CARLSBERG A/S FY 2023 CONFERENCE CALL

Corporate Participants

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

Other Participants

Edward Mundy – Analyst, Jefferies International Ltd.
Trevor Stirling – Analyst, Bernstein Autonomous LLP
Andrea Pistacchi – Analyst, Bank of America
Laurence Whyatt – Analyst, Barclays Capital Securities Ltd.
Sanjeet Aujla – Analyst, UBS
Olivier Nicolai – Analyst, Goldman Sachs International
Mitch Collett – Analyst, Deutsche Bank AG (UK)
Simon Hales – Analyst, Citigroup Global Markets Ltd.
Søren Samsøe – Analyst, SEB Enskilda (Denmark)
Richard Withagen – Analyst, Kepler Cheuvreux SA (Netherlands)
Gen Cross – Analyst, Exane SA (United Kingdom)

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, welcome, and thank you for joining the Carlsberg Full Year 2023 Financial 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.

Jacob Aarup-Andersen, CEO

Thank you very much, and good morning, everybody, and welcome to Carlsberg's full year 2023 conference call and also strategy update. So, my name is Jacob Aarup-Andersen, and I have with me our CFO, Ulrica Fearn; and Vice President from Investor Relations, Peter Kondrup.

First of all, let me begin by summarizing the key headlines for 2023. We delivered a solid set of results in what we believe was a challenging environment. We saw continued volume growth, especially driven by Asia, and we delivered solid organic operating [profit] growth in line with expectations, while at the same time increasing our commercial investments.

As a consequence of our continued strong financial health, we are also today launching a new share buyback program of DKK 1 billion. And then, we are launching our refreshed strategy with higher long-term growth ambitions. I will start off by explaining our refreshed strategy, after which I will go through the key headlines for the year and the regions. Ulrica will then take over and explain the financials and the full year outlook.

So, let's turn to slide number 3. As previously confirmed, SAIL'27 remains the strategic frame for Carlsberg. It sets a clear direction, it's well understood, and it's well embedded across the company. I've made that very clear from day one. However, following some tough years due to well-known headwinds, it's also time to change our mindset to become more long-term focused. Therefore, the Executive Committee and the broader leadership team have conducted a strategic review of the SAIL’27 priorities.

The outcome of this review is Accelerate SAIL, signaling that we stay within the remit of SAIL’27, but that we will be zooming in on specific levers and enablers to accelerate growth. We want to truly be a growth company, and with Accelerate SAIL, we are ramping up investments in our brands, markets, capabilities and people to capture the many growth opportunities that we have identified. The starting point for Accelerate SAIL is strong. Carlsberg has great brands and market positions. And we also have a strong culture with an excellent cost mentality, providing us with a fantastic foundation to build on.

Slide 4, please. So, looking at our new long-term financial ambitions. As you saw from yesterday’s announcement, we have raised our ambitions for long-term top and bottom-line growth. We’re confident about the growth opportunities of Accelerate SAIL; and therefore, our new long-term ambition for organic growth is 4% to 6% CAGR, up from 3% to 5% previously. We will aim at growing organic operating profit faster than revenue; and by that, deliver long-term margin expansion. The baseline for our updated growth ambition is 2024 being the first year of Accelerate SAIL. There are no changes to our ROIC focus or our capital allocation principles.

To support our growth agenda, we will step up marketing investment levels in the coming years. Consequently, marketing-to-revenue will increase from the current levels of 8% to 8.5% to around 9% in 2027 and eventually to around 10%. We will also increase sales investments to strengthen route-to-market, specifically in Asia, in markets such as China and Vietnam and later India. However, we aim at keeping SG&A-to-revenue flat by continued tight cost control for G&A.

The higher commercial investments will be financed through gradually restoring gross margins to pre-COVID levels by implementing supply chain productivity improvements. Improving the gross margin will give us the capacity to both invest in our long-term growth opportunities and deliver earnings growth, even in this first year. CapEx-to-revenue will remain within the range of 6% to 7%. In the first couple of years, we expect to be at the high end of the range, as we will expand capacity in Asia and invest in commercial assets, sustainability and digital.

Let’s go to slide 5, please, and some more details on the Accelerate SAIL top line growth drivers and key enablers. Step-up in premium remains a key growth engine for us. We have attractive premium brands and portfolios, but nevertheless, we under-index in premium in most markets and premium only accounts for 20% of our total volumes and 24% of our beer volumes. This should be much more, and we will therefore allocate a large part of the increased marketing investments to premium and redirect internal resources to support premium growth. Accelerating premium growth will position our business in an appealing, virtuous circle of revenue growth and margin improvement, enabling additional growth investments.

Beyond Beer is still a very small category for us, accounting for 2% of total volumes. We believe that we can accelerate growth for this category, initially by leveraging the Somersby and Garage brands. We’ll be scaling those two brands faster through higher investments, brand building, innovation, footprint expansion and execution. In addition to Somersby and Garage, we will look at opportunities to expand our portfolio through partnerships and local brand extensions, leveraging our route-to-market.

Looking at the geographies, Asia remains the key long-term volume and value growth driver for Carlsberg. Our key growth markets in the region are China, Vietnam and India. In China, we will continue our growth journey, driven by premiumization in our strongholds in Western China and our Big City approach. We have a strong portfolio of local and international premium brands in China. Although our market share in premium is significantly above our average national market share, we see comprehensive opportunities for growth. And therefore, we will invest in the further development of our premium portfolio. In the big cities, we will expand further in existing core cities by building on a strong momentum and strengthen the route-to-market. In newer cities, we will continue to develop our position.

In Vietnam, we remain committed to the execution of our multiyear transformation strategy, where we are accelerating our growth momentum through increased investments in and execution for key brands, regions and capabilities. We are also confident about the opportunities in India but will await the resolution of the current ownership situation. In addition to China, Vietnam and India, we are evaluating which other markets possibly qualify for similar step change.

To facilitate and finance our growth ambitions, we have identified a number of key capabilities and enablers. We will invest in capabilities and improve tools, processes and digitization in commercial, in supply chain and transactional areas to transform our ways of working in these areas. Examples would include value management, sales execution, B2B, e-commerce and end-to-end supply chain management.

Carlsberg has a strong performance- and cost-focused culture. Maintaining this strong foundation, we are ready for the next step, developing a culture that is also growth-oriented and rewards calculated risk-taking. In support of this evolution, we will adjust leadership profiles and our ways of working and incentive programs.

A crucial element of Accelerate SAIL is Funding our Journey. That will provide the financial headroom for the increased commercial investments. In the coming years, the next phase of Funding our Journey will restore gross margins to pre-COVID levels by improving supply chain efficiency. Our ambitions are high, and we intend to address multiple areas. We will change our governance by anchoring responsibility and performance management of the supply chain savings in ExCom to ensure top leadership attention, fast execution and alignment between functions and regions and markets. Our incentive structures will be changed to reflect the increased savings ambitions.

