CARLSBERG A/S Q1 2024 CONFERENCE CALL

Corporate Participants

Jacob Aarup-Andersen – Chief Executive Officer, Carlsberg A/S
Ulrica Fearn – CFO

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome and thank you for joining the Carlsberg Q1 2024 Trading Statement Conference Call. Throughout today's recorded presentation, all participants will be in listen-only mode. The presentation will be followed by a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Jacob Aarup-Andersen, CEO. Please go ahead, sir.

Group CEO Jacob Aarup-Andersen

Thank you very much. And good morning, everyone, and welcome to Carlsberg's Q1 2024 Conference Call. As said, my name is Jacob Aarup-Anderson, the Group CEO and I have with me, CFO, Ulrica Fearn; and Vice President Investor Relations, Peter Kondrup.

Let me begin by summarizing the key headlines for the quarter. First of all, we delivered a solid start to the year. We saw good growth for our key strategic growth drivers, such as premium beer and growth in Asia, and we maintained the earnings guidance for the year. Finally, we have this morning announced a new quarterly buyback program amounting to DKK 1 billion. I will provide the key group headlines for the quarter and then Ulrica will take you through the regions and the full year outlook.

Let's turn to slide number 3. We delivered 6.4% organic revenue growth driven by organic volumes of 2% and an increase in revenue per hectoliter of 4%. The volume growth was mainly driven by some of our key markets, such as China, India, Laos and Ukraine. All three regions achieved mid-single-digit increases in revenue per hectoliter That was a result of positive brand mix, positive pricing to offset cost increases and rollover benefits from last year's pricing actions in some of our markets. Reported revenue was DKK 17.1 billion, which is an increase of 4.4%, impacted by currency effect of minus 2.6%, which mainly related to the Chinese and the Laotian currencies.

Please turn to slide 4 and an update on some of our strategic priorities. In February, as you hopefully recall, we launched Accelerate SAIL with updated higher long-term growth ambitions. Since then, we've been combining planning and implementation mode. And let me share some details on the progress so far.

We started the step up in commercial investments, both in marketing and in sales. The higher marketing investment will mainly be in support of our premium brands, while the higher sales investments will mainly be increased distribution in certain Asian markets. We also indicated that we aim at returning gross margins to the levels we saw in the years prior to the pandemic of around 48% to 50% when excluding Russia.

We'll deliver the first improvements this year. But as this will require significant efforts, we are still operationalising many of the initiatives. As we said in February, coming out of several quite turbulent years, as an organisation, we now need to become more long term in our thinking and planning and nurturing a growth mindset.

Therefore, a few weeks ago, the extended leadership team, which is made up of the executive committee, the managing directors in our markets, and senior managers from the central and regional functions, we all came together to discuss culture and how to instill and nurture an even stronger growth mindset in our more than 30,000 colleagues.

Of course, at the same time, maintaining our strong performance management and cost culture, which has served us so well and is at the core of our DNA. I must say that I'm very encouraged by the engagement, the commitment from everyone in the leadership team. And I'm confident that we'll be able to develop and drive a growth culture across the organization. To further drive the growth mindset balanced with a continuous focus on cost, we've increased the weight of the revenue KPI and incentive schemes.

Now, before going into the regions, let me comment on the changes to the management team that we announced this morning. After a very long career at Carlsberg and before that Scottish & Newcastle, Graham Fewkes have decided to retire from his role as Executive Vice President Western Europe. However, I'm very pleased that Graham has agreed to stay with us as special adviser to me with a main focus on partnerships.

Søren Brinck, who's currently heading up Group Commercial and Strategy, will take over the responsibility for Western Europe. Søren has been with us for many years, during which he has held multiple management roles in Copenhagen in various markets across Europe and in the Asia region. Given Søren's strong track record and long experience, this is going to be a very seamless transition.

To ensure the right focus on our commercial agenda in support of Accelerate SAIL, we will split the group commercial and strategy role in two. One with responsibility for sales and strategy and one with responsibility for marketing, with both roles being part of the executive committee. We are delighted that Anders Roed, who's currently our Managing Director in France, has accepted the position as Group Strategy and Commercial Officer. And we're in the process of hiring a chief marketing officer. Finally, to ensure we have the right capabilities in the Executive Committee, our Chief Information Officer will join the Executive Committee.

