



Carlsberg A/S

Q1 2023 Trading Statement

Conference Call

27 April 2023

with:

CEO Cees 't Hart and
CFO Ulrica Fearn

PARTICIPANTS

Corporate Participants

Cees 't Hart – Chief Executive Officer, Carlsberg
Ulrica Fearn – Chief Financial Officer, Carlsberg

Other Participants

Simon Hales – Analyst, Citigroup Global Markets Ltd.
Christopher Michael Pitcher – Analyst, Redburn (Europe) Ltd.
Edward Mundy – Analyst, Jefferies International Ltd.
Trevor Stirling – Analyst, Bernstein Autonomous LLP
André Thormann – Analyst, Danske Bank A/S
Laurence Whyatt – Analyst, Barclays Capital Securities Ltd.
Søren Samsøe – Analyst, SEB Enskilda (Denmark)
Jared Dinges – Analyst, JPMorgan Securities Plc
Thomas Lind Petersen – Analyst, Nordea Bank (Denmark)

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Carlsberg's Q1 2023 Trading Statement. For the first part of this call, all participants are in a listen-only mode. Afterwards, there'll be a question-and-answer session. [Operator Instructions]. This conference call is being recorded.

I will now hand it over to the speakers. Please begin.

Cees 't Hart, Chief Executive Officer, Carlsberg

Good morning, everybody, and welcome to Carlsberg's Q1 2023 conference call. My name is Cees 't Hart, and I have with me, CFO, Ulrica Fearn, and Vice President of Investor Relations, Peter Kondrup.

Let me begin by summarizing the key headlines for the quarter. We achieved strong revenue growth on the back of overall volume growth and strong revenue per hectoliter improvement. Although uncertainties related to European consumer behaviour and Ukraine remain, we narrowed our earnings guidance and we are today starting a new quarterly buyback program, amounting to DKK 1 billion.

I will provide the key Group headlines for the quarter and Ulrica will take you through the regions and the full-year outlook.

Please turn to slide 3. Volumes grew organically by 2.1%, particularly driven by solid growth in Asia. Central and Eastern Europe benefited from easy comps in Ukraine, while the volumes in Western Europe declined slightly. Revenue per hectoliter grew by 12%. Price increases were executed across markets to offset the significant cost increases that we are facing again this year. Revenue per hectoliter also benefited from a positive channel mix in many markets, as on-trade in Q1 last year was impacted by COVID-19 restrictions, as well as a positive country mix. Our on-trade volumes grew by 10%, while off-trade volumes were flat.

Consequently, organic revenue growth was strong at 14.2%. Reported revenue was DKK 16.4 billion, which was an increase of 9.8%. There was a small positive acquisition impact from the acquisition of Waterloo in

Canada, which was more than offset by a currency impact of minus 4.6%, mainly related to the Laotian, Chinese, Norwegian, British and Ukrainian currencies.

Please turn to slide 4, and an update on some of the SAIL'27 categories and international brands. Our total premium beer portfolio grew by 2%, mainly driven by our global premium brands. We saw strong growth in India, Vietnam, France and the Export & License business, but this growth was partly offset by a terminated license agreement in the UK. The alcohol-free brew volumes grew double-digit in markets such as Switzerland, Ukraine, Greece and the UK, driven by both Carlsberg 0.0 and local alcohol-free brands. However, total category volumes contracted by 6%, mainly due to the phasing of promotional activities in France and lower volumes in the Middle East and Poland.

Slide 5, please. Looking at the international brands, total Carlsberg volumes grew by 4%, while volumes in the brand's premium markets such as China, India, Vietnam and Ukraine were up 18%. Tuborg grew by 1%, as strong growth in Asia, Serbia and Ukraine was partly offset by lower volumes in Turkey after the horrible earthquake. 1664 Blanc was up by 10%, supported by growth in the Export & License business, mainly South Korea, the launch in Vietnam and the recovery in Ukraine. Brooklyn grew strongly by 51%, mainly as a result of launches in the UK and Poland last year.

With this, I will hand over to Ulrica, who will take you through the regions, outlook and share buyback.