A few examples. In procurement, we can enhance processes and alignment between central and local procurement and the commercial area. We will do value engineering and standardize raw and pack materials between markets. In the wider supply chain, we will improve through benchmarking and process standardization.

A lot of this may sound fairly basic, but after a long period of dealing with external shocks, there’s real upside from us refocusing our teams back on these levers, including building a strong and incentivized execution organization around delivering the savings. Looking at SG&A, as you know, we have successfully improved efficiencies during the past years, and we will maintain this focus and mindset, but with an increased focus on SG&A productivity.

So, to conclude on Accelerate SAIL, we are increasing our growth ambitions. The higher growth will be supported by commercial investments and changes in the allocation of resources, ways of working and our culture. We will finance the higher commercial investments through rebuilding the gross margin to pre-pandemic levels. As a result, we aim at delivering sustainable, long-term compounding earnings growth, attractive cash generation and ROIC.

Moving to the next slide, let’s turn to the 2023 results and a few financial highlights. First of all, volumes, they were slightly down for the year as the continued growth in Asia was not enough to offset the decline in Western Europe and Central & Eastern Europe. Thanks to the very good increase in revenue per hectoliter of 10%, revenue grew organically 9.2%.

All of our three regions contributed to the solid 5.2% organic operating profit growth with strong revenue per hectoliter improvement offsetting the significant cost pressures from higher cost of sales and marketing and additional sales investments in the second half of the year. Free operating cash flow was DKK 7.5 billion. This was a decline of DKK 2 billion year-on-year and impacted by currencies and negative contribution from total working capital and higher CapEx.

Looking at the cash returns to shareholders in 2023, the total amounted to DKK 6.9 billion, with dividends amounting to DKK 3.7 billion and share buybacks to DKK 3.2 billion. This morning, we initiated a new DKK 1 billion quarterly share buyback program, which Ulrica is going to provide more color on, including the proposed dividend for 2023.

Please turn to slide 7 and a brief update on some of the portfolio categories. As you just heard, growing our premium volumes is a key growth lever in Accelerate SAIL, being an important long-term value driver for the Group. In a tough environment, we are satisfied that the premium brand portfolio outperformed our core beer portfolio, which is a testament to the strength of our brands and a testament to the decision to focus even more on premium. The category grew by 1%, with improved market share in most markets.

In many markets across Europe, we saw good momentum for the alcohol-free category. Total volumes were up by 3%, with very strong growth seen in markets such as Ukraine, Greece, Serbia, Denmark and Sweden. France is our largest market for alcohol-free brews, but volumes here declined due to a resetting of promotional activities.

Let's look at slide 8 and our international brands. We saw good growth for Carlsberg in its premium markets, with total premium volume being up by 12%. The premium growth was driven by markets such as China, India, Vietnam and Serbia. Total Carlsberg volumes were flat, impacted by lower volumes in Poland and in the large mainstream markets of the UK and Denmark. Tuborg volumes grew by 3%, again, with Asia being the significant volume driver. We're very pleased to see the strong development for Tuborg in Vietnam in addition to China and India. Markets such as Ukraine, Greece and the Baltics also saw volume growth.

Compared with the strong growth in previous years, growth for 1664 Blanc was more modest in 2023. The 3% volume growth was thanks to strong performance in markets such as Ukraine, Vietnam, Italy, Serbia, Finland and Greece. Volumes in the large Chinese markets were down due to toughening consumer sentiment and lower sales in the nightlife channel, which was under pressure throughout most of 2023. The Brooklyn brand is developing very nicely. Albeit from a low base, volumes grew by 34%, with good growth seen in many markets across Europe.

Please go to slide 9 and a few highlights from our ESG program, Together Towards ZERO and Beyond. Our ESG program with its bold ambitions and targets for areas such as carbon, water, agriculture, packaging and DE&I, it's also a very important part of Accelerate SAIL.

Zooming in on two areas. We published our latest three-year analysis of our value chain carbon emissions in September. The analysis confirmed that we have slightly exceeded our 2022 target, which was set back in 2017. From our baseline year of 2015, we have reduced our full value chain carbon emissions by 16% compared with the target of 15%. We will continue our efforts to eliminate carbon emissions and are committed to our target of ZERO carbon emissions from our value chain by 2040.

The other area highlighted on this slide is DE&I, where we have now set targets for the share of women in leadership positions. We were satisfied to see that we reached the 2024 target of 30% women one year ahead of time. The management team at Carlsberg will work relentlessly towards improving the gender balance, not only because it's the right thing to do, but also because it makes business sense. We will publish our ESG report later today. It contains an abundance of information and data, and I can strongly recommend it.

Please turn to slide 10 and Western Europe, where volumes were impacted by a soft consumer sentiment and bad weather during the season, leading to an overall decline of 2.3%. We gained or kept market share in the majority of our markets, thanks to good commercial execution. Non-beer volumes grew by 0.7%, thanks to the growth of the soft drinks businesses in the Nordics.

Revenue per hectoliter increased organically by 11%, which was mainly impacted by price increases. Consequently, organic revenue grew by 8.9%. Revenue per hectoliter was impacted by 1% from the inclusion of excise duties following the termination of the Kronenbourg license agreement in the UK. The cost of sales per hectoliter in Western Europe increased by low-teens, which of course impacted gross margin negatively. However, as a result of the higher revenue per hectoliter and despite increased sales and marketing investments, operating profit grew organically by 3.3%, while the reported operating profit margin declined due to the lower gross margin.

Looking at the individual markets, volumes were flat in the Nordics. The beer markets were under pressure, partly due to bad weather during the peak season. We gained market share in all markets but Finland.

Although our volumes in France were down by mid-single-digit, we outperformed the market, supported by brands such as Grimbergen, Brooklyn and 1664. The Swiss market was impacted by soft consumer sentiment. We saw very good results for alcohol-free brews and for the local premium Valaisanne brand and 1664 Blanc. Our market share was flat.

The Polish beer market was tough in 2023, but we saw an improving trend in the second half compared to the first half. Our mid-single-digit volume decline was in line with the market. Our UK business delivered a solid performance in a challenging environment. We saw good growth for the premium Poretti and Brooklyn brands and alcohol-free brews. And we were very pleased to take over the Kronenbourg brand in June, following the termination of the license agreement.

Let’s go to slide 11 in Asia, where we delivered a good set of results. Beer volume grew by 5.1%, with particularly good performance in China, India, Vietnam and Laos. Non-beer volumes declined by 5.8% due to weak energy drinks volumes in Cambodia. Revenue grew organically by 8.4%, with a revenue per hectoliter increase of 5%, mainly as a result of positive brand mix and price increases.