Now, moving back to the results and let's go to slide 5. Total premium beer portfolio grew by 8%. This growth was mainly driven by some of our key Asian growth markets, such as Vietnam and China, as well as Ukraine, Serbia and Poland. Alcohol-free brew volumes grew by 7% in Western Europe, supported by dry January activations. We saw a good growth across the Nordic markets, in Poland, Germany and also in the UK. We also saw double-digit growth in Central and Eastern Europe, but this was offset by lower volumes in some export and license markets, particularly in the Middle East. Consequently, total alcohol-free brew volumes grew by 2%.

Going to slide 6 and looking at the international brands. Total Carlsberg volumes grew by 15%. That's a result of very strong growth in premium markets such as China, India, Ukraine and Vietnam. Volumes also grew in the large mainstream markets of the UK and Malaysia. We rolled out a new communication campaign for Carlsberg across all of Carlsberg's 120 markets with the tagline "Do the best things begin with curiosity? Probably". It's already premiered in Hong Kong on April the 1 and will go live in the UK tomorrow.

Tuborg grew by 8%, supported by growth in premium markets such as China, Vietnam, India, Italy and Croatia, and in several of our license markets, including Turkey, although volume growth there to some extent was on the back of easy comps from last year's earthquake.

Looking at 1664 Blanc, here, we achieved good growth in both Western and Central and Eastern Europe and in Asia, including China, Vietnam. We recently launched the brand in several markets, including the UK, Switzerland, Germany and Italy. We released a bold and technologically advanced new communication campaign using the well-known tagline "Good Taste With A Twist", embracing the sense of style and fashion associated with this iconic French brand.

As you can see on the slide, total volume development for the brand was flat due to lower volumes in certain export and license markets. Albeit from a low base, the Brooklyn brand delivered very good results in Central and Eastern Europe and in some license markets. This was offset by lower volumes in Western Europe, leading to a total brand volume development of minus 1%.

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

CFO Ulrica Fearn

Thank you, Jacob, and good morning, everyone. So, please turn to slide 7 in Western Europe. So as you know, Q1 is our smallest quarter in Western Europe and it accounts for around 20% of annual volumes. And volumes in the quarter increased slightly by 0.2% as volume growth in several markets was offset by lower volumes in France and Norway. And there was no material impact from Easter, due to bad weather during the holiday.

Organic revenue growth was 5.1%, thanks to revenue per hectoliter increasing by 5%. And this increase was mainly due to price increases last year and price increases in Q1. But it was also supported by the inclusion of excise duties on Kronenburg 1664 in the UK, the impact from this accounted for around 180 basis points of the regional revenue per hectoliter increase. Reported revenue growth was 6.6% and that was positively impacted by the appreciation of the Swiss, British and Polish currency.

Looking at the markets in Western Europe and starting with the Nordics, we saw good growth for the premium and soft drinks portfolios in all markets except Norway and very good growth for alcohol-free brews across all markets. Consequently, revenue per hectoliter benefited from price increases and a positive portfolio mix and we strengthened our market share in beer across the markets.

It was a bit of a tough start to the year in France where the market is in decline and we are seeing intensified competitive behavior in the market. Our volumes declined, but we improved revenue per hectoliter by mid-single digits, thanks to value management, fewer promotional campaigns and a positive mix. In July to September, we’re excited to be the official alcohol-free beer supplier with Tourtel Twist to the 2024 Paris Olympics.

Our beer volumes in Switzerland grew by low-single digits, while also volumes declined driven by the loss of the partner brand in CSD. The Swiss beer market remains soft and is currently not premiumizing, which did not benefit our premium portfolio in Q1. Our core beer brand, Feldschlösschen, did well with volume growth in the mid-single digit.

And following some tough years in Poland, we started the year well. Volumes grew by low-single digits, driven by very strong growth for some of our premium brands, in particular Zatecky and Grimbergen and also positive performance for alcohol-free brews.

And supported by good performance of Carlsberg Pilsner and the takeover of the Kronenbourg 1664 brand in the UK market, volumes in the UK grew in Q1. We also saw good growth for Somersby in the Beyond Beer segment, while an increasing number of brands in the premium world beer segment challenged volumes for Brooklyn and Poretti. We launched 1664 Blanc in February in connection with the London Fashion Week, for which the brand was the principal partner. It’s still very early days, but initial results are encouraging.

Now, please turn to slide 8 and Asia, where volumes grew by 3.1%, driven by growth in China, Laos and Malaysia, partly offset by continued volume decline in the Sting energy brand in Cambodia. Revenue per hectoliter improved by 4% as a result of premiumization and price increases. Organic revenue growth was

7.6%, while reported revenue declined by 0.6% due to an adverse currency impact, which mainly related to the Laotian and Chinese currencies.

