



Royal Unibrew A/S

Brewing Seminar – Danske Bank

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30 November 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

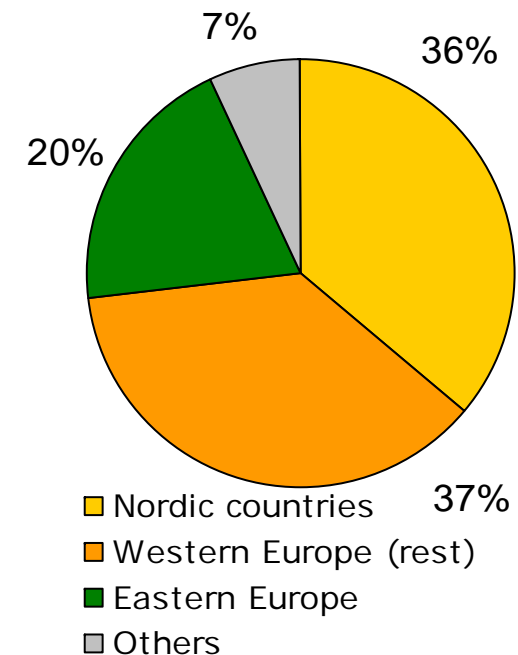
*We will meet our consumers' demands for and expectations to quality beverages focusing on branded products primarily within beer, malt and soft drinks.*



# Highlights

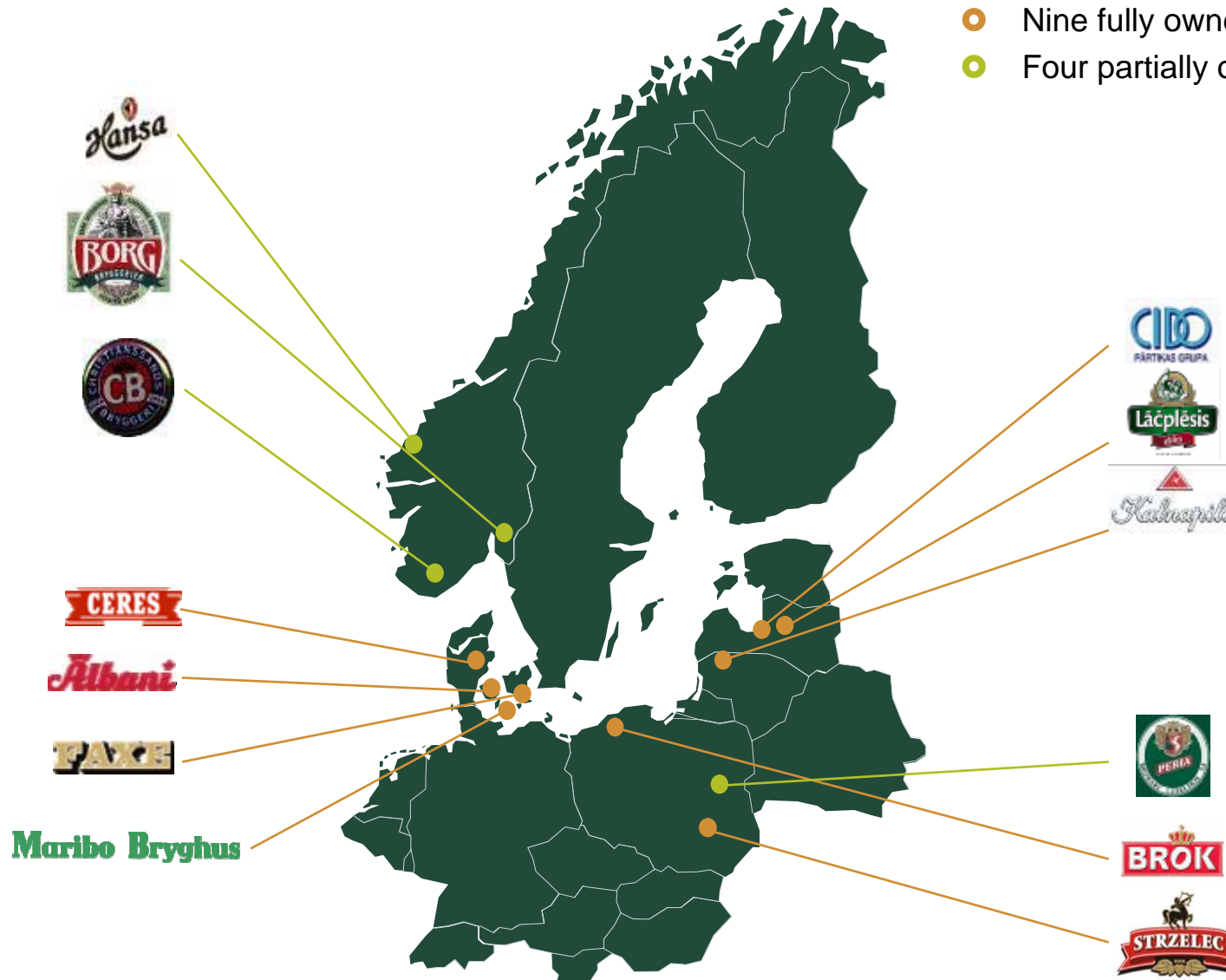
- Royal Unibrew is the second largest brewery business in Scandinavia.
- Scandinavia's largest beer exporter
- Export to approx. 65 countries worldwide
- 8 breweries and 1 soft drink company
- Approximately 2,200 employed worldwide
- Royal Unibrew has the leading imported strong beer in Italy - Ceres
- 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  
Q1-Q3 2006