Operating profit increased organically by 7.9%. That was positively impacted by the volume and revenue per hectoliter growth that more than offset a step up in commercial investments. Reported operating profit declined by 4.2%, mainly because of a currency impact of minus 12%.

Also here, some market comments. While we estimate that the Chinese beer market was flat for the year, we saw a gradual deterioration of the market during the year due to weakening consumer sentiment. Our growth trajectory remained on track with 5% organic volume and revenue growth. The flat revenue per hectoliter was due to our strong local mainstream brands outperforming the premium portfolio. Our premium portfolio grew by low-single-digit percentages. The growth of the local power brands was supported by increased domestic travels. Carlsberg, Tuborg and local mainstream brands, such as Chongqing, Wusu, and Dali, delivered solid growth rates. As just said, we are committed to our Big City strategy, which remains a key long-term driver. At this time, we are present in 91 big cities.

In Vietnam, it was a tough market in 2023. We estimate that the market decline was close to double-digit percentages. We’re therefore very satisfied with our results, with our volumes being up high-single digits, mainly as a result of our expanded market presence. That benefited both our international premium portfolio and the local mainstream Huda brand.

In India, we saw a good growth for Carlsberg and Tuborg, which led to high-single-digit volume growth. We gained market share in some states, while losing share in other states as our business was impacted by capacity constraints.

In Laos, volumes grew by high-single digits despite several price increases to offset the significant inflationary pressures. We saw a good growth in the premium version of the local Beerlao brand, from Somersby and from the soft drinks portfolio. In Cambodia, beer volumes grew, but total volumes declined due to weaker energy and soft drinks volumes.

So moving to slide 12 and Central & Eastern Europe, where the beer markets were impacted by bad weather during the peak season and high inflation. In addition, our regional volumes were impacted by the transfer of Kronenbourg 1664 in the UK to Western Europe. As a result, volumes declined by 4%. We gained market share in several markets, thanks to good health for our brands. Revenue grew organically by 11.9% due to a significant increase in revenue per hectoliter of 17%, thanks to price increases in all markets and a positive product mix. Organic operating profit growth was 4.1% due to significant increases in the total cost base, including cost of sales and marketing investments. Higher costs, which were exacerbated by a very negative currency impact, meant that reported operating margin contracted by 230 basis points to 17.2%.

In terms of markets, volumes in Ukraine were flat for the year, but with significant variations between quarters. Our business continues to be heavily impacted by the war, and the health and safety of our colleagues remain our first priority. As expected, competition intensified during the year, which impacted our core mainstream portfolio while we saw very strong growth rates for our premium and our alcohol-free portfolios. Together with significant price increases, the positive mix benefited revenue per hectoliter.

Performance in the markets in South-East Europe differed. Our market share improved in all markets except for Italy. Volumes grew in Greece and Serbia, but were down in Italy, Bulgaria and Croatia because of significant price increases and market decline. In addition to price increases, strong growth for our premium and alcohol-free brands supported the positive revenue per hectoliter development. In our Export & License business, we saw good growth for the premium portfolio, particularly for 1664 Blanc and Brooklyn.

Before handing over to Ulrica, a quick note on our new regional structure from January 1, 2024. Following the exit of the Russian business, we wanted to rebalance the regions to optimize the time and resources of our regional management teams and to create a better balance between the regions. Therefore, we moved India and Nepal from Asia to Central & Eastern Europe, changing the name to Central & Eastern Europe and India. We've also made a change between Not allocated and Western Europe, as we have moved the responsibility of the Shared Service Center in Poland to Western Europe. We do realize that this is annoying for your models and sorry about that, but it's the right decision for the business. We are providing restated figures for our 2023 in Appendix 1 in the full year company announcement and in the Excel document attached to the company announcement, we also provided restated figures for 2022.

From Q1, we will report accordance with the new structure. With that, let me hand it over to you, Ulrica.

Ulrica Fearn, CFO

Thank you very much, Jacob, and good morning, everyone. And please go to slide 13 for more details on the P&L. Thanks to the strong 10% growth in revenue per hectoliter. Revenue was up organically by 9.2%. The revenue per hectoliter improvement was mainly driven by price increases, which we took in order to offset the significant cost pressures in 2023 but was also supported by positive product mix. There was a small positive acquisition impact of 0.6% from the Waterloo acquisition in Canada. The weakening of many currencies in our markets, including China, Laos, India, Ukraine, Norway and Sweden, led to an FX impact on revenue of minus 5.1%. Consequently, reported revenue grew by 4.7%.

Looking at the individual components of the P&L between revenue and EBIT, cost of sales per hectoliter increased organically by 11% due to higher input and energy costs and salaries. We were able to offset the higher cost in absolute terms and gross profit per hectoliter was up by 8%, but the gross margin contracted by a 100 basis points to 44.6%.

As Jacob already said, we increased marketing investments during the year with an additional acceleration in Q4. For the year, marketing investments increased organically by 10%. We maintained a strict focus on admin cost, and despite higher sales and logistic cost, the ratio of operating expenses, excluding marketing, to revenue declined by 30 basis points to 22.1%.

In a year with substantial cost increases, focus was on offsetting the absolute increase and not maintaining the margin, as that would have posed a very high risk to the business. We successfully more than offset the absolute increase in the total cost base and operating profit grew organically by 5.2%. Reported operating profit was impacted by a significant currency headwind of almost DKK 1 billion, mainly due to the Chinese, Laotian, Norwegian and Ukrainian currencies, and therefore declined by 3.2%. And the operating margin contracted by 120 basis points to 15.1%.

So taking a brief look at the items below operating profit, special items amounted to minus DKK 431 million. Several items, both positive and negative, impacted special items and I therefore encourage you to look in note 4 in the full year announcement for all the details on that.

Net financials amounted to minus DKK 844 million. Excluding currency gains and losses, net financial items amounted to minus DKK 693 million. This was an increase of a DKK 187 million, as a result of higher average funding costs and net interest-bearing debt. The effective tax rate was 18.9%. This was lower than the normalized tax rate of about 21% and due to the non-recurring items, including adjustments related to prior years, and the deconsolidation of the Russian business.

Net profit for continuing operations amounted to DKK 7 billion and the adjusted net profit for continuing operation was DKK 7.4 billion. Adjusted earnings per share for continuing business was DKK 54.6, supported by a lower number of shares. The reason for the very significant reported net loss of minus DKK 40.8 billion was the deconsolidation of the Russian business, which led to recognition of accumulated currency translation and hedge losses of DKK 41.5 billion and impairment losses of DKK 13 billion with no cash impact.

