

Company Announcement No 37/2020 – 17 November 2020

Q3 2020 Trading Statement

Very strong Q3 2020 leads to EBIT-increase of 5% in the first 9 months of 2020

The Royal Unibrew multi-beverage model has demonstrated its resilience in a time with COVID-19 related uncertainties. The pandemic continues to challenge some sales channels, and we look into a Q4 with additional restrictions such as limited opening hours at bars and restaurants and ban on gatherings in larger groups as well as imposed limitations on border trade between Denmark and Germany.

During the summer months the majority of consumers spent their vacation in their home country. The high level of staycation in combination with good weather in August in Denmark and Finland and our portfolio of local brands provided a strong performance over the summer.

In order to mitigate the impact from COVID-19, we reduced sales and marketing spending in the spring. As the business performance was strong over the summer, we started to invest selectively into our brands. The effect will be higher marketing costs in Q4 compared to the same period last year.

Despite the impact of COVID-19, strong operational focus and cost management, effect from staycation as well as good weather in August improved the profit in Q3. The social distancing and gathering restrictions were partly lifted during the summer and continued the good momentum that started in June.

Key highlights of the quarter:

- Organic revenue growth of 6%
- Continued strong performance in Off-Trade
- On-Trade in Italy performed better than expected
- Low sales and marketing expenses
- Dividend of DKK 600 million was paid, and a new share buy-back program of up to DKK 200 million was initiated.

New share buy-back program

The Board of Directors has decided to initiate a new share buy-back program of up to DKK 200 million that will run until end January 2021.

This is on top of the DKK 245 million share buy-backs that have already been executed during 2020. The total amount launched during 2020 will be DKK 445 million.

Financial highlights Q3-2020

Volume for Q3 2020 increased by 5% compared to Q3 2019 and amounted to 3.2 million hectoliters. For Q1-Q3 the volume was at the same level as in 2019.

In Q3, net revenue increased by 7% and amounted to DKK 2,258 million compared to DKK 2,114 million in Q3 2019, while the net revenue was 1% lower in Q1-Q3 than in 2019 and amounted to DKK 5,824 million compared to DKK 5,905 million in 2019.

Earnings before interest and tax (EBIT) for Q3 was DKK 108 million higher than in 2019 and amounted to DKK 600 million (2019: DKK 492 million). In Q1-Q3, EBIT increased by DKK 61 million compared to 2019 and amounted to DKK 1,263 million (Q1-Q3 2019: DKK 1,202 million). The EBIT margin increased by 1.3 percentage point to 21.7% in the period Q1-Q3, as a consequence of focus on cost management.

Free cash flow amounted to DKK 889 million in Q3 2020 compared to DKK 427 in Q3 2019. In Q1-Q3, free cash flow was DKK 1,479 million compared to DKK 1,039 million in Q1-Q3 2019 and was positively affected by an extraordinary beer campaign in Finland and extended payment terms for VAT and employee tax.

Outlook

The outlook for 2020 is narrowed to the upper half of the previously guided interval: EBIT DKK 1,475-1,525 million.

SELECTED FINANCIAL HIGHLIGHTS AND KEY RATIOS

mDKK	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019
Volume (thousand hectolitres)	8,446	8,489	3,177	3,027
Net revenue	5,824	5,905	2,258	2,114
EBITDA	1,532	1,453	699	574
EBITDA margin (%)	26.3	24.6	31.0	27.2
EBIT	1,263	1,202	600	492
EBIT margin (%)	21.7	20.4	26.5	23.3
Profit before tax	1,251	1,191	603	491
Net profit for the period	980	918	475	377
Free cash flow *	1,479	1,039	889	427
Net interest-bearing debt	1,837	2,681		
ROIC incl. goodwill (%)**	20.5	19.2		
ROIC excl. goodwill (%)**	33.7	31.0		
NIBD/EBITDA (times)**	1.0	1.5		
Equity ratio (%)	41	34		

* Compared to the Annual Report 2019 the definition of free cash flow has been updated to reflect market practice of the IFRS 16 implementation. Comparables for 2019 have been adjusted. ** Running 12-months

Management's Review

Management priorities

We have successfully managed the safety of our employees and it remains our top priority to continue taking precautions to reduce the risk of COVID-19 infections. We work closely with our customers to adjust to the new reality, and prepare our organization to adapt to the changes and continuously look for opportunities to support our customers.