In an estimated flat Chinese beer market, our business delivered 5% volume growth thanks to well-executed Chinese New Year. We saw good growth for the international premium portfolio, including Carlsberg, Tuborg and 1664 Blanc, and for the core beer portfolio, in particular Chongqing, Dali and Wusu. Our market share improved, supported by good performance in off-trade and big cities.

The Vietnamese beer market remains difficult, with an estimated mid-single-digit decline. On the back of very strong comps, our volumes were flat. We continued to expand our distribution network as part of our expansion strategy in the market, and we saw very strong growth for our international premium brands.

And although the macro economy in Laos remained challenging, our volumes continue to grow, thanks to good results for the soft drinks business. We also saw good growth for the local premium beer portfolio, while core mainstream beer volumes were flat. Revenue per hectoliter was very strong due to multiple price increases in the highly inflationary environment. And in Cambodia, total volumes declined due to the slowdown of non-beer products, particularly energy drinks.

Slide 9 and Central & Eastern Europe and India, or CEEI, as we refer to it, where we saw volume growth in the majority of markets leading to an organic volume growth for the region of 2.2%. We saw particularly strong growth for the premium beer portfolio and energy drinks. Revenue per hectoliter improved by 5%, positively impacted by price increases, taken last year and also in Q1, and also positive category mix. Organic revenue growth was 7.3% and due to positive currency impact, reported revenue growth was 8.6%.

Ukraine was subject to intense missile and rolling attacks in Q1, which of course impacted the beer market. In addition, the mobilization of military personnel intensified and the macroeconomy continues to decline, eroding purchasing power. In this context, the market declined by an estimated 2% in the first quarter, while our volumes increased by low-single digits. The growth was driven by strong results for premium beer and alcohol-free brews, including for brands such as Tuborg, 1664 Blanc, Carlsberg, Garage, Lvivske, and also benefited revenue per hectoliter.

In Kazakhstan, the market declined impacted by high inflation and bad weather in February. Our volumes increased by mid-single digit percentages, driven by strong growth for energy drinks, while beer volumes declined. Revenue per hectoliter improved, supported by price increases.

Our Indian business delivered double-digit volume growth ahead of the market, with good market share development in many states. We saw very strong growth for the premium portfolio in particular Tuborg. The revenue per hectoliter improvement was in the middle-single digit, supported by price increases and favorable state and product mix.

In our export and license business, Carlsberg and Tuborg delivered a strong growth supported by easy comparables in Turkey due to the earthquake last year. 1664 Blanc grew in several markets, but this was more than offset by lower volumes in certain markets, mainly in South Korea where our volumes were impacted by a challenging, competitive environment and a decline in the international premium category. Alcohol-free brews were impacted by lower depletion in some markets. Total export and license volumes declined.

So, please go to slide 10 and the earnings outlook for the year. The outlook and key assumptions remained unchanged compared to when we gave guidance in early February. So, although we’re now four months into the year, we still have the important summer months ahead. And while inflationary pressures have moderated in most markets, consumer behaviour in many markets remain uncertain.

We continue to expect a moderate increase in our total cost base.

And as already mentioned by Jacob, we are increasing our commercial investments in support of the Accelerate SAIL growth priorities. And while keeping the ratio SG&A/revenue flat, we intend to increase absolute sales and marketing investments, the latter by more than 10%.

As a consequence of all this, we maintain our earnings expectations for 2024: Organic operating profit growth of 1% to 5%. And based on yesterday's spot rates, we assume a currency impact on operating profit of minus DKK 250 million, compared to previous expectations of minus DKK 100 million. And the change is mainly due to the Chinese and Laotian currencies.

Assumption for net finance costs, excluding FX, tax rate and CapEx are unchanged at DKK 1.1 billion, 21%, and around DKK 5 billion, respectively.

And slide 11, please, and then the share buybacks. Due to the group's strong financial position, we have announced a new quarterly buyback programme, amounting to DKK 1 billion. It will be running from the 30th of April to the 9th of August 2024. And as always, the Carlsberg Foundation will participate in the share buyback on a pro rata basis. Further details can be found on page 4 in the Q1 trading statements.

But with that, I'll hand back to you, Jacob.

Group CEO Jacob Aarup-Andersen

Thank you very much. And let's turn to slide number 10. Thanks, Ulrica. Before opening up for Q&A, let me just summarize from our perspective. So, first of all, we delivered a solid start to the year. Good growth for our key strategic growth drivers such as premium beer and growth in Asia. We're maintaining the earnings guidance for the year – it's early in the year, as Ulrica said. And we have announced a new quarterly buyback program amounting to DKK 1 billion.

