


ROYAL
UNIBREW

Royal Unibrew A/S

Annual Report 2006

March 2007

Vision and Mission

VISION

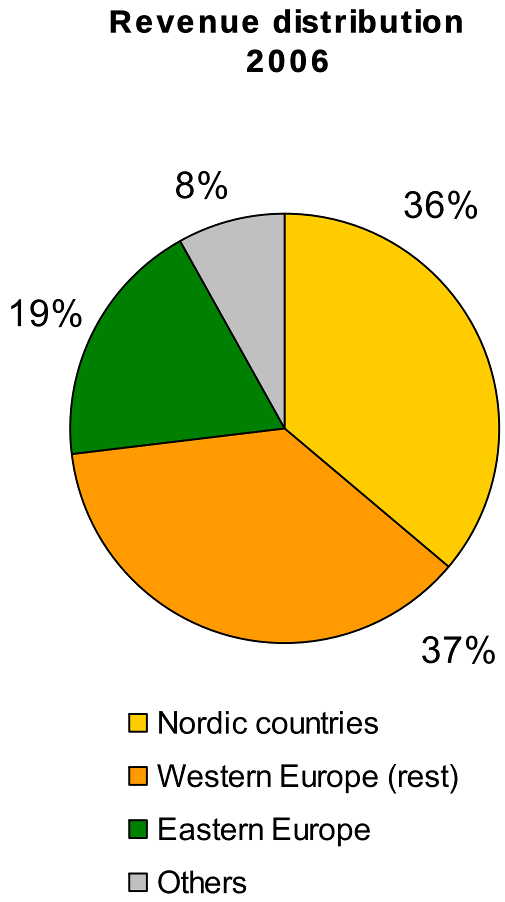
We will with increasing profitability develop the company to be among leading providers of beverages in Northern Europe and outside this region develop profitable export markets.