To reinforce the underlying positive development of our business we are supporting our portfolio with selected commercial investments.

We have restarted a number of CAPEX projects and expect that spending will increase in Q4.

Business Development

The chart shows how the revenue has developed positively in Q3. The development in Q3 has been supported by staycation, good summer weather and the beer campaign in Finland which started in August and only minor impact from COVID-19 restrictions.

Net debt

Net interest-bearing debt by the end of Q3 amounted to DKK 1,837 million which is a decrease of DKK 868 million compared to year-end 2019. Calculated on a running 12-months basis NIBD/EBITDA was 1.0 times by end of Q3 2020 (year-end 2019: 1.5).

Share buy-back program

On 11 March 2020, Royal Unibrew launched a share buy-back program with a view to adjusting the capital structure of Royal Unibrew A/S. The share buy-back program was carried out in accordance with the "Safe Harbour" method for an amount up to DKK 400 million. On 19 March 2020, the share buy-back program was suspended due to the outbreak of the COVID-19 pandemic. Up until 19 March 2020, 112,000 shares were acquired for DKK 45 million. Given the strong cash flow generated a new share buy-back program of up to DKK 200 million was launched on 25 September 2020. As at 30 September 2020 a total number of 37,351 shares have been acquired for DKK 24 million in this program.

The program was completed on 16 November 2020 and the Board of Directors has decided to initiate a new share buy-back program of up to DKK 200 million. The total amount of programs launched in 2020 will be DKK 445 million.

Appointment of new CEO

As per 1 September, Lars Jensen was appointed new CEO of Royal Unibrew. Lars Jensen has been with Royal Unibrew for more than 25 years and has since 2011 served as a member of the Executive Board and most recently as COO. The Executive Board now consists of Lars Jensen (CEO) and Lars Vestergaard (CFO).

In order to prepare Royal Unibrew for further growth, a Senior Leadership Team has been established consisting of Lars Jensen, CEO, Lars Vestergaard, CFO, Kalle Järvinen, SVP Baltic Sea and MD Hartwall, Jan Ankersen, SVP South Europe and GM Italy, and Carsten Nørland, SVP International.

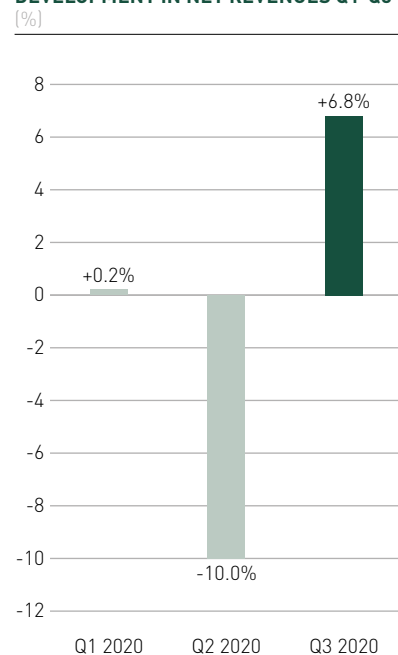
Corporate Social Responsibility

Royal Unibrew is progressing as planned in achieving its short-term CSR/Sustainability goals for 2022 particularly focusing on:

- **Consumers** with a balanced launch of regular and low/non-alcohol/sugar containing beverages
- **Environment & Climate** with increase of recycled material in PET bottles, carton trays and paper labels as well as a decline in carbon footprint from production with 30% compared to 2015
- **Employees health and wellness** with a decline in absence related accidents of 40% compared to 2018

Although it is key to Royal Unibrew to measure and fulfil the outlined short-term CSR goals, it is equally essential to consider potential future challenges. Our aspiration and goals for a long-term CSR strategy 2030 will therefore be disclosed in the 2020 Annual Report.