# Production Units, overview

- Nine fully owned production sites
- Four partially owned production sites



# 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 Q3 2006: Best 3rd quarter ever

- Volumes increased by 10% to 1.8 million HL.
- Net revenue up by 9% to DKK 988 million (organic growth).
- Profit before tax amounting to DKK 161.2 million (+21% over 2005).
- Profit after tax (consolidated profit) of DKK 119.7 million (+21% over 2005).





# Highlights Q1-Q3 2006: In line with Expectations

- P/L influenced by:
  - Marketing expenses (including “Egekilde” introduction)
  - Consolidation of Brok-Strzelec Poland
  - Shift in product mix border trade
  - One-off items: Optimisation of Baltic production and Nigerian debt
- Volumes increased by 12% to 4.9 million HL.
- Net revenue up by 8% to DKK 2,607million (organic growth 7%).
- Profit before tax amounting to DKK 207.1 million (11% above 2005).
- Profit after tax (consolidated profit) of DKK 155.0 million (Year 2005 was influenced by DKK 11 million reversal of contingent tax).



# Highlights Q1 – Q3 2006 (cont.)

- EBIT margin 8.6% (2005: 8.2%) influenced negatively by change in product mix in Western Europe and increased marketing costs.
- Free cash flow 4.4% (2005: 4.5%) affected by DKK 57.7 million increase in capex, e.g. new PET line and warehouse in Latvia.
- Realised share buy-back programme as per 30 September 2006 transferred almost DKK 111.5 million to shareholders.





# Results Q3 2006

DKK million	2006	2005	% change
Net revenue	988.0	907.9	9
Operating profit	188.0	134.1	40
Special Items	-25.4	0	-
EBIT	162.6	134.1	21
Net financials	-1.4	-0.8	-75
Profit before tax	161.2	133.3	21
Consolidated profit	119.7	99.3	21
Profit margin	19.0%	14.8%	-
EBIT margin	16.5%	14.8%	-
Free cash flow	171.8	128.3	34



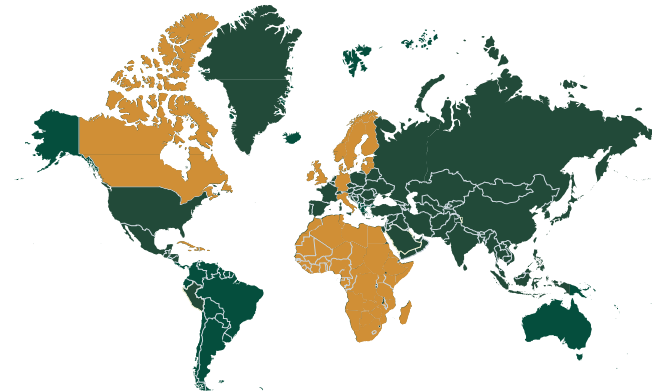
# Results Q1 – Q3 2006

DKK million	2006	2005	% change
Net revenue	2,607.0	2,422.7	8
Operating profit	248.6	199.6	25
Special Items	-25.4	0	-
EBIT	223.2	199.6	12
Net financials	-16.1	-12.6	-28
Profit before tax	207.1	187.0	11
Consolidated profit	155.0	150.5	3
Profit margin	9.5%	8.2%	-
EBIT margin	8.6%	8.2%	-
Free cash flow	114.3	109.1	5



