

Company Announcement No 22/2020 – 28 April 2020

Q1 2020 Trading Statement

Q1 2020 in line with last year – challenging Q2 ahead

Royal Unibrew delivered a financial result for the first quarter in 2020 in line with the result of last year despite the negative impact from the COVID-19 virus. The year started strongly and ahead of last year in both January and February. The initial momentum was driven by great innovation initiatives such as the launch of new Royal 0,0% beer in Denmark and Jaffa Juicy in Finland. In March, the On-Trade business particularly in Italy and Denmark was impacted by COVID-19 regulations leading to a performance below last year. We have seen a change in the consumer behavior as social drinking occasions disappeared, resulting in a negative impact for alcoholic beverages, whereas non-alco consumption is less impacted. During the beginning of March, the sale in supermarkets was very strong, but lost speed towards the end of the month being in line with last year.

Royal Unibrew is continuously following the development of the COVID-19 pandemic. In order to first and foremost secure our employees and their families and to reduce the risk of spreading the COVID-19 virus, Royal Unibrew has taken necessary precautions by implementing various measures as recommended by Government Agencies and health authorities.

The regulations imposed by authorities relating to COVID-19 is impacting our markets negatively. Whilst this is ongoing, we have taken actions to manage our cost base and increased the focus on cash flow. Our ambition is to implement short term activities to secure that Royal Unibrew maneuvers safely through these difficult times and provides the flexibility to make the right commercial decisions for the long-term health of our company. The severity of COVID-19 was recognized towards the end of the quarter and therefore the impact of the cost initiatives has limited impact in Q1.

Financial highlights Q1-2020

Net revenue for Q1 2020 amounted to 1,524 million compared to DKK 1,521 million for Q1 2019. Net revenue and earnings of a beverage business for the first quarter of the year do not reflect a proportional share of net revenue and results for the year. The period represents the winter season when sales and earnings are usually at a lower level compared to other quarters of the year.

Earnings before interest and tax (EBIT) for Q1 2020 was DKK 11 million lower than in 2019 and amounted to DKK 200 million (2019: DKK 211 million). The EBIT margin decreased by 0.8 percentage point to 13.1%. The quarter is negatively impacted by a bad debt provision related to COVID-19 pandemic.

Volumes for Q1 2020 were in line with Q1 2019 and amounted to 2.2 million hectoliters.

Net interest-bearing debt increased by DKK 127 million compared to year end 2019. Calculated on a running 12 months' basis, NIBD/EBITDA was 1.6x.

Outlook

As announced in March 2020 the situation on the COVID-19 pandemic reduces financial visibility and the 2020 outlook is consequently suspended.

SELECTED FINANCIAL HIGHLIGHTS AND KEY RATIOS

mDKK	Q1 2020	Q1 2019	FY 2019
Volume (thousand hl)	2,216	2,226	11,024
Net revenue	1,524	1,521	7,692
EBITDA	287	295	1,814
EBITDA margin (%)	18.8	19.4	23.6
EBIT	200	211	1,469
EBIT margin (%)	13.1	13.9	19.1
Profit before tax	188	200	1,458
Net profit for the period	145	153	1,140
Free cash flow	-72	-163	1,156
Net interest-bearing debt	2,832	3,047	2,705
NIBD/EBITDA (times)*	1.6	1.8	1.5
Equity ratio (%)	37	34	37
Earnings per share (EPS)	3.0	3.1	23.0

* Running 12 months

Management's Review

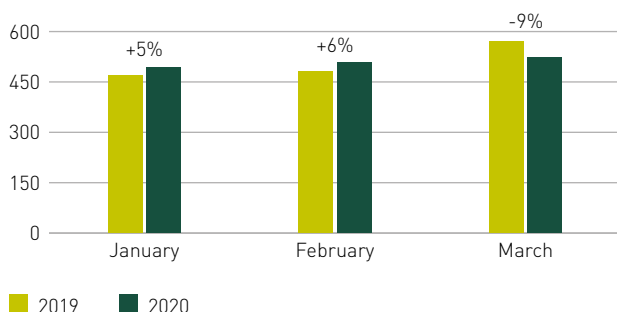
Business Development - focus on COVID-19

Our On-Trade and Border businesses have been negatively effected by the restrictions imposed by the authorities. On-Trade business is almost closed in our core markets and has dropped significantly in other markets, and the closedown of the Border between Denmark and Germany has been prolonged. We have taken several actions to support the Off-Trade business securing that the right products are delivered safely to our consumers and customers. We are looking into a difficult period, however, we are confident that we have taken the right measures to secure maximum financial flexibility both on the cost side, with capex as well as on the balance sheet.

As illustrated in the chart, we had a strong start of 2020 until the COVID-19 impact mid-March.