Ulrica Fearn, Chief Financial Officer, Carlsberg

Well, thank you, Cees and good morning, everyone. Now, please turn to slide 6 and Western Europe, where volumes declined organically by 1%, mainly due to volume decline in Poland and the UK. The UK was impacted by the seized license agreement of Estrella, accounting for almost half of the regional volume decline.

Revenue per hectoliter increased by 13% as a result of the price increases, both last year and this quarter, to offset continued cost increases. In addition, revenue per hectoliter benefited from the positive channel mix, due to last year's COVID-19 restrictions, and the positive country mix, mainly due to higher volumes in France, Norway and Denmark and lower volumes in Poland, where revenue per hectoliter is significantly below the regional average. Roughly a quarter of the revenue per hectoliter increase was due to the positive channel mix. In total, organic revenue growth was 11.5%.

In the Nordics, all markets benefited from the on-trade recovery. Volumes grew in all markets but Finland, with particularly good growth in Sweden, supported by the premium portfolio, alcohol-free brews and soft drinks. The Danish business delivered solid performance, despite taking price increases ahead of the market. Our volumes in Norway grew slightly, despite tough comparables as the borders were closed last year. We saw good growth for soft drink and 1664 Blanc. In Finland, we saw good growth for premium beer, the beyond beer category and soft drinks, while core beer was under pressure.

Our volumes in France grew by low-single digits in a slightly declining market. Revenue per hectoliter increased by almost 10% due to both price increases and channel mix. The end of the quarter was impacted by poor weather and we saw weakness in the off-trade. Our Swiss business grew slightly in line with the market, driven by the rebound of the on-trade channel, 1664 Blanc, the local premium brand Valaisanne and alcohol-free brews, which did particularly well.

In Poland, our volume declined double digits, mainly as a result of price increases of around 20%, which was ahead of the market and also resulted in some interruptions at one retail customer. Particularly in Poland, we are seeing down trading from premium into mainstream and economy brand.

The UK market declined while our volumes were flat, excluding the seized Estrella Damm license agreement. We saw strong performance in the off-trade, driven by brands such as Carlsberg, Brooklyn and Poretti, while the on-trade remained challenging. In April, we signed the agreement to acquire the Kronenbourg brand from Heineken with effect from the 1st of June this year. The brand will be a very good supplement for our UK portfolio.

Please go to slide 7 and Asia, where we had a good start to the year with good execution of the New Year activities across many markets. Volumes grew by 4.9%, driven by growth across most markets in the region. The revenue per hectoliter improvement of 7% was the result of premiumization and price increases. Organic revenue growth was 12.4%, while reported growth was 5.4%.

On the back of very tough comps, our Chinese business delivered a solid start to the year, with volumes up by 4%. The Chinese New Year celebrations benefited from the end of COVID-19 restrictions and lockdown and the gradual recovery of on-trade, although the early recovery of the night entertainment channel was slow, negatively impacting the volumes of 1664 Blanc in January and February. We saw good growth for international premium portfolios, driven by Carlsberg and Tuborg, and for the core beer portfolio, including the brands such as Chongqing and Dali. Our market share improved supported by good progress in e-commerce and modern off-trade.

Our Indian business delivered almost 20% volume growth supported by easy comp from last year that was impacted by COVID-19 restrictions. Revenue per hectoliter was up low-double digits, supported by price increases and favourable sales mix.

In Vietnam, our volumes grew by more than 20%. Both sell-in and sell-out volumes were strong. Our inventory levels remained at normal levels. Supported by very strong price mix development, organic revenue growth was in the mid-40s. The growth was driven by both our core business in Central Vietnam and the expanded distribution in new geographical areas. The international premium portfolio more than doubled and the local brands Huda and Halida delivered solid growth, supported by overall market growth.

The macro economy in Laos is very challenging with inflation running ahead of 40% and the Laotian Kip depreciating significantly. Despite this challenging environment, our business performed very well, achieving high-single digit volume growth. This was driven by premium brands such as 1664 Blanc and Somersby as well as the local power brand Beerlao.

