

## Company announcement 24/2020

30 April 2020

Page 1 of 9

# TRADING STATEMENT AS AT 31 MARCH 2020

## HIGHLIGHTS

- Organic revenue decline of 7.4%; reported decline of 6.8% to DKK 12.9bn (currencies: +0.6%).
  - Organic revenue development in Western Europe -6.9%, Asia -12.4% and Eastern Europe +2.2%.
- Flat price/mix.
- Total organic volume decline of 7.6%; reported decline of 7.6%.
  - Organic total volume development in Western Europe -6.0%, Asia -15.5% and Eastern Europe +3.3%.
  - Tuborg volume -15%, Carlsberg -10%, Grimbergen +5%, 1664 Blanc +4% and Somersby -2%.
  - Craft & speciality<sup>1</sup> volume +1%, alcohol-free brews<sup>1</sup> +5%.

## 2020 EARNINGS EXPECTATIONS REMAIN SUSPENDED

On 2 April, the Group suspended its outlook for 2020 due to the significantly increased uncertainty concerning the impact of the COVID-19 pandemic on business performance. The situation remains unchanged with a high degree of volatility and uncertainty in most markets and, consequently, the 2020 guidance remains suspended.

CEO Cees 't Hart says: "Across the world, the coronavirus continues to be an immense challenge for people, regulators and businesses, changing lives for everyone. In these uncertain times, our first priority has been and remains the health and safety of our employees. Colleagues are working under very difficult circumstances at our breweries, in sales or from home. Even so, morale has been very encouraging and a source of great inspiration. In addition to keeping our business running and delivering to our customers, our people have found relevant ways to support their local communities – including partnerships to support production of hand sanitiser, donating alcohol-free drinks and making financial donations locally – and are developing creative solutions to support our on-trade customers in particular in their immense hardship.

"Our businesses in all markets are impacted to a greater or lesser extent. While we're starting to see signs of recovery in our largest market, China, and initial signs of governments cautiously lifting restrictions in some Western European markets, other markets remain in lockdown. Nevertheless, social-distancing requirements will continue and will impact consumer behaviour. Consequently, volumes will decline further in Q2.

"Carlsberg remains in strong financial health. To mitigate the impact of weaker volumes, we're reinforcing our cost focus and maintaining a strict focus on cash and liquidity, while ensuring that this will not compromise the long-term health of our brands and our organisation."

---

<sup>1</sup> Definition changed as of 2020 to include Somersby alcohol-free and kvass in alcohol-free brews and Somersby in craft & speciality. Excluding these changes, growth of craft & speciality would have been +3% and for alcohol-free brews +4%.

**Contacts**

Investor Relations: Peter Kondrup +45 2219 1221 Iben Steiness +45 2088 1232

Media Relations: Kasper Elbjørn +45 4179 1216

*For more news, sign up at [www.carlsberggroup.com/subscribe](http://www.carlsberggroup.com/subscribe) or follow @CarlsbergGroup on Twitter.*

Carlsberg will present the results at a conference call today at 9.00 a.m. CET (8.00 a.m. GMT).  
Dial-in information and a slide deck are available on [www.carlsberggroup.com](http://www.carlsberggroup.com).

## FIRST-QUARTER REVIEW

Q1 2020 was significantly impacted by the COVID-19 pandemic. Our business results varied between markets, depending on the timing of the COVID-19 outbreak and of government interventions. The Chinese market in particular was severely impacted in the quarter, as lockdowns started as early as January. In the rest of Asia and in Western Europe, we saw an impact in some markets in late February and then all markets entering into some level of lockdown during March. Eastern Europe saw very little impact from the virus in Q1.

Revenue declined organically by 7.4%, caused by a 7.6% organic volume decline and a flat price/mix. As mentioned above, China was impacted the most in Q1. Adjusting for the decline in China, the organic volume decline would have been 4.4%.

Reported revenue declined by 6.8% to DKK 12.9bn, positively affected by a currency impact of +0.6%.

The volume development of our international premium brands as well as craft & speciality and alcohol-free brews reflected the widely diverse market development across our regions. The Tuborg brand declined by 15%, mainly caused by China, India and the Turkish licence market. The Carlsberg brand grew strongly in Russia, while overall volumes declined by 10%, mainly due to a weaker Chinese market and a decline in India and Denmark. Grimbergen grew by 5%. 1664 Blanc grew by 4%, driven by all three regions. In China, 1664 Blanc grew double-digit.