DEVELOPMENT NET REVENUE PER MONTH Q1

(mDKK)



We expect Q2 to be impacted to a greater extent than Q1 as our rate of sales declined towards the end of Q1. Many On-Trade outlets are not allowed to open, and we anticipate this to continue at least throughout Q2. E.g. in Denmark, the music festivals have been banned until the end of August and it is likely that many social gatherings will be cancelled this summer leading to lower consumption than last year. The timing and speed of the opening of the On-Trade remains important for the industry, but limited clarity is present.

Net debt and liquidity

Net debt by the end of Q1 amounted to DKK 2,832 million which is an increase of DKK 127 million compared to year-end 2019. Leverage ended at 1.6 times EBITDA. Royal Unibrew has long-term credit facilities in place with maturity date end of 2023, as well as short term committed facilities. Total undrawn committed lines available the next 12 months amounted to DKK 2.2 billion end of Q1.

Suspension of the share buy-back program and dividend payment

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 COVID-19 virus. Up until 19 March 2020, 112,000 shares were acquired for DKK 45 million. At the Annual General Meeting on 15 April 2020, it was approved to deviate from the expected dividend distribution as announced in the Annual Report for 2019 by suspending payment of dividend. The Board of Directors' was authorized to potentially distribute interim dividend of a maximum of DKK 12.20 per share to the shareholders. The authorization shall be in force until the next general meeting of the Company.

Changes to the Executive Management Team

Effective 1 April 2020 Lars Vestergaard joined Royal Unibrew as CFO and member of the Executive Management Team. Lars Vestergaard has more than 20 years' of experience in various industries, including 10 years within the beverage industry. Lars Vestergaard replaces Lars Jensen who after 9 years as CFO has been appointed as Chief Operation Officer. As announced in March 2020, Hans Savonije has decided to step down as CEO no later than 2021 and the search for a successor is in process.

DEVELOPMENTS IN ACTIVITIES FOR THE PERIOD 1 JANUARY - 31 MARCH BROKEN DOWN IN MARKET SEGMENTS

	Western Europe		Baltic Sea		International		Unallocated		Group	Group
	Q1-2020	Q1-2019	Q1-2020	Q1-2019	Q1-2020	Q1-2019	Q1-2020	Q1-2019	2020	2019
Volumes (thousand hl)	924	982	1,052	1,045	240	199			2,216	2,226
Growth (%)	-6%		1%		21%				0%	
Net revenue (mDKK)	689	743	648	631	187	147			1,524	1,521
Growth (%)	-7%		3%		28%				0%	
EBIT	69	114	93	80	39	25	-1	-8	200	211
Growth (%)	-39%		16%		52%				-5%	

Western Europe

The Western Europe segment comprises the markets in Denmark, Germany, Italy and France. This segment was the first in the group to be impacted by COVID-19.

Compared to first quarter of 2019, total volume declined by 6% whereas net revenue declined by 7% and EBIT declined 39%. Approx. half of the drop in EBIT comes from lower revenue and the rest comes from bad debt provisions and lower operational leverage as short term adjustments were not possible. The segment is primarily effected by COVID-19 outbreak in Italy and Denmark where the On-Trade business has declined 90-95% after the close down of the two countries. The border trade is almost closed due to restrictions. We have also seen changes in product mix, moving towards bigger packaging formats and non-alco products. Initiatives to reducing the cost base, have only had limited effect in the Q1 on production, sales and marketing expenses. Cost savings will first start having material effect in Q2.

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 impact from COVID-19 effected the Baltic Sea segment relatively late as the OnTrade business remained open longer than in Western Europe.

Total volume increased by 1% and net revenue increased by 3% compared to last year. We saw a positive volume development in all countries with a good price/mix development.

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. The international segment was positively impacted by a strong push to ensure that sufficient products are available in case the supply chains will be disrupted.

Total volume increased by 21% and net revenue increased by 28% compared to last year. The segment was positively affected by volume increases in Africa and price/mix and exchange rate in UK.

It is estimated that the distributors' sales to consumers and customers increased by 10%. Consequently, we are expecting some destocking to happen later in the year.