DEVELOPMENT IN NET REVENUES Q1-Q3



Outlook

The outlook is narrowed to the upper half of the previously guided interval (see Company Announcement No 27/2020 of 18 August 2020):

mDKK	Outlook 2020 (November 2020)	Outlook 2020 (August 2020)	Outlook 2020 (June 2020)	Outlook 2020 (March 2020)	Outlook 2020 (March 2020)	Actual 2019
Net revenue	-	-	-	-	-	7,692
EBIT	1,475-1,525	1,425-1,525	1,250-1,375	suspended	around 2019 level	1,469

The guidance assumes significant COVID-19 impact on On-Trade in Q4 and higher marketing investments than last year.

While total revenue was in line with last year during October, volumes sold to On-Trade were down by 40% compared to last year with beer down slightly more than soft drinks. Furthermore, the border trade between Denmark and Germany is impacted due to quarantine restrictions applicable from 8 November 2020.

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

	Western Europe		Baltic Sea		International		Unallocated		Group	Group
	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Volumes (thousand hl)	3,641	3,728	4,088	4,039	717	722			8,446	8,489
Growth (%)	-2%		1%		-1%				-1%	
Net revenue (mDKK)	2,779	2,860	2,471	2,521	574	524			5,824	5,905
Growth (%)	-3%		-2%		10%				-1%	
EBIT (mDKK)	567	591	576	527	132	108	-12	-24	1,263	1,202
Growth (%)	-4%		9%		22%				5%	
EBIT Margin (%)	20.4	20.7	23.3	20.9	23.0	20.7			21.7	20.4

DEVELOPMENTS IN ACTIVITIES FOR THE PERIOD 1 JULY - 30 SEPTEMBER BROKEN DOWN IN MARKET SEGMENTS

	Western Europe		Baltic Sea		International		Unallocated		Group	Group
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Volumes (thousand hl)	1,450	1,350	1,502	1,428	225	249			3,177	3,027
Growth (%)	7%		5%		-10%				5%	
Net revenue (mDKK)	1,132	1,018	937	914	189	182			2,258	2,114
Growth (%)	11%		3%		4%				7%	
EBIT (mDKK)	300	238	254	216	50	46	-4	-8	600	492
Growth (%)	26%		18%		9%				22%	
EBIT Margin (%)	26.4	23.3	27.1	23.7	26.7	25.3			26.5	23.3

Western Europe

The Western Europe segment comprises the markets in Denmark, Germany, Italy and France. The net selling price in the segment was positively affected by price and product mix in Q3.

Total volume in Western Europe declined by 2% whereas net revenue declined by 3% for the first 9 months compared to the same period last year. EBIT declined by 4% and was negatively affected by lower revenue in Italy and bad debt provision. We have seen improvement in the On-Trade business in Italy, and September was the first month we were back at last year's level since February. In Denmark, the On-Trade business improved during the summer months, however, was affected by further restrictions in September. The marketing and sales costs were low in Q3 as various campaigns have been postponed to Q4.

Baltic Sea

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. The net selling price decline compared to last year and revenue was negatively affected by the product and channel mix in Finland.

In Q1-Q3, the total volume increased by 1% and net revenue decreased by 2% compared to last year. The Bauskas acquisition contributed positively with 1% to both volume and net revenue. Volume was positively affected by the beer campaign in Finland.

Innovations have delivered solid growth as well as Original Long Drink, our low/non alco beers and low/non sugar products continue to grow.

International

The International segment comprises the export and license business to international markets outside Denmark (incl. Germany), Finland, Italy (incl. the Balkan countries), France and the Baltic countries. Revenue was positively affected by market mix in the segment and agency sales in the Bruce Ashley Group in Canada.

In Q1-Q3, the total volume decreased by 1% and net revenue increased by 10% compared to last year. The segment was positively affected by our malt business, and growing sales in emerging markets while the volume with a more opportunistic character was below last year. During the last 12 months the sales-out core markets grew by more than 10% which supports the margin development.

