CARLSBERG H1 2023 CONFERENCE CALL TRANSCRIPT

16 AUGUST 2023

Corporate Participants

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

Other Participants

Laurence Whyatt – Analyst, Barclays Capital Securities Ltd.
Trevor Stirling – Analyst, Bernstein Autonomous LLP
Edward Mundy – Analyst, Jefferies International Ltd.
Simon Hales – Analyst, Citigroup Global Markets Ltd.
Nik Oliver – Analyst, UBS AG (London Branch)
Olivier Nicolai – Analyst, Goldman Sachs International
Søren Samsøe – Analyst, SEB Enskilda (Denmark)
André Thormann – Analyst, Danske Bank A/S
Mitch Collett – Analyst, Deutsche Bank AG (UK)
Richard Withagen – Analyst, Kepler Cheuvreux SA (Netherlands)

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Carlsberg's H1 2023 Financial Statement Conference Call. For the first part of this call, all participants are in a listen only mode. Afterwards, there'll be a question-and-answer session. [Operator Instructions] This call is being recorded. I'll now hand it over to the speakers. Please begin.

Cees 't Hart, Chief Executive Officer, Carlsberg A/S

Good morning, everybody and welcome to Carlsberg's Half Year 2023 conference call. My name is Cees 't Hart and I have with me CFO Ulrica Fearn and Vice President of Investor Relations, Peter Kondrup Let me begin by summarizing the key headlines for the first six months of the year.

- We delivered strong revenue growth as a result of revenue per hectoliter improvements and volume growth in Asia.
- We delivered solid organic operating profit growth despite the challenging cost environment.
- Due to the solid year-to-date results, we upgraded our earnings outlook yesterday,
- and we are today starting the second quarterly buyback program this year, amounting to DKK 1 billion.

I will go through the key headlines, strategic highlights and the regions and after that, Ulrica will explain the financials and the full year outlook. Please turn to slide 3.

We saw total volume growth driven by Asia and premium brands. Revenue growth was strong at 11%, mainly driven by revenue per hectoliter improvement of 10%, which was the result of growth of our premium brands and price increases across all markets.

Revenue growth was strong across all three regions. We delivered a solid 5% organic operating profit growth with a strong revenue per hectoliter improvement, offsetting the significant cost pressures from higher input costs, energy and salaries. Operating profit growth was particularly strong in Asia and Central and Eastern Europe.

Despite the adverse foreign exchange movements, adjusted earnings per share for the continuing business increased by 0.2%. Cash generation remained high and free operating cash flow was DKK 4.3 billion. As a result of the solid H1 performance and the healthy balance sheet, we are initiating the second quarterly share buyback program this year of another DKK 1 billion.

The disposal of the Russian business has been a key task for us. We were therefore pleased when we signed the sales agreement in June. However, unexpectedly, a presidential decree issued on July 16 placed the business under temporary management of the Russian state. Ulrica will provide more details later.

Please turn to slide 4 and a brief update on the SAIL'27 portfolio categories. 2023 is the first year of our new strategy SAIL'27. We executed well on key strategic priorities, achieving solid growth for our premium brands and continued growth in Asia. We invested in key SAIL'27 initiatives, balancing the shorter-term challenges with the long-term growth opportunities.

Growing our premium volumes is an important long-term value driver for the group. We have a strong portfolio of international and local premium brands. And in H1, our premium portfolio grew by 3%, driven by 5% growth in both Asia and Central and Eastern Europe. The growth was mainly driven by premium volumes of Carlsberg and Tuborg, 1664 Blanc and Brooklyn.

In Western Europe, premium volumes were impacted by down trading in Poland and declined by 2%. In many markets across Europe, we saw a good momentum for the alcohol-free category. In Q2, volumes were up by 2%, while volumes for the half year were impacted by the lower volumes in Q1 and declined by 1%. The half year development was impacted by lower volumes of Baltika 0.0, as we delisted the brand in Ukraine last year after the outbreak of the war. Excluding Baltika 0.0, total alcohol-free brew volumes increased by 4% in Q2 and by 1% in H1, fueled by good growth for the alcohol-free line extensions of Carlsberg and Somersby in Europe.

Please turn to slide 5 and our international brands. Carlsberg volumes were up by 1%, driven by strong double digit growth in Asia, with particularly strong growth in China and India, while we saw lower volumes in Western Europe. Tuborg volumes grew by 3%, driven by Asia, notably China and Vietnam, and in Central and Eastern Europe, in markets such as Ukraine, Serbia and Greece. The 5% growth for 1664 Blanc was broadly based across most markets. In China, volumes grew by 4% in Q2, while volumes in the half year were impacted by the lower volumes in Q1 due to lower sales in the nightlife channel. The Brooklyn brand has recovered strongly after the pandemic, when it was impacted by on-trade closures. The brand grew by more than 50%, supported by very strong growth for Brooklyn Pilsner in the UK, which is the largest market for the brand.

Slide 6 and our ESG program Together Towards ZERO and Beyond, which we launched in August last year, and which addresses the areas that are the most material to our business and to wider society. One of these is the new focus area of sustainable agriculture or Zero Farming Footprint. We have set bold ambitions to drive action on climate and biodiversity through regenerative agriculture and sustainable sourcing of ingredients. We already have encouraging examples of sourcing regenerative barley in markets such as Finland where the annual Christmas brew is brewed from regenerative barley and France, where 45 farmers are supplying so-called responsible barley for the 1664 Blanc. And in the UK, we are looking to follow suit with the Carlsberg brand.

Please turn to slide 7 and Western Europe. Volumes were impacted by the consumer sentiment and bad weather in early Q2 and declined organically by 2%. Our premium portfolio and alcohol-free brews performed better than our mainstream core beers across the region. Our mix was better than the category development observed in the markets where external data indicates that the high inflation is impacting consumer behavior, putting pressure on market volumes and in some markets also category and general mix.