So, let’s move to slide 14. The free operating cash flow amounted to DKK 7.5 billion versus DKK 9.5 billion in 2022. The development was mainly driven by EBITDA, which in reported terms declined by DKK 478 million due to adverse currency, a net negative impact from the change in total working capital of minus DKK 82 million compared to a positive impact in 2022, and a slightly higher CapEx.

The change in trade working capital was positive DKK 698 million, and the average trade working capital to revenue for the year remained strong at minus 20.3%. The change in other working capital of minus DKK 780 million was impacted by the payment of a competition fine in Germany.

The free operating cash flow was also impacted by costs related to the termination of Kronenbourg 1664 license agreement in the UK. Net interest-bearing debt was DKK 22.4 billion, which was an increase of DKK 3 billion and mainly due to the lower cash flow from operating activities as well as the acquisition of Waterloo Brewing. Net interest-bearing debt to EBITDA was 1.47 times and that was well below our target of below 2 times. Return on invested capital was 14.5%, and the decline of 70 basis points was mainly due to the negative currency impact on operating profit. Return on invested capital, excluding goodwill, was 38.3%.

And now slide 15 and cash returns. In 2023, we returned DKK 6.9 billion to shareholders: DKK 3.7 billion at dividends, and DKK 3.2 billion in share buybacks. The Supervisory Board will propose a dividend of DKK 27 per share to the annual general meeting. This is unchanged compared to last year and corresponds to an adjusted payout ratio of 49%, which is in line with our capital allocation principles of a payout ratio of approximately 50%. Due to the continued strong financial position of the group and in line with our capital allocation principles, we have this morning launched a new DKK 1 billion share buyback, which will run until the 19th of April.

And now, let’s look at the full year earnings outlook on slide 16. Although the input cost pressure is moderating, we do see inflation in our total cost base in 2024. And while our guidance is based on flattish

COGS per hectoliter, several other items, such as salaries and logistic costs, will increase. The increase in total costs will require us to increase revenue per hectoliter in most markets. Separately from the general cost inflation, we will step up our commercial investments in support of Accelerate SAIL. While we expect to keep the ratio SG&A to revenue flat, we do intend to increase the absolute sales and marketing investments and the latter by more than 10% in 2024.

The main part of the higher commercial investments will go to strengthening our route to market in markets such as China and Vietnam, increasing the support behind premium brands in many of our markets, and to digital capability projects in areas such as value management and B2B e-commerce.

Looking at the risk picture for 2024, we do see some significant risks that could have substantial impact on our business, including the Chinese consumer sentiment, the macroeconomic situation in South-East Asia – it is possible that they continue to have negative impact on consumers – the possible impact from higher interest rates on European consumers, and the unpredictable and terrible war in Ukraine.

Based on all this, we are guiding for an organic operating profit growth of 1% to 5%, reflecting a balanced plan for the year with continued organic earnings growth while significantly increasing investment in long-term growth. Applying yesterday's spot rates, we assume a currency impact on operating profit of minus DKK 100 million. The main impact comes from the Laotian kip and the Chinese renminbi.

Financial expense, excluding FX, are expected to be DKK 1.1 billion. The year-on-year increase is mainly due to higher interest rates in the three Eurobonds that we issued in 2023. They have a 3.5%, 4.0% and 4.25% coupon respectively and were issued to refinance two bonds with a 0.5% and a 2.5% coupon respectively. In addition, we expect to receive less interest income on cash in Asia.

The assumption for tax rate is 21% and we expect CapEx to be around DKK 5 billion, driven by capacity expansion in Asia, commercial CapEx such as coolers and bottles, sustainability and digital investments.

And now back to you, Jacob.

Jacob Aarup-Andersen, CEO

Thank you very much, Ulrica. It's time for Q&A but before opening up for that, let me just summarize 2023. So, we delivered a solid set of results in a challenging environment. And with that, we also saw a continued volume growth driven by Asia. We delivered solid organic operating growth in line with expectations, while at the same time increasing commercial investments.

We're today launching a new share buyback program of DKK 1 billion and we are launching our refreshed strategy with higher long-term growth ambitions. I'm sure that you have many questions, as always, but we can – would ask you to 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 are welcome to join the queue again or to speak to our fantastic IR team after the call.

With that, we are ready to take your questions.

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, at this time we will begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Edward Mundy with Jefferies. Please go ahead.

<Q – Ed Mundy – Jefferies International Ltd.>: Morning, Jacob. Morning, Ulrica. Two questions, please. So, Jacob, you had a good chance to sort of get around the business and get to know Carlsberg better over the last five months. Could you point to two or three things that have given you confidence to upgrade that medium-term top line growth ambition from 3% to 5% to 4% to 6%? And then the second question is, perhaps, could you flesh out how some of the incentive structures are changing to enable the Accelerate SAIL strategy, both in terms of top line as you build this growth culture, then also bottom line as you've continued to fund the journey?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Yeah. Happy to and good to speak, Ed. So, yeah, no, there's absolutely no doubt that if you look at the last couple of months, so, I guess, I'm five-and-a-half – close to five-and-a-half months into the seat now. We've done a very, very thorough and data-driven analysis together as a team, not just the top executive team but the broader leadership team. And what we've taken into account is, of course, the experience and the learnings we've had from the last couple of years, the first two years of SAIL'27, and going through those learnings, going through those business cases, looking at the success we've had in – especially in areas like premium and areas like our Asian growth markets, a number of business cases have come out that have made it very clear that we have clear opportunities to accelerate investments in a number of areas that will pay off in terms of higher growth rates long term.

And we – you can say the chessboard has changed quite significantly since we started out on the SAIL'27 journey, both in terms of our portfolio but also in terms of the consumers, but also in terms of the traction that we have continued to see mobilize around, especially a couple of the topics I just mentioned. That's given us increased confidence, at the same time as we've been very analytical and data driven in terms of where we see value opportunities for us, market by market, category by category, et cetera, and that means there's a lot of confidence that the business cases are very robust behind the ambition to accelerate our growth rates. It's important to remember that SAIL'27 was already an ambitious strategy. But from our perspective, there's no doubt that there was an element, when we did it back then, that we were also going to explore and continue to work on a number of the levers in terms of fully understanding the growth potential of them.

Two years later, we can see the growth potential for Carlsberg and premium is significant. We have strong traction wherever we invest in premium. We can see that we have real growth potential, especially in our major – from a geographic perspective – in our major Asian markets. And all of that gives us confidence as a team that we have enough data and we have enough knowledge of where to invest and how to get a return on that, and that we can drive structural growth from here. The other element is that the foundational work and investments we're doing in terms of, especially building out our digital foundation and driving things like B2B e-commerce, a more sophisticated approach, data-driven approach to value management, et cetera, all of those will structurally enhance our ability to drive growth. So, I'm quite confident – I can guarantee you it's not a number we picked in the air. It's been a very thorough and data-driven analysis over the last couple of months and we feel good about the ambitions.