In Cambodia, our beer portfolio developed favourably. However, total volumes declined due to a slowdown for non-beer products, particularly energy drinks.

Slide 8 and Central and Eastern Europe, where organic volume growth was 0.9%, mainly due to strong volume growth in Ukraine on the back of easy comps offsetting weaker volumes in other markets, particularly in the Export & License division. Revenue per hectoliter grew strongly by 29%, positively impacted by the compounding of several factors, including several price increases taken in order to mitigate significant cost inflation; easy comps in Ukraine; a positive channel mix following the lingering COVID-19 restrictions in Q1 last year; and a positive country mix due to lower volumes in the Turkish license market, following the devastating earthquake in February.

Our business in Ukraine remained heavily impacted by the war. Our colleagues are doing a tremendous job in a challenging environment. Volumes grew by more than 50% on the back of last year's closure of the breweries in the wake of the Russian invasion. Volumes were some 15% below pre-war levels. Revenue per hectoliter was very strong, driven by price increases in the highly inflationary environment, less promotional activities and positive channel mix, as traditional trade was taking share from modern trade. Volume and revenue per hectoliter growth will moderate in the coming quarters.

In Kazakhstan, the beer market declined, impacted by the very high inflation. Our volumes declined by mid-single digit percentages, while revenue per hectoliter developed positively due to price increases. The Baltic markets also declined. Our volume decline was ahead of the market because of significant price increases. In both Kazakhstan and the Baltics, we are seeing continuous trading down into mainstream and economy brands.

Volumes in our Balkan markets increased by mid-single digits, with revenue per hectoliter being up by mid to high teens supported by price increases and brand mix. Our market share improved.

In Greece, we delivered a high-teen volume growth and very strong revenue per hectoliter growth due to positive channel mix and price increases. The Italian market declined and our volumes contracted by around 20% due to significant price increases and less promotional activities. In both markets, revenue per hectoliter increased by more than 30%.

In our Export & License business, 1664 Blanc, Kronenbourg 1664 and Carlsberg developed positively, but total volumes were impacted by a significant decline in Tuborg volumes in the Turkish license business as a consequence of the earth quake. During the quarter, we concluded the Waterloo acquisition, which has been consolidated from early March; and the integration is progressing well.

In Russia, volumes declined by 5%, while revenue was up organically by 10%, due to price increases. The divestment of the business is progressing and we aim at signing a divestment agreement before the summer.

Please go to slide 9 and the earnings outlook for the year. 2023 remains an uncertain year, although some of the uncertainties that we talked about in February are now less. Europe remains uncertain. On the positive side, we have concluded most price negotiations. However, in many markets, the higher prices have not yet reached retail shelves, leaving the impact of these increases still to be seen. While the beer category is generally a resilient category, the significant price increases combined with the overall high inflation may impact consumer behaviour during the important peak season and subsequently volume, channel and brand mix. In Ukraine, the impact from the war on our business is largely unchanged compared with the situation in February, and the environment remains uncertain.

When we gave guidance in early February, we were uncertain about the COVID recovery in China and the consumer offtake during the Chinese New Year celebrations. With a solid performance in Q1, that risk is now behind us.

We are therefore able to narrow the guidance range to minus 2% to plus 5% compared to the previous range of minus 5% to plus 5%. The continued fairly wide range reflects the uncertainty from the impact of price increases that we still face in many European markets ahead of the important summer months and the uncertainty related to the war in Ukraine.

Based on yesterday's spot rate, we assume a currency impact on operating profit of minus DKK 800 million, compared to previous expectations of minus DKK 550 million. The change is mainly due to Chinese, Norwegian and Laotian currencies. Financial expenses, excluding FX, are now expected to be around DKK 650 million, compared with around DKK 600 million when guiding in February, due to higher interest rate. Assumptions for tax rate in CapEx are unchanged at 21% and around DKK 5 billion, respectively.