### WESTERN EUROPE

Revenue in Western Europe declined organically by 6.9% as a result of -1% price/mix and a total organic volume decline of 6.0%. Reported revenue was in line with the organic development.

Year-to-date February, our volumes were ahead of our internal expectations, while volumes in March were significantly impacted by COVID-19. The volume development varied significantly between markets, depending on the timing of government lockdowns and the size of the on-trade sector. In markets characterised by a large off-trade, such as Poland, and in markets that were either impacted very late or saw modest lockdowns, such as Sweden, Bulgaria and Croatia, there was high-single-digit volume growth. In some of our larger markets that were impacted early on or have a large on-trade exposure, such as Switzerland, France and Denmark, we saw a mid- to high-single-digit beer volume decline. The very small markets of Italy and Greece saw the worst development, with up to 20% volume decline in Q1.

As expected, non-beer volumes were negatively impacted by the loss of the German/Danish soft-drink border trade from 1 January, resulting in a 10% organic decline for non-beer volumes.

Several factors contributed to the negative price/mix development, including a negative country mix and a negative channel mix due to a declining on-trade.

### ASIA

Asia had a very challenging start to the year due to the COVID-19 outbreak in China. In Q1 2020, revenue declined organically by 12.4% as a result of +4% price/mix and a total organic volume decline of 15.5%. Reported revenue declined by 12.0% due to small positive currency impact.

Our Chinese volumes declined organically by around 20%, as a strong January, which was positively impacted by sell-in to the Chinese New Year, was followed by a very weak February and March. The market was impacted by a nationwide closure of outlets, with the on-trade sector particularly affected by widespread closures. At the end of the quarter, we started to see a relaxation of certain restrictions with some outlets reopening.

In the rest of Asia, the beginning of the quarter was mostly impacted by fewer Chinese tourists in some markets. However, at the end of the quarter, all markets were in either partial lockdown (e.g. Laos, Vietnam and Cambodia) or full lockdown (e.g. India, Nepal and Malaysia).

The positive price/mix was the result of price increases and a positive country mix.

### **EASTERN EUROPE**

The Eastern European region delivered solid numbers. Revenue grew organically by 2.2% as a result of a price/mix of -1% and an organic volume growth of 3.3%. Reported revenue grew by 5.5%, supported by a 3% positive currency impact.

All markets in Eastern Europe reported volume growth, with particularly strong growth in Kazakhstan. Volumes in Russia and Ukraine grew by low-single-digit percentages. In Russia, we saw signs of improvements in volume development and market share trend at the end of the quarter as we gradually implemented our changed commercial priorities.

The negative price/mix was mainly the result of a higher level of promotions in Russia as we adapted to the challenging competitive environment. Product mix was positive in most markets.

### **COVID-19**

#### **SUPPORTING OUR COMMUNITIES**

It has been very important for us to contribute to and support our communities as best we can. In local markets, our businesses have engaged in the production of hand sanitiser, donated protective and testing equipment as well as alcohol-free beverages to healthcare workers, and made financial donations to local organisations.

In addition, our majority shareholder, the Carlsberg Foundation, made a donation of more than DKK 100m at a very early stage to support of COVID-19-related research, culture and civil society.

#### **REDUCED CONSUMER DEMAND**

Over the past months, governments across our markets have imposed severe measures, including closure of on-trade outlets, limitations on or closure of businesses, limitations on social gatherings and introduction of social-distancing requirements, travel restrictions, and cancellation of sporting and entertainment events. During Q1, we saw an impact from such restrictions in most of our Asian and Western European markets. In particular, the full or partial closure of on-trade outlets has severely impacted our business.

As long as governments are maintaining lockdowns, we will continue to see a negative impact on consumer demand and, consequently, our business. We also expect continuing social-distancing requirements to impact consumer behaviour.

## MITIGATING ACTIONS

The situation is unprecedented and continuously evolving, and it remains very difficult to make any reliable short-term predictions about the business impact. We are closely monitoring developments in our markets, and the Executive Committee continues to conduct frequent business reviews to navigate through this crisis as well as possible. We are adjusting our supply and demand planning, modelling business responses and outcomes, and sharing best practices across markets.

### Reducing costs

To mitigate the impact of the lower consumer demand, we are taking several actions to further reinforce our Funding the Journey initiatives, accelerating efficiencies and cost reductions. We are using our OCM (Operating Costs Management) tool kit to target specific cost groups with a view to significantly reduce costs this year. In addition, we have implemented hiring restrictions. We have conducted extra commercial reviews of all our markets with the aim of reducing marketing and promotional spend where this can deliver short-term savings without impacting the long-term health of our brands.