We outperformed the total market, gaining both volume and value market share. We are, of course, satisfied with this development, as it is a clear indication of the strength of our brand portfolio and that our investments in premium and alcohol-free are paying off. Non-beer volumes grew by 2%, driven by good soft drinks performance. Revenue per hectoliter increased by 12%, supported by the positive channel mix in Q1, price increases and a positive country mix. Consequently, organic revenue grew by 9%.

COGS per hectoliter in Western Europe increased by mid-teens due to the significant increase in commodity, packaging and energy cost. However, as a result of the high revenue per hectoliter and continuous cost focus, and despite increased sales and marketing investments, operating profit grew organically by 1%, while the reported operating profit margin declined due to cost pressure.

Volume growth in the Nordics was low single-digit and mainly driven by growth for the soft drinks portfolio. In Sweden, mid-single-digit volume growth was driven by premium, alcohol-free brews and soft drinks. In Norway, the low single-digit growth was supported by Somersby and soft drinks. In Finland, premium and other beverages did well but total volumes declined slightly due to mainstream beer. In Denmark, volumes grew by low single-digit and our market share strengthened.

In France, the market was down due to high inflation and bad weather. Our volumes declined by low single-digit, but with a positive volume and value market share development due to good results for our local premium portfolio, 1664 and Grimbergen.

In Switzerland, our local premium brand Valaisanne, Grimbergen, the relaunch of 1664 Blanc and alcohol-free brews all did very well. However, the Swiss market was impacted by bad weather, seeing volume decline and unfavorable category mix. Our total volumes declined low single-digit.

The Polish beer market remains tough, declining by 7% as consumers are impacted by lower disposable income. Downtrading continued, with mainstream taking share from premium and flavored products. Our volumes declined by high single-digit as we had to take significant price increases to offset the considerable inflation in our cost base.

In UK, the weak consumer sentiment impacted the beer market. We outperformed in both the on-trade and off-trade channels, but our volumes declined by low-single digit, although with a solid June due to warm weather. We saw good growth for premium brands such as Brooklyn and Poretti. And we are pleased that we from June have the Kronenbourg brand in our portfolio after the termination of the licensee agreement.

Please go to slide 8 in Asia, where we continued to deliver strong results. Volumes grew by 4.8% with particularly good performance in China, Laos, Vietnam and India. Revenue grew organically by 12% with a revenue per hectoliter increase of 7%, mainly due to premium growth and price increases.

Operating profit increased organically by 8%, while the foreign exchange impact, mainly from China and Laos, led to a reported decline of 3%. Due to a significant increase in sales and marketing investments, the operating margin declined to 24.3%.

In China, we continued our growth trajectory and delivered 5% organic volume growth and 7% organic revenue growth. Increased domestic travelling supported growth in our strongholds in the western part of the country. We expanded our big cities to 91 cities and volumes continued to grow. Volume growth was mainly driven by Carlsberg, Tuborg and the local mainstream brands Chongqing and Dali. Dynamics for Wusu improved in Q2, leading to slightly growing volumes after the decline in Q1. 1664 Blanc grew in Q2 despite increased price competition, supported by growth in the improving nightlife channel.

The Indian beer market benefited from a strong economy, increased tourism and warm weather. Our volumes grew by mid-single-digit, mainly driven by Carlsberg. We grew less than the market due to capacity constraints.

Our volume growth in Vietnam was in the low-double-digits. While the market was flat year-to-date June, it weakened considerably during Q2 because of the macroeconomic slowdown. The market declined by 6% for the quarter according to Nielsen. Consequently, our volume growth slowed down in Q2, although still posting low-single-digit growth. Our international premium brands 1664 Blanc, Carlsberg and Tuborg grew strongly. The local mainstream brand Huda also grew.

In Laos, volumes grew by double-digits. We made significant price increases to offset the significant inflationary pressure. In Cambodia, beer volumes grew while total volumes declined due to weaker energy and soft drinks volumes.

Slide 9 and Central and Eastern Europe where the beer markets were impacted by bad weather in Q2 and high inflation. As a result, our volumes declined by 2%. We gained market share in most markets in the region, thanks to the good health for our brands. Revenue grew organically by 16%. The strong revenue per hectoliter growth of 19% was thanks to price increases, easy comps in Ukraine and the positive product, channel and country mix.

Operating profit grew organically by 8% due to the very good cost control and the higher revenue per hectoliter, offsetting the significant inflation in our cost base. Reported operating profit was flat, mainly because of the depreciation of the Ukrainian currency.

Our business in Ukraine remained heavily impacted by the war and the health and safety of our colleagues remain our first priority. Volume growth was high-single digit and benefited from easy comps in Q1, while volumes in Q2 were impacted by the intensified competitive activities and bad weather. Revenue per hectoliter improved strongly, mainly due to the high inflation. Our international premium brands grew strongly.

Our markets in Southeast Asia and Europe delivered mixed results. Volumes grew by low-single digits in Greece and Serbia, while in other markets such as Italy, Bulgaria and Croatia, volumes declined as they were impacted by inflation and bad weather. Revenue per hectoliter grew strongly across all markets, thanks to price increases and a positive mix supported by growth for the international premium brands.

In our export & license business, we show good growth for the premium portfolio, particularly for 1664 Blanc and Brooklyn. And with that, over to you, Ulrica.

Ulrica Fearn, Chief Financial Officer, Carlsberg A/S

Thank you, Cees. Good morning, everyone. Please go to slide 10 for more details on the P&L. Revenue was up organically by 11.2%, mainly as a result of the strong 10% growth in revenue per hectoliter. The revenue per hectoliter improvement was driven by the on-trade recovery in Q1, premium growth in Asia and Central and Eastern Europe, and price increases across most markets. There was a small positive acquisition impact of 0.5% from the Waterloo acquisition in Canada, while the currency impact was minus 5.1%, predominantly due to the Chinese, Laotian, Norwegian and Ukrainian currencies. Reported revenue grew by 6.6%.