MISSION

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

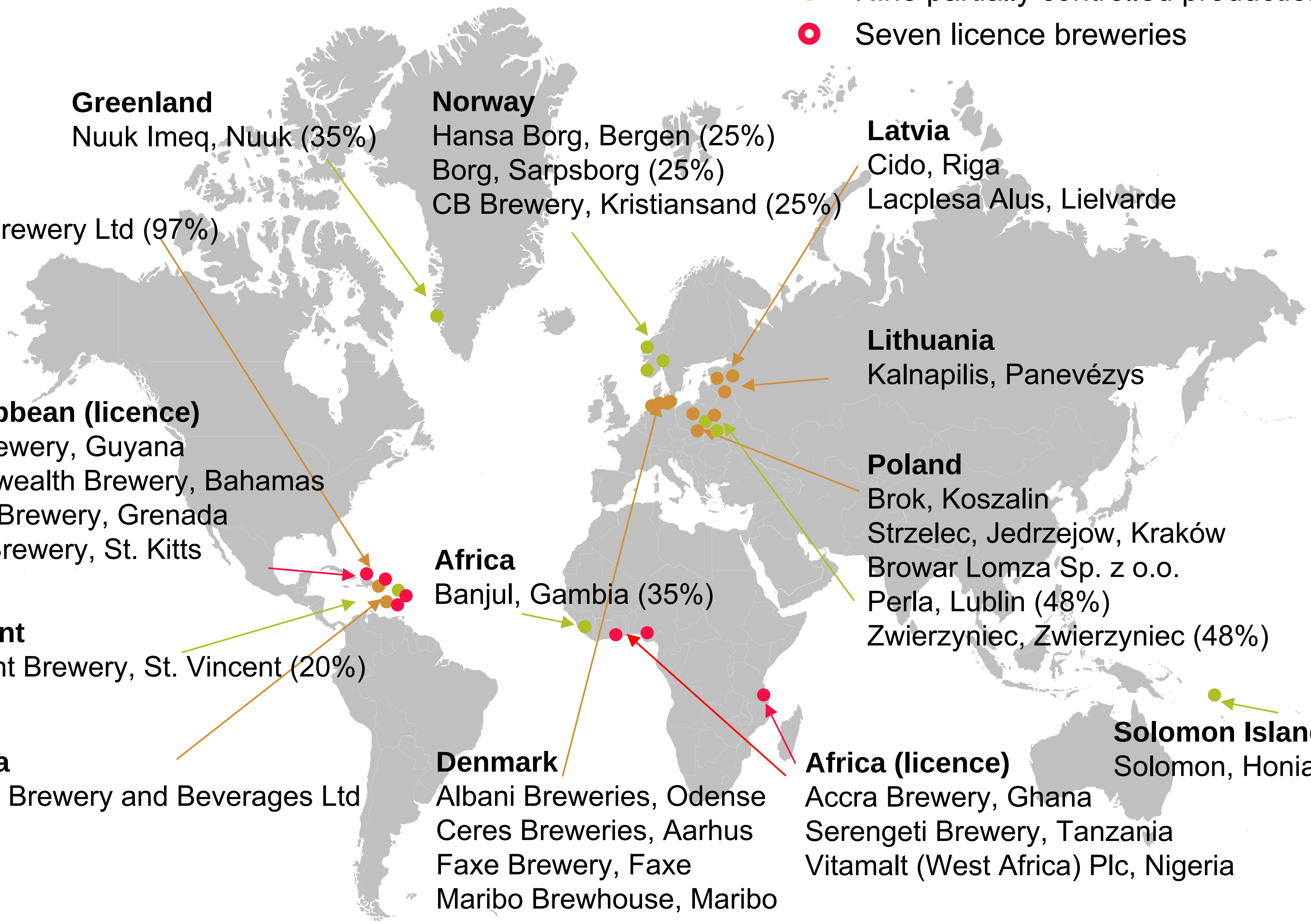
Highlights

- Royal Unibrew is the second largest brewery business in Scandinavia.
- Scandinavia’s largest beer exporter
- Export to approx. 65 countries worldwide
- 11 breweries and 1 soft drink producer
  (+ 9 partly controlled)
- Approximately 2,400 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 a large 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



Production Sites, overview

- Twelve fully controlled production sites
- Nine partially controlled production sites
- Seven licence breweries



Greenland
Nuuk Imeq, Nuuk (35%)

Antigua
Antigua Brewery Ltd (97%)

The Caribbean (licence)
Banks Brewery, Guyana
Commonwealth Brewery, Bahamas
