selected markets

To increase transparency we provide net revenue development in our key markets.

Net revenue - selected countries

mDKK	Q1 2022	Q1 2021	FY 2021
Denmark	629	523	2,814
Finland	550	464	2,569
Norway	179	1	277
Sweden	76	4	118
Baltics	173	159	827

Net revenue for Denmark increased by 20% in Q1 2022 driven by higher sales prices, the re-opening of the On-Trade, higher sales on the border between Denmark and Germany and the acquisition of Fuglsang. Organic net revenue growth was 18%.

Finland, Norway and Sweden grew net revenue by 72% in Q1 2022 most of which came from the acquisition of Solera Beverage Group. Organic net revenue growth was 9% in the quarter. The Baltic countries increased net revenue organically by 8%.

For further information on this Announcement:

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Financial Calendar for 2022

17 August 2022 Interim Report for the period 1 January – 30 June 2022

8 November 2022 Trading statement for the period 1 January – 30 September 2022

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

Income Statement

mDKK	Q1 2022	Q1 2021	FY 2021
Net revenue	2,162	1,605	8,746
Production costs	-1,211	-857	-4,490
Gross profit	951	748	4,256
Sales and distribution expenses	-614	-429	-2,189
Administrative expenses	-128	-90	-415
EBIT	209	229	1,652
Result after tax from investments	-4	1	37
Financial income	3	3	7
Financial expenses	-13	-10	-49
Profit before tax	195	223	1,647
Tax on the profit for the period	-41	-46	-349
Net profit for the period	154	177	1,298
Profit for the period is attributable to:			
Equity holders of Royal Unibrew A/S	155	178	1,299
Non-controlling interests	-1	-1	-1
Net profit for the period	154	177	1,298

Assets

mDKK	31/03 2022	31/03 2021	31/12 2021
NON-CURRENT ASSETS			
Intangible assets	5,864	4,401	5,861
Property, plant and equipment	2,766	2,479	2,734
Investments in associates	127	127	153
Other non-current investments	23	24	23
Non-current assets	8,780	7,031	8,771
CURRENT ASSETS			
Inventories	960	586	780
Receivables	1,359	863	1,188
Corporation tax	29	16	
Prepayments	110	65	89
Cash and cash equivalents	97	57	86
Current assets	2,555	1,587	2,143
Assets	11,335	8,618	10,914

Liabilities and equity

mDKK	31/03 2022	31/03 2021	31/12 2021
EQUITY			
Share capital	98	99	98
Other reserves	774	727	716
Retained earnings	1,851	1,804	1,808
Proposed dividend	708	666	708
Equity contributable to equity holders of Royal Unibrew A/S	3,431	3,296	3,330
Non-controlling interests	11	24	12
Equity	3,442	3,320	3,342
Deferred tax	760	557	747
Mortgage debt	994	831	1,003
Credit institutions	1,965	1,310	1,995
Other payables	29	41	26
Non-current liabilities	3,748	2,739	3,771
Mortgage debt	22	18	14
Credit institutions	1,128	346	610
Trade payables	1,753	1,026	1,721
Provisions	11	10	11
Corporation tax	0	0	18
Other payables	1,231	1,159	1,427
Current liabilities	4,145	2,559	3,801
Liabilities	7,893	5,298	7,572
Liabilities and equity	11,335	8,618	10,914