### Cash flow impact

We are also reducing or postponing capital expenditure where possible. Working capital will be weaker this year (measured on a 12-month rolling basis), compared with our achievements in recent years. We expect lower on-trade investments and lower investments in returnable glass bottles, and expect to postpone non-critical investments. In addition, some customers will be subject to financial distress and, consequently, there is a risk of higher losses on debtors.

## STRONG BALANCE SHEET AND LIQUIDITY

Our balance sheet, credit situation and liquidity remain strong. At the end of 2019, net interest-bearing debt/EBITDA was 1.25x.

In March, we placed a EUR 500m 10-year bond with a coupon of 0.625% and established a 1-year fixed-term bank loan of EUR 500m. In addition, we have an undrawn EUR 2bn committed revolving credit facility. We do not have any upcoming material refinancing needs. The next bond maturity is in November 2022. There are no covenants associated with any of our debt or credit facilities.

On 9 April, Fitch affirmed our long-term credit rating at BBB+, outlook stable, and on 27 April, Moody's affirmed its Baa2 rating, outlook stable.

### Share buy-back

On 4 February, the Company launched a DKK 2.5bn share buy-back programme, and as at 24 April the Company had bought 1,372,059 shares at a value of DKK 1,148m.

As stated in the "Earnings suspension and business update" announcement on 2 April, our balance sheet and liquidity position remain strong, and we intend to proceed with the current first tranche of the share buy-back programme as described in the 2019 Financial Statement. We will review the second tranche of the programme, depending on further developments.

## **EARNINGS EXPECTATIONS REMAIN SUSPENDED**

On 2 April, the Group suspended its outlook for 2020 due to the significantly increased uncertainty concerning the impact of the COVID-19 pandemic on business performance. The situation remains unchanged with a high degree of volatility and uncertainty in most markets and, consequently, the 2020 guidance remains suspended.

## **FINANCIAL CALENDAR**

The financial year follows the calendar year, and the following schedule has been set for 2020:

13 August	H1 interim financial statement
28 October	Q3 trading statement

## **FORWARD-LOOKING STATEMENTS**

This Company announcement contains forward-looking statements, including, but not limited to, guidance, expectations, strategies, objectives and statements regarding future events or prospects with respect to the Group's future financial and 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 words such as "expect", "estimate", "intend", "will be", "will continue", "will result", "could", "may", "might" or any variations of such words or other words with similar meanings. Forward-looking 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 materials used by the Group, cost of energy, production- and distribution-related issues, IT failures, market-driven price reductions, litigation, environmental issues and other unforeseen factors. The nature of the Group's business means that risk factors and uncertainties may 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.

## VOLUME AND REVENUE DATA

Q1	2019	Change			2020	Change Reported
		Organic	Acq., net	FX		
<b>Beer (million hl)</b>						
Western Europe	9.3	-4.5%	0.0%	-	8.9	-4.5%
Asia	9.4	-17.5%	0.0%	-	7.8	-17.5%
Eastern Europe	5.6	1.7%	0.0%	-	5.7	1.7%
<b>Total</b>	<b>24.3</b>	<b>-8.1%</b>	<b>0.0%</b>	<b>-</b>	<b>22.4</b>	<b>-8.1%</b>
<b>Non-beer (million hl)</b>						
Western Europe	3.1	-10.4%	0.0%	-	2.8	-10.4%
Asia	1.3	-1.3%	0.0%	-	1.3	-1.3%
Eastern Europe	0.3	35.4%	0.0%	-	0.4	35.4%
<b>Total</b>	<b>4.7</b>	<b>-5.1%</b>	<b>0.0%</b>	<b>-</b>	<b>4.5</b>	<b>-5.1%</b>
<b>Total beverages (million hl)</b>						
Western Europe	12.4	-6.0%	0.0%	-	11.7	-6.0%
Asia	10.7	-15.5%	0.0%	-	9.1	-15.5%
Eastern Europe	5.9	3.3%	0.0%	-	6.1	3.3%
<b>Total</b>	<b>29.0</b>	<b>-7.6%</b>	<b>0.0%</b>	<b>-</b>	<b>26.9</b>	<b>-7.6%</b>
<b>Revenue (DKK million)</b>						
Western Europe	7,268	-6.9%	0.0%	0.0%	6,763	-6.9%
Asia	4,602	-12.4%	0.0%	0.4%	4,052	-12.0%
Eastern Europe	2,014	2.2%	0.0%	3.3%	2,125	5.5%
Not allocated	3	n.m.	n.m.	n.m.	6	n.m.
<b>Total</b>	<b>13,887</b>	<b>-7.4%</b>	<b>0.0%</b>	<b>0.6%</b>	<b>12,946</b>	<b>-6.8%</b>