Grenada Brewery, Grenada
St. Kitts Brewery, St. Kitts

St. Vincent
St. Vincent Brewery, St. Vincent (20%)

Dominica
Dominica Brewery and Beverages Ltd (58%)

Norway
Hansa Borg, Bergen (25%)
Borg, Sarpsborg (25%)
CB Brewery, Kristiansand (25%)

Africa
Banjul, Gambia (35%)

Denmark
Albani Breweries, Odense
Ceres Breweries, Aarhus
Faxe Brewery, Faxe
Maribo Brewhouse, Maribo

Latvia
Cido, Riga
Lacplesa Alus, Lielvarde

Lithuania
Kalnapilis, Panevézys

Poland
Brok, Koszalin
Strzelec, Jedrzejow, Kraków
Browar Lomza Sp. z o.o.
Perla, Lublin (48%)
Zwierzyniec, Zwierzyniec (48%)

Africa (licence)
Accra Brewery, Ghana
Serengeti Brewery, Tanzania
Vitamalt (West Africa) Plc, Nigeria

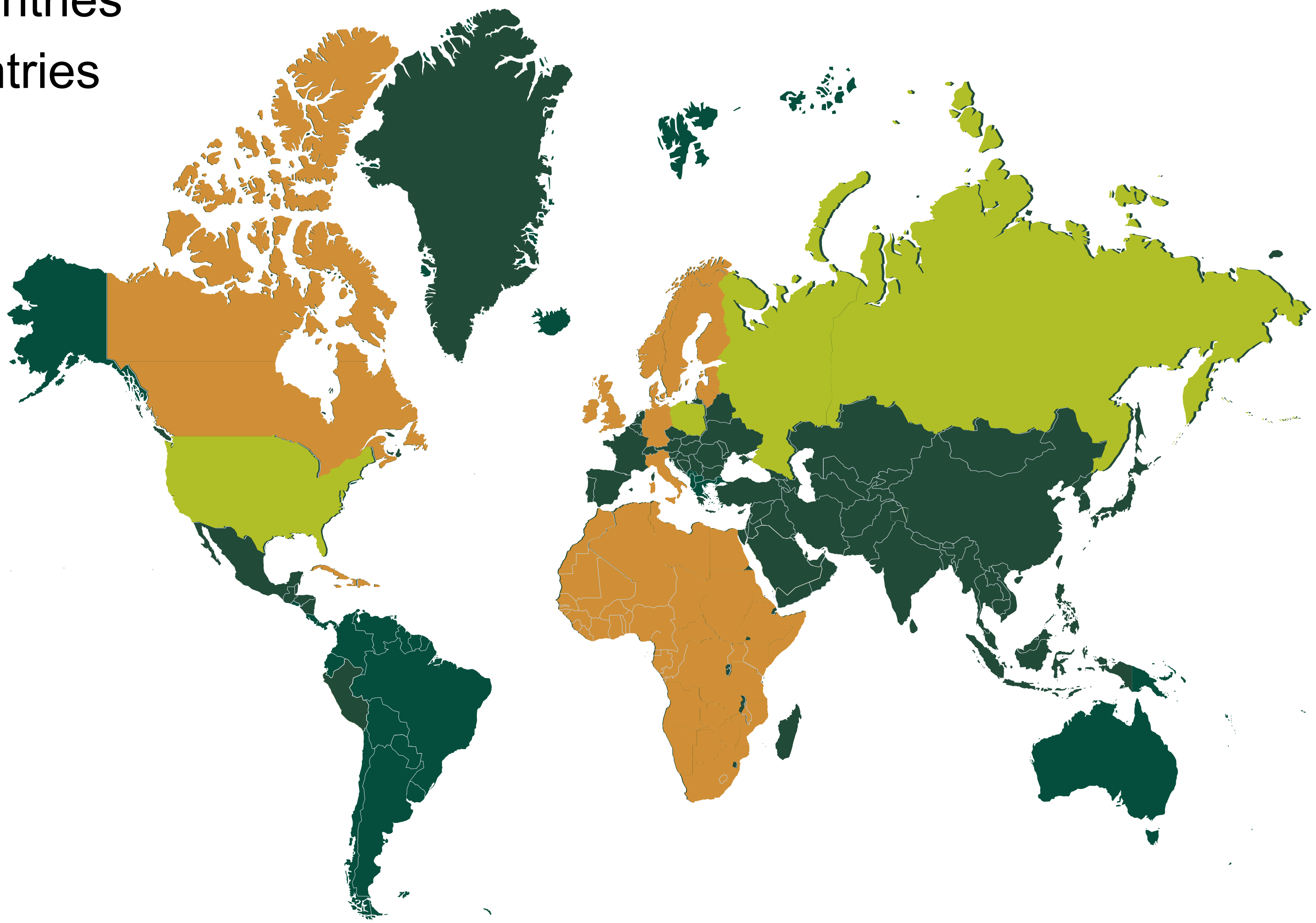
Solomon Islands
Solomon, Honiara (35%)