Operating profit grew organically by 5.2%, thanks to the revenue per hectoliter improvement and our continued focus on costs and top line growth in H1. This combination more than offset the significant cost headwind from higher raw material, packaging, and energy cost. The cost of sales per hectoliter increased organically by 13% due to the higher input and energy cost and higher salaries. We were able to offset the cost increase in absolute term and report an organic gross profit per hectoliter improvement of 7%, but the reported gross margin declined by 160 basis points to 44.7%.

Despite the challenging operating environment, we continued to invest in our strategic priorities and our marketing investment increased organically by 7.2%, while administrative expenses were flat. Reported operating profit was impacted by a significant headwind from currencies, in particular the Chinese, Laotian, Norwegian and Ukrainian currencies and declined by 2.6%. The operating margin development mirrored the gross margin development, contracting 160 basis points to 16.6%.

Looking at the items below operating profit, special items amounted to DKK -169 million. The two main factors impacting special items in the first half year were the reversal of our provision relating to the now closed competition case in Germany and the cost of terminating the Kronenbourg 1664 licensee agreement in the UK.

Net financial amounted to DKK -332 million, which was a decline of a DKK 176 million and explained by significant foreign exchange losses last year. Excluding foreign exchange gains and losses, financial items amounted to DKK -311 million, and this was DKK 81 million more than in 2022 and mainly due to other financial.

Net interest increased by DKK 4 million, the net result of higher average net debt of DKK 1.9 billion. The effective tax rate of 21% was 100 basis points below half one 2022, in line with expectations. The net profit for the group ended at DKK 3.5 billion. Adjusted net profit for continuing operations – and that is excluding Russia – amounted to DKK 4 billion, positively impacted the organic operating profit growth and lower financial expenses and negatively by currency.

Adjusted earnings per share for continuing business increased slightly to DKK 29.3, supported by the lower number of share.

Slide 11. Free operating cash flow amounted to DKK 4.3 billion versus DKK 7 billion in 2022. The development was mainly driven by EBITDA, which was up organically 2.7%, but declined in reported terms by 4% due to adverse foreign exchange movement. In addition, there was a small negative contribution from the change in total working capital compared with positive contribution in 2022. The change in total working capital was DKK -105 million.

Zooming in on trade working capital, the 12-month average trade working capital to revenue was strong at minus 21%, compared to 20.1% last year. Other working capital was in particularly impacted by VAT and pensions.

The free cash flow was also impacted by the acquisition impact of DKK 802 million related to the acquisition in Canada of Waterloo Brewing. Net interest-bearing debt was DKK 22.4 billion, which was DKK 3 billion higher than year-end 2022. The increase was driven by the Waterloo acquisition amounting to DKK 806 million, the share buyback in half one of DKK 1.3 billion, and dividends to shareholders and noncontrolling interest of DKK 4.6 billion.

Return on invested capital improved by 30 basis points to 15.2%. Return on invested capital was positively impacted by the lower effective tax rate and improved trade working capital, offsetting the negative currency impact on operating profit. The return on invested capital excluding goodwill was 41.2%.

And now slide 12 and our capital allocation priorities. As already mentioned on previous slides, we increased the marketing investment by 7.2% in support of our strategic priorities, in line with our first capital allocation priority of ensuring sufficient investments in the business to drive sustainable long-term growth. We remained well below our second priority of having a leverage below 2 times, with the leverage ratio for the continuing business of 1.46x. Our third priority of an adjusted dividend payout ratio of around

50% was realized in March when we paid a dividend of DKK 3.7 billion, equal to 48% of the adjusted net profit for 2022. Our fourth priority is distributing excess cash to shareholders. At Q1, we initiated a buyback program amounting to DKK 1 billion. From 27th of April through 4th of August, we have bought back 925,940 shares at an average price of DKK 1,080. Today, we have launched a new share buyback program amounting to DKK 1 billion. The fifth priority concerns value-accretive M&A. And so far this year, we have closed the Waterloo Brewing acquisition deal in Canada and terminated Kronenbourg 1664 licensee agreement in the UK. So, this great brand is now at home with Carlsberg in the UK.

Please go to slide 13 and the earnings outlook for the year. Yesterday, we upgraded our outlook for organic operating profit growth for the year to plus 4% to plus 7%, compared to our previous expectation of minus 2% to plus 5%. The upgrade was due to the better than expected business performance year-to-date, including strong performance in Asia and continued good cost control. The earnings upgrade also includes a tough start to Q3 in Europe due to bad weather. In half two, COGS are expected to continue to increase, both compared to half one and year-on-year. Even so, the group has the capacity to invest in future growth. Consequently, we will increase investment levels in key brands and capabilities.

It is important to note, however, that we are still facing risks in half two. Although we have most of the important summer months in Europe behind us, consumer sentiment across Europe is under pressure, and this may influence volumes, brand and channel mix. Also, the war in Ukraine remains an uncertainty, albeit as the year passes, this uncertainty becomes less pronounced. Based on yesterday's spot rate, we assume the currency impact of operating profit of DKK -900 million compared to the previous assumption of DKK -800 million. The change is mainly due to Chinese, Norwegian, Laotian and Ukrainian currency.

Financial expenses excluding FX are now expected to be around DKK 700 million compared with around DKK 650 million due to higher interest rate. Assumptions on tax rate and CapEx are unchanged at 21% and around DKK 5 billion respectively.

Slide 14 and a few words on what happened with Baltika Brewery, our business in Russia and how we expect to report the whole situation from an accounting perspective. On the 23rd of June, we announced that we had entered into an agreement to sell the Russian business following a comprehensive process of separating the business from the rest of the group and conducting the sales process. The sale was the best possible solution for all stakeholders, including our more than 8,000 employees in Russia. In H1, a reassessment of the fair value of the Russian business led to a write-down of DKK 1.2 billion, resulting in a net loss in the Russian business of DKK 404 million. At 30th of June, the fair value of net assets in Russia was DKK 5.7 billion.

However, on the 16th of July, we were shocked that a presidential decree had been issued, temporarily transferring the management of Baltika to the Russian Federal Agency for State Property Management. According to the presidential decree, Carlsberg retains title to the shares in Baltika but since the 16th of July, we have no management or operational control of the business.