As usual, for the Q&A, we'll limit the number of questions to two per person so we can ensure that as many as possible get a chance to get through. After your questions, of course, you are more than welcome to join the queue again.

With this, I think we're ready to take questions. Over to you, operator.

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, at this time, we will begin the question-and-answer session. [Operator Instructions] If you're using a speaker equipment today, please lift the handset before making your selection. [Operator Instructions] The first question comes from Simon Hales from Citi. Please go ahead.

<Q – Simon Hales, Citi >: Thank you. Morning, Ulrica. Morning, Jacob. Morning, Peter. So, two for me, please. Could I sort of ask you a little bit more about China? Clearly, there's been some mixed message from other beverage companies around risk to consumer demand in the consumer demand in the market. You've clearly outperformed your beer peers in Q1. You know, you highlighted a well-executed Chinese New Year. Wondering if you could just talk a little bit more about some of the details that drove your success, both in international and in the domestic portfolio there? And also related to that, what's the mid-single-digit volume growth that you reported 5% for Q1? Was that still the run rate when you exited the quarter in March? So that was the first one.

And then, secondly, I wonder if you could just talk a little bit more about the activation plans you have as hopefully we head into a warmer spring summer season in Europe. You know, potentially around how you plan to activate the portfolio around the summer of sport that we've got coming up? You mentioned your sponsorship in alcohol-free of the Olympics. But I wonder how you'll try to capitalize on these events given you're a main beer sponsor.

<A – Group CEO Jacob Aarup-Andersen >: Thanks, Simon. Let me take those. First of all, starting in China. Yeah, no, listen, as you say, we're pleased with the way we started the year in what continues and remains to be a tough environment. No doubt about that. And if we look at the first quarter, you are right, it was a well-executed Chinese New Year with the 5% volumes. If we look at it, big cities and premium grew faster than average. And, of course, that's key. So when you're asking about the details, I think it's also key in terms of looking at the overarching Accelerate SAIL strategy on China, where we said that our focus is on especially building out our big city strategy, and going deeper in the existing cities and activating them in a different way with a different thrust around our sales force investments, but also more directed marketing efforts. And we're seeing that in Q1 with big cities growing faster than the rest of the portfolio. Of course, pleasing with that comes also a better mix. In general, big cities are more premium than our traditional strongholds. And therefore, you're seeing premium come with that. So we continue gaining market share. I think we, of course, were pleased with that. But as you also know, we view very much China as a market where we are less focused on the macro, but more focused on driving our internal expansion plans and market share growth trends. And just on big cities, we are now in 99 cities. So there is still on expansion pace here. I think the last time we spoke we were at 91. That doesn't change the fact that we will continue to focus more on the high potential existing cities, but we will continue to seed new cities.

You asked about the run rate out of the quarter. I appreciate the question. But you also know we never answer. I'm not going to give you the run rate out of the quarter, but what we've said is at the beginning of the year, the volume growth we saw last year in 2023, which was 5%. That's not a bad estimate of the plus minus the range we're looking for this year. So, with 5% in the first quarter, I think that's not far off our expectations for the rest of the quarter ... sorry, rest of the year. And, of course, with that comes the uncertainty around the Chinese consumer. You also know from the statements we made in the past, we don't have any heroic assumptions around the Chinese consumer in our numbers.

Then, on the European question, in terms of activations. I can't be super specific because that's a competitive thing as well. We cannot be too open with all of our competitors listening to this call as well. But, of course, we have been quite clear that we are – in terms of when we look at activation, so, both marketing and direct sales spend, we're tilting Western Europe a little bit more towards the summer months due to the big events that we're seeing. So, of course it's a big focus that we're building around them. As Ulrica mentioned, we are the official alcohol-free beer of the Paris Olympics with Tourtel Twist. We also have a number of other summer activations. We're also the official sponsor of the Tour de France with the same brand. We, of course, will activate the euros across many of our geographies. Most of our stronghold countries are participating, so there'll be big activations. Germany is less important from that perspective. Of course, you know, we are in Germany and have a decent position. But it's actually the activation across all of the countries in Europe that will be interesting in the four to six weeks running up to the event, during the event of course as well. You will see heavy activation around our sports position brands such – especially such as Carlsberg – in main markets and local mainstream champion brands as well. And then around the sporting events, of course, we will be pushing alcohol-free, especially Tourtel Twist given the French angle here.