Most important markets

ROYAL UNIBREW

Premiere League

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



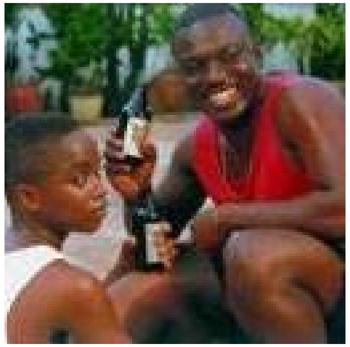
First Division

- Poland
- The USA
- Russia

Core Business

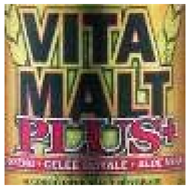
- **Beer**

- **Soft drinks and water**
  (Denmark/Baltic Countries)



- **Malt drink**
  (The Caribbean, Africa & the UK)

Strategic brands world wide



- Royal Beer® in Denmark
- Kalnapilis® beer in Lithuania
- CIDO® fruit juice and water in the Baltic countries
- Ceres® strong beer in Italy
- Vitamalt® (malt drink) in Africa, the Caribbean and Europe
- Faxe Beer® International

Highlights 2006: In line with expectations

- Profit before tax amounting to EUR 42.9 million, best ever (+14% over 2005)
- Profit after tax (consolidated profit) of EUR 30.9 million
- Increased volumes by 10% to 6.4 million hectolitres
- Net revenue up by 8% to EUR 461 million (organic growth 7%)
- P/L influenced by:

  - A warm summer and autumn in Western Europe
  - Marketing expenses (including "Egekilde" introduction)
  - Consolidation of Brok-Strzelec Poland
  - Shift in product mix border trade and increasing price competition
  - One-off items: Optimisation of Baltic production and Nigerian debt

Highlights 2006: In line with expectations (cont.)

- ROIC 12.1% has exceeded the MACH II targets
- Free cash flow 6.0% and EBIT margin 9.7% slightly below the targeted level
- Realised share buy-back programme transferred almost EUR 24 million to shareholders

Results 2006

EUR million	2006	2005	% change
Net revenue	461.0	427.7	8
Operating profit	46.6	40.6	15
Special Items	-1.9	0.6	-
EBIT	44.7	41.2	8
Net financials	-1.8	-3.4	51
Profit before tax	42.9	37.8	14
Consolidated profit	30.9	29.6	4
ROIC	12.1%	11.7%	-
Profit margin	10.1%	9.5%	-
EBIT margin	9.7%	9.6%	-
Free cash flow	27.6	33.8	-18
Free cash flow as % of sales	6.0%	7.9%	-

2006 Summary: Key Markets

- Total Group net revenue up 7.8%

- Western Europe net revenue up 5.6%
  - Denmark: Royal beer brand still increasing market shares. Egekilde gained market share of 25%.
  - Italy: Ceres brand increasing market shares