Carlsberg has been operating in accordance with local rules and regulations in Russia, and we have protested to the Russian government against this highly unexpected and unwarranted intervention. We will continue to investigate the situation and assess all options, including legal steps, and seek to protect our assets and value.

The new situation will lead to a change in the accounting treatment of the Russian business, which will be de-consolidated from July. Accounting-wise, the decree does not change anything for the half one reporting but is presented as a subsequent event in the half one announcement. The impact from the decree will be reflected in the full year reporting, where the deconsolidation of Baltika will result in a non-cash reclassification adjustment to the income statement of accumulated currency translation losses and hedging losses in half two 2023. The losses will be including in the net result from Russian operations held for sale.

At 30th of June, this non-cash loss amounted to around DKK 42 billion for currency translation and DKK 0.5 billion for hedges. There will be no impact on the group's total equity.

Now back to you, Cees.

Cees 't Hart, Chief Executive Officer, Carlsberg A/S

Thank you, Ulrica. Please go to slide 15. This is my 33rd and last quarterly announcement as CEO of Carlsberg. Allow me, therefore, to pause for a moment and reflect on the past eight years, which has been truly exciting and – probably – the most challenging in my career. After launching the three-year Funding the Journey program in November 2015, we announced the SAIL'22 strategy in March 2016. Funding the Journey released significant resource, which enabled us to invest in our strategic priorities, setting sail for growth, and improved profitability.

Since 2020, we have had to navigate significant storms, but we have had all hands on deck and stayed our course. And as you know, last year, we launched SAIL'27 with distinct choices for portfolio, geographies, execution and culture in order for Carlsberg to continue to prosper and leverage long-term growth opportunity.

Slide 16. We are as a team proud of the achievements that we have accomplished, making Carlsberg a stronger and financially much healthier company compared to the state of the company in 2015. Looking at some key financial metrics, operating profit in 2022 was up 35% compared to 2015 and adjusted EPS almost tripled. We have improved ROIC by 960 basis points and cash returns to shareholders in the form of dividends and share buybacks amounted in 2022 to DKK 7.8 billion, which was 4.6 times more than the cash return in 2015.

The many actions that we have taken since 2015 have strengthened the financial, strategic, and organizational health of Carlsberg. And despite the challenging years of COVID, inflation and war, the company is ready and fit for growth with the priorities of SAIL'27. I'm now passing on the helm to Jacob Aarup-Andersen. He will join Carlsberg in just a few weeks on September 1. The long term opportunities for Carlsberg remain significant and I am confident that Jacob, the leadership team, and our many dedicated employees will continue the value creation journey. I wish him and all my great colleagues at Carlsberg fair wind and – hopefully – calmer seas in the years to come. I also want to thank our shareholder and analysts for your commitment and many interesting conversations during the past eight years.

And now it is time for Q&A. But before opening up for that, let me summarize H1.

- We delivered strong revenue growth as a result of revenue per hectoliter improvements and volume growth in Asia.
- We delivered solid organic operating profit growth despite the challenging cost environment.
- Due to the solid year-to-date results, we upgraded our earnings as of yesterday and we are today starting the second quarterly buyback program this year.

Please observe that we again this time would like 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're welcome to join the queue again. And with that, we are ready to take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question will be from the line of Laurence Whyatt from Barclays. Please go ahead. You line now will be unmuted.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Good morning, Cees. Good morning, Ulrica. And firstly, just before we ask questions, I'm sure I speak on behalf of all the analysts and investment community by saying thank you very much for all the engagement you've had with us since 2015. It's been a pleasure. From my side, certainly, I'm sure I speak for many people on the line when I say that. So, best of luck in your next endeavors. I'm sure we'll see you.

So, yeah, going on to a couple of questions, please. On China, you've hopefully got some easier comps in the second half on the back of the various lockdowns that we've seen. But of course, we have seen a macro slowdown and a number of headlines around that. Just looking at the number of cities you're going into, I think you're aiming for around 100 cities. You said you've got around 91 today. What do you see as the sort of short to medium-term outlook for China from your viewpoint today?

And then secondly, you've taken pricing quite significantly along with the rest of the industry. Have you seen many signs of consumer weakness? You mentioned the UK was perhaps a little bit softer. Are you seeing any sort of trading down, any off-trade or perhaps even some mix shift out of the on-trade into the off-trade? Any sort of color you can give us on a potential downtrading, that would be very helpful. Thank you very much.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Laurence. And thank you very much for your very kind words at the beginning. Over to China, when we look at China and especially with regards to, let's say, the coming – time to come, and obviously, it is – we read the newspapers and see the macroeconomic environment changing a bit, and that might impact consumer behavior. However, the Chinese beer market has been declining for a number of years now, with the low end of the market declining and the premium end of the market performing well. And in this environment, we have been able to grow our volumes and premiumize our portfolio over time. During the past seven years or so, we have grown our market share from 6% to 8%. And the optimism we have is that this is still a low market share and we do not see why we should not be able to move our market share to 10% over the next years.

And that view is also supported by our footprint and portfolio. We see increasing tourism in our strongholds in the west, and we see that, that supports our volume growth there. We are now in 91 big cities and we added 15 cities at the beginning of this year. And that, of course, needs to get its own momentum. And we see still good growth also coming from the first cities. And that is also a very important indicator that the strategy continues to work and is not only depending on broadening the number of cities we are in.

Then, which is important for us and makes us a bit more different from maybe the others, is that we have a very attractive and balanced portfolio with both local mainstream, local premium and international premium brands. And therefore, we are able to cater for all consumer segments and most of the price points. And we benefit from the market, which is premiumizing. But due to maybe, let's say, changing macro environment, if that will change a bit, we still have enough – other levers to grow because of our broad range. So, I have full optimism for our business in China.