For further information on this Announcement:

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It will be possible for investors and analysts to follow Royal Unibrew's presentation of the trading statement on Wednesday, 18 November 2020, at 9.00 am CET by audiocast at the following telephone numbers:

Participants from Denmark: +45 32 72 04 17

Participants from the UK: +44 (0) 2071 928338

Participants from the USA: +1 646 74 13 167

Confirmation code: 9948088

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

Financial Calendar for 2021

3 March 2021	Annual Report 2020
28 April 2021	Trading statement for the period 1 January - 31 March 2021
28 April 2021	Annual General Meeting 2021
23 August 2021	Interim Report for the period 1 January - 30 June 2021
17 November 2021	Trading statement for the period 1 January - 30 September 2021

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

Income Statement

mDKK	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019	FY 2019
Net revenue	5,824	5,905	2,258	2,114	7,692
Production costs	-2,758	-2,733	-1,018	-951	-3,612
Gross profit	3,066	3,172	1,240	1,163	4,080
Sales and distribution expenses	-1,557	-1,721	-552	-593	-2,262
Administrative expenses	-246	-249	-88	-78	-349
EBIT	1,263	1,202	600	492	1,469
Income after tax from investments in associates	18	16	14	7	25
Financial income	1	6	-1	4	5
Financial expenses	-31	-33	-10	-12	-41
Profit before tax	1,251	1,191	603	491	1,458
Tax on the profit for the period	-271	-273	-128	-114	-318
Net profit for the period	980	918	475	377	1,140
Profit for the period is attributable to:					
Equity holders of Royal Unibrew A/S	959	919	463	377	1,142
Non-controlling interests	21	-1	12	0	-2
Net profit for the period	980	918	475	377	1,140
Earnings per share (DKK)	19.5	18.7	9.4	7.8	23.0
Diluted earnings per share (DKK)	19.5	18.7	9.4	7.8	22.9

Statement of Comprehensive Income

mDKK	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019	FY 2019
Net profit for the period	980	918	475	377	1,140
Other comprehensive income					
<i>Items that may be reclassified to the income statement:</i>					
Value and exchange adjustments of foreign group enterprises	-30	2	-8	2	4
Value adjustment of hedging instruments, beginning of year	3	17	7	13	17
Value adjustment of hedging instruments, end of year	1	-12	1	-12	-3
Tax on other comprehensive income	1	-1	0	0	-3
Total	-25	6	0	3	15
<i>Items that may be reclassified to the income statement:</i>					
Actuarial loss on pension schemes					2
Tax on actuarial loss on pension schemes					0
Total	0	0	0	0	2
Other comprehensive income after tax	-25	6	0	3	17
Total comprehensive income	955	924	475	380	1,157
Comprehensive income for the period is attributable to:					
Equity holders of Royal Unibrew A/S	934	925	463	380	1,159
Non-controlling interests	21	-1	12	0	-2
Net profit for the period	955	924	475	380	1,157

Assets

mDKK	30/9 2020	30/9 2019	31/12 2019
NON-CURRENT ASSETS			
Goodwill	2,285	2,289	2,335
Trademarks	1,935	1,974	1,956
Distribution rights	148	164	160
Customer relations	51	52	65
<i>Intangible assets</i>	<i>4,419</i>	<i>4,479</i>	<i>4,516</i>
Property, plant and equipment	2,385	2,473	2,501
Investments in associates	115	117	126
Other fixed asset investments	21	20	20
Non-current assets	6,940	7,089	7,163
CURRENT ASSETS			
Inventories	507	526	463
Receivables	763	805	736
Prepayments	63	59	59
Cash at bank and in hand	117	115	72
Current assets	1,450	1,505	1,330
Assets	8,390	8,594	8,493

Liabilities and Equity

mDKK	30/9 2020	30/9 2019	31/12 2019
EQUITY			
Share capital	99	100	100
Other reserves	708	730	746
Retained earnings	2,560	2,094	1,640
Proposed dividend			611
Equity contributable to equity holders of Royal Unibrew A/S	3,367	2,924	3,097
Non-controlling interests	31	10	10
Equity	3,398	2,934	3,107
Deferred tax	549	540	546
Mortgage debt	847	852	851
Credit institutions	1,012	1,370	1,303
Other payables	49	100	105
Non-current liabilities	2,457	2,862	2,805
Mortgage debt	11	4	4
Credit institutions	83	571	619
Trade payables	1,200	1,158	1,018
Provisions	16	16	17
Corporation tax	151	138	29
Other payables	1,074	911	894
Current liabilities	2,535	2,798	2,581
Liabilities	4,992	5,660	5,386
Liabilities and equity	8,390	8,594	8,493