Slide 10, please, and the share buyback, which was initiated this morning. We didn't announce a share buyback in February, as our partner in the India and Nepalese business exercised his put option on the 6th of February in the afternoon – the day before the full-year 2022 announcement. The value of the put option amounted to \$744 million being the simple average of valuations done by two external evaluators; one appointed by us and one by the partner. We have since evaluated the detailed assumptions underlying the

partner's valuation. This subsequently led us to dispute the valuation of the business and this dispute has been referred to arbitration.

Due to the Group's strong financial position, we have today initiated a new quarterly buyback program amounting to DKK 1 billion. It will be running until the August 4, 2023. As always, the Carlsberg Foundation will participate in the share buyback on a pro-rata basis. Further details can be found on page 5 in the Q1 trading site.

And now, back to you, Cees.

Cees 't Hart, Chief Executive Officer, Carlsberg

Thank you, Ulrica. Before opening up for Q&A, let me summarize. We achieved strong revenue growth on the back of overall volume growth and strong revenue per hectoliter improvement. Although uncertainties related to European consumer behaviour and Ukraine prevail, we narrow our earnings guidance; and we are today starting a new quarterly buyback program, amounting to DKK 1 billion.

As usual for the Q&A, we will limit the number of questions to two per person to ensure that as many as possible get a chance to get through. After your questions, you're welcome to join the queue again.

And with this, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions].

The first question will be from the line of Simon Hales from Citi. Please go ahead. Your line now will be unmuted.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Thank you. Good morning, Ulrica. Good morning, Cees. Two from me then, please. Firstly, if you could just talk a little bit more about the performance in China in the quarter. Give us a little bit more colour as to how perhaps the volume growth that you've seen recovering is varied by region and by brand. And I don't know if you're able to perhaps share how trading was in March into April, if you've seen an acceleration towards the end of the quarter. So that was the first one.

And then secondly, just on the buyback and perhaps on capital allocation more broadly. Clearly, you haven't been able to reach that final agreement yet with your Indian and Nepalese partner. As things stand, should we expect as and when that agreement is finally reached, post arbitration, that you may pause the buyback again? Or is the balance sheet now strong enough, given the strength in the overall business, to allow you to continue a buyback on an ongoing basis and at some point reach that cash outflow with the buy out to the Indian partner?

<A – Cees 't Hart – Carlsberg>: Very clear, Simon. Thank you very much. I will take the first question and Ulrica the second. With regards to China, the volumes were up 4% in a declining market. We were minus 2% year-to-date February. So, basically, what you see is that we accelerate in a declining market. The revenue per hectoliter was up 1%, due to channel mix impacting brand mix. Our market share strengthened; that was supported by both local and international brands. But it's fair to say that the 1664 Blanc had a difficult quarter, because of the slower reopening of the night entertainment channel than expected.

There was a good execution of Chinese New Year and we were really happy with the sell-out during the event. And as we guided early February, we were uncertain about the impact of COVID-19 in China, you can

take from that that after the second half of February, the sales in China accelerated. The big cities are developing well, solid volume growth and we added 15 cities. The price increases on selected SKUs were between 3% and 5% in February, and we expect revenue growth of mid-single to high-single digit in 2023 from China. Then Ulrica over to you.

<A – Ulrica Fearn – Carlsberg>: Thank you. So, yes, correct, Simon, the put option that was determined by two evaluators and landed up the \$744 million we talked about in February. We have disputed that put option evaluation, and both parties have agreed to refer the issue to arbitration. And I can't comment any further on the timing of that outcome as it's pending arbitration. And we will come back with more information when we got that. What that means in terms of our share buyback program is, I mean, we've introduced the share buyback program to be flexible and we'll continue to judge that share buyback program on a quarterly basis. But I will say that we are not moving away from our overall financial policy and assess that on a quarterly basis on the basis of the strength that we see at that point of time.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Got it. Thanks. Very clear, both, thank you.

<A – Cees 't Hart – Carlsberg>: Thanks, Simon.

Operator: Thank you, Simon. The next question will be from the line of Chris Pitcher from Redburn Partners. Please go ahead. Your line now will be unmuted.

