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Ulrica Fearn – CFO

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Carlsberg A/S Full-Year 2024 Financial Statement Conference Call. I am Youssef, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode and that the conference is being recorded. The presentation will be followed by a Q&A session. [Operator Instructions] The conference must not be recorded for publication or for broadcast.

At this time, it's my pleasure to hand over to Jacob Aarup-Andersen, CEO. Please go ahead.

Jacob Aarup-Andersen, Group CEO

Thank you, operator, and good morning, everybody, and welcome to Carlsberg's full year 2024 conference call. As said, my name is Jacob Aarup-Andersen, and I have with me our CFO, Ulrica Fearn; and Vice President, Investor Relations, Peter Kondrup.

2024 was an eventful year where we took significant steps to build a stronger business for the future. So, let me summarize the key headlines for 2024 as we get started here.

First of all, we launched Accelerate SAIL, a refreshed and more ambitious strategy. We announced major structural changes that will shape the future of the group. We delivered continued solid profit development and cash flow, and we upgraded the earnings outlook in August and then delivered at the top end of that increased guidance range. We delivered good gross margin improvement and improved operating margin, despite increasing our commercial investments. And, finally, we returned DKK 5.6 billion to our shareholders.

I will start by giving more details about the major events here in 2024, after which I'm going to 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, please turn to slide number 3 and an overview of the many exciting actions we took during 2024 to set up Carlsberg even stronger for the future. In February, we launched the updated strategy Accelerate SAIL, which had a higher long-term, top line growth ambition of 4% to 6% CAGR. We aim at growing operating profit more than that, driven by a recovery of the gross margin, which will more than offset higher commercial investments.

In July, we announced the £3.3 billion acquisition of Britvic and, at the same time, we bought out the partner in our UK business for £206 million. We also acquired minority holdings in two craft breweries in Denmark and France respectively, strengthening our position in super-premium in both markets.

Towards the end of the year, two major events happened almost at the same time. Finally, in late November, we bought out our partners in India and Nepal after years of negotiations. The total purchase price was $744 million. Shortly thereafter, we announced the disposal of Baltika, our Russian business, including the settlement of all disputes related to the complicated situation that that business was in. The cash proceeds were DKK 2.3 billion.

In September, we announced that we will take over the Pepsi license in Kazakhstan and Kyrgyzstan from 2026. The license will double our business in Kazakhstan, making it among our top 10 markets. As in the other markets where we have combined beer and soft drinks business, we see significant benefits from combining our beer business with a soft drinks franchise also in Kazakhstan.

Slide 4, please, and the Britvic acquisition. We're very excited about this acquisition and we're very excited about the opportunities that it brings. Having gotten the keys just a few weeks ago, our initial assessment of the business is very positive. Importantly, we met a highly motivated and enthusiastic workforce, which, of course, is key to ensure smooth integration, which started immediately, an achievement of our growth ambitions for the business, of course.

The new management team was appointed on day one, and we're still in the process of getting a thorough understanding of the business, getting to know people and conducting detailed commercial and financial due diligence. We're therefore not able to give you a lot of additional information today compared with when we did the recommended offer and announced it in July. However, we will, of course, provide more details about the business and its integration as we progress during the year.

Let me emphasize the key reasons for acquiring Britvic. At a group level, Britvic will support our long-term revenue and operating profit ambitions as we increase exposure to the structurally growing CSD category. Adding Britvic to the Carlsberg Group therefore drives compelling value accretion, also supported by cost synergies, margin and EPS accretion and hard currency cash flow generation.

In the UK, Britvic will completely transform our business. We're now the leading supplier of combined beer and soft drinks, and we intend to reap all the benefits from combining beer and soft drinks across the value chain as we do so successfully in many other markets, strengthening the profitability of the combined business. We also believe that we can accelerate top line growth through higher sales and marketing investments. Lastly, and importantly, the acquisition have strengthened our partnership with PepsiCo, making Carlsberg their largest bottler in Europe and among the biggest in the world. Slide 5, please.