Then with regards to your question on Europe and possible downtrading, well, frankly, it is a bit difficult to really see what's going on in Western Europe because of the volatile weather in parts of Europe in the past few months. And therefore, it is difficult to make firm conclusions at this time. Bad weather impacts both volume and mix, and the latter due to higher share of premium in on-trade, the volumes are volatile when the weather is bad. However, we also need to see that in some markets, the high consumer price inflation and the negative consumer sentiment is influencing total market volumes and mix. And looking at our numbers, we are in general, and that's the good news from our side, we are in general outperforming in premium across markets, thanks to our strong brands and good support behind the brands. And therefore, we don't see in our mix, we don't see a negative brand mix.

And I think the country to highlight here is Poland. There, consumers are under significant pressure due to almost 20% consumer inflation and that impacted the volumes and the shift from premium to flavored beers.

And in the UK, to your question, a bit surprising, given the macro situation, the on-trade was doing better than the off-trade. And in both, we are gaining volume and value share. So, I hope that gives a bit of flavor about Europe and about China alone.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: That's great. Thank you very much, Cees.

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

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

<Q – Trevor Stirling – Bernstein Autonomous LLP>: Morning, Cees, Ulrica and Peter. Cees, just to echo what Laurence said about the amazing achievements over the last thritythree quarters and also just a little personal thank you for all your grace and candor on these calls and the subsequent follow-ups. I very much appreciate it, so good luck for the next chapter.

<A – Cees 't Hart – Carlsberg A/S>: Thank you very much.

<Q – Trevor Stirling – Bernstein Autonomous LLP>: Questions – you're welcome, Cees. Questions two, one, Ulrica maybe, I appreciate it's very early to get into numerical, putting numbers on things. But the outlook for input cost in 2024, perhaps you could just say how you think the land lies at the moment, and I appreciate there's still another four, five months to go yet in terms of hedging and buying things, but where do things stand at the moment?

And the second thing around the cash flow. You went through some of the factors that caused that reduction in cash flow versus this time last year. As we're looking forward, is this more that 2022's cash flow was boosted or inflated by a number of one-offs? Or is it that 2023 a little bit deflated or should this be the new normal going forward?

<A – Ulrica Fearn – Carlsberg A/S>: Thank you, Trevor. Yes, you're right. Let's start on the COGS outlook for 2024. Of course, it is very early to make any comments around that, and we can't be precise, of course. But I mean, maybe to give a little bit more color around how we're thinking, which was more your question is, so 50% of our commodities have not yet been hedged for 2024. So, that's what whereby the uncertainty. And we don't have the results of the barley harvest yet for 2023, which of course is one big line in there. And so – and we're also, of course, in ongoing discussions with the major suppliers by 2024 and onwards right now.

So, yes, agreed, it's hard to be precise. But maybe to give a little bit more color on and how we see the input cost development for 2024 where we sort of can look at aluminum that has come down from its peak in 2022. But it's only back to the levels of early 2021. And then I mentioned barley, it has come down since the peak of 2022, but it's still close to the 15-year high and with current very high uncertainty, Cees mentioned there weather conditions, it is very difficult to judge that too. Sugar is close to its all-time high, whereas energy, as we know, and natural gas is coming down. And then we've got packaging costs, which mainly glass within there is increasing and salaries are increasing. And that just gives you a little bit of a flavor of how much is going up and down and what the judgement for 2024 are. But if you look at it in totality, there are some ups, there are some downs, and we got about 50% of the commodities hedged so far and got 50% to go.

It's hard to look at all the back of that and sort of see a massive – meaningful decline in 2022 that we're looking at all plusses and minusses. Cash flow, we – the way to look at it is that 2022 was probably more boosted by one-offs and that 2023 is a more normal year.

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

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

<Q – Ed Mundy – Jefferies International Ltd.>: Morning, Cees. Morning, Ulrica. Cees, many congratulations on everything you've achieved over the last several years. Two questions, please. The first is on the guidance. I mean, first half delivery was pretty strong and you've got relatively easy comps going into the second half. Appreciate you – there are some uncertainties, but perhaps you could just talk through some of the biggest headwinds as you go into the second half in light of the quite easy comp and your guidance range doesn't imply much of a bounce back against that easy comp. That's the first question.

And then second, looking back at China, to go to Laurence's question, can you talk a little bit more about the Wusu brand? I think there was some sort of inventory destocking in the first quarter. Is that all done into the second quarter, and what sort of held back the brand and what gives you confidence that the brand can accelerate as you go into the second half?

<A – Cees 't Hart – Carlsberg A/S>: Good morning, Ed. Thanks for your words, for your kind words. And over to Ulrica for the first question.

<A – Ulrica Fearn – Carlsberg A/S>: Yeah, so a little bit of color on the earnings outlook. And as you saw, the upgrade was due to better than expected half one group performance and that we do have the most important summer months in Europe behind us, and Asian performance is continuing and you saw our cost control. And having said that, I think there are still many uncertainties out there and you mentioned what are they. We do – Cees mentioned it before as well is we do still see high inflation in Europe, which may put consumers under further pressure for the half two. And there is, of course, still the impact from the war hanging over us. As much as the remainder of the year becomes smaller, then that's still hanging over us.

So, there are some risks still out there for half two is one answer to the half two, but it's also correct that we have some easy comps in China in H2, and the step-up in investments in Vietnam is already in last year's number. But in that context, we do need to remember that Q4 is a small quarter for China, and that is sort of when you look at the half year development very important.

A few others for the half two. COGS, as I just talked about, are expected to continue to increase, both versus half one and year-on-year. And in certain markets, we will increase investments behind brands to further accelerate premium growth. And we're also looking into increasing investments behind the capability building elements of SAIL'27. And as I said before, the risk is then hanging over this as well. We had a tough start to Q3, as weather in July in Europe, I'm sure many of you have experienced this, was pretty bad. So, those would be the sort of dampening factors on half two.

<A – Cees 't Hart – Carlsberg A/S>: Thanks, Ulrica. And then moving to your question on Wusu, Ed. Yeah, the first half year in total is down but if we split Q1 and Q2, in Q1, we had the total decline of Wusu but as you know, we split it in the growth in the Xinjiang province or sorry, in – we split it in Xinjiang province and outside Xinjiang. In Q1, we grew in Xinjiang province, but we had a decline outside Xinjiang and in Q2, we see already slight growth of Wusu with continued growth in the home province, both in Q1 and Q2, as I said supported by tourism.