Cash Flow Statement

Compared to the Annual Report 2019, the Cash flow statement has in 2020 been updated to reflect the market practice of the IFRS 16 implementation.

mDKK	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Net profit for the period	980	918	1,140
Adjustments for non-cash operating items:	557	540	680
Change in working capital	297	-32	-43
Net paid financial expenses and income	-31	-27	-35
Financial expenses related to leasing	-1	-1	-2
Corporation tax paid	-141	-193	-338
Cash flows from operating activities	1,661	1,205	1,402
Dividend received from associates	19	24	25
Sale of property, plant and equipment	8	23	36
Purchase of property, plant and equipment	-157	-167	-261
Acquisition of subsidiaries	-6	-300	-365
Purchase/sale of intangible assets and fixed asset investments	-2	-7	-7
Cash flows from investing activities	-138	-427	-572
Proceeds from increased drawdown on credit facilities		145	546
Repayment on credit facilities	-753		-419
Repayment on leasing facilities	-52	-46	-62
Dividend paid to shareholders	-600	-538	-538
Acquisition of shares for treasury	-69	-371	-433
Proceeds from minority shareholders		2	2
Cash flows from financing activities	-1,474	-808	-904
Change in cash and cash equivalents	49	-30	-74
Cash and cash equivalents at 1 January	72	145	145
Exchange adjustment	-4		1
Cash and cash equivalents at 30 September	117	115	72

From 1 January 2020, Royal Unibrew defines the free cash flow as "net cash from operating activities" less "net cash used in investing activities" excluding acquisitions and net proceed from intangible assets and fixed assets investments, less "repayment on lease facilities".

DKK '000	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Free cash flow			
Net cash from operating activities	1,661	1,205	1,402
Net cash used in investing activities	-130	-120	-200
Repayment on lease facilities	-52	-46	-62
Free cash flow*	1,479	1,039	1,140
* Effect from revised free cash flow definition		-15	-18

Statement of Changes in Equity for 1 January - 30 September

mDKK	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 2019	100	773	-24	-3	746	1,640	611	3,097	10	3,107
Changes in equity in 2020										
Net profit for the year						959		959	21	980
Other comprehensive income			-30	4	-26			-26		-26
Tax on other comprehensive income					0	1		1		1
Total comprehensive income	0	0	-30	4	-26	960	0	934	21	955
Dividend paid to shareholders							-600	-600		-600
Dividend on treasury shares						2	-2	0		0
Acquisition of shares for treasury						-69		-69		-69
Proposed dividend						9	-9	0		0
Capital reduction	-1	-12			-12	13		0		0
Share-based payments						5		5		5
Tax on changes in equity, shareholders								0		0
Total shareholders	-1	-12	0	0	-12	-40	-611	-664	0	-664
Total changes in equity 1/1-30/9 2020	-1	-12	-30	4	-38	920	-611	270	21	291
Equity at 30 September 2020	99	761	-54	1	708	2,560	0	3,367	31	3,398
The share capital at 30 September 2020 amounts to DKK 98,700,000 and is distributed on shares of DKK 2 each.										
Equity at 31 December 2018	102	786	-31	-17	738	1,508	551	2,899	9	2,908
Changes in equity in 2019										
Net profit for the year						919		919	-1	918
Other comprehensive income			1	5	6	1		7		7
Tax on other comprehensive income						-1		-1		-1
Total comprehensive income	0	0	1	5	6	919	0	925	-1	924
Dividend paid to shareholders							-538	-538		-538
Dividend on treasury shares						13	-13	0		0
Minority shareholders injection						0		0	2	2
Acquisition of shares for treasury						-371		-371		-371
Capital reduction	-2	-14			-14	16		0		0
Share-based payments						5		5		5
Tax on changes in equity, shareholders						4		4		4
Total shareholders	-2	-14	0	0	-14	-333	-551	-900	2	-898
Total changes in equity 1/1-30/9 2019	-2	-14	1	5	-8	586	-551	25	1	26
Equity at 30 September 2019	100	772	-30	-12	730	2,094	0	2,924	10	2,934