## APPENDIX

### OVERVIEW OF CURRENT STATUS OF THE ON-TRADE AND OFF-TRADE CHANNELS IN KEY MARKETS

WESTERN EUROPE	ON-TRADE	ON-TRADE SHARE OF MARKET <sup>1</sup>	OFF-TRADE
<b>Bulgaria</b>	All outlets closed until 13 May.	~26%	Food retail remains open.
<b>Denmark</b>	Almost all outlets closed. Will remain closed until 10 May. Take-away allowed. All bigger events and festivals cancelled until 1 September.	~21%	Food retail remains open. Border trade closed due to border closure.
<b>Finland</b>	All outlets closed. Will remain closed until 31 May. Alcohol take-away allowed if outlet has the required licence.	~14%	Food retail remains open. Passenger ferry traffic to Sweden, Estonia and Germany closed until 13 May.
<b>France</b>	All outlets closed. Next decision to be taken at the end of May. Events over 5,000 people will remain banned until at least September	~28%	Food retail, tobacco stores and "press houses" remain open.
<b>Greece</b>	Almost all outlets closed. Some outlets may open on 1 June.	~59%	Food retail remains open.
<b>Norway</b>	Buffet restaurants banned. Other on-trade outlets must ensure guests' social distance of at least one metre. Many outlets closed voluntarily but from 20 April, bars and restaurants have been slowly opening. Sale of alcohol banned in Oslo.	~20%	Food retail remains open.
<b>Poland</b>	On-trade outlets closed. Take-away allowed.	~11%	Food retail remains open.
<b>Sweden</b>	Limited restrictions: only table-serving.	~21%	Food retail remains open.
<b>Switzerland</b>	Almost all outlets closed. Take-away allowed.	~35%	Food retail remains open.
<b>UK</b>	All outlets closed.	~45%	Food retail remains open.

<b>ASIA</b>	<b>ON-TRADE</b>	<b>ON-TRADE SHARE OF MARKET<sup>1</sup></b>	<b>OFF-TRADE</b>
<b>Cambodia</b>	Approx. 1/3 of outlets closed. Beer Gardens closed by government decree.	~30%	Some outlets closed.
<b>China</b>	Approx. half of dining outlets closed. Most night-entertainment outlets closed.	~45%	Around one tenth traditional trade outlets closed. Some modern off-trade outlets closed.
<b>India</b>	All outlets closed until 3 May.	~17%	All liquor shops closed until 3 May.
<b>Laos</b>	All outlets closed. Take-away allowed.	~53%	Sale of beer and other alcohol prohibited until 20 April. Shops have subsequently reopened.
<b>Malaysia</b>	All outlets closed. Take-away allowed from 7 a.m. to 7 p.m.	~46%	Most outlets remain open. Restricted opening hours: 7 a.m. to 7 p.m.
<b>Nepal</b>	All outlets closed until 7 May.	~71%	Most outlets closed. Some outlets open for a limited time during the day, allowing consumers to buy daily essentials.
<b>Vietnam</b>	Bars and pubs must remain closed until further notice. Restaurants and eateries that are open must comply with strict guidelines.	~40%	Food retail remains open.

<b>EASTERN EUROPE</b>	<b>ON-TRADE</b>	<b>ON-TRADE SHARE OF MARKET<sup>1</sup></b>	<b>OFF-TRADE</b>
<b>Belarus</b>	No restrictions.	~5%	No restrictions.
<b>Kazakhstan</b>	Most of the HoReCa shut, with more than 80% outlets closed.	~8%	Reduced opening hours in quarantine cities.
<b>Russia</b>	All outlets closed until 11 May. Take-away allowed.	~19%	Food retail remains open. Restricted times for alcohol sales in some regions.
<b>Ukraine</b>	All outlets closed. Take-away allowed.	~12%	Food retail remains open. Ban on draught beer sales in shops in some cities.

<sup>1</sup> Source: Carlsberg Group Annual Report 2019.