There were too high stocks among distributors that have reduced to the H1 shipments, but we see improving trends outside home province after the weak start and, in total, H2 is expected to be back to growth. We check continuously the brand. The Wusu brew is preferred by consumers and they're willing to pay a premium for it's so called richer profile. And we see also that back in the e-commerce channel where we feature with Wusu and with Blanc among the top five brands. So, the brand is still very, very strong.

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

<A – Cees 't Hart – Carlsberg A/S>: Thanks, Ed.

Operator: Thank you, Edward. The next question will be from the line of Simon Hales from Citi. Please go ahead. Your line now will be unmuted.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Good morning, Cees. Good morning, Ulrica. I'll start and just reiterate all those positive sentiments towards you, Cees. Thanks for your patience and time over the last seven years and all the very best from our side for the next stage of your journey.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Simon.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Just a couple of things then. Just – can I just sort of come back to China to start with, please. I think previously and back at the Q1 stage, you were talking about expecting mid to high-single digit organic sales growth for the full year in China. We've clearly been in that range in the first half. But back to those sort of comments around perhaps easier comps as we move to the second half of the year. Is that guidance – does it still stand or is it looking a little bit conservative, given what you've seen overall now?

And then secondly, just going back to the marketing spend. Clearly up just over 7% in the first half of the year. That's clearly been behind the revenue growth we've seen for understandable reasons. But how should we think about the step up in investment as we move through the second half of the year, potentially, which I think you highlighted, Ulrica, in your comments? And then perhaps the further need to step up investment behind that premium portfolio over the medium term.

<A – Cees 't Hart – Carlsberg A/S>: Yes. So, Simon, thanks. And I will take the first and Ulrica the second. So basically, what we see in the second half in China is a continuation of our growth there. We reiterate the expected revenue growth of mid-single digit to high-single digit. Over time, our market share strengthens, our big cities are developing well. Yes, we had a COVID impact in Q4, but all – that is also the smallest part of the year, so there will be an impact, slightly easier comps and hence the high-single-digit guidance, so the mid-single to high-single-digit guidance from China. So overall, we are, let's say, optimistic about the second half in China and at least the continuation of our guidance there.

Then Ulrica?

<A – Ulrica Fearn – Carlsberg A/S>: So, on the marketing spend, yeah, I mean we are up year-on-year by 7.2%, as I mentioned before and it's slightly down from a ratio point of view, down to 7.5% on some days. But given the big movements that we've also got in the revenue line on that ratio, it's not really significant. How we think about it I mean, the most important piece is the increase year-on-year. I did mention it. You're absolutely right. We are looking to invest, of course, in our marketing – in our brands and behind our premium business and we are doing that very clearly and very selectively and in the most effective way. And your assumption for the medium term is that we will continue to do so and continue to need to do so, albeit not wide across the whole portfolio, in very prioritized areas where we feel it's the right return we'll invest in it. You'll continue to see that also in the medium term.

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

Operator: Thank you, Simon. The next question will be from the line of Nik Oliver from UBS. Please go ahead. Your line will be unmuted.

<Q – Nik Oliver – UBS AG (London Branch)>: Hey. Good morning. Thank you for the question. Just one on Europe. You touched on premiumization, but just if we think back to the CMD last September, you signaled premiumization in Europe was a big growth opportunity. And I think that's changed since then given the macro environments. I mean, looking at your comments around brands like Brooklyn, which I guess indexes well above mainstream. I think it was 247 you shared actually at the CMD. That sounds quite positive. But yeah, anything you can share around how you think about premiumization in Europe would be very helpful.

<A – Cees 't Hart – Carlsberg A/S>: Good, Nik, and good morning. Thanks for that. No, nothing has changed. Of course, at that amount of time, we had already a bit of a feel that there was inflation coming up and that we needed to price in the market. That has not changed our plans. And hence you also see that in the results if we take it relative to our competitors, we did well in Western Europe, especially also helped by the premium brands. And by that, we have both volume and value market share increase.

And as I said earlier, we feel we are impacted by the poor weather. It was like volatile weather in parts of Europe over the last few months. And therefore, as I said earlier in the call, it's difficult to have a good analysis and to come to a firm conclusion whether it is the high pricing or whether it is the weather that impacted the portfolio, the mix changes over the last couple of months.

As you know, at the moment that on-trade is impacted by weather, it sells less. And by that, the sale of premium brands is a bit skewed, so that could be. Where we need to be careful with premium brands is in Poland because there we see that due to the significant consumer inflation there that the premium segment is under pressure and loses share to mainstream. So, there is the country where you could say we should not push too much in our premium brands, going forward in the, let's say, in the coming 8 to 12 months. The other countries, we continue with supporting also our premium brands and this change – there's no change of the plans that we discussed with you during the Capital Market Day.

<Q – Nik Oliver – UBS AG (London Branch)>: Okay. That is really clear. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Nik.

Operator: Thank you, Nik. The next question will be from the line of Olivier Nicolai from Goldman Sachs. Please go ahead. Your line will be unmuted.

<Q – Olivier Nicolai – Goldman Sachs International>: Hi. Good morning, Cees, Ulrica and Peter. Cees, first of all, as you sail into the sunset after eight years of great achievements and 16 times you've raised the guidance during the period, what's the key advice you have given to Jacob? And what would you like to have achieved at Carlsberg if you had more time?

And then secondly on just going back to the marketing spend, is there any phasing between H1 and H2 we should think about and related to the acquisition of the Kronenbourg licensee or actually, yeah, the license that you get back in the UK, should we expect a step-up in marketing this year or is it more a next year story? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Good morning and thanks for the question. Well, the advice … Jacob is a very experienced guy, he doesn't need a lot of my advices in that. He has run a good business and did very well. So, I don't think he needs my advice. If he would ask for that, then I would say be realistic. As I would say to everybody, what I've learned of last eight years is to be realistic in the forecast. I know that has been translated in underpromise. That's not how I see it. We have been realistic also this year. If you look where we were at the moment we gave the guidance, the challenges in China and with Europe and the Ukraine and where we are now, if these challenges would have materialized, we would have been in a very different discussion at this moment of time. Luckily, and some of that is just luck like in Ukraine and also to some extent in China, these challenges have not come through, and therefore, we are able to upgrade the guidance. So, be realistic.