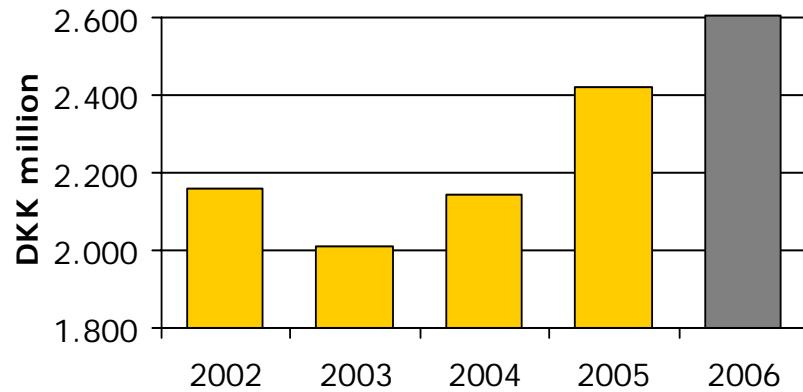
# Q1 – Q3 Summary: Key Markets

- Total Group net revenue up 7.6%
- Western Europe net revenue up 5.3%
  - Denmark: Royal beer brand still increasing market shares
  - Italy: Duty increase 1 January, 2006. Ceres brand increasing market shares in Q2 and Q3
- Eastern Europe net revenue up 18.7%
  - 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 3.6%
  - Africa/The Caribbean:  
Licensed breweries (malt drinks)