But activations this year, there will be a slight tilt, increased tilt towards the summer months simply due to these big sporting events. I think I'll leave it at that, so I don't start being too specific on the competitive environment. And, yeah, thanks Simon.

<Q – Simon Hales, Citi >: Thank you, Jacob.

Operator: The next question comes from Søren Samsøe from SEB. Please go ahead.

<Q – Søren Samsøe, SEB >: Yes, good morning, Jacob and Ulrica. First question on India, so quite strong double-digit volume growth in Q1. I guess that capacity constraints is not a problem in Q1. But could this hold back growth in Q2 and Q3 in India, you think? And then regarding input cost, they have come up a bit lately. If you look at the spot markets, especially aluminium. Would that have an effect on you in 2024 or is that more a 2025 effect? And also, will that impact equally in both Europe and Asia, or is there a tilt towards any of the regions? Thank you.

<A – Group CEO Jacob Aarup-Andersen >: Thanks, Søren. Let me speak to India and then Ulrica will speak to the input cost development. So, if we take India just to take the colour on that. So, we had low-teens volume growth, around 20% revenue growth in India. So, it's a very strong growth in the quarter. We estimate the market should be growing around 5% in the quarter.

Our revenue per hectoliter is driven by price increases and brand mix. So, both of those effects are coming in. The market share improvement we're seeing – we're seeing a slight margin improvement – that's driven by Tuborg Strong, Carlsberg Elephant and Tuborg Classic. So both Tuborg and Carlsberg are really driving this.

It wasn't an even quarter in the way that there was weakness at the end of the quarter north simply due to poor weather, which you may have noticed, especially three of our regions, Utar Pradesh, Haryana and Rajastan. But otherwise, definitely a quarter that was approved with that growth profile.

In terms of capacity constraints, no, we didn't feel that in the quarter. It's of course, holding back some growth on the margin. But, overall, we expect to continue to see strong growth, double-digit growth in India for this year. So, it's more on the margin that capacity constraints will be holding us back. As you know, we're in the process of resolving the ongoing dispute we have, and that, of course, will release even more our ability to increase capacity. But don't see it as a major hold back for Indian growth going forward.

<A – CFO Ulrica Fearn >: And on the costs, we continue to expect what we said a quarter ago, flattish COGS per hectoliter in 2024. And there are, I can say upfront, large variations between markets and regions. And we won't comment on any variations between those. But you're absolutely right. Aluminium has come down first and now it's coming back again in the recent weeks, as you mentioned.

And we are currently about 90% hedged for the main commodities for 2024. So that impact will have a bigger impact on 2025 as that flows through.

<Q – Søren Samsøe, SEB >: Thank you.

Operator: The next question comes from Andrea Pistacchi from Bank of America. Please go ahead.

<Q – Andrea Pistacchi, Bank of America >: Yes. Hi, Jacob and Ulrica. Two, please. The first one going back to China. So, Chongqing Breweries about a month ago provided guidance of, I think, mid- to high-single-digit revenue growth for this year. So the drivers of this growth for the full year sort of similar to what you've seen in Q1, so share gains in cities continued good performance in your strongholds. And would you expect, therefore, to drive positive mix in China this year? And if I may, on China, to complete the question. I know you said you don't depend – you're not depending much on the macro. But is therefore this guidance for Chongqing breweries really not too dependent on the macro? Therefore, I imagine you have a relatively high level of confidence on this. Please.

And then my – my second question is on Europe. You called out, I think, intensified competitive behavior in France. So are you seeing anything unusual there or are there other markets also where you may be seeing higher promotional intensity? Thank you.

<A – Group CEO Jacob Aarup-Andersen >: Thank you, Andrea. Let me through China and then Ulrica will speak to the competitive intensity of France. So yes, you're perfectly right. The Chongqing guidance given was mid- to high-single-digit revenue growth. I know you're an avid listener, so you also know that I said to Simon's question, I was talking about volume growth. And so those two also square when you look at the slightly improving revenue per hectoliter as well.

And it is the same. We do expect the same trends for the rest of the year that we've seen in the beginning of the year. So, share gains in the big cities, but also continued underlying growth in our traditional strongholds. But we have to say the base case is that the big cities grows more than the strongholds. And with that also comes a positive mix impact. We saw that positive mix impact in Q1 with premium growing more. And as you know, because you know our business very well, of course, the big cities, we have a higher premium mix there. So, there is a positive mix impact coming through that.