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, 29 April 2020, at 9.00 am CEST 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: 6991226

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

Financial Calendar for 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 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

DKK '000	Q1 2020	Q1 2019	FY 2019
Net revenue	1,524,207	1,521,224	7,692,479
Production costs	-741,591	-740,162	-3,611,977
Gross profit	782,616	781,062	4,080,502
Sales and distribution expenses	-503,693	-492,334	-2,262,428
Administrative expenses	-78,658	-77,863	-348,979
EBIT	200,265	210,865	1,469,095
Income after tax from investments in associates	-2,479	-1,888	25,145
Financial income	342	570	5,078
Financial expenses	-10,230	-9,447	-41,423
Profit before tax	187,898	200,100	1,457,895
Tax on the profit for the period	-42,400	-47,117	-317,536
Net profit for the period	145,498	152,983	1,140,359
Profit for the period is attributable to:			
Equity holders of Royal Unibrew A/S	146,652	153,573	1,141,973
Non-controlling interests	-1,154	-590	-1,614
Net profit for the period	145,498	152,983	1,140,359

Assets

DKK '000	31/3 2020	31/3 2019	31/12 2019
NON-CURRENT ASSETS			
Goodwill	2,291,175	2,284,659	2,335,120
Trademarks	1,940,351	1,971,551	1,955,888
Distribution rights	156,936	156,988	160,505
Customer relations	60,014	59,873	64,589
<i>Intangible assets</i>	<i>4,448,476</i>	<i>4,473,071</i>	<i>4,516,102</i>
Property, plant and equipment	2,490,626	2,518,079	2,500,946
Investments in associates	110,087	115,975	125,953
Other fixed asset investments	20,693	17,877	19,546
Non-current assets	7,069,882	7,125,002	7,162,547
CURRENT ASSETS			
Inventories	560,331	548,498	462,673
Receivables	739,153	876,077	735,864
Corporation tax		913	
Prepayments	66,696	44,792	59,471
Cash at bank and in hand	81,962	139,457	71,985
Current assets	1,448,142	1,609,737	1,329,993
Assets	8,518,024	8,734,739	8,492,540

Liabilities and Equity

DKK '000	31/3 2020	31/3 2019	31/12 2019
EQUITY			
Share capital	100,200	102,000	100,200
Other reserves	715,334	744,568	745,702
Retained earnings	1,745,555	1,592,743	1,639,925
Proposed dividend	611,220	550,800	611,220
Equity contributable to equity holders of Royal Unibrew A/S	3,172,309	2,990,111	3,097,047
Non-controlling interests	8,295	10,473	9,449
Equity	3,180,604	3,000,584	3,106,496
Deferred tax	548,452	589,683	546,128
Mortgage debt	849,887	854,148	851,080
Credit institutions	1,659,941	1,705,071	1,302,727
Other payables	43,137	90,176	105,292
Non-current liabilities	3,101,417	3,239,078	2,805,227
Mortgage debt	3,703	3,724	3,708
Credit institutions	400,028	623,212	619,087
Trade payables	1,005,242	974,070	1,018,119
Provisions	16,428	16,423	16,433
Corporation tax	1,268		29,356
Other payables	809,334	877,648	894,114
Current liabilities	2,236,003	2,495,077	2,580,817
Liabilities	5,337,420	5,734,155	5,386,044
Liabilities and equity	8,518,024	8,734,739	8,492,540

Cash Flow Statement

Compared to Annual Report 2019, the Cash flow statement in Q1 2020 has been updated to reflect the market practice of the IFRS 16 implementation.

DKK '000	Q1 2020	Q1 2019	FY 2019
Net profit for the period	145,498	152,983	1,140,359
Adjustments for non-cash operating items:	143,449	143,859	679,629
Change in working capital	-220,193	-328,975	-42,605
Net paid financial expenses and income	-11,174	-10,828	-36,426
Corporation tax paid	-62,556	-57,636	-338,367
Cash flows from operating activities	-4,976	-100,597	1,402,590
Dividends received from associates	0	9,733	25,234
Sale of property, plant and equipment	2,034	1,895	37,781
Purchase of property, plant and equipment	-51,218	-58,374	-245,838
Acquisition of subsidiary	-7,111	-291,538	-365,219
Purchase/sale of intangible assets and fixed asset investments	-1,147	-5,486	-6,589
Cash flows from investing activities	-57,442	-343,770	-554,631
Proceeds from increased drawdown on credit facilities	295,715	526,512	546,430
Repayment on credit facilities	-160,010		-434,938
Repayment on leasing facilities	-18,257	-16,140	-63,915
Dividends paid to shareholders			-537,996
Acquisition of shares for treasury	-44,588	-73,529	-433,078
Proceeds from minority shareholders		1,980	1,980
Cash flows from financing activities	72,860	438,823	-921,517
Change in cash and cash equivalents	10,442	-5,544	-73,558
Cash and cash equivalents at 1 January	71,985	145,151	145,151
Exchange adjustment	-465	-150	392
Cash and cash equivalents at 31 March	81,962	139,457	71,985

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 2020	Q1 2019	FY 2019
Free cash flow			
Net cash from operating activities	-4,976	-100,597	1,402,590
Net cash used in investing activities	-49,184	-46,746	-182,823
Repayment on lease facilities	-18,257	-16,140	-63,915
Free cash flow*	-72,417	-163,483	1,155,852
* Effect from revised free cash flow definition		-6,990	-2,719