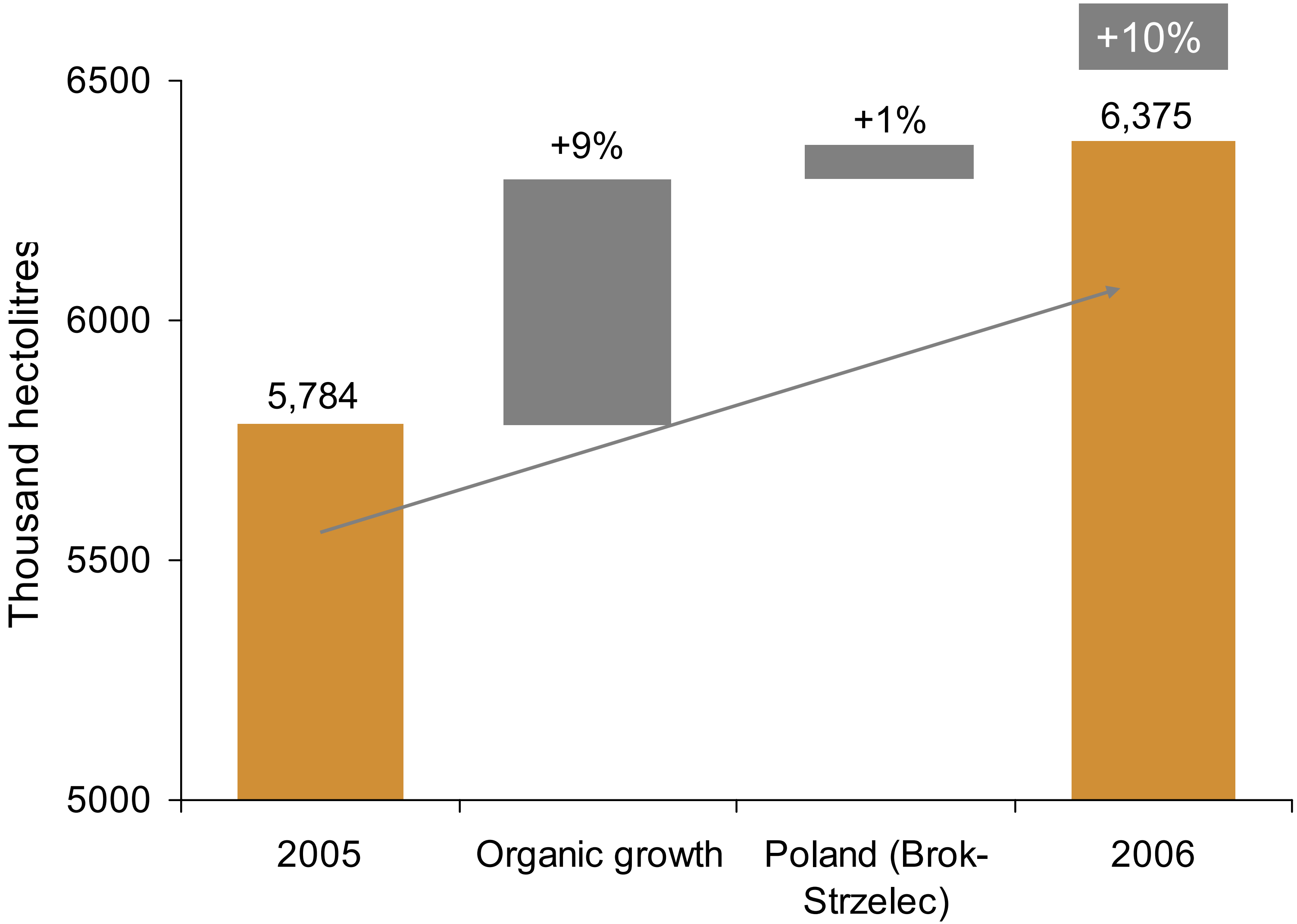
- Eastern Europe net revenue up 16.4%
  - Lithuania: Market shares for Kalnapilio-Tauro Grupe still increasing
  - Latvia: Both CIDO juice/soft drinks and Lacplesa Alus beer are increasing their market shares

- Rest of the World net revenue up 8.1%
  - Africa/The Caribbean: Licensed breweries (malt drinks)

Market Development – Main markets (volume)

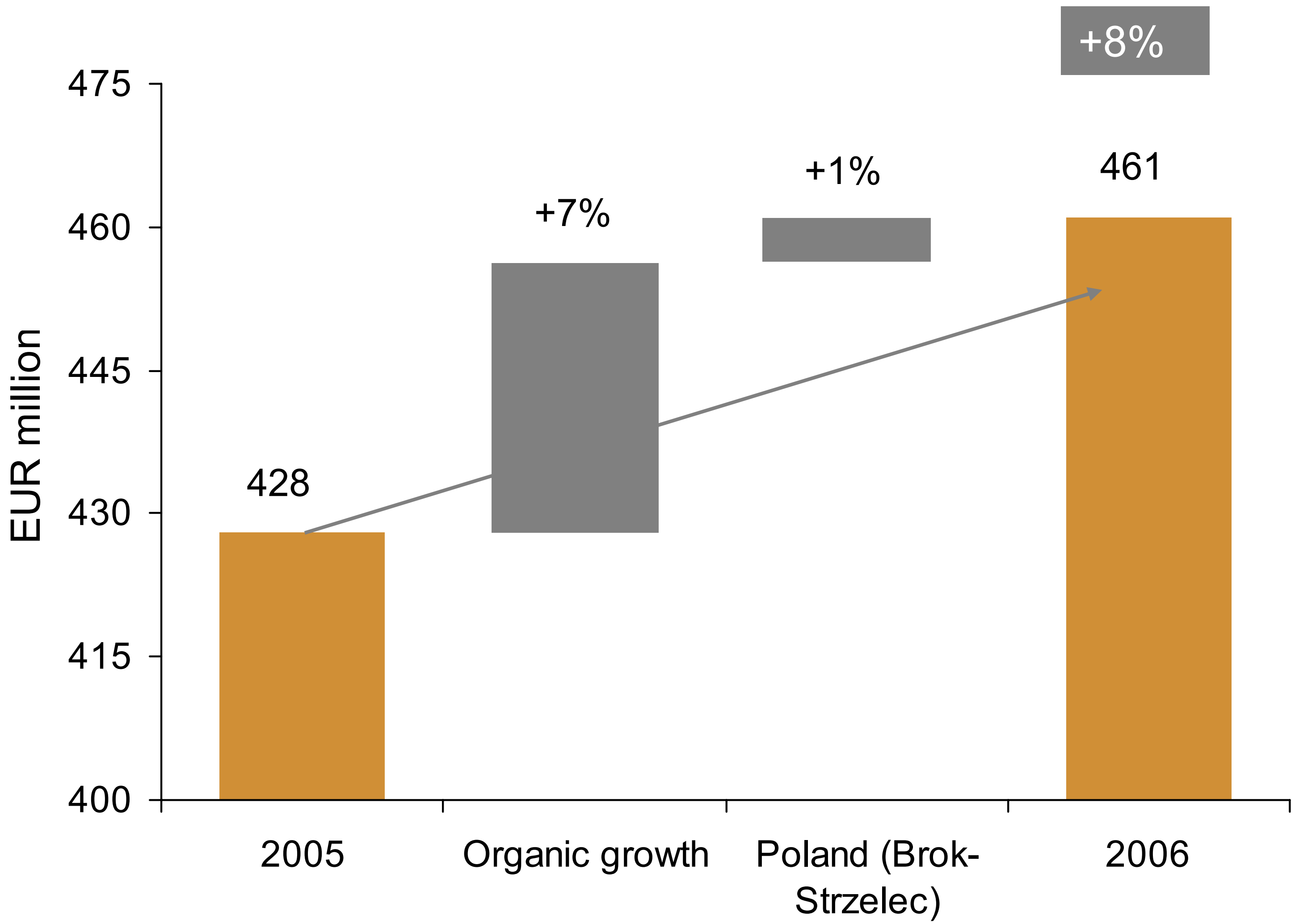
	Market	Royal Unibrew
Denmark:		
• Soft drinks	+2-3%	+7%
Italy	+1-2%	+6%
Lithuania	+3-4%	+14%
Latvia:		
• Beer	+10.1%	+27%
• Soft Drinks	+19.3%	+18%