On the macro side, yes, we don't see our business plans being dependent on macro developments. Of course, I'll have to give the disclaimer that if the Chinese economy completely deteriorates from here, of course it's going to have an impact on our business. Anything else would be stupid to say. But at these levels, we are not relying in our plans for a pickup in the Chinese consumer sentiment.

We are managing to grow share and grow our business in this environment, and that's what we're planning for. Then, if there is a significant improvement in consumer sentiment, I would assume that will be a tailwind to our business. But it's not something we're waiting for and hoping for.

And then over to Ulrica on France.

<A – CFO Ulrica Fearn >: Yeah. So on France. As I mentioned, it did start a little bit tough. Although we did see volume decline, I will mention that our revenue per hectoliter did improve. And our market share loss was more due to less promo in the beginning of the year than last year. But the pricing environment is tough in France, and we do see in this environment increased competition.

And in terms of how that pricing negotiations have played out and how they come out in the market, it's in the aftermath of that is where we see the increased competition.

<Q – Andrea Pistacchi, Bank of America >: Thank you.

Operator: The next question comes from Olivier Nicolai from GS. Please go ahead.

<Q – Olivier Nicolai from Goldman Sachs >: Hi. Good morning, Jacob, Ulrica and Peter. Just a follow-up again on the pricing environment. So, yeah, recent, I think in this interview this morning, you mentioned total costs rising slightly and that you will need to cover this increase with the price increase. So regarding the pricing environment in Europe and aside from France, of course, do you expect a step up in promotional activity for the industry with all these big sporting events more than previous years? And do you see any reason why pricing for beer this year could be very different from CPI in Europe? Thank you.

<A – Group CEO Jacob Aarup-Andersen >: Let me take that one, Oliver, given that you were referring to the CNBC [interview]. No, listen, what I said this morning is completely in line with what Ulrica said. So, we're seeing flattish COGS and we're seeing total costs slightly up this year. And that's exactly the same we said with the full year results. So, nothing changed on that. And as I also said, our policy is – and that's not a forward-looking statement – that's simply just a statement on how we have been conducting our price increases. We will cover cost increases with price. That's how we've been operating over the last years, and that doesn't change. It is correct that there are some markets where there's intensified competition at the moment. That is fully accepted, and it's not a large drama from our perspective.

There are some markets with more promotional activity at the moment, but when we look at them and extrapolate into the summer and all the events here, we don't expect it to be tough promotional activity. But we do expect that people are doing a lot of activations which … there is a nuance around that, right, in terms of how you price in a promotional activity and how you price in activations.

So, we're not seeing a broad-based deterioration of the pricing environment, that's not what we're looking at. Some markets are a bit more – there's a bit more intense price competition. But then other markets, it's less. So, we're not seeing anything broad based that leads us to change our perspective on how things will unfold.

<Q – Olivier Nicolai from Goldman Sachs >: Okay. Thank you very much.

Operator: The next question comes from Laurence Whyatt from Barclays. Please go ahead.

<Q – Laurence Whyatt, Barclays >: Morning, Jacob, Ulrica, Peter. Thanks very much for the questions. A couple from me as well, please. Just going back to China. Just wondering if you saw any variation within the regions, the country, particularly in the sort of southeast versus what you see in the west?

And then secondly it's interesting to hear about your activation plans over the summer. I think, previously you've mentioned that you're not anticipating any improvements or any impact from either the weather, the European Championships or the Olympics on beer sales this summer. I'm just wondering if that's still the case, given the level of activations you're planning. Thanks very much.

<A – Group CEO Jacob Aarup-Andersen >: Thanks, Laurence. Always good to hear from you. Just on the China side. And I think referring back to previous discussions here on the call, we did see the big cities grow faster than the strongholds. But that's not an …. but we are growing in both sets of regions. So it's not that we are seeing any drama in terms of discrepancy between regions or in terms of performance. We are seeing higher growth in the big cities. But we are seeing continued solid performance in our strongholds. So, it's more a case of big cities coming back to better growth than stronghold's deteriorating. So, there's not a massive nuance there from a regional perspective.

In terms of the activation trends over the summer, I think maybe we'll agree to disagree. But I think we have been a little bit more bullish in the past that the way you described it. We do think there is some sort of element of positive volume growth coming out of Western Europe this summer from both easy weather comps and the sport events.

Of course, there's nothing worse than a CEO trying to predict the weather and we're not going to do that. But you can say from a data-driven perspective, of course last year was quite a significant outlier in terms of negative weather impact. And therefore, at least from a probability perspective, we would expect that to be … at least there is an upside there. That will have some sort of impact on our volume growth in Western Europe, a positive impact.