With this transaction, we're doubling the group's exposure to soft drinks from around 16% to around 30%. Including alcohol-free brews, non-alcohol beverages will account for around 32% of volumes. But it's important to stress that Carlsberg will remain a brewer. We'll be a brewer with significant exposure to structurally growing non-alcoholic categories in markets where we can leverage scale and route to market to deliver strong long-term both operational and financial performance, and thereby, value creation for our shareholders. Let's do slide 6, please.

As already mentioned, there are considerable synergies between beer and soft drinks due to similarities in production and the frequency of servicing customers. We know that well from other markets as we've been operating fully integrated beer and soft drinks businesses for more than 30 years. The benefits are on all areas of the value chain, from procurement to production, distribution, customer service, and back office as shown on the slide.

Starting from the left, there are obvious synergies in back office and administration where duplicative tasks can be eliminated quite easily and advantages can be achieved from economies of scale. In procurement, attractive synergies come from scale benefits in several areas. The most significant is packaging due to the increasing overlap in pack formats, particularly cans and glass bottles. Another example is point-of-sale materials such as glassware and coolers.

In production, similar pack formats across beer and soft drinks means that they can run on the same lines, improving utilization rates and efficiencies and reduce costs. In the short term, production synergies will be limited. For longer term, there may be opportunities for improved capacity utilization rates and some CapEx avoidance.

There are significant synergies in logistics and distribution in areas such as combined warehousing, improved inventory management and higher frequency of full truckloads. The utilization of the distribution network will significantly increase due to the larger volumes. It's important to mention that the lower cost of servicing also helps smaller customers.

From experience, we know that there are multiple benefits for both on- and off-trade customers. A one-stop-shop portfolio helps solve unmet customer needs, for example, by offering access to the wider product portfolio from one point of contact, simplifying administrative work and increasing frequency of deliveries. Other advantages of having a broader and stronger portfolio is the ability to act as a door opener and facilitate selling of sub-brands. We expect sales synergies coming from cross-selling, for example, selling the Britvic portfolio to Carlsberg's on-trade customers or the Carlsberg's portfolio to Britvic's off-trade customers not currently serviced by Carlsberg. But as you all know, sales synergies are difficult to track and, therefore, the business case underlying the recommended offer only include measurable cost synergies. Nevertheless, we are optimistic about sales synergies, and we've already received initial positive feedback from customers.

When we announced the Britvic transaction, we identified total cost synergies of £100 million to be achieved by 2029, of which £80 million will be achieved by 2027. Please go to slide 7 for more details on this and the financial impact of the transaction.

We'll consolidate Britvic and Carlsberg's accounts from the January 16. The cash consideration of £3.3 billion were paid on the January 27. Getting control of the business on the January 16 also means that we only had access to the books for a few weeks and we're, therefore, still in the analysis and investigation phase, which means that all figures are still preliminary. We expect approximately 85% of Britvic – that's the UK, Ireland, and France – to be allocated to Western Europe. The remainder, which is Brazil and the export business, will be allocated to CEEI.

As you can see on the slide, the split refers to volume and revenue as we're not yet able to provide the expected split on operating profit due to our limited knowledge about Britvic's cost allocation, intercompany transactions, and so on. As said back in July when the deal was announced, we expect the Britvic acquisition to be margin accretive to Western Europe and the group by 2027. It will be mid-single-digit accretive to adjusted EPS from this year and double-digit from next year.

Following the deal completion, our net interest-bearing debt to EBITDA has increased to a pro forma leverage of around 3.4 times. This leverage is based on Carlsberg's actuals for 2024, including the $744 million related to India and Nepal, and the cash proceeds from the selling of the Russian business. It also includes the £3.3 billion purchase price and Britvic's net debt and EBITDA as reported in their 2024 Annual Report. As you will note, the 3.4 times leverage is a bit better than anticipated at the deal announcement. This is mainly driven by the cash received from the Russian disposal. We remain committed to reducing leverage to less than 2.5 times no later than by the end of 2027.