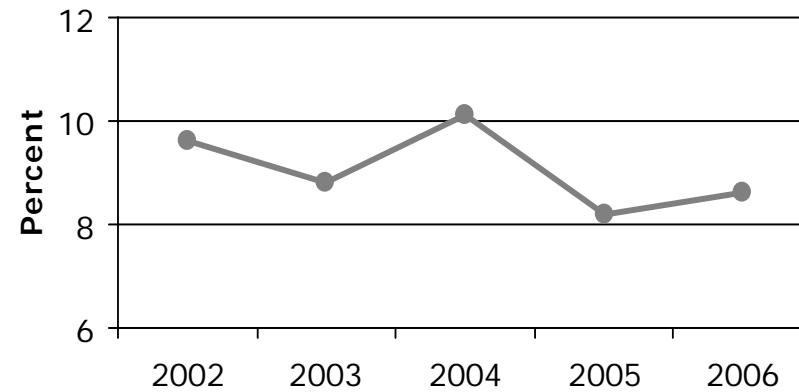


# Financial Development Q1–Q3 2002-2006

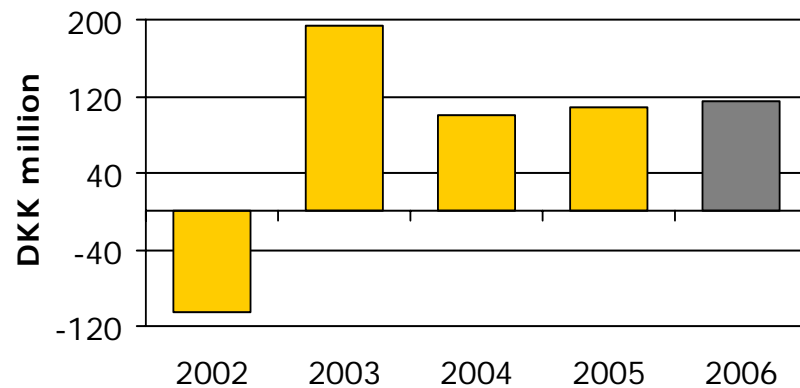
**Net revenue**



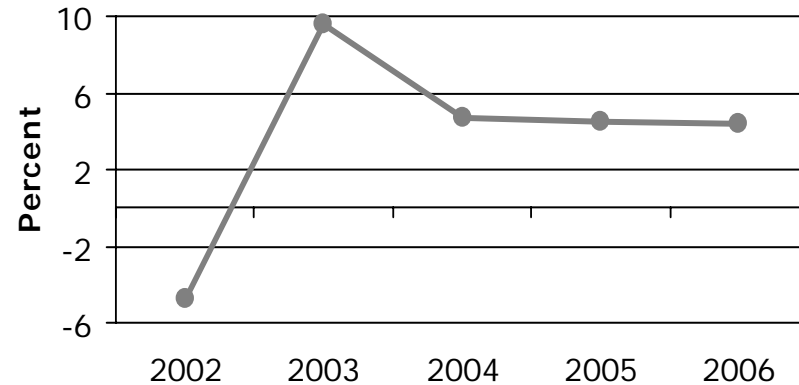
**EBIT margin**



**Free cash flow**

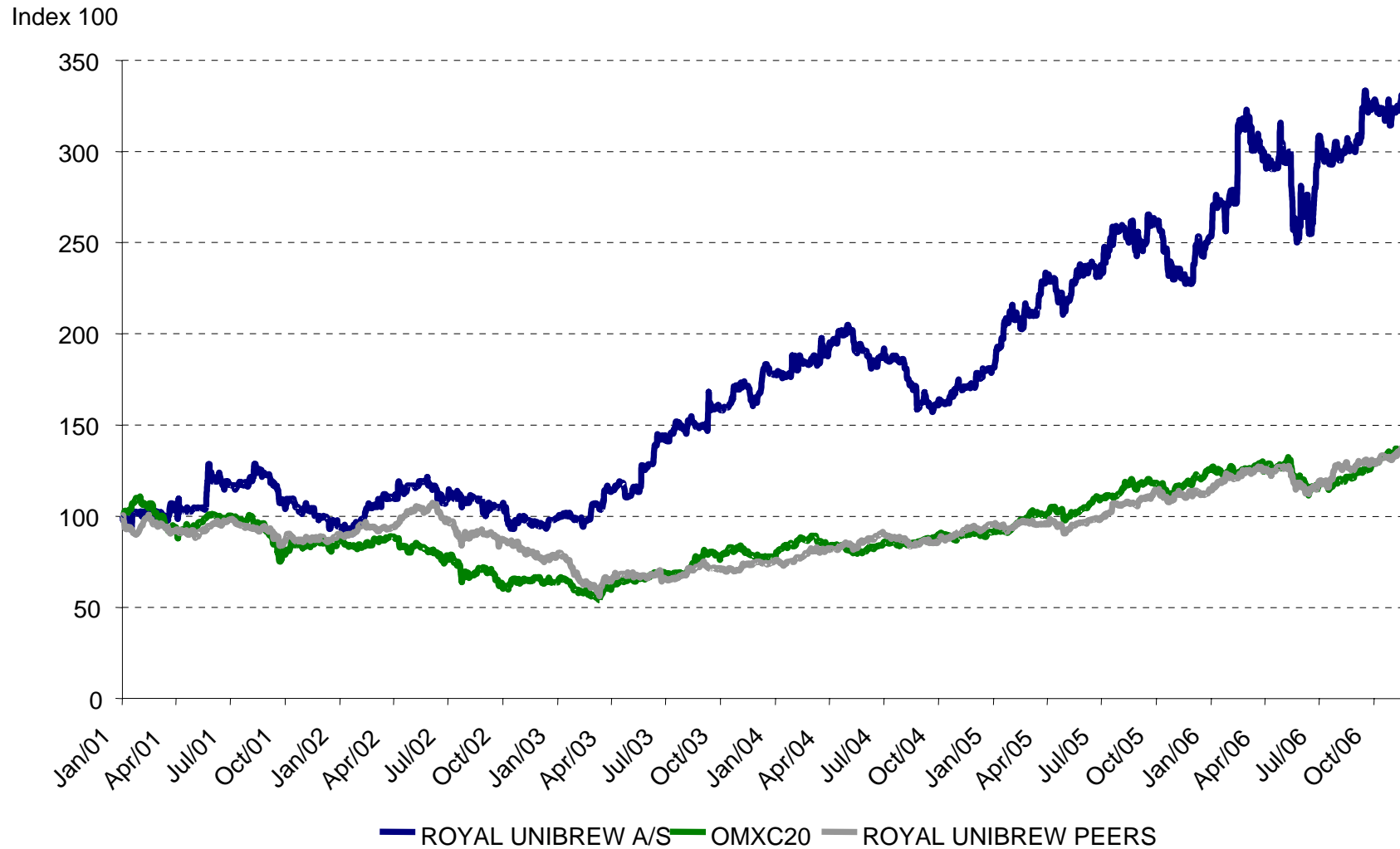


**Free Cash Flow as % of Net Revenue**



# Share Performance as per 27 November 2006

Price base 100 at January 2001



Royal Unibrew's Peer Group: Heineken, Carlsberg, S&N, SABMiller, and InBev

# MACH II (Strategic Development 2002-2007)

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

The V8 logo consists of the letters 'V' and '8' in a bold, white, sans-serif font, set against a solid red rectangular background.The MACH II logo features the words 'MACH II' in a white, italicized, sans-serif font with a slight motion blur effect, set against a solid red rectangular background.