<Q – Chris Pitcher – Redburn (Europe) Ltd.>: Thank you very much. A couple of questions for me. Firstly, on the UK, are you able to give us a bit more colour on the impact from Kronenbourg acquisition, buying the rights there which have been sort of long in your competitors' hands. And then secondly, on Vietnam, could you give us a bit more colour perhaps on the competitive environment? You mentioned you saw volume growth from geographic expansion. Are you holding share in your core territories? And can you give us a sense of where you think your stock levels are in Vietnam at the moment? Thanks very much.

<A – Cees 't Hart – Carlsberg>: Good. Thanks and good morning, Chris. With regards to the UK, it's a tough market, as you know, and on-trade severely impacted by squeezed disposable income and also struck during Q1. Our volumes were flat, if we exclude Estrella Damm.

To your point on the acquisition of Kronenbourg, basically we will with Kronenbourg complement our offer to customers tremendously. It is an iconic beer brand, that is growing in both volume and value in the UK, and a strong brand awareness amongst consumers and a distinctive provenance story. So, bringing the Kronenbourg brand into our portfolio will unlock the exciting potential for the UK. And this is a long-term move for the UK business, which we have been strengthening over the last couple of years.

Then, with regards to Vietnam, we had a very strong start of the year. What we saw was a 20% volume growth in a market that was growing more or less 5%. So, with regard to your question on competitors, we are growing share. We are now at a total market share of 8%, supported by very strong growth for Huda. The international brands Carlsberg, Tuborg and Blanc also saw a very good growth. So, Vietnam is very much in line with our expectations. As you know, we focus more on Vietnam. We put in Q4 a significant support money into the country and we see now the revenues coming through.

<Q – Chris Pitcher – Redburn (Europe) Ltd.>: Okay. Thank you very much.

<A – Cees 't Hart – Carlsberg>: Thanks, Chris.

Operator: Thank you, Chris. The next question will be from the line of Edward Mundy from Jefferies. Please go ahead. Your line will now be unmuted.

<Q – Ed Mundy – Jefferies International Ltd.>: Good morning, guys. Two questions, please. The first is on the very strong pricing within Western Europe. I appreciate that there's probably some benefit within that number from on-trade recovery and also country mix. But does the relatively low negative elasticity and perhaps give you a bit more confidence in the strength of the European consumer, one quarter in?

And then the second question, probably one Cees, I mean since we last spoke, there's obviously been quite a lot of announcements regarding your retirement and also your successor. Are you able to comment on sort of what were the key criteria for the appointments and why you and the board are confident that Jacob is the right person to lead the business for SAIL'27 and beyond?

<A – Cees 't Hart – Carlsberg>: Very good. Thanks Ed for your questions with regards to Europe. We have been able to increase our prices in Europe in line more or less with what we needed in order to have the right level of coverage for the cost increases. So, we are happy with that. That was very well executed. We are now at the beginning of the new quarter after a relatively strong quarter where we were very much focusing on increasing our prices. And what we see in total is that approximately one-third of the Q1 revenue per hectoliter was due to channel and country mix. So that means two-thirds were due to last year's pricing and the price increases in Q1.

Then with regards to the volume development, we have not seen significant underlying changes in sales patterns. However, we see some anecdotal evidence here and there from downtrading in Poland. We see a slight increase in discount channels in Finland. We see also some signs of pack changes into larger multipacks. And in the UK, the on-trade is declining. So, all these kind of small cues, if you like, led us to remain to be a bit uncertain how the second and the third quarter will develop, especially moving now towards the season, and hence our upgrade or narrowing the guidance. But still it is relatively broad given the uncertainty in Europe.

Then with regards to my successor, as you can expect, the Supervisory Board is responsible for succession planning and not the CEO. So – but I can say I have had brief conversations with candidates, not as interviews but to provide information about the position, the company, the relation with the board and these kind of things. As I understand the Chairman, the process has been very extensive, a screening of a significant number of candidates with a very diverse background, both industry and geography and also including internal candidates. And the Chairman has interviewed more than 20 candidates, who were all thoroughly assessed, and Jacob stood out as the best candidate.