Elements in volume growth 2006

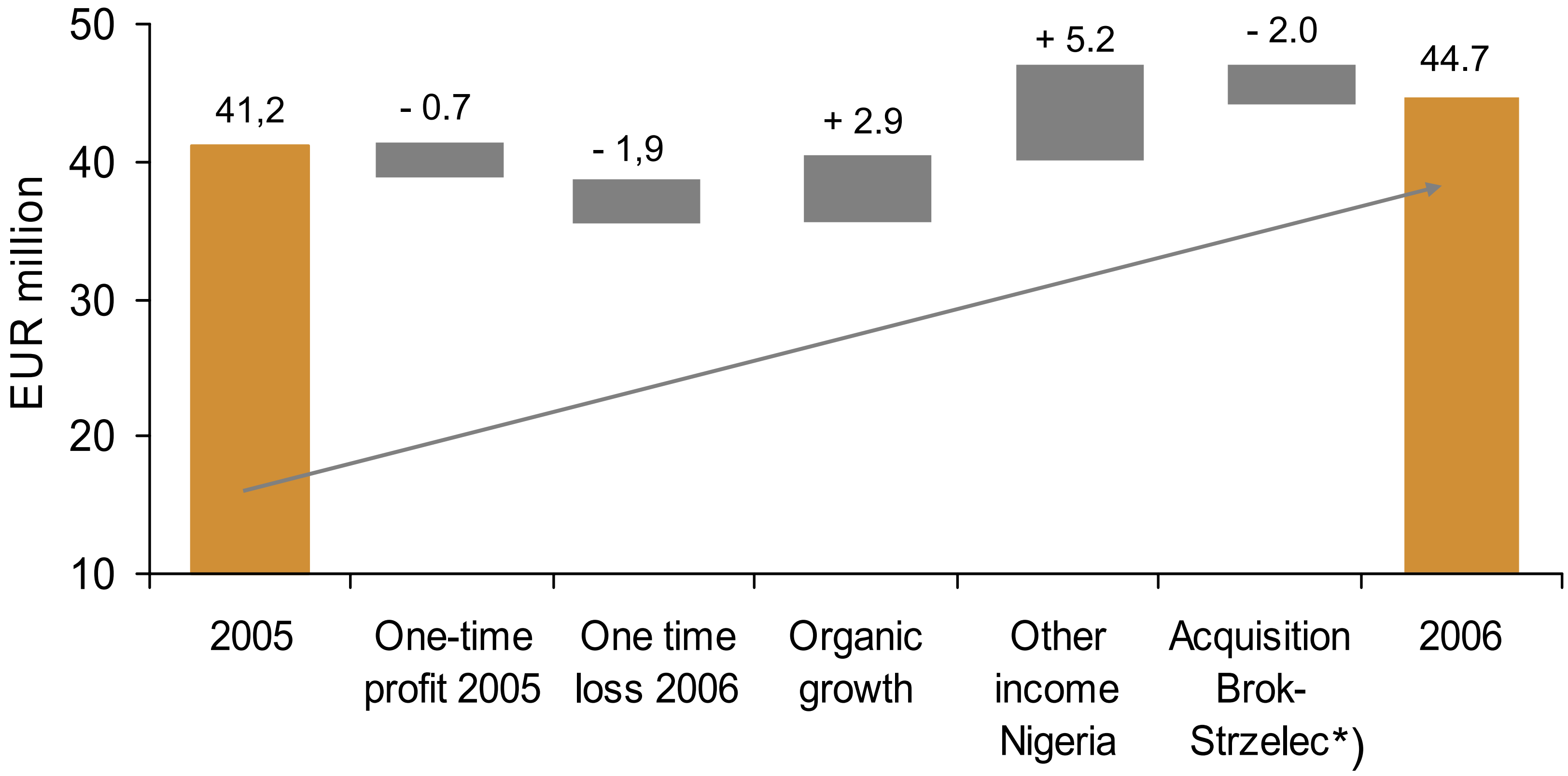


Elements in top line growth 2006

- MACH II organic growth targets exceeded by 4 percentage points

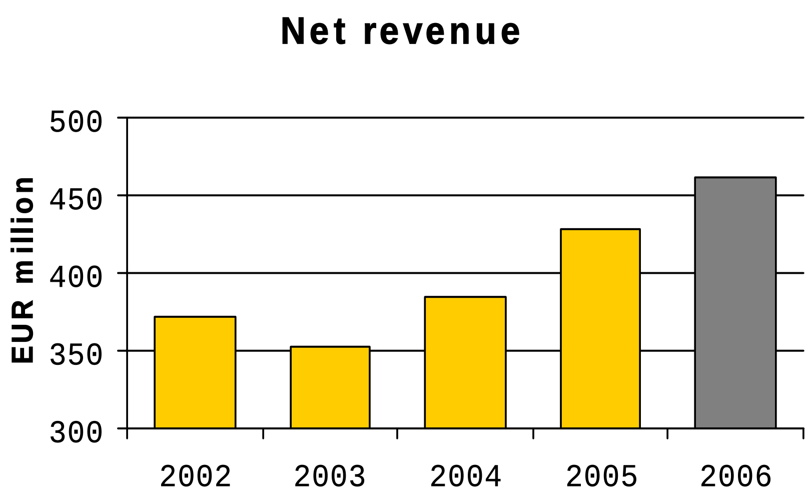


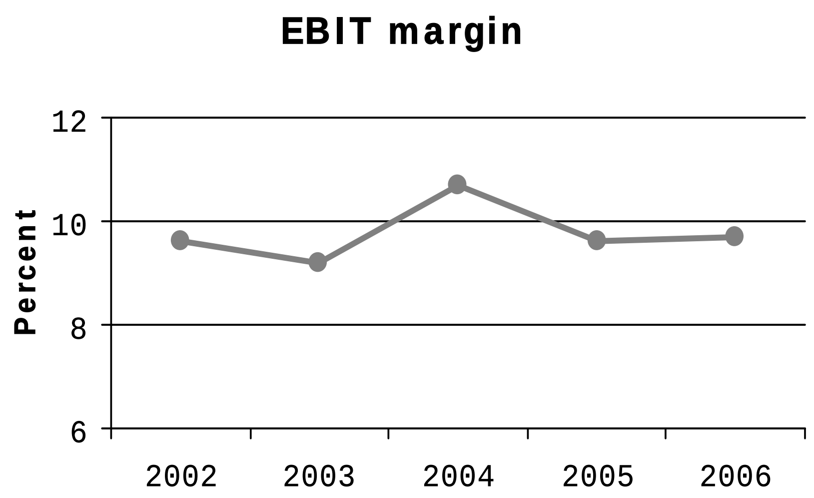
EBIT 2006

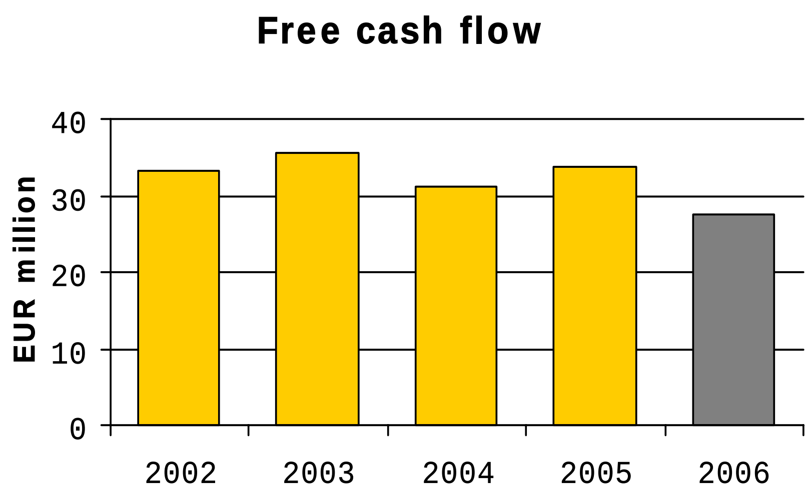


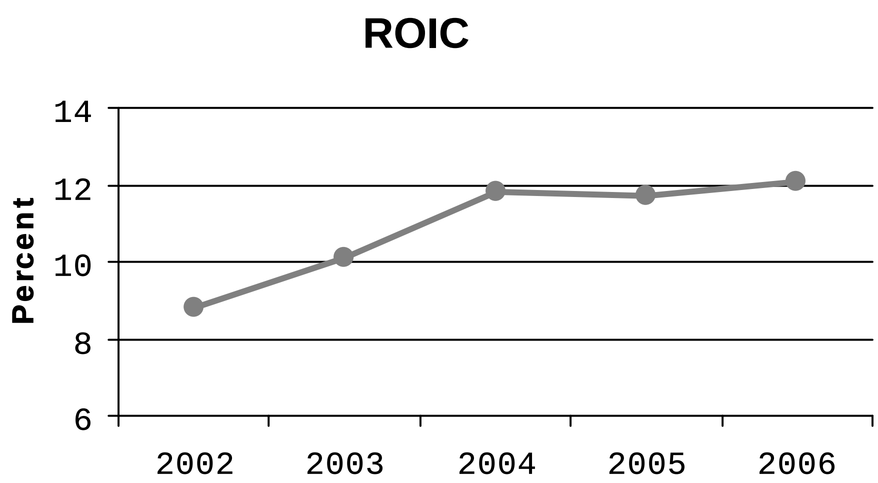
*) Only 8 months 2005

Financial Development 2002-2006









Future Capital Structure

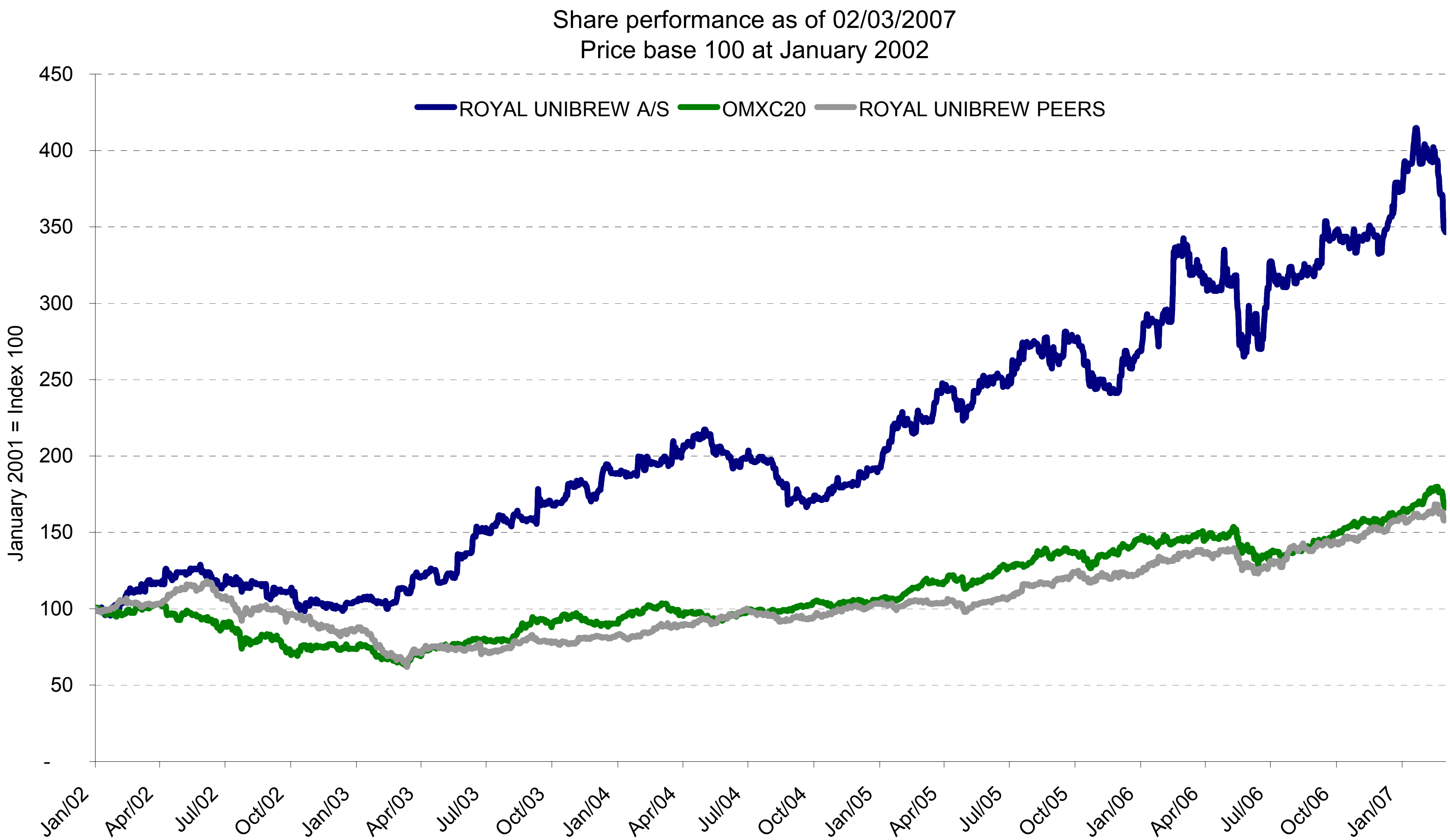
Share Buy Back Programme and Dividend Policy

- Change of capital structure: net debt increase to some 3 x EBITDA by the end of 2007 (net debt ultimo 2006 at 2 x EBITDA)

- Additional Share Buy-back Programme has been decided upon at a maximum value of EUR 26.8 million until the Annual General Meeting in April 2007 (298,428 shares repurchased as per 1 March 2007).

- Dividend policy unchanged:
  Pay-out ratio of 25-40% of net profit.
  Dividend of EUR 1.3 per share
  will be proposed at the AGM.

Share Performance as per 2 March 2007



MACH II (Strategic Development 2002-2007)

ROYAL UNIBREW

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 ≥ 10%
- Continued EBIT margin ≥ 10%
- Free cash flow (before acquisitions): ≥ 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

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 optimization, 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 rationalization gains with a total full year effect of EUR 2.7 million already in 2006.**

6. **Establishment of new international corporate identity.**

MACH II Status: Strongest platform ever

- Net revenue went up by 8% in the period mostly due to organic growth (7 percentage points) and partly as a result of the acquisitions made (1 percentage point). The fulfilment of the net revenue target at some EUR 600 million for the period 2005-2007 will depend on ongoing projects and negotiations. The overall financial targets of our strategic plan, MACH II, (ROIC, EBIT-margin and cash flow) are expected to be realised.

- The Baltic countries developed better than planned, and we expect to realise the objectives for the region. As a part of this strategy, we have decided to optimise the production structure in the area which 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.

MACH II Status: Strongest platform ever (cont.)

- The organisation was further developed through e.g. recruiting in key areas with a view to strengthening core competencies and achieving operating synergies.
- In 2006 we have invested considerable financial means in developing and strengthening the Group's main brands. The growth in brand power and market share has been satisfactory.
- Regarding Business Excellence the expected savings of some EUR 2.7 million was realised in 2006. We have continuously initiated new initiatives to secure the basis of the savings which are to be realised in 2007. Business Excellence initiatives are expected to affect the net profit positively in 2007 with at least EUR 4 million.
- The work in promoting our new identity after our change of name in 2005, has continued with success internally as well as externally in 2006. This is an ongoing process.

Recent announcements

- **Royal Unibrew strengthens its position in the Caribbean**

  (ref. Announcement RU44/2006 - 13 December 2006)

  The company has acquired controlling interests in:

  - Dominica Brewery & Beverages Ltd.
  - Antigua Brewery Ltd.
  - Antigua PET Plant Ltd.

- **Royal Unibrew strengthens its position in Poland**

  (ref. Announcement RU06/2007 - 15 January 2007)

  Acquisition of significant regional brewery business

  - Browar Lomza Sp. z o.o.

Royal Unibrew Poland

- Sales volumes YTD (end February) up 20% versus LY
  - Key brands up 28%
- Obtained re-listing in all important key-accounts
- New wholesaler programme for TT + Horeca
- Strengthened marketing plan with intensified investments into regional brands
  - Launch of Strong beer + new innovative launch 1 April
- Optimised production structure and costs
  - Closing of Kacice (bottling line moved to Jedrzerow)
  - Optimised quality and recipes
  - New canning line in Koszalin (increased capacity of cans + savings on logistics)
  - Totally 40 production optimisation projects with significant cost savings
- New General Manager in place as of 20 February 2007

Expectations for 2007

- The profit before tax for the full year is expected to be in the range from EUR 44.2 to EUR 49.6 million.
- The overall financial targets of our strategic plan, MACH II, (ROIC, EBIT-margin and cash flow) are expected to be realised. The fulfilment of the net revenue target at some EUR 600 million for the period 2005-2007 still depends on ongoing projects and negotiations.
- Considerable better results in Poland (Brok-Strzelec).
- Business Excellence initiatives are expected to affect the net profit in 2007 with at least EUR 4 million.
- For the full year 2007, a net revenue increase of some 10% – primarily in the Nordic, Baltic, Italian and Polish markets (excluding new acquisitions).
- We expect price increases on raw materials such as malt, hops, cans and concentrates. We expect to compensate partly by increasing the net selling prices.

  A negative net effect of some EUR 4 million is expected in 2007.

Outlook beyond 2007

- Return on invested capital (ROIC) should continue to be attractive measured against comparable businesses within the beer and soft drinks segments and should represent at least 10% per annum.
- Continued commitment to profitable growth, organic and through acquisitions, alliances and partnerships should ensure a total average annual net revenue growth of at least 15%.
- Continued streamlining of the Group’s work processes, adjustment of the Group’s capacity basis and integration of the individual business units should ensure that Royal Unibrew maintains an earnings level (EBIT margin) at the level of comparable businesses (at least 10%).
- Continued focus on efficient capacity utilisation and binding of liquidity should also in future ensure a free cash flow (before acquisitions) above the average for comparable businesses (at least 7%).
- The capital structure should be based on interest-bearing debt representing approx 3 times operating profit before depreciation, impairment of goodwill on consolidation and any special items. Should the growth target necessitate indebtedness beyond that, this will be acceptable for a certain period.

Executive Board and contact details

Poul Møller, CEO

Ulrik Sørensen, CFO

Connie Astrup-Larsen,
International Director,
Northern Europe

Povl Friis, Technical Director

Royal Unibrew A/S
Faxe Allé 1
DK-4640 Faxe
Denmark
Telephone: +45 56 77 15 00
Facsimile: +45 56 71 47 64

www.royalunibrew.com
investorrelations@royalunibrew.com

Disclosure

The statements about the future made in the Annual 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.

ROYAL UNIBREW

Thank you for your attention

See also www.royalunibrew.com