2002

2004 2005

2007

Focus:

Improving profitability

- ROIC from 8% to 10.5%
- Profit margin from 7.8% to 11%
- Free cash flow > DKK 200 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 DKK 3 billion in 2004 to at least DKK 4.5 billion in 2007
- Financial structure: Net debt = 3 x EBITDA in 2007





- 1. Ensuring profitable revenue growth from some DKK 3 billion (2004) to at least DKK 4.5 billion (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 DKK 20 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 Q1-Q3 2006 by 8% partly due to organic growth (7%) and partly as a result of the acquisitions made (1%).
- 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 DKK 14 million and DKK 10 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 Q3 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 25% in Q3.
- The Business Excellence initiatives launched in 2005 are expected to yield savings of some DKK 20 million in 2006.



The expectations of the Profit before Tax (Consolidated Profit)

are unchanged

DKK 320-340 million



## The Baltics - Poland

- Total beer market is up by 4-5% YTD
- Prices in the market are slightly increasing this year – heading for the level of 2005
- Kalnapilio Tauro Grupe's total market share has increased versus 2005 (+1,5% points).
- Significant mix change in sales
  - Kalnapilis and Taurus increasing (high priced brands)
  - Low priced products decreasing
- Closing of brewery in Vilnius running according to plan – no negative effect on Taurus sales – on the contrary – much stronger activities have been made – has boosted sales significantly
- Kalnapilio Tauro Grupe has taken over sales of CIDO juices in Lithuania as per end 2006 (previously sold through Sanitex distributor)
- Profit is continuously improving – strong improvement over last 3 years





- Total beer market is up by 8-9% YTD
- Prices in the market are slightly increasing this year
- Lacplesa Alus' total market share has increased versus 2005 (presently around 7% SOM – almost doubled from start 2006)
- Significant mix change in sales
  - Lacplexis market share all time high (high priced brand)
  - Lacplexis market share in HoReCa is heading for No1 position
  - Successful launch of new Lacplexis products in 2006
  - Lower priced products are stable in market share
- Brewery upgrade running as planned

# Latvia – Juice (J), Nectar (N), Soft Drinks (SD) Status

- Total J/N/SD market is showing good growth YTD
  - J&N 4% increase (clearly affected by significant price increases – J&N consumption is not supported by good summer)
  - Water 23% increase (supported by good summer)
  - SD 14% increase (supported by good summer)
- Prices in the market on J&N are increasing significantly due to very high increases in concentrate prices
- CIDO's total market share in J/N/SD is slightly increasing this year
- Significant mix change in sales
  - CIDO brand in J&N is increasing in market share this year – lower priced products are stable)
  - Mangali brand market share is strongly increased in 2006 – lower priced products are decreasing
  - Stable positions on other SD segments – but taking fair share of market growth
  - Lower priced products are stable in market share
- Strong improvement of profit in 2006 vs. 2005



- Turn-around projects are running according to plan
- Efficiency improvements in production and logistics are in progress (on plan)
- Currently sales and results are negatively affected by decreases in wholesalers stocks





# Xbeer presentation

**XBEER**

FOR XTRAORDINÆRE ØLSJÆLE





## Danish market in general:

- The total market within specialty beer is increasing both for import beer and beer from micro breweries in Denmark
- Specialty beer is increasing both in volumes and value. In 2006 it counts for approx. 6% of the total volume and 10-12% of the total value.



## Royal Unibrew (RU):

- RU is a strong No 2 player in the Danish market within branded beers, soft drinks and water.
- It is RU's goal to achieve 10% per cent market share in 2007 and to increase its market share up to 25%, i.e. become a strong No. 2 within specialty beer in Denmark.

**XBEER**

FOR XTRAORDINÆRE ØLSJÆLE





## How will Royal Unibrew achieve its goal?

- In order to meet the increasing demand for specialty beers in Denmark, RU has established a business area named Xbeer
- RU's Xbeer assortment is split into 3 main groups:
  - RU's international beer brands (ie export from RU's Lithuanian, Latvian, and Polish breweries as well as export beers from RU's Danish breweries)
  - Import of brands from Heineken's international breweries
  - Selected beers from Danish micro breweries

**XBEER**

FOR XTRAORDINÆRE ØLSJÆLE

The statements about the future made in the Q3 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)