You know, with regards to what could we have done better and what – would I start now and so on and so forth, I think there are a number of topics that we have already discussed during SAIL'27. And yeah, if you talk about outlining better processes, which Ulrica is starting to do, investing more in technology and catching up with digital, I think these are the areas that I really think that if I would say another eight years, I will focus on. Together, of course, with the further push on premium brands and pursuing growth in geographies, like we are now showing in Vietnam. So, there are many things to be done. I did what I could do over eight years, but I'm sure Jacob will have a wish list of things that he will do, and therefore, I wish him a lot of luck.

Then with regards to H1, H2, over to you.

<A – Ulrica Fearn – Carlsberg A/S>: Thank you. From a marketing point of view, as I said, we will continue to look at ways of reinvesting behind our brands and we'll continue to do so into half two, so we will continue to try to drive the growth in marketing investment also in half two. It's not a massive pacing. I shouldn't say but there's a big, big shift, but I will say we'll continue to look into increasing it. We – you mentioned also Kronenbourg and whether that's an opportunity to invest more, I mean, if I put it this way, it will complement our offer to the customers tremendously in the UK. It's an iconic brand. It's growing both volume and value. It's got strong brand awareness and bringing it into our portfolio will, of course, mean that we can look at exciting new potential for the UK. So, this is a long term move for the UK business and we need to look into the how we support that in the right way to unlock that potential – longer term potential of the brand.

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

Operator: Thank you, Olivier. The next question will be from the line of Søren Samsøe from SEB. Please go ahead. Your line will be unmuted.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Yes. Good morning. Just a couple of questions from my side. First on India. It seems like you are losing some market share due to capacity constraints. Do you have any plans to expand capacity? And if yes, by how much and when do you expect that to happen?

And then second question is on Vietnam. The market seems to flat line a bit at the moment. Is that a sign that the market has matured or do you still see some structural growth in the beer consumption in the years to come in Vietnam? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Søren, and good morning. With regards to India, yes, it's a bit unfortunate that we have some operational issues over the last half year. We are catching up hopefully in the second half, if not in the first half of next year. We resolved that by investing in the extension of a brewery but also in some toll production. That's all part of our planned CapEx for the remainder of this year. So, it will not influence the figures. The good thing is that we see still where we have the full capacity that we gain market share in these states. But indeed, the operational pressure at this point of time has led overall to the slight decline of our market share.

With regard to your second question, over to Ulrica.

<A – Ulrica Fearn – Carlsberg A/S>: On Vietnam?

<A – Cees 't Hart – Carlsberg A/S>: Yeah. Or I can think it also. Sorry. Sorry.

<A – Cees 't Hart – Carlsberg A/S>: No, no, no. With regards to Vietnam, yes, as you have seen in the figures, Q2 was negative. It's minus 6%. And the total half year was flat or flattish, so to say. We still think that Vietnam is a key growth opportunity for us. It's a bit like what we said earlier in China. It's a big market. We have a low market share and we still have a lot of potential.

Frankly, personally, I think the market in Vietnam will come back and maybe bounce back earlier than we anticipated and they'll be totally back on track where it was a year ago. But in those scenarios, we have a relatively low market share. And either the market will give us the boost or the market share development will give us the boost, but we are very upbeat about the growth opportunity for us in Vietnam.

As you know, we have historically a strong presence in Central Vietnam around Hue, especially with the Huda brand, which is doing excellently. We have extended our portfolio with international premium brands, which are really doing well – then I talk about Blanc, Tuborg and Somersby. And we are now expanding outside our home province. We're going to the north and the south. And we are still stepping up our investment in brands and route-to-market. So, we see our market share growing. We see also the appreciation for the brands from the customers but also from the consumers. So, at the retail level, the pickup is good. But also the repurchase is at a very high level, and hence we continue in Vietnam as we planned.

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

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

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

<Q – André Thormann – Danske Bank A/S>: Thank you so much for taking my question. I just have two. First of all, I wondered whether you could repeat the Chinese results on organic revenue growth volume and also what the mix effects was. I didn't catch that when you said it in the beginning.

My second question is just whether you could elaborate why you reiterate your guidance, as I understand it in China on mid to high-single digit after such a good performance in the first half and also when you say that you have easier comps in the second half? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, André, and with regards to the figures. So, the facts are organic growth, 5% volume, 7% [revenue] organic growth, that was for H1. And for Q2 is 6% organic growth and 10%, sorry, 6% volume growth organic and 10% net revenue, so we had a good Q2 as we said. Also here, we need to be realistic. That's probably the repetition of that. As you've seen, we are at revenue growth on Q2 at a relatively high level, but there's also some news coming through from China with regards to the development of the economy. We are guiding mid-single to high-single-digit. Half year, as I just said, we are at 7% for net revenue. So, that is at the low end of high-single-digits you could argue.

So, there's still, if we want to achieve the high-single-digit, we need also to have a good Q3 and Q4. Q4, as you hinted, that was last year not very good. On the other hand, it's also only a small part of the year as you know because of seasonality. It's another thing that we come across a bit that we are compared with competitors with regards to their growth over the first half year in volume but then also we looked at that of course. COVID impacted China differently in the year, so it was more impacted – the market was more impacted by COVID in the east in the first half year, and more in the west in the second half year. So, it's very difficult to compare our growth trajectory in volume with our competitors. However, we still also see and that's of course an important indicator, we see our volume still growing in terms of share. And I hope that answers your question, André.

<Q – André Thormann – Danske Bank A/S>: Yes. Thank you so much.