As said on the previous slide, we expect total cost synergies of £100 million. It's still early days, but we currently expect the phasing to be as shown in the table on the slide. That means a full-year impact of 10% to 15% this year, 30% to 40% next year, and 30% to 40% in 2027, and then around 20% in the last two years. As said, these are full-year expectations and not an annual run rate. The annual run rate will, of course, be higher in the first years than the indicated percentages. The one-off costs of £83 million associated with realizing the synergies will be up-front loaded. We therefore expect 50% of the one-off costs to be booked in 2025, 20% next year, 20% in 2027, and the remaining 10% in 2028 and 2029. Now, please turn to slide 8 and another big milestone for the company.

After many years of negotiations, we now have a 100% ownership of the businesses in India and Nepal. Both are excellent businesses that will support Carlsberg's long-term growth trajectory. India in particular offers very attractive growth opportunities. This is supported by demographics, which with a growing and young population with an estimated 800 million people of legal drinking age and with around 20 million people entering this group every year. Acknowledging that not everyone consumes alcohol, there are still an estimated 140 million people in the beer-drinking population. The growth drivers in the beer markets are several, including urbanization, increasing wealth, growth in dining out, and an increasing number of women beer drinkers.

But India is also a complicated market to operate in. Alcohol sales are restricted. There are only 90,000 outlets across the country with permission to sell alcohol. Alcohol regulation is done state by state, resulting in different market and tax structures, including import and export duties between states. This basically means that you need to operate state by state. And then marketing of alcohol is also heavily regulated.

India is traditionally a spirits market with high ABV alcohol products accounting for around two-thirds of alcohol consumption. However, the market is seeing an increasing popularity of low alcohol products, mainly beer, which is therefore enjoying a growing penetration. This has resulted in beer growing at an average rate of 5% per year for the last 10 years. At this time, the market is mainly a strong beer market, with around 80% of the market volumes being strong beer, with an ABV between 5% and 8%, and 20% mild beer with an ABV below 5%. We have a number two position in strong beer with Carlsberg Elephant and Tuborg Strong. We launched Tuborg back in 2007, and quite impressively, this brand has, for a number of years, been the second largest brand overall in India and the largest international brand. We launched 1664 Blanc in December 2024, and we have great plans for this brand in the super-premium segment.

Let's take slide 9 and some more details on our Indian business. The business was established in 2007 together with our partner. Today, we're number two in the market with a 21% market share in the states where we operate. We don't operate in all states. When we first entered India, we chose a very structured state-by-state approach, and this has proven to be a successful strategy. Today, we cluster our states based on market size, regulation, growth prospects and our market position. We operate breweries in seven states and complement this capacity with co-packers to fulfill demand in certain states and to establish presence in other states. You can see it all on the map on this slide.

Our 2024 volumes in India were close to 6 million hectoliters, which is approximately 5% of the group. We've been growing by twice the market growth in the last 10 years, and the business is now operating in mid-teens margins.

We believe that India will remain an important growth driver for us. However, although India offers appealing long-term growth opportunities and we are in an excellent position to capture these, we also recognize that this is a volatile and complex market to operate in, which has occasionally led to challenges, as you have recently seen in both Telangana and Karnataka, as I'm sure you're probably aware of. We intend to step up investments in India, both in terms of CapEx and sales and marketing investments. In 2025, we will therefore increase CapEx to ensure sufficient capacity for the 2026 season.

We've also regained full control of Gorkha Brewery in Nepal. This business is a small jewel with a very strong market position of around 60% and a strong portfolio with the local Gorkha brand, Tuborg, and Carlsberg. Current volumes are just below 1 million hectoliters. But as Nepal is a growing beer market, we see interesting growth opportunities here as well. The business is currently running at very high capacity utilization rates, and we are investigating options how to solve that.

Let's have a look at the group's 2024 performance, and that means slide 10, please. So, we delivered a solid profit development, margin improvements, and good cash flow for 2024. As you probably already know, Laos was classified as a hyperinflation market, requiring special accounting treatment. Important to say upfront is that the hyperinflation impact does not impact organic numbers as it's included in FX. Ulrica will go through the details later. Our beer volumes grew slightly by 0.2% organically, thanks to solid growth in CEEI, which more than offset declines in Western Europe and Asia. Other beverage volumes grew organically by 1.6%, mainly driven by carbonated soft drinks in Sweden, Finland, