



Royal Unibrew A/S

H1 2006

August 2006

# Vision and Mission

## VISION

*We will with increasing profitability develop the company to be among leading providers of beverages in Northern Europe and outside this region develop profitable export markets.*

## MISSION

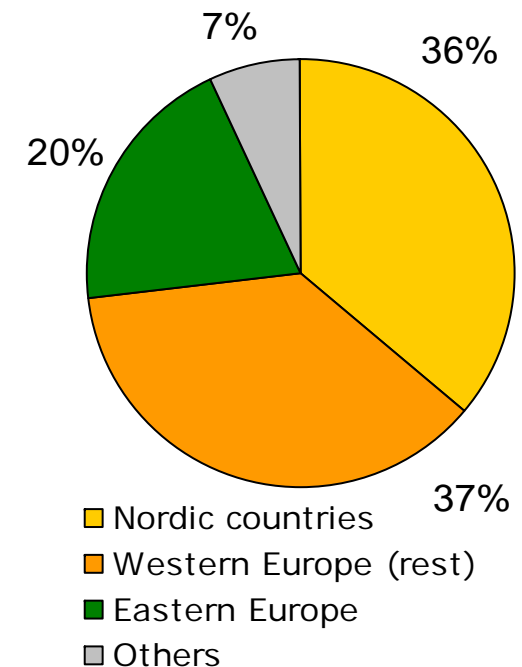
*We will meet our consumers' demands for and expectations to quality beverages focusing on branded products primarily within beer, malt and soft drinks.*



# Highlights

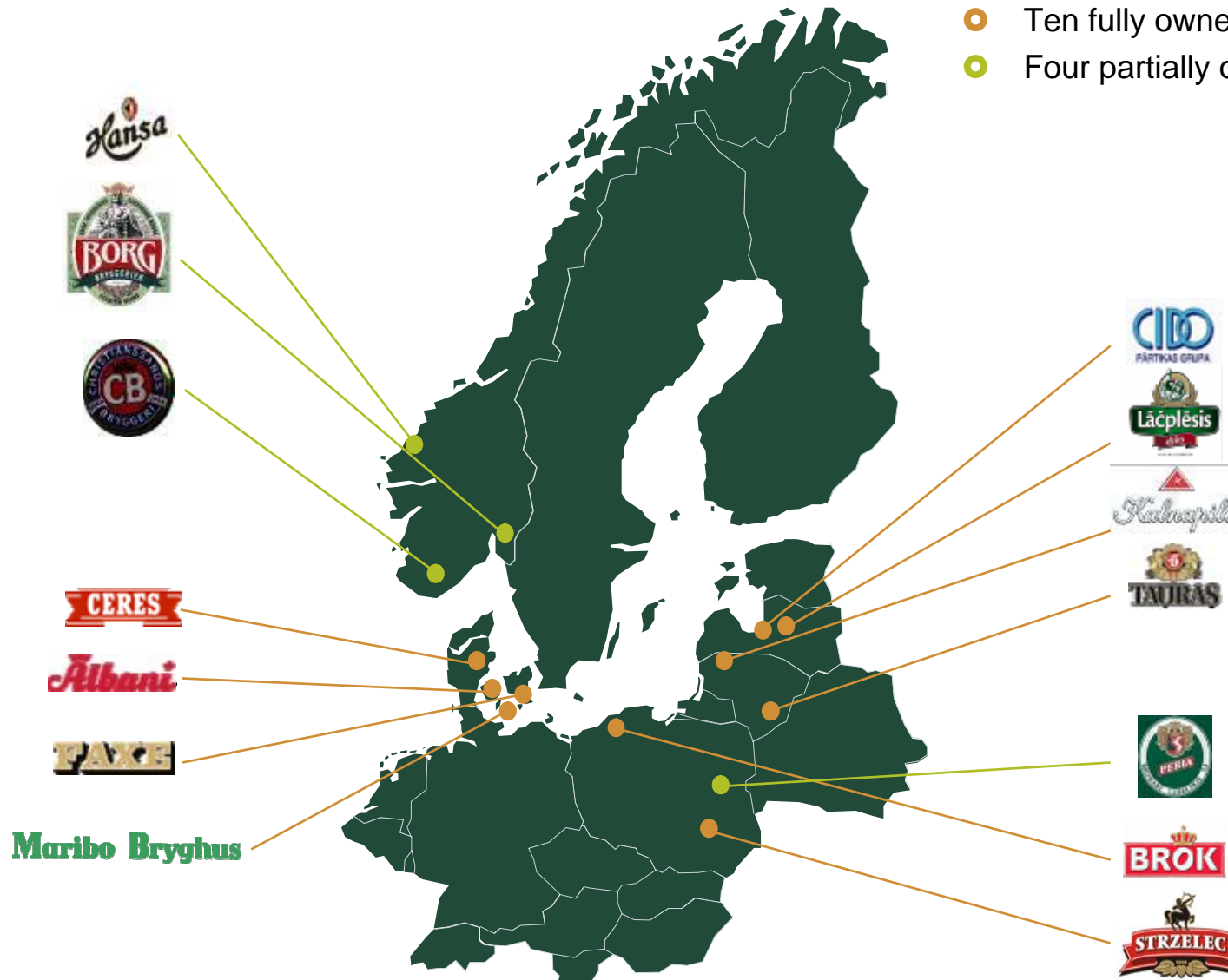
- Royal Unibrew is the second largest brewery business in Scandinavia.
- Scandinavia's largest beer exporter
- Export to approx. 65 countries worldwide
- 9 breweries and 1 soft drink company
- Approximately 2,200 employed worldwide
- Royal Unibrew has the leading imported strong beer in Italy - Ceres
- Royal Unibrew has the world third largest malt drink brand - Vitamalt
- Faxe is the largest imported brand in Germany, Poland and Lithuania
- Soft drinks in the Baltic Countries:
  - No 1 in Latvia
  - No 2 in Lithuania
  - 2nd largest soft drink company in the Baltic countries

Revenue distribution  
H1 2006



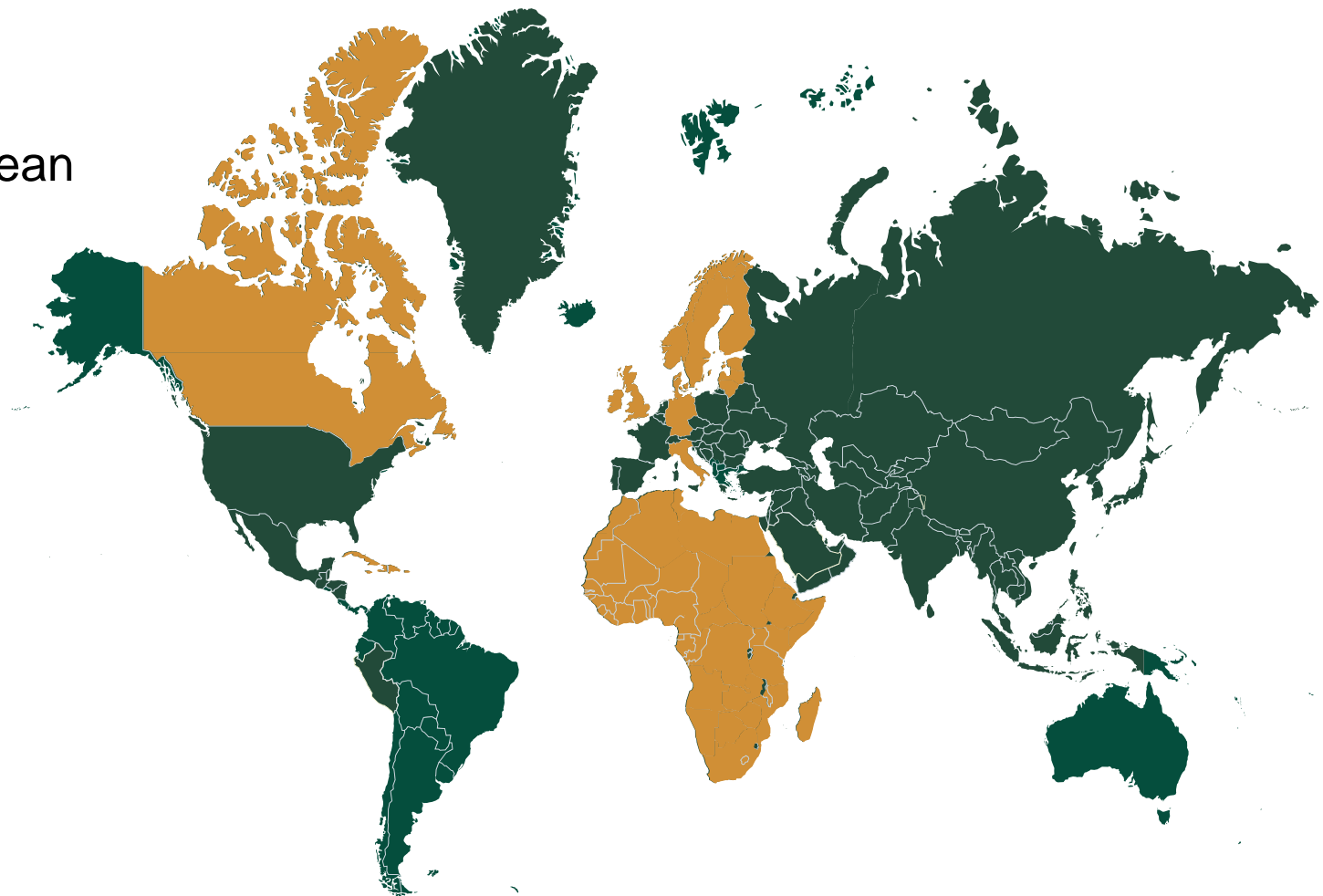
# Production Units, overview

- Ten fully owned production sites
- Four partially owned production sites



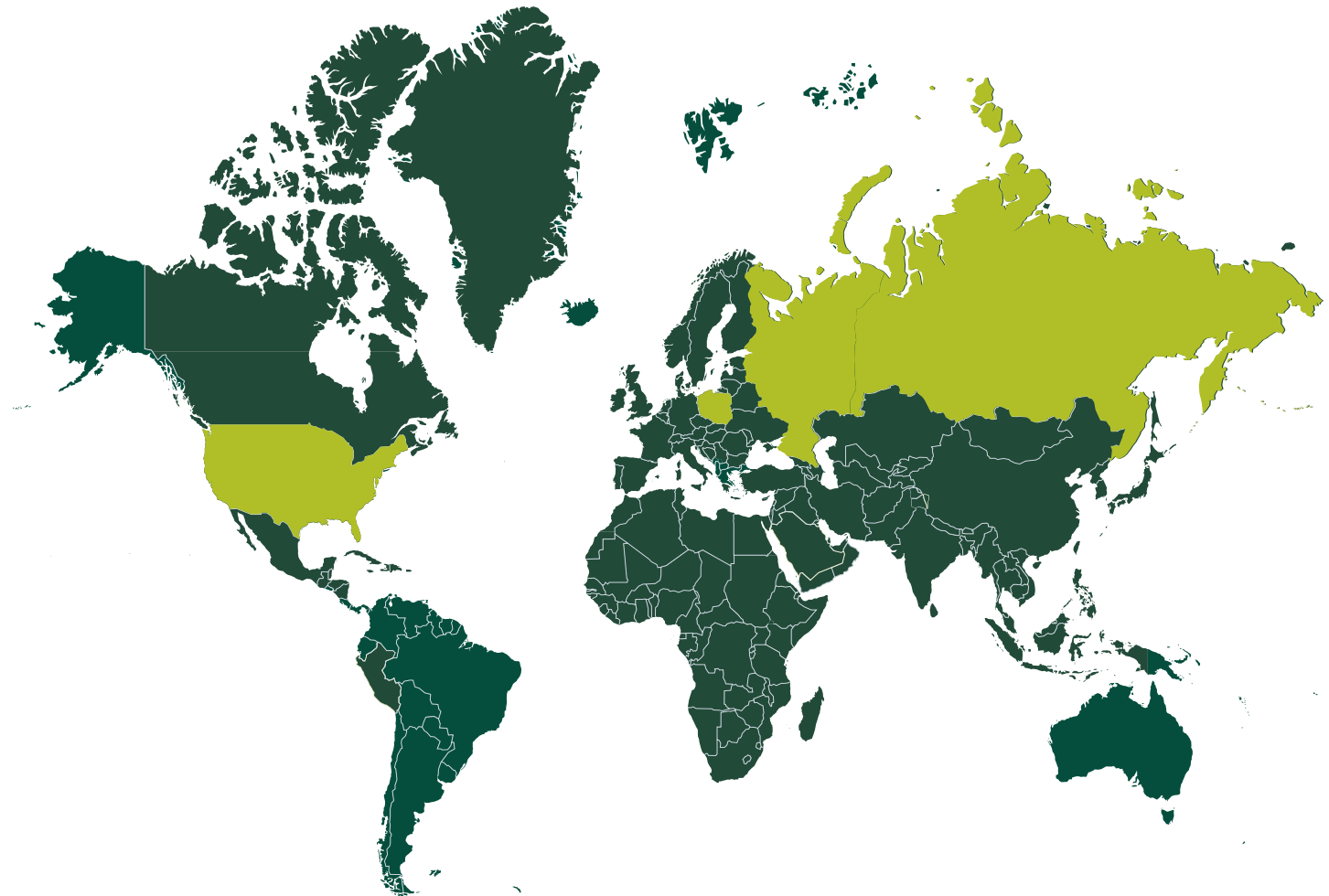
# Our most important markets - Premiere League

- The Nordic countries
- The Baltic countries
- Germany
- Italy
- The Caribbean
- Africa
- UK
- Canada



# Our most important markets - First Division

- Poland
- USA
- Russia



# Our Core Business



- Beer



- Soft drinks – Denmark & the Baltic countries



- Malt drinks – The Caribbean, Africa & the UK

# Our strategic brands world wide



- Royal beer in Denmark



- Kalnapilis beer in Lithuania



- CIDO fruit juice and still water in the Baltic countries



- Ceres strong beer in Italy



- Vitamalt (malt drink) in Africa, the Caribbean and Europe



- Faxe beer International



# Highlights Q2 2006: Best 2nd Quarter Ever

- Volumes increased by 13% to 1.8 million HL.
- Net revenue up by 9% to EUR 130 million (organic growth 8%).
- Profit before tax amounting to EUR 13.6 million (+38% over 2005).
- Profit after tax (consolidated profit) of EUR 9.8 million (+15% over 2005. Year 2005 was influenced by EUR 1.5 million reversal of contingent tax).



# Highlights H1 2006: In line with Expectations

- Q1 influenced by:
  - Marketing expenses (including “Egekilde” introduction)
  - Consolidation of Brok-Strzelec Poland
  - Duty increase Italy
  - Shift in product mix border trade
- Volumes increased by 13% to 3.1 million HL.
- Net revenue up by 7% to EUR 217 million (organic growth 5%).
- Profit before tax amounting to EUR 6.6 million (12% below 2005).
- Profit after tax (consolidated profit) of EUR 4.7 million (31% below 2005. Year 2005 was influenced by EUR 1.5 million reversal of contingent tax).



# Highlights H1 2006 (cont.)

- EBIT margin 3.7% (2005: 4.3%) influenced by change in product mix in Western Europe and increased marketing costs (EBIT effect of -0.5%).
- Free cash flow -3.6% (2005: -1.3%) affected by EUR 5.4 million increase in capex, e.g. new PET line and warehouse in Latvia.
- Realised Share Buy-back programme as per 22 August, 2006 transferred almost EUR 9.2 million to shareholders.



# Results Q2 2006

EUR million	2006	2005	% change
Net revenue	130.2	119.1	9
Operating profit	12.9	9.6	35
EBIT	12.9	9.6	35
Net financials	0.7	0.2	179
Profit before tax	13.6	9.8	38
Consolidated profit	9.8	8.5	15
Profit margin	9.9%	8.0%	-
EBIT margin	9.9%	8.0%	-
Free cash flow	2.6	7.6	-66



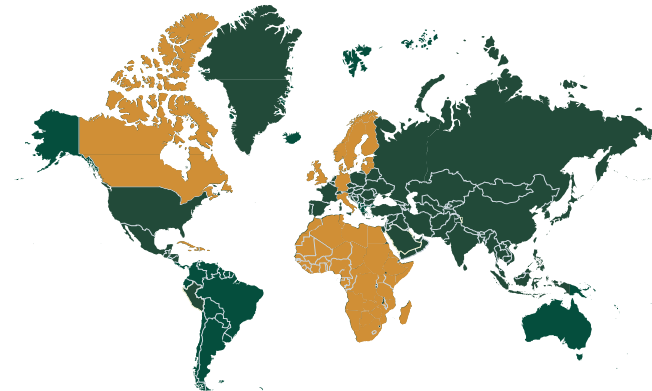
# Results H1 2006

EUR million	2006	2005	% change
Net revenue	217.0	203.1	7
Operating profit	8.1	8.8	-7
EBIT	8.1	8.8	-7
Net financials	-1.5	-1.3	-21
Profit before tax	6.6	7.5	-12
Consolidated profit	4.7	6.9	-31
Profit margin	3.7%	4.3%	-
EBIT margin	3.7%	4.3%	-
Free cash flow	-7.7	-2.6	-199

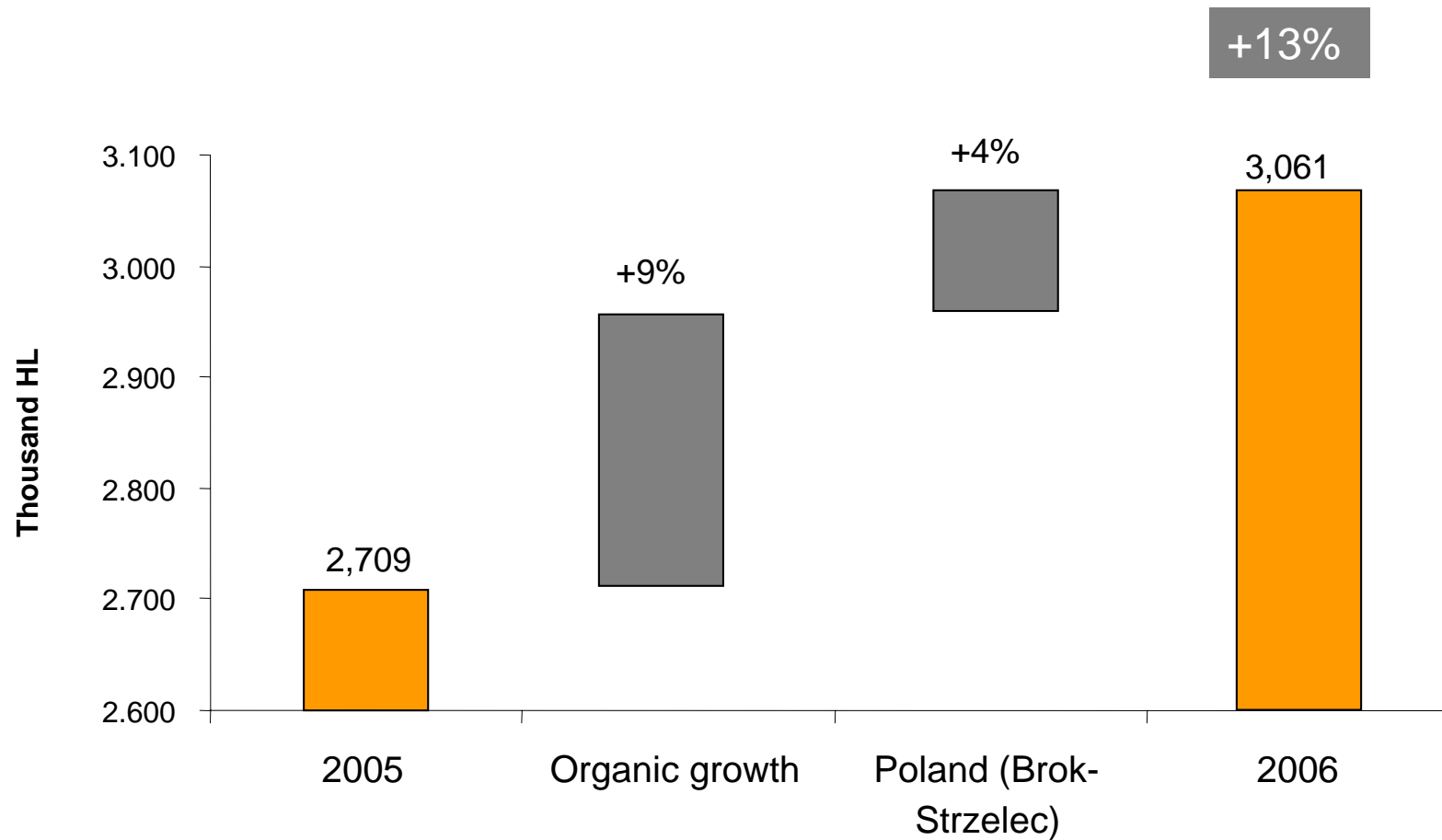


# H1 Summary: Key Markets

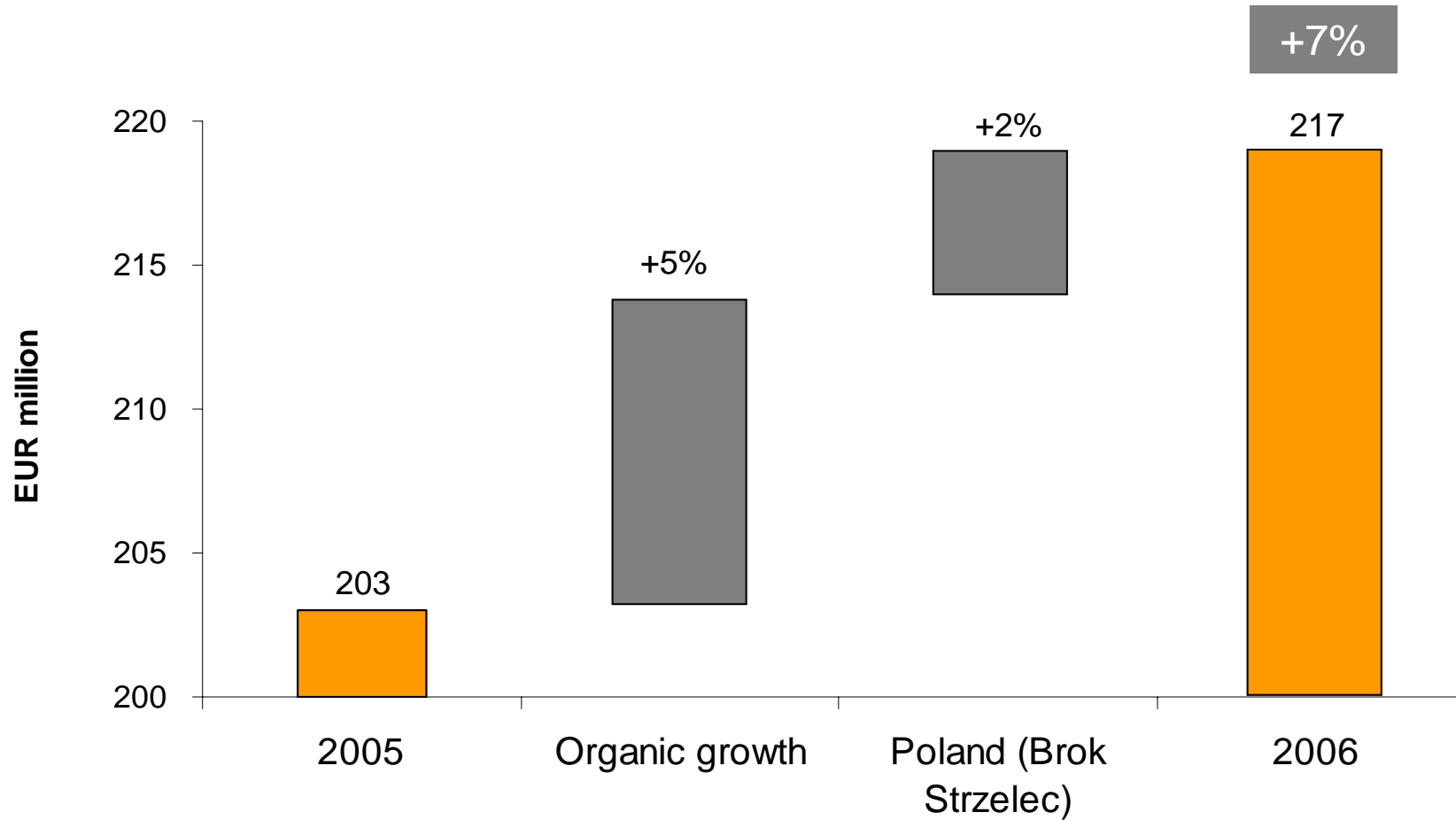
- Total Group net revenue up 6.9%
- Western Europe net revenue up 3.6%
  - Denmark: Royal beer brand still increasing market shares
  - Italy: Duty increase 1 January, 2006. Ceres brand increasing market shares
- Eastern Europe net revenue up 21%
  - Lithuania: Market shares for Kalnapilio-Tauro Grupe still increasing
  - Latvia: Both CIDO juice/soft drinks and Lacplesa Alus beer are increasing their market shares
- Rest of the World net revenue up 6%
  - Africa/The Caribbean: Licensed breweries (malt drinks)
  - Export malt drinks



# Elements in volume growth H1 2006



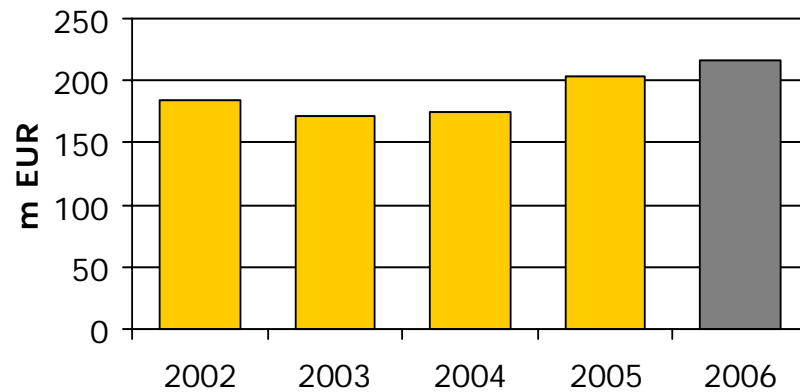
# Elements in top line growth H1 2006



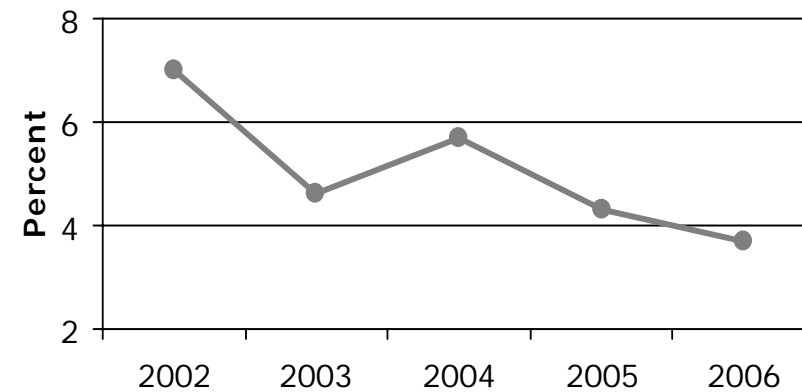


# Financial Development H1 2002-2006

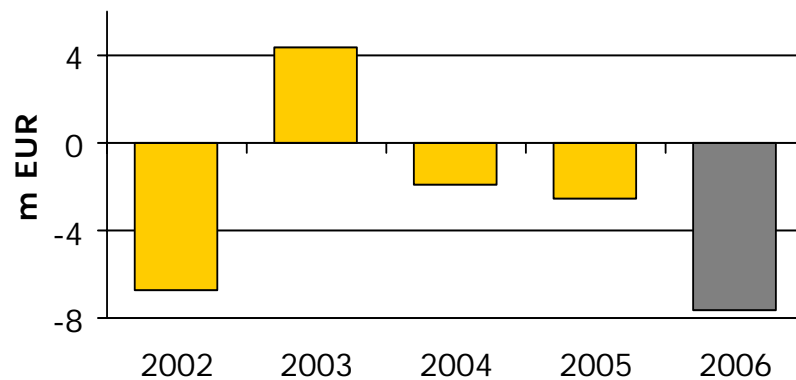
### Net revenue



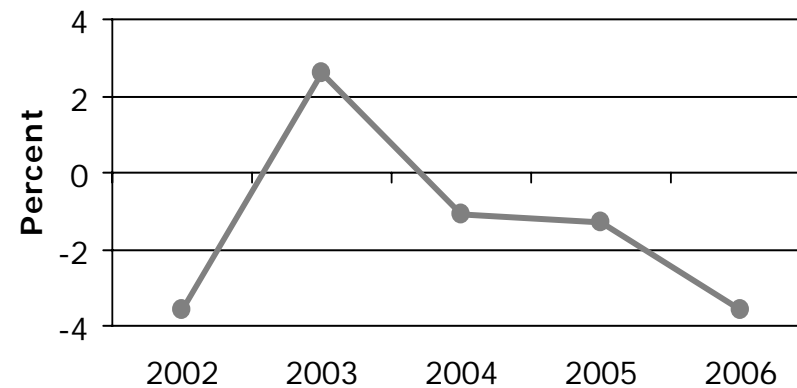
### EBIT margin



### Free cash flow



### Free cash flow as % of net revenue

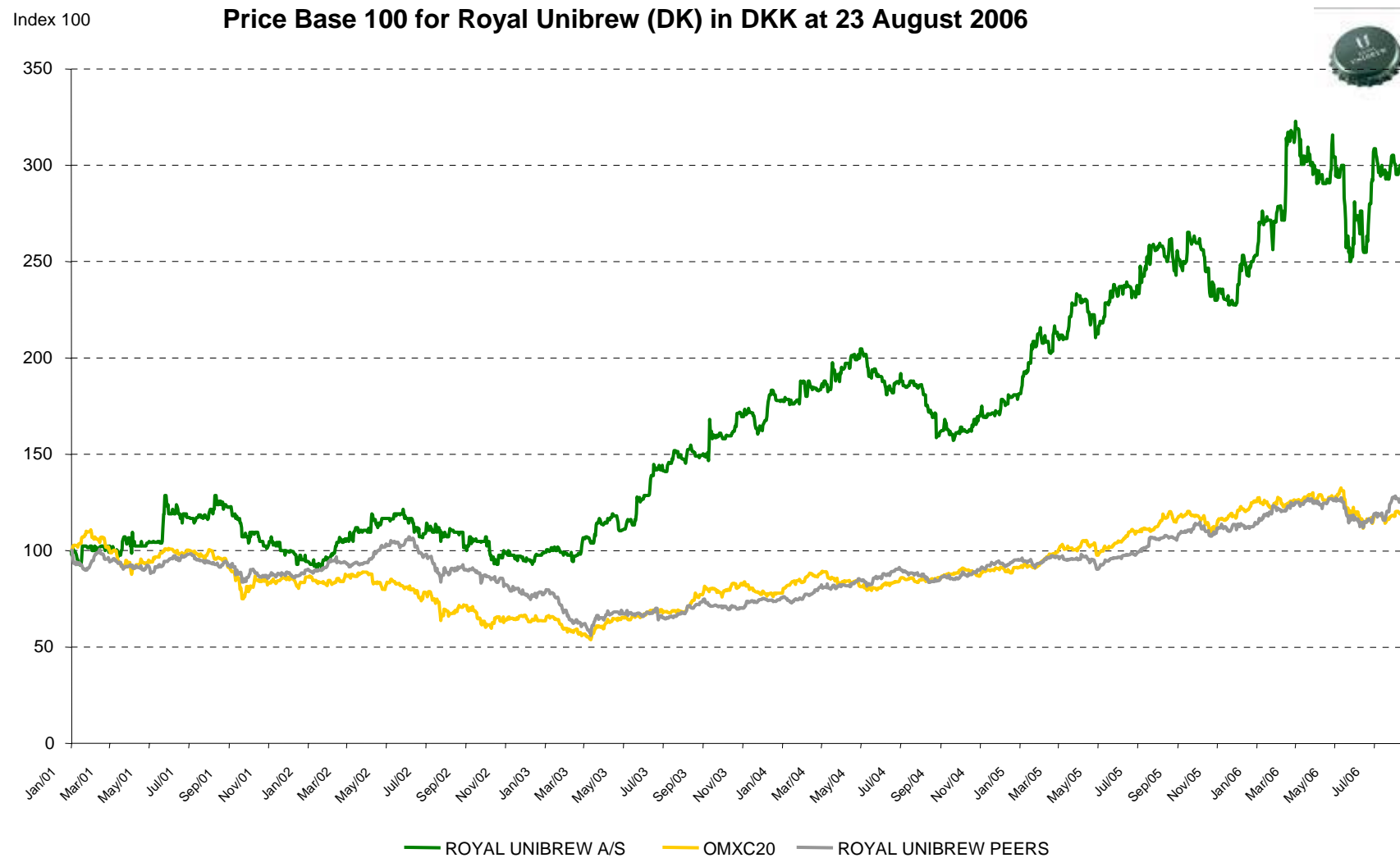


## Share Buy-back Programme and Dividend Policy

- Change of capital structure: net debt increase to some 3 x EBITDA by the end of 2007.
- Further Share Buy-back Programme has been decided upon. Maximum 400,000 shares to be bought back at a maximum value of EUR 26.8 million until the Annual General Meeting in April 2007.
- Dividend policy:  
Pay-out ratio  
of 25-40% of net profit.