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

Operator: Thank you, André. The next question will be from the line of Mitch Collett from Deutsche Bank. Please go ahead. Your line now will be unmuted.

<Q – Mitch Collett – Deutsche Bank AG (UK)>: Thanks and [indiscernible] (01:03:45) for an incredible achievement over the last eight years. I've got two questions. First one, of the three contingencies you flagged at the beginning of the year, I mean, it sounds like two of them are relevant, so specifically, risk to Europe from consumer pressure and also Ukraine. And perhaps could you give some color on the scale of the headwinds you faced in July and the beginning of August? I appreciate it's very much weather driven, but I think that would be helpful.

And then secondly, you've obviously managed to grow profit per hectoliter in absolute terms. But I wonder longer term, do you think there's scope to return to previous levels of profitability from a margin perspective but of a higher revenue base and what would be a reasonable time period to deliver that? I appreciate Cees, I mean, that won't be your problem to solve, but I just wonder if you think that's possible. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thanks a lot, Mitch, also for your words. I will do question one and Ulrica question two because that gives also her commitment to the future, so to say. So, it's easy to make commitments from my side at this point of time. With regards to the three contingencies and for those on the line that might not recall this, it was about COVID in China, the impact of the war on Ukraine and the possible difficulties with business continuity there, and the third was are we able to take price in Europe. That was – these are the three. And COVID is, you could actually dump. The materiality of business continuity issues in Ukraine have diminished, of course. Let's hope that we don't have anything, but if so, there's only let's say four months of risk there. And we can digest that within the range that we gave in the guidance.

And we have been able to take price. The biggest issue, of course, is – the biggest question is at these price levels, will that lead to category changes, downtrading and so on and so forth. And as we said earlier because of the weather, it is very difficult to come to a conclusion on that except for in Poland. With regards to July and the beginning of August, well the weather has continued to be pretty poor, especially in the Nordics which are important for us as you know. So, we had not great volume development. We are hoping for an Indian summer so to say and there are some signs at least if I here in Copenhagen look out of the window and it seems that the week – the coming weekend is a bit nicer. That's what we need in order to make some nice volumes. But all that is taken into account in the new guidance, of course. But July was pretty weak in Western Europe and also so far with regard to the volume in August. I hope that gives you some color.

And then with regards to our profit per hectoliter and especially the margin development, Ulrica.

<A – Ulrica Fearn – Carlsberg A/S>: Absolutely. And you're absolutely correct. In terms of driving to cover the absolute cost increases here is what the first aim has been. We've been doing so successfully. And as I mentioned, it's been making sure we're growing our gross profit year-on-year. But we're not growing – our margin is not growing and it's not back to where it used to be. The long-term –we're in sort of unprecedented and very difficult markets at the moment. There is no reason to believe that we shouldn't be back on – well, we're hoping to get back more on a normal track going forward, which means that we will revert to SAIL'27, and we started that with great velocity this year, which includes premiumization and it includes holding that cost base in control.

And those two combinations with the geography exposures that we've also got, the aim would be to go back and drive a better gross margin, and thereby, also EBITDA margin and operating margin and back to the levels before these storms hit us. But it is, as you also say, that's the medium term and the long term, it takes a while to bring back. It takes investment, it takes focus on premiumization. I should just say that even in these storms that we've been in at the moment, as we mentioned today, the premium portfolio is still growing 3%. So, it's about opening up the possibility of that portfolio into the future where hopefully the world is a little bit more stable.

<A – Cees 't Hart – Carlsberg A/S>: Yes. Thank you very much. And just one thing to add, Mitch, the operating margin in total was still 16.6%, which is close to the 17% that we had promised for SAIL'22 at a point of time.

So, could we get the last question, please.

Operator: Yes. Thank you, Mitch. The last question will come from the line of Richard Withagen from Kepler Cheuvreux. Please go ahead. Your line will now unmuted.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Yeah. Good morning, all. And I want to repeat, Cees, what others have said many times. Many thanks for the last few years. Two questions that I have. First of all, on China, it seems the competitive situation in the international premium segment is a bit more intense recently. So, what do you see and how is 1664 Blanc performing in this environment?

And then the second question that I have is on the Golden Triangle. It seems as if we are gradually moving to a period of lower input costs, less pricing probably than in the last two years. You mentioned on the call there is calmer waters. So, does this mean that there will be a shift in the balance of focus in your Golden Triangle?

<A – Cees 't Hart – Carlsberg A/S>: Thanks, Richard. With regards to Blanc and the increased competition, of course, we see that competition. We don't see any impact yet on our share and share development. We had a bit of a difficult start with Blanc, but that also had to do with the ending of last year and slightly higher customer inventory in the market which we corrected. And Blanc was able to grow again in the second quarter. The good news for us is that the night entertainment is recovering and that is also supporting the growth for Blanc. So, we are again on the good track.

With regards to your Golden Triangle, that's a relevant question in terms of balancing the three parts of that. Over to you, Ulrica.

<A – Ulrica Fearn – Carlsberg A/S>: Yeah. And it's a little bit to the answer I said before, we have been very focused on, as I said, about covering the absolute cost increases and been trying to do so while being balanced across the triangle. But of course, we do need to, as we go into the longer term views again, we balance that towards also recovering margin. And so, the answer to that is yes. But still, I will have to say as we've been going through this, we've been pretty balanced and continue to invest and drive for also maintaining our competitive position even through this time, but a little bit more balanced towards the margin outlook, absolutely.

Cees 't Hart, Chief Executive Officer, Carlsberg A/S

Thank you very much, Richard. That was the final question for today. Thank you for listening in and thank you for your questions. We are looking forward to meeting some of you in person during our road show in the coming days and weeks and to those of you whom I will not meet, I wish you all the best for the future. Have a nice day. Bye-bye.

DISCLAIMER

This transcript contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "intend", "plan", "project", "will be", "will continue", "will result", "could", "may", "might", or any variations of such words or other words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that could cause the Group's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, market acceptance of new products, changes in consumer preferences, launches of rival products, stipulation of fair value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors. New risk factors can arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.