However, as the process was done by the Supervisory Board, it is the Chairman and the Supervisory Board who should answer detailed questions about the process and about Jacob. However, what I can say is that judging from my conversation with Jacob, I'm sure – I'm really sure that Jacob will be an excellent CEO for Carlsberg. And I'm also sure that Jacob at the helm and the colleagues that are now in the ExCom continuing, the company will continue the successful growth in the value creation journey and implementing the SAIL'27 as a strategy as we have articulated that. So, I'm full of confidence for the future for Carlsberg.

<Q – Ed Mundy – Jefferies International Ltd.>: Great, thank you.

<A – Cees 't Hart – Carlsberg>: Thank you.

Operator: Thank you, Edward. The next question will be from the line of Trevor Stirling from Bernstein. Please go ahead. Your line now will be unmuted.

<Q – Trevor Stirling – Bernstein Autonomous LLP>: Good morning, Cees and Ulrica. Just one question from my end, please. Ulrica, you highlighted a couple of technical factors in the Central Eastern European price mix, in particular Ukraine and Turkey. If you strip those out going forward, do you think revenue per hectoliter is probably more in the mid-teens range? Is that what we should be expecting?

<A – Ulrica Fearn – Carlsberg>: Yes, I would say more along those lines. That's what we highlighted. There are several compounding factors in what we're seeing right now. It should come down to a bit more of the normal levels in this environment.

<Q – Trevor Stirling – Bernstein Autonomous LLP>: Super. Thank you, Ulrica.

<A – Cees 't Hart – Carlsberg>: Thanks, Trevor.

Operator: Thank you, Trevor. The next question will be from the line of André Thormann from Danske Bank. Please go ahead. Your line now will be unmuted.

<Q – André Thormann – Danske Bank A/S>: Thanks a lot for taking my question. Just two for me. First of all, on the comment around China, you mentioned that the market was declining, I wonder whether you could give a number to how much the market was declining in China. And my second question is in terms of pricing in Western Europe. Just to be sure, do you assume one or two rounds of price increase for 2023? That's all from me. Thanks.

<A – Cees 't Hart – Carlsberg>: Thank you very much and good morning, André. With regards to China, year-to-date February, I have a figure of that, the market was declining by 2%. And again, our volumes were up 4%. You could argue – I don't have the market figure of March, but we also saw stronger growth in March than in January-February. But looking at the market shares, we are outpacing the market at this moment of time.

Then, with regards to pricing in Europe, basically with regards to one or two, at this moment of time, we look at the further development of the commodity prices and other input prices, including, of course, in terms of salary and wages. And it depends country by country. But yes, in some markets, we are planning another price increase in H2, but again, it will be with the variations between markets.

<Q – André Thormann – Danske Bank A/S>: Thanks a lot.

<A – Cees 't Hart – Carlsberg>: Thank you, André. Good morning.

Operator: Thank you, André. The next question will be from the line of Laurence Whyatt from Barclays. Please go ahead. Your line now will be unmuted.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Good morning, Cees and Ulrica. Thanks for the questions. Two for me, please. In terms of your COGS expectations for the year, I think earlier – towards the end of last year and earlier this year, you were expecting COGS inflation this year to be in the low teens. Is that still the expectation now that we are now a quarter further into the year? And further to that, if you were to keep spot rates or quantities at current levels, would you expect to see negative COGS inflation in the FY 2024 year?

And then secondly, in terms of the guidance range that you've given, what are the major risks to the low end to the guide? What would need to happen for you to hit that sort of minus 2% level? Is the main risk sort of European volumes on the back of the reasonably high price increases? Thank you very much.

<A – Cees 't Hart – Carlsberg>: Thank you, Laurence, and good morning. Ulrica, over to you.

<A – Ulrica Fearn – Carlsberg>: Yes, I'll comment on the COGS question. So, yes, we do see low-teens for 2023 still in terms of increase. And as you know for – looking forward, our financial policy is that we hedge 12 to 15 months forward and therefore that's what we're seeing in 2023. When it comes to moving into the

next year, we are currently hedged a very small proportion or 20%, 25% of commodities. So, the judge is still out there and it's too early to comment on the full year of COGS therefore.

<A – Cees 't Hart – Carlsberg>: And with regards to the guidance we had at the beginning of the year, three elements of risks. That was Europe, China and Ukraine. China due to a very good start, we see not as a risk anymore. Europe and Ukraine indeed still a risk. And with regards to being at the low end of the guidance, there could be, of course, a disruption, a major disruption in Ukraine, and that would indeed bring us to the negative 2% and/or a situation in Europe, obviously further downtrading or reduced volumes or a big change in the channel mix. So, these are the kind of risks that we took into the guidance.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Understood. Thanks very much. Maybe, Ulrica, just in terms of the hedges that you've taken, you said you took about a quarter of a year, are those hedges then below the level that you've seen in 2023 for the same period?

<A – Ulrica Fearn – Carlsberg>: Well, in general, the commodity prices are all coming down. There are also, of course, other cost in our cost base that we have to take into consideration, but in general, the commodity prices seem to be coming down.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Thanks very much.

<A – Cees 't Hart – Carlsberg>: Thank you.

Operator: Thank you, Laurence. [Operator Instructions]. The next question will be from the line of Søren Samsøe from SEB. Please go ahead. Your line now will be unmuted.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Yes. Good morning, Cees and Ulrica. Søren from SEB. Two questions from my side. First, if we circle back to the question on volumes in Western Europe, I guess it's fair to say that you have easy comps in terms of that great part of Europe was closed down in the first part of Q1 last year. So, what would be sort of an adjusted number, a fair number for volume in Q1 if you adjust for this easy comp? And how should we then see the run rate of volume growth in Europe going into Q2, assuming that the consumer is relatively unchanged?

And then the second question is, in terms of input cost, we are seeing glass prices being at very high levels until recently. Is anything starting to happen there in terms of what you need to pay for glass or bottles? Thank you.

<A – Cees 't Hart – Carlsberg>: Thank you, Søren, and good morning. With regards to the 13% of revenue per hectoliter, as we said earlier, I mean, of course, that's also based on the volume, one-third was due to channel and country mix and the other two-thirds were due to last year's pricing and price increases. And with regards to the volume, we had a slightly negative volume. Also had to do with the ending of the franchise deal from Estrella in the UK. But as we said earlier, we do not see Q1 as a predictor for the remainder of the year. So, it is relatively uncertain how the – based on the price increases we took – how the volume will develop. Q1 2022, however, when we talk about the volumes specifically, that was a very strong quarter based of course on the reopening of the on-trade. At that moment of time, we were 15% ahead of the previous year. So, the volume of minus 1% given the Estrella Damm franchise deal that stopped and again a very strong quarter last year was, in our view, a strong start, but not a predictor for the coming months.

<A – Ulrica Fearn – Carlsberg>: In terms of the energy question, I mean, in general, in energy, we do hedge as much as possible our energy use and that's mainly then in Western Europe as in many other markets there was not an open market. And fuel we also hedge where possible. So, consequently in general, our energy needs source of 2023 is hedged or priced by local authorities.

You mentioned glass and packaging. We secure that through long-term supply contract with our major suppliers. And in those contracts, there is specifically a pass-through of costs like energy. And as most of our suppliers hedge that energy prices, we see a sort of similar increase on commodities due to their hedging of energy during 2023. So, it's the pass-through and the energy in the pass-through in the glass is also delayed.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Okay. Thank you.

<A – Cees 't Hart – Carlsberg>: Thanks, Søren.

Operator: Thank you, Søren. The next question will be from the line of Jared Dinges from JPMorgan. Please go ahead. Your line will now be unmuted.

<Q – Jared Dinges – JPMorgan Securities Plc>: Hi guys, a couple on China for me. First, I wanted to ask about the Wusu brand. I may have missed it, but I don't think you've mentioned that. Any colour on trends there would be helpful. And then second, can I just confirm that you said that you're guiding to mid to high-single digit revenue growth in China this year? And if that is the case, given you talked about double-digit price mix in Q1, I'm just trying to think about how you guys are thinking about price mix for the remainder of the year relative to volumes? Thanks.

<A – Cees 't Hart – Carlsberg>: Thanks Jared, and good morning. With regards to the Wusu brand, we had a weak start of the Wusu brand in – especially outside Xinjiang, so more towards the centre and the east of China. That had a lot to do with the impact of COVID and also with the less fast reopening of the night entertainment in that part of China and especially in our big cities. So, Wusu has had a relatively slow start.

With regards to the expectation of net revenue, we indeed expect the mid-single to the high-single digits. When we talk about the mix, the volumes were up 4%, but also the net revenue was up by 4%. The net revenue per hectoliter was impacted a bit by the channel mix and the brand mix. So, you should, I think, expect that also with some price increases we did in February, that we have some positive mix in that and that all results then to the expectations mid-single digit, high-single digit.

<Q – Jared Dinges – JPMorgan Securities Plc>: So, for Q1, you're saying price mix was flattish in China.

<A – Cees 't Hart – Carlsberg>: Price mix, Q1, we had organic growth of 4% in volume and in revenue.

<Q – Jared Dinges – JPMorgan Securities Plc>: Perfect. Thank you.

Operator: Thank you, Jared. The next question will be from the line of Thomas Petersen from Nordea. Please go ahead. Your line will now be unmuted.

<Q – Thomas Petersen – Nordea Bank (Denmark)>: Hi. Good morning, Cees. Good morning, Ulrica. So, two questions from me. The first one is regarding the alcohol-free beer, that's declining 6% in Q1, the same as in Q4. Could you maybe please put some comments on what you're seeing here? And then the second one is regarding France, where I understood that you're not seeing any down trading now, but premium volumes are actually growing here. Is that due to easy comps or has something changed? It was my understanding also that in France, you saw some signs of down trading and at least mainstream brands growing. Thank you.

<A – Cees 't Hart – Carlsberg>: Thank you and good morning, Thomas. With regards to AFB declined by 6%, that was for this quarter mainly due to lower sales in France. So, we had less promotions in Tourtel in Q1 and less sales in Poland. In Poland, probably it is a pricing issue. So, when you see what the price premium between alcohol-free beer and the CSD is. That's relatively high and especially in price sensitive areas that could start to have some impact on this segment.

We also had some soft volumes in Export & License markets in the Middle East, which are quite sizable alcohol-free beer markets and hence impacted the decline for Q1. I think it's a bit too early to come to any conclusion on the category. We need to wait for Q2 and Q3 this season, but it could be an element what I said earlier of price sensitivity vis-à-vis the CSD segment.

Then France, France in general, we had a good start of the year. Of course, it was a bit influenced in France with regards to the negotiations, which as you know, are quite cumbersome. That's quite a cumbersome task to really come to an agreement with the retailers. The volumes were up low-single digit, the revenue per hectoliter was positively impacted by price and channel mix.

In general, referring to the price negotiations, they closed successfully after difficult negotiation and the price increase will come into effect in the coming months. And with regards to the premium brands, the development of the premium brands is slowing a bit, but still continuing. But indeed we see still good momentum for our Kronenbourg brand, which basically is, as you know, mainstream.

And more maybe to say on France is that towards the end of the quarter, we saw some softness in the off-trade and hence we are basically looking forward to the start of the season and to see what kind of underlying elements or underlying trends will develop after also the price increases – significant price increases – in France. The good news for France how we see it is that we have been able to reach agreements with our trade partners, with the retailers. And that was, of course, an element of nervousness at the beginning of this year.

<Q – Thomas Petersen – Nordea Bank (Denmark)>: Okay. Thank you.

<A – Cees 't Hart – Carlsberg>: Thank you, Thomas.

Operator: Thank you, Thomas. As there are no more questions, I will hand it back to the speakers for any closing remarks.

Cees 't Hart, President & Chief Executive Officer, Carlsberg

Excellent. And thanks for the final question and all the other questions for today. Thank you for listening in and thank you for your questions. We are looking forward to meeting some of you during the coming days and weeks. Have a nice day. Bye-bye.

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