Cash flow statement

mDKK	Q1 2022	Q1 2021	FY 2021
Net profit for the period	155	177	1,298
Adjustments for non-cash operating items:	164	142	726
Change in working capital	-535	-257	104
Net paid financial expenses and income	-9	-8	-42
Financial expenses related to leasing	0	0	-1
Corporation tax paid	-58	-69	-332
Cash flows from operating activities	-283	-15	1,753
Dividend received from associates	24	11	21
Sale of property, plant and equipment	1	1	16
Purchase of property, plant and equipment	-82	-81	-426
Acquisition of enterprises	0	-7	-1,218
Purchase/sale of intangible assets and fixed asset investments	-1	1	3
Cash flows from investing activities	-58	-75	-1,604
External financing	469	225	1,161
Repayment on leasing facilities	-19	-18	-68
Dividend paid to shareholders	0	0	-653
Dividend to minority shareholders	0	0	-4
Acquisition of shares for treasury	-100	-142	-582
Cash flows from financing activities	351	65	-146
Change in cash and cash equivalents	10	-25	3
Cash and cash equivalents in the beginning of the period	86	81	81
Exchange adjustment	1	1	2
Cash and cash equivalents at 31 March	97	57	86
Free cash flow			
Net cash from operating activities	-283	-15	1,753
Net cash used in investing activities	-57	-69	-389
Payment of lease liabilities	-19	-18	-68
Free cash flow	-359	-102	1,296

Appendix 2

Developments in activities for the period 1 January – 31 March broken down into old market segments

	Western Europe		Baltic Sea		International		Unallocated		Group	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Volumes (thousand hl)	1,278	1,053	1,081	1,157	301	326			2,660	2,536
Organic vol. growth (%)	9	14	-7	10	-7	36			0	14
Net revenue (mDKK)	1,203	747	719	626	240	232			2,162	1,605
Organic rev. growth (%)	16	13	15	0	3	24			14	9
EBIT (mDKK)	98	113	80	75	35	48	-4	-7	209	229
Organic EBIT growth (%)	-14	63	6	-19	-27	23			-13	14
EBIT margin (%)	8.1	15.2	11.1	12.0	14.5	20.6			9.7	14.3

Appendix 3

New segmentation – historical figures

mDKK	FY 2020	FY 2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Volumes (thousand hl)										
Northern Europe	8,982	9,678	1,746	2,491	2,564	2,180	1,966	2,701	2,668	2,343
Western Europe	1,031	1,346	211	277	369	173	230	391	436	289
International	1,081	1,308	259	284	243	294	341	328	298	341
Group volumes	11,093	12,332	2,216	3,053	3,177	2,647	2,536	3,421	3,402	2,973
Revenue (DKKm)										
Northern Europe	5,637	6,605	1,099	1,555	1,685	1,299	1,150	1,729	1,834	1,893
Western Europe	874	1,168	186	217	320	151	211	331	371	254
International	804	973	193	207	196	208	245	240	229	259
Group revenue	7,315	8,746	1,478	1,979	2,200	1,658	1,605	2,300	2,434	2,407
Revenue (DKKm)										
Denmark	2,490	2,814	470	690	773	557	523	779	811	701
Finland	2,346	2,569	463	638	678	567	464	704	728	674
Norway	2	277	1	1	1	0	1	1	29	247
Sweden	15	118	3	4	4	5	4	6	19	89
The Baltics	779	827	163	220	231	165	159	239	247	182
Organic volume growth										
Northern Europe		6%					13%	7%	2%	2%
Western Europe		23%					9%	41%	7%	43%
International		21%					32%	15%	22%	16%
Group volumes		9%					14%	11%	4%	6%
Organic revenue growth										
Northern Europe		8%					5%	11%	4%	14%
Western Europe		26%					13%	53%	5%	48%
International		21%					27%	16%	17%	25%
Group revenue		12%					9%	16%	6%	18%

mDKK	FY 2020	FY 2021	H1 2020	H2 2020	H1 2021	H2 2021
EBIT (DKKm)						
Northern Europe	1,186	1,249	525	661	543	706
Western Europe	176	242	66	110	124	118
International	171	183	80	92	94	89
Un-allocated	-18	-23	-8	-10	-10	-12
Group EBIT	1,515	1,652	663	852	750	902
Organic EBIT growth						
Northern Europe		3%			3%	3%
Western Europe		28%			87%	-9%
International		7%			18%	-3%
Group EBIT		6%			13%	1%