You asked about incentives, so there's a couple of elements around that. More broadly, you can say we're not putting less emphasis on our earnings or our cash flow. I think that's important, but we are increasing our emphasis on growth to make sure that it has an equal place from an incentive perspective into broader incentive schemes – but it's profitable growth. That's, of course, very important. The other element is I mentioned some very specific key enablers here, where the Funding our Journey as an example. You also referenced that. There we will put the right incentives in place both for the people directly involved but also for the broader leadership team.

So, this is an organization that is very well set up in terms of delivering in a performance-based setup, and therefore making sure that our performance incentives are also set up to drive that cost takeout, I think that's incredibly important. So we will be changing those nuances to make sure that people are also incentivized correctly in terms of driving the cost takeout that will give you the gross margin improvement.

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

Operator: The next question comes from the line of Trevor Stirling with Bernstein. Please go ahead.

<Q – Trevor Stirling – Bernstein Autonomous LLP>: Hi, Jacob, Ulrica and Peter. Two questions my side. So first one, a little bit more short-term oriented. Could you comment a little bit on China, Jacob, in particular, how do you see the underlying market trends in the build up to Chinese New Year? And then what's – how do you think things might play out over the rest of the year? And the second question is I noticed that Bob Kunze-Concewitz is planning to join the board. And what do you expect that Bob will bring that will help the organization? And is effectively Bob replacing Richard Burrows on the board?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Hi, Trevor. Let me take those two. First of all, on China. So, in terms of more underlying market trends in the short term, we don't see a step change in terms of the Chinese consumer suddenly coming back. We're seeing a relatively unchanged consumer environment in China. As you've seen, that has meant a declining beer market last year in the second half of the year. We don't see a deterioration either from here, but there's no doubt that we're not seeing any particular pick up. We are cautiously optimistic that that will stabilize during the year. But that's more based on when you look at historic precedents and you can see some of the political statements we're seeing, but we are not on the ground seeing any significant step change in Chinese consumer sentiment.

Of course, as you say, Chinese New Year is an important event from a consumption perspective. We don't comment on the current quarter. We never do that. So, I guess, it's about following the official statistics on this one. But, of course, it's going to be a key component of Chinese volumes this year. So – but listen, relatively unchanged. That means no deterioration but also, we're not seeing a significant upturn either. I will remind you, as you are fully aware, that that is not the key driver for us. We need to continue to grow share in China. Last year in a slightly down market, we were up 5%. And we would also expect to see good volume growth again this year in China.

In terms of Bob, listen, we're delighted that Bob is coming on to the Supervisory Board and I'm sure he's going to challenge the executive management team in a good way. Bob has a phenomenal career in CB, so he can definitely add a lot of value to the board. That is the only announcement we've come out with. So, I don't think you can infer anything around the changes to the supervisory board beyond that announcement. We're excited to have him on board and already have had a couple of interactions with him and really looking forward to that.

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

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

<Q – Andrea Pistacchi – Bank of America>: Yes. Morning, Jacob and Ulrica. So, my two questions are, the first one on China, please. You're confident China will continue to be an important growth driver and the city strategy, I think, is evolving a bit, focusing more on existing cities now rather than spreading yourself, entering many new cities. And there is an opportunity, obviously, to gain share there. Can you talk about maybe what you're going to do differently versus, say, two or three years ago to actually gain share in these cities besides stepping up investment?

And the second question is on the top line medium-term guidance. You talked about the drivers and the enablers. Could you give a bit more perspective on what drives the improvement, in your view, from 3% … to 4% to 6%? Is the acceleration mainly mix driven as you're stepping up premium or does volume play a part in it, too? And in what geographies do you expect faster growth versus the previous guidance? Thank you.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you, Andrea. So, starting with China and big city expansion. So, you are right there's a slight nuance around the big city expansion and the way that we will be going deeper on existing cities. You're still going to see us being adding cities to the big city strategy. We still expect to continue to do that. You know, at present, we have 91 cities here at the beginning of the year in the big city strategy, and we will expect to still enter a handful more cities during the 2024. But there's also an increased emphasis on increasing share and going deeper in the big cities we are already in where we can see that we are gaining real traction. And I think that's a key component, when we look at how we approach big cities, that is, instead of being – you say we are moving some of the balance of our focus from seeding new cities into accelerating existing cities, where we can see we have traction, where our portfolio works, where our go-to-market works. And that's a key nuance.

You said besides commercial investments, I think I'm going to have to highlight the commercial investments, because it is a key tool for us in China with the growth we've had, with the share we have taken, it's also important that we continue to build out our go-to-market model. It's important that we keep on building out our sales force and, therefore, you say solidify the market share gains we've had and create the platform for us to grow further. So, I wouldn't dismiss the importance of the increased commercial investments in China. You saw that we already stepped them up in the second half last year, and we will continue to do that. So it's both sales investments and it's marketing investment.

The other element around that is also when you look at our portfolio, we are constantly looking at the portfolio which we are using to approach the big city strategy with that. Here, you're also going to see stronger emphasis on making sure that we are strong enough not in terms of, say, national champion brands and not just leading with international brands. So, there's also a nuance around having a more comprehensive portfolio around the big city strategy, where it's a little bit less driven just by international brands, but also by local power brands. So, I think that the key nuance here is around going deeper in existing cities where we can see we have data – from a data-driven perspective, we can see the attraction. So, it's being very analytical and data driven around …. it's around our portfolio mix changing slightly. In terms of top line, so in terms of our top line, we would expect to be volume and [bad voice quality] growth and the [bad voice quality] price and mix.

And yes, mix … [bad voice quality] … given the fact that we based on all the work we've been doing, all the data, also the lessons we've learned so far from our premium rollout, we can … [bad voice quality] … our premium mix or premium share that also means that it's going to impact the mix on the top line side. At the same time as we are seeing a continued strong growth in Asia, so there is a geographic component to this as well. But premium is an increasing part of this. And therefore, there is, let's say, within that, there is a larger mix impact that may have been before. Yeah. And then I can refer you to the answer to Ed earlier as well.

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

Operator: The next question comes from the line of Laurence Whyatt with Barclays. Please go ahead.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Good morning, Jacob, Ulrica, Peter. Thanks very much. A couple of questions from me on the profitability, if that's okay. Firstly, in Western Europe, I guess, the margins have fallen quite a bit since the pandemic. I think before the pandemic, you're around the sort of 16%, 17%. Now you're closer to 13%. You've mentioned already that you're expecting a bit more growth in the premium portfolio there, which presumably margin accretive. Do you think it's reasonable that we could expect Western Europe margins to get back to that pre-pandemic level? And over what sort of timeframe do you think that's reasonable to expect? Your predecessor was often quite optimistic on being able to do that.

And then secondly, on a similar point, on the COGS per hectoliter, I think last year, Ulrica, you were generally talking about no COGS per hectoliter improvements but on the call this morning, you mentioned that the cost pressure is moderating. Do you think that zero COGS per hectoliter expectation for FY 2024 is still reasonable? Or do you think there could be a little improvement on that. Thank you.

<A – Ulrica Fearn – Carlsberg A/S>: Thank you very much, Laurence. And yes, let's start on profitability in Western Europe. I mean, our strategy that Jacob was talking about here that we've now launched go for all regions focusing on premium, focusing on driving out cost and improving gross margin and driving EBIT growth ahead of the revenue expectation. So, we don't guide on EBIT margin. The're too many sort of moving parts in that, but in general, the growth formula that goes for the rest of the company also goes for Western Europe, so that should give you an indication of that.

On the question number two, in terms of the COGS, yeah, I think we are seeing the COGS continue to be up and down, I should say. We are saying that we would be flattish on COGS from a per hectoliter point of view, but that doesn't take into consideration the total cost which in general will go up and will continue to increase when you look across all cost categories, that is not just COGS per hectoliter.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Understood. Very clear. Thank you.

Operator: The next question comes from the line of Sanjeet Aujla with UBS. Please go ahead.

<Q – Sanjeet Aujla – UBS>: Hi, Jacob and Ulrica. Two for me, please. Can you just comment a little bit on the pricing outlook for 2024 across the regions, just given the cost inflationary backdrop that you just referred to, Ulrica? And my second question is just coming back to China with the slight nuance around, a bit more focus on the local power brands and not just driving the international brands. Would you anticipate a negative mix coming into the growth algorithm in China? Thanks.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Hi, Sanjeet. Let me take both of those. In terms of pricing 2024, of course, we have to be quite gentle here. We don't – as you know, we never talk about specific markets, et cetera, but as we see our overall costs going up in 2024, we will also be taking pricing in 2024. We've made it very clear that we expect prices to also go up in 2024. And when we look across Europe, that is also the case. And then there are a lot of market nuances, et cetera, but on average we see prices go up to reflect the fact that we need to cover the increased cost that we're seeing. That's as close as I can go legally on anything on pricing.

And then on China in terms of mix, so there's obviously a lot of things happening in that mix. We have a lot of volume in China and there's a lot of different dynamics in it. If you look at the current developments, we have seen – if you look at the last quarters here, we have seen a negative mix from the fact that from the fact that mainstream has been growing faster than premium. But it's also important to say that premium is still growing. So it's not like it's a significant difference, but mainstream has been growing faster than premium, and that's partly driven by increased domestic tourism, which just caters more towards the mainstream brand. Within premium, we've seen Carlsberg and Tuborg growing faster than the more expensive Wusu and 1664 Blanc, so that also of course has a mix effect.

When I look at the trends from here, we're not going to project specifically mix for the coming years. You can also be too specific. As you know, CBC is a listed company in China as well. But I don't see a major change in these trends. As the big city strategy picks up with an improving consumer, then you would also see again a better premium mix. So, that would even some of it out, but do recall that this is still a very profitable business for us. And therefore, the nuances within mix are not dramatic when we look at it from that perspective.

<Q – Sanjeet Aujla – UBS>: Got it. Thank you very much.

Operator: The next question comes from the line of Olivier Nicolai with GS. Please go ahead.

<Q – Olivier Nicolai – Goldman Sachs International>: Hi. Good morning, Jacob, Ulrica and Peter. Just a couple of questions, please. First of all, in an interview this morning, you said that you were expecting volumes growth in Western Europe. Is that a comment for across the region? Is that a specific country driving this? And since this time of the year, usually you will have concluded most of the negotiations with the retailers in Europe. Would you expect pricing to be roughly in line with CPI across the region? And just a follow-up on the presentation. Just to clarify, is there any reason why the 4% to 6% mid-term organic sales growth guidance cannot apply to this year?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Olivier, you sneaked in a third one, but we're going to allow it but only for you. Then let me start on Western Europe. Yes. Correct. I've said in an interview this morning that we see a stable to slightly growing volumes in Western Europe. And that's due to a couple of things; due to easy weather comps in Q3, of course, that could be wrong if the weather is at the same horrendous level in 2024 as it was in 2023, but we do expect to see some tailwind from easier weather comps; and then we do expect some improvement in consumer sentiment during the year from real wage growth, as inflation is coming down and people are starting to see some real wage growth. The third element is we have some major sporting events in Europe in 2024 that does impact activation across Europe. That's of course the Football European Championships in Germany and the Olympics in France, which just creates activation and also we are quite exposed to those.

Then, that doesn't apply to any specific countries but of course you can say, if I had to single one country out and not to guide you on volume in that country but as an example, the Olympics are in France. Tourtel Twist is the official beverage of the Olympics in France. And there will be a lot of tourists in France. We have a strong position in France. I would expect that to have somewhat of a positive effect on volumes in France as an example. But we are not expecting massive differences in volume developments across the Western European countries. It is relatively even in terms of volume expectation. So there's no funnies or one-offs from that perspective.

In terms of pricing, yes, we are getting to the point of the cycle where most pricing is starting to be agreed across Europe. And, as I said in the earlier response, we are seeing roughly the results that we had expected across Europe, with a lot of local nuances of course. I'm not going to comment on what the level is, but of course, it is lower than what we have seen in the last couple of years with very, very high inflation. As inflation has come down, it is lower price increases than we've seen in the past, but I'm not going to give you a specific number.

Then, you asked why the 4% to 6% organic growth doesn't apply to this year. We haven't actually given any perspective on growth this year. When we talk about the algorithm, it was the conversion of EBIT on top of the growth that we said 2024 is the base year. You can see with the guidance that, the guidance we're giving today, it would have to be the low end of that long-term guidance that would catch the high end of the EBIT guidance for this year. But it's important for us to say 2024 is the year that we baseline as the year where we do a lot of the investments that we're talking about to drive future growth. We are of course very pleased to say that, despite all those investments, we continue to drive earnings growth, also this year. But the overall algorithm is from 2024 and onwards.

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

Operator: The next question comes from the line of Mitch Collett with Deutsche Bank UK. Please go ahead.

<Q – Mitch Collett – Deutsche Bank AG (UK)>: Morning, Jacob. Morning, Ulrica. I've got two questions. You say in the release that you expect to restore gross margins to pre-COVID levels, and that implies 500 basis points of gross margin expansion. Can you just comment on what timeframe and cadence we should expect for that expansion? And will it flow through to EBIT margin given you've talked about SG&A being flat? And then, secondly, on 2024, given what you've just said about soft comparators for Q3, do you expect any particular phasing to profit growth during F 2024? Thank you.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: All right. Hi, Mitch. Let me just quickly do the phasing one and then Ulrica will talk to the gross margin. We don't expect any particular phasing. It is correct there is some easier comps in Q3 on the weather in some key markets in Western Europe and in Central & Eastern Europe. On the other hand, you can say Chinese New Year is of course important here in the first half for our Asian business. So, the phasing is not particularly different than it's been in previous years if you take out that potential weather impact.

And then, Ulrica, on the gross margin?

<A – Ulrica Fearn – Carlsberg A/S>: Yeah. On the gross margin, I think I can – absolutely correct, that's what we said, we will drive gross margin recovery and that will come through, what I mentioned before, both from premiumization, but also really focused our cost efforts and our focus on our supply chain and COGS cost on the back of that. So, you will see the equation that we have now launched out, which is 4% to 6% revenue, and faster growing EBIT will be enabled by that gross margin recovery over the years to come. We haven't put a specific time on that, but it's very much towards those levels before pre-COVID.

<Q – Mitch Collett – Deutsche Bank AG (UK)>: Understood. Thank you.

Operator: The next question comes from the line of Simon Hales with Citi. Please go ahead.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Thank you. Good morning, Jacob. Good morning, Ulrica and Peter. So, just two for me. Firstly, when I look to the mid-term and how the market's currently thinking about the growth outlook for Carlsberg, it looks to me the consensus at the moment for the 2025 through 2027 period, which I assume is how you're thinking about the mid-term, is looking for about 4% compounding revenue growth. So, at the low end of your new guidance range and perhaps implying therefore there's some scope for some upside to that if you are successful with the Accelerate SAIL agenda. However, when I look at organic EBIT growth at the moment, consensus is already expecting compounded growth of about 7%. So, quite a bit of operating leverage.

I just sort of wonder, is that the sort of leverage we should expect of the higher potential top line growth rate or are we really talking here about basically a reallocation of what drives profit growth within the business; i.e., your growth agenda driving more growth coming from the top line with some more reinvestment, meaning the scope of operating leverage from a margin expansion standpoint might be a little bit less on a yearly basis the consensus is expecting? So, broad first question.

And then, secondly, only if I could ask a little bit more specifically about the Beyond Beer strategy. Clearly, you want to increase your exposure there. I wonder if you can give us any idea as to what your ambitions are in terms of moving your 2% volumes to a target over the next few years? How do we think about where the targets for rollouts of Somersby and Garage will accelerate?

And then, associated with that, you haven't really mentioned alcohol-free beer within the Beyond Beer category. That's certainly something that you talked about in the original SAIL'27 program. Is that being de-prioritized?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you, Simon. We'll call that two-and-a-half questions. Then, let me answer the first one. So, just as you know, I'm going to say we're not going to comment on where consensus is. You guys are much smarter than us. You'll do your estimates and then we get the consensus, but we can recognize where you're seeing consensus at the moment. I don't think there is – that's a broad statement, because you are making a broad statement – I don't think there is anything wrong with that assumption that you will see those types of growth rates in revenue and EBIT. We are also highlighting that we think that our revenue will be in the range of 4% to 6%, and we wouldn't say 4% to 6% if we didn't think that we would be within that range. So – but that would imply from our guidance that we do think that 4% would be on the low side, on the revenue side.

We do expect a kicker on EBIT. And hence, for all the reasons we're talking about here, the operational leverage from driving our gross margin back up, we will reinvest some of that gross margin into a positive flywheel of making sure that we are investing more in our brands, driving higher growth, better premium growth, which then enables us more power to then reinvest into further growth. But the clear algorithm here is that parts of the gains they drop to the EBIT margin, and part of the gains are used to drive even further gains going forward. So, an algorithm like the one you're talking about is not unreasonable with what we said today. We're probably a little bit more bullish on the top line growth than you're referring to. But I'm not going to comment more broadly on consensus. So, yes, this is an algorithm that will drive good EBIT growth going forward.

And also, as a comment, I've said it from day one coming in: I am a firm, firm believer in the value of compounding earnings growth, and I can guarantee you that we have a very strong focus on delivering positive earnings growth every single year. That has to be part of the algorithm, and the algorithm that we've laid out to you now is not just positive earnings growth, but it's an EBIT growth that is clearly going to be attractive; i.e., above the 4% to 6% range.

Then, your question on Beyond Beer. So, I'll try to make that short because we can talk Beyond Beer for a very long time. We think it's an attractive category. We think there's real momentum in Beyond Beer, but from a relatively low starting point, both for us and for the rest of the industry. We do have some quite strong brands in Somersby and Garage that we are currently repositioning, reinvesting in, and also rethinking in terms of execution plans, and the geographies and markets that we play in. So, that means you're going to see a broader application of those brands and also with refreshed images and more visual identities and generally more expansive products around those two brand families. We think that's going to drive quite strong growth, also based on everything we can see from where we have tactically invested in the brands over the last couple of years and the learnings we've had from that.

Beyond that, in Beyond Beer, we are also very open to the fact that we don't want to develop everything ourselves. So, we are open to partnerships. We are also open to potentially adding more Beyond Beer brands into our own portfolio, but also through partnerships. But a lot of the growth will have to come from the two main brand families of Somersby and Garage. Both of them have a lot of potential in front of them. This is a moving category for all of us in the industry, and therefore it's also around being very, very data-driven and also very, very tactical in terms of how you launch and test new products and how you learn from those tests and then either scale up or dismiss. So, we will have a separate dedicated organization driving this and creating hopefully quite strong momentum around it.

Then, on AFB [alcohol-free brews], I can guarantee you, we are not de-prioritizing AFB. Let me just be very clear on that. We believe that alcohol-free brews will have an increasingly important role in our portfolio in the coming years. It is a generational trend, and it's a very structural growth driver. We have launched, over the last two years, 60 different alcohol-free brews. And as you can also see from our numbers, it's also the best performing of our categories. I am personally also a big believer that there's a lot of potential in this. So, no, it's not in any way meant to de-prioritize, but AFB was already a key priority in SAIL'27. And you can say the extra emphasis we're putting here is on Beyond Beer, it doesn't mean that we're putting less emphasis on AFB. I hope that's clear. Thank you.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Thank you.

Operator: The next question comes from the line of Søren Samsøe with SEB. Please go ahead.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Yes. Hello, Jacob, Ulrica and Peter. It's Søren here. I'll try to stick to two questions. You see quite significant decline in the free cash flow of DKK 2 billion in 2023. And you also see a decline in return on invested capital. Can you give some input on how you see this developing in 2024 and what will be the moving parts, just to help our modeling a bit?

And then, the other one goes to your guidance, 1% to 5% EBIT growth range. Maybe talk to what are the assumptions in the 1% scenario and what are the assumptions in the 5% scenario and what are the main moving parts here? Thanks.

<A – Ulrica Fearn – Carlsberg A/S>: Hi, Søren. Yes, let's comment a bit on the cash flow. Yes, it has come down significantly for basically good reasons, clear reasons in terms of it was mainly a working capital impact year-on-year, but also foreign exchange impact on our EBIT and our operating profit that drove it down versus last year. And when you're asking about next year, I think you should sort of continue those two effects. I mean, the tax was – sorry, the foreign exchange – we've indicated a smaller impact from foreign exchange next year, we don't know that at this point in time, but depending on the development of foreign exchange, that will also continue to impact our cash for the next year.

Other than that, from a working capital point of view, you can pretty much infer to a no change working capital implication going forward. That's what we're aiming for, unless there's any unforeseen impact on the cash flow for next year. And then, on CapEx, we will step that up slightly next year, which will have an impact that you can also take into consideration in the models, and I indicated that in my notes this morning.

And then, you talked about what factors that could take us from 1% to 5% in terms of profit, I mean, there are many factors. I highlighted a lot of different kinds of risks, but you could sort of outline one scenario would be, Jacob talked about the bad weather, which was particularly bad last year. That bad weather we have assumed is normalizing this year. Should that hit us in the height of the season the way it did last year, that's not in our sort of midrange that would push us down towards the above 1%. If you then – and we'll probably be towards 1% if we combine that with a bad Chinese New Year, say. And to put it simply, if that is the other way around, we would be at the top end. And that's a sort of simple scenario for you to understand the sensitivity.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Thanks a lot. That's clear.

Operator: The next question comes from the line of Richard Withagen with Kepler Cheuvreux. Please go ahead.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Yeah. Good morning, all. Thanks for the questions. Two for me as well, please. First of all, as part of Accelerate SAIL, which specific capabilities would you like to see improve at Carlsberg to make a clear difference for future growth and profitability?

And the second question is specifically on Wusu in China, especially outside of Xinjiang. I understand that the brand is slowing down a bit. I could be wrong, but maybe some color on Wusu outside of Xinjiang?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you, Richard. Let me talk to the capabilities first. So, just, of course, as an opening statement, when we talk about investing in capabilities and increasing capabilities, it's not because we don't think Carlsberg is capable. It's a reflection of the fact that in order to be sure that we can fully deliver on some of our increased growth ambitions within a number of these key levers, it does require that we increase our muscle within a number of capabilities to ensure execution.

So, if I had to highlight a couple, as you asked for, there's no doubt that we are stepping up our capabilities within digital. A number of the key programs, we're talking about here, will be supported by stronger digital capabilities. As an example, I think Ulrica mentioned value management in her intro comments. Value management is a good example where we are becoming significantly more digital and analytical around our approaches.

And another element I would mention would be marketing capabilities more broadly. It's not that we don't have great marketing capabilities, we do have. But in terms of stepping up significantly, especially our ambitions within premium and within Beyond Beer, both of them does require that we make sure that we increase our muscle and capabilities here. Again, part of that is also digital and data-driven capabilities to make sure that we can truly leverage the opportunities in front of us. So, I would say, digital and marketing are two areas where we'll be stepping even more.

Then, when looking at Wusu, listen, if you look at last quarter, total Wusu volumes were double-digit growth and they were softer outside, as you say, but on the other hand, we've also said many times, we cannot be more precise around that due to – especially being that CBC is a listed company in China, we cannot give the details beyond what they give. But we have been clear that we continue to see good growth, double-digit growth in Wusu, but no doubt that it's softer outside of the stronghold than it is inside. But unfortunately, that's where we can leave it at. Overall, when we look at our premium volumes in China, as we said, they were weaker than mainstream, but they were still up. So, we're not seeing any significant deterioration or concerns from our perspective there.

Then, I am being prompted by IR to say that this is the last question that we will ask for.

Operator: The next question comes from the line of Gen Cross with BNP Paribas Exane. Please go ahead.

<Q – Gen Cross – Exane SA (United Kingdom)>: Hi. Good morning. Thank you for the questions. The first one is just on Southeast Asia. You called out potential macroeconomic impact as one of the risks for 2024. I wonder if you could just outline what you're currently seeing in terms of consumer sentiment, whether there's been any change there?

The second one is very much just a housekeeping question. I think you mentioned a couple of one-offs in associates and in central costs. I just wonder if you could quantify that and just let us know if it was a material impact on 2023?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thanks, Gen. Let me talk to Southeast Asia, and then Ulrica will speak to the one-off costs. Yeah. So, in terms of overall consumer sentiment, we're not seeing a step change, neither for the worse or for the better right now. So, we are seeing – we're entering 2024 with roughly the same consumer sentiment as we exited 2023. One is of course a key driver here is the overall Chinese economy, which has ripple effects into a number of key Southeast Asian countries that are important for us. So, when we look at the weakness that we've seen in a number of markets, Vietnam could be an example, but a number of the markets surrounding China, part of that is also the effect of the Chinese economy slowing down.

We do expect a stabilization during 2023. We're don't have any heroic assumptions in our numbers around a significant improvement from a Southeast Asian consumption perspective, but we have to say there is somewhat of a stabilization, and that stabilization hopefully throughout the year will start also paying off with a little bit more consumption. But for now, it's just subdued consumer in Southeast Asia, not deteriorating further. The risk that Ulrica highlighted when she spoke in the opening statement was around the fact that, of course, this entire region is very dependent on the development of the Chinese economy. So, that is something that we are closely watching. But for now, we're not – it's not because we're highlighting new concerns, but it's something that we are watching very closely.

<A – Ulrica Fearn – Carlsberg A/S>: And Gen, on the housekeeping question, yeah, I did highlight the one-offs in special items and if you do go into the release, you'll see them there – there's few examples. There are items in there such as some reversals of payables to Baltika, which was part of the deconsolidation of that. There are impairments of brands, but there's also a reversal of impairment losses and there is the cost of the termination of the license agreement with Kronenbourg is also in there. So, that's the type of sort of big ones that are going through. So, non-repeatable for next year apart from [sound quality bad] brand.

Associate income is pretty straightforward answer. It's not in this year where we have the change versus last year, where last year we had a pretty big gain here in Denmark. So, that's why that's come down year-on-year.

<Q – Gen Cross – Exane SA (United Kingdom)>: Thank you.

Jacob Aarup-Andersen, CEO

Thank you very much, Ulrica. And thanks, Gen, for that. That was the final question for today. Thanks for listening in and thanks for your questions, as always a pleasure. We're looking forward to meeting many of you in person during our road show in the coming days and weeks. And until then, IR is of course waiting eagerly for any further conversations, and so are we of course. Have a nice day. Thank you very much.