# Share Performance at 23 August 2006



# MACH II (Strategic Development 2002-2007)

Well-tuned business with efficient production facilities  
and administration geared for growth

V8

MACH II

2002

2004 2005

2007

Focus:  
Improving profitability

- ROIC from 8% to 10.5%
- Profit margin from 7.8% to 11%
- Free cash flow > EUR 27 million per year

Focus:  
Value creation through profitable  
international growth

- Continued ROIC  $\geq$  10%
- Continued EBIT margin  $\geq$  10%
- Free cash flow (before acquisitions):  $\geq$  7% (of net revenue)
- Profitable revenue growth from some EUR 400 million in 2004 to at least EUR 600 million in 2007
- Financial structure: Net debt = 3 x EBITDA in 2007

# MACH II Main Elements 2005-2007



**MACH II**

- 1. Ensuring profitable revenue growth from some EUR 400 million (2004) to at least EUR 600 million (2007) while still achieving a two-digit ROIC and EBIT margin as well as free cash flow of at least 7 per cent of net revenue.**
- 2. Further development of the Baltic countries through optimisation, integration and streamlining in order for the Baltic countries to show two-digit ROIC and profit margin by 2007 at the latest.**
- 3. Developing the core competencies of Royal Unibrew to operate strong regional/national brands.**
- 4. Intensified product innovation - focus on developing strong brands through increased investment in marketing and product development.**
- 5. Business excellence to ensure continued savings and rationalisation gains with a total full year effect of EUR 2.7 million already in 2006.**
- 6. Establishment of new international corporate identity.**

# MACH II: On Track & Significant Progress Made

- Revenue in 2005 went up by 11% and in H1 2006 by 7% partly due to organic growth (5%) and partly as a result of the acquisitions made (2%).
- Activities in the Baltic countries developed as planned and profit is expected to continue to increase in the area. Decision to optimise the production structure is expected to increase EBITDA and EBIT by some EUR 1.9 million and EUR 1.3 million, respectively, on an annual basis with full effect as from 2008.
- The organisation was developed through e.g. recruiting in key areas with the intention of strengthening core competencies and achieving operating synergies.



**MACH II**

# MACH II: On Track & Significant Progress Made



- Investments in the Group's primary areas continued with satisfactory results. By the end of H1 Royal Beer in Denmark holds the highest market share ever and is on track for the targeted market share of 10-15%. Royal Export is the market leader in the strong beer segment. Similarly, the Ceres products in Italy increased their market share with a growth in revenue of 2%. Egekilde launched on 1 January 2006 gained market share of 26% in H1
- The Business Excellence initiatives launched in 2005 are expected to yield savings of some EUR 2.7 million in 2006.



# Expectations for 2006

mEUR	Current Expectation	Previous Expectation
<ul style="list-style-type: none"> <li>• Profit before tax without taking into account "special items" (Baltic production structure) and effect of payments concerning Nigeria</li> <li>• "Special items" relating to optimisation of production structure in the Baltic countries</li> <li>• Nigerian payments</li> <li>• Changed accounting policy for investments in associates</li> </ul>	<p>42.9-45.6</p> <p>-3.4</p> <p>+4.7</p> <p>*) -1.3</p>	41.6-46.9
Expected profit before tax after adjustments	42.9-45.6	41.6-46.9
Expected tax on profit for the year (assuming a tax rate of 28%)	11.0-11.8	11.7-13.2
Consolidated profit (after tax)	31.9-33.8	29.9-33.8

\*) No effect on EBIT



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Executive Board (from left):

Poul Møller, CEO

Ulrik Sørensen, CFO

Connie Astrup-Larsen, International Director Eastern and Central Europe

Povl Friis, Technical Director

Leif Rasmussen, Sales and Marketing Director



The statements about the future made in the Interim Report for 2006 reflect Management's expectations in respect of future events and financial results, as well as of economic trends in key markets and developments in international money, foreign exchange and interest rate markets.

Statements about the future will inherently involve uncertainty and may be affected by – in addition to global economic conditions - market-driven price reductions, market acceptance of new products, packaging and container types, unforeseen termination of working relationships and changes to regulatory aspects (taxes, environment, packaging). The actual results may therefore deviate from the expectations stated.

Royal Unibrew is a party to a limited number of legal actions. These legal actions are not expected to have any material impact on the financial position of Royal Unibrew.



Thank you for your attention  
See also [www.royalunibrew.com](http://www.royalunibrew.com)