On the sports activations, we do think that if you look at the two big ones, we talked about here, in terms of the Olympics and the EURO, that the EURO will have an impact on our volumes. Olympics is more isolated to France, while EURO is truly a pan-European event. It's not like consumers across Europe will meet up to what specific Olympic events and drink beers with their friends. It's not the same type of event as it is for the EURO. So, we are assuming a slightly better summer in Western Europe than normal due to the easy comps and the sport activations.

<Q – Laurence Whyatt, Barclays >: Understood. Very clear. Thank you very much.

Operator: The next question comes from Mitch Collett from Deutsche Bank. Please go ahead.

<Q – Mitch Collett, Deutsche Bank >: Morning, Jacob. Morning, Ulrica. Morning, Peter. You had very strong growth for premium beer and the Carlsberg brand in particular in Q1. I think you give some geographic drivers of that in the release. but I'd love to get some color on how your execution and investment is driving that performance. And linked to that, how does that tie to your margin expansion this year and your ambition to restore gross margins to pre-COVID levels? Thank you.

<A – CFO Ulrica Fearn >: So I think that, I mean, as the premium beer and Carlsberg growing within that specifically at the premium end, it's very pleasing to see. I will say that we've already, as we said before, allocated and are pushing from a resource allocation and as well as financial allocations on marketing investment into those category and into that brand.

In terms of activation on Carlsberg, you hopefully will have seen our new campaign coming out. We will push Carlsberg in general, but, of course, the premium portfolio within that is what we are pushing even harder as we activate that campaign as it comes through. So very pleasing to see and yes, capital allocation is going behind that, and directly, we see impacting the relevance and the volume of that.

<A – Group CEO Jacob Aarup-Andersen >: I think you asked about margins in the end. I don't think we're going to comment on margin impact from Carlsberg. It's going to be too specific. So, sorry about that, Mitch.

<Q – Mitch Collett, Deutsche Bank >: No problem. Thank you.

Operator: The next question comes from Thomas Lind Petersen from Nordea. Please go ahead.

<Q – Thomas Lind Petersen, Nordea >: Good morning, guys. So also two questions from my side. So the first one is regarding the guidance, the 1% to 5%. I think you, Ulrica, back in February, you highlighted two main risks to this guidance. The first one was – was, of course, the European summer weather. And then the second one was the Chinese New Year.

And now, with the Chinese New Year well executed, I'm just wondering if all else equal, you're not in a much better place now, regarding operating profit growth and whether perhaps at least the lower end of that the guidance doesn't seem perhaps a bit too conservative.

And then the second one is regarding Chongqing, who reported yesterday or maybe just your China business. I think, the EBIT margin rose 2 percentage points to 26% in China. Can you confirm that? And – - and perhaps what – what is driving this strong profitability in China? That's my questions. Thanks.

<A – Group CEO Jacob Aarup-Andersen >: Hey, Thomas, and thanks for the questions. Just on China, you know, as a general rule, given that Chongqing as a listed company in China, we're not allowed to talk specifics around their margins. We can talk about it when we report margins and talk about China within the Carlsberg Group, but we cannot talk about Chongqing's margin, in general. So I hope you have understanding for that.

But, of course, you will have seen the statement and you can infer your own conclusions from it. But we are not legally allowed to go into Chongqing's financial accounts on calls like this. And then on the guidance, Ulrica.

<A – CFO Ulrica Fearn >: Yeah. Thank you. I think what we still see, as you heard that 1% to 5% is our realistic view of the year, and you mentioned Chinese New Year being behind us. That was one example that could swing it one up or one down. But as we sit where we are at the moment, there are many risks and opportunities that we see for the remainder of the year. And we're just sitting in front of the big summer months, and the consumer behavior in Europe is still a big question mark. Macro economy in China and Southeast Asia is still moving sideways. And of course, as Jacob mentioned before, there is the weather. So there are many, many moving parts. But as an example, you know, warm and sunny summer would get us to the top end of that, whereas cold and wet and some of these big activations and drivers that we've got won't get the effect that we are aiming for and takes us to the other side of the range. So the 1% to 5% is still a realistic view of the year.

<Q – Thomas Lind Petersen, Nordea >: Okay. Thank you very much.

Operator: The next question comes from Edward Mundy from Jefferies. Please go ahead.

<Q – Edward Mundy, Jefferies >: Morning, everyone. Two questions as well, please. The first is on alcohol-free beer. I think in Q1 last year, there was a comment that alcohol-free beers are struggling a little bit because the gap between alcohol-free beer and CSDs had basically widened too much. What's behind the stronger growth in alcohol-free beers in the first quarter in Western Europe? Is it a more deliberate push for yourselves? Is that, I guess, more consumer interest around dry Jan or the relative price points between AFBS and CSDs, have they narrowed? That's the first question.

And then the second is really around some of the management changes that, Jacob, you kindly walked through earlier. Can you talk a bit about sort of the chief marketing officer search that's ongoing? You know, what – what are you looking for, the internal, external? And then, you know, why are you keeping Graham on with a particular focus on partnerships? What's sort of the – what's the objective on that?

<A – Group CEO Jacob Aarup-Andersen>: Hey, Ed, thanks for the questions. Starting on the AFB side. So when you look at the 7% growth in Western Europe, that you were referring to, so we basically were more focused this year around dry January activations – something you're going to see us being quite focused on going forward. There's no doubt that there's momentum behind dry January and generally there's momentum around AFB. Especially within our portfolio, it's especially in the Nordics countries, Germany, UK, so Northern Europe and the UK.

And so, we'll continue to do that. The price points to CSD have not changed materially. So it's not driven by pricing action in general terms. And therefore, you know AFB is for us a structural driver. It's a decade-long structural growth driver, which we continue to push behind.

On the management changes. First on the CMO, it's a little bit hard to sit here and be very specific on how we're running that process and what we're looking for. But, of course, we are considering candidates externally and internally. We would always do that for any position. We have a very strong team here. On the other hand, we also need to make sure that we constantly renew and push ourselves with getting external talent in. So we look at both elements.

And there's no doubt that we have a very strong commercial culture at Carlsberg. That's also been a key driver behind our strong performance culture, which is also the reason why we've created a very clear role with Anders Roed coming in with strategy and commercial, so be being running our, say, go-to-market, in-market and in-store execution. And being a very seasoned operator, having run both Norway and France, two of our most important markets, etcetera. So were in no way are we diminishing our focus on sales execution, but we're upping the game in terms of our focus on marketing and brands to build even stronger brands in the future. And you can always send me your CV if you're up for it, of course.

You asked specifically around Graham. So, Graham is a legend. He's done incredibly well. A lot of people in the industry knows him very well. And Graham has for a while made it clear that he wanted to step down in terms of the number of hours he worked. And we have found this great solution where he stays as part of the team. So he's going to be a key advisor to me. Partnerships is one. But more general, I'm going to be of course using Graham across a number of themes as well.

So, partnership is a number of things. Graham's extensive experience in the industry, his amazing network. There's not a person in this entire industry that Graham doesn't know. It gives us a unique opportunity for

Graham to also build those longer term relationships that are needed in this industry. So that's a key focus for him. But it's going to be broad based. And Graham is in no way leaving us. He's just changing into a new position. And with that, I'm being advised by the team that we are taking the last question.

Operator: The last question for today's call comes from Trevor Stirling from Bernstein. Please go ahead.

<Q – Trevor Stirling, Bernstein >: Hi. Good morning, everyone. One quick question on China, Jacob. Can we go more to broader? The beer category in general and Europe business seems to be holding up much better than premium spirits. I was wondering if there's any perspectives on that? Is that because of affordability of beers, is it channel mix? Any color you can give on that would be very welcome.

<A – Jacob Aarup-Andersen >: Yeah. Thanks, Trevor. And there are two – if I have to point at two things. When you look at that comparison and of course with the utmost respect for the other categories. But first of all, beer is an affordable luxury. And so, premium beer is an affordable luxury. And even if consumers are feeling the pinch as they can still within their budgets afford to buy premium beer and enjoy social locations. So that's one key thing. The other element is that beer as a category has less nightlife and therefore is less impacted cyclically as well from what we're seeing right now, where given the consumers, given the current situation, we just see a little bit less nightlife in the mix than the normal. So, it's the affordable luxury part and it's the less nightlife.

<Q – Trevor Stirling, Bernstein >: Super. Thank you very much, Jacob.

<A – Jacob Aarup-Andersen >: Thanks, Trevor. Much appreciated.

Group CEO Jacob Aarup-Andersen

And that was the – the final question for today. So, thank you for listening in and thank you for your questions. Of course, looking forward to meeting some of you during the coming days and weeks. As always, reach out to our phenomenal IR team with any follow-up questions and until we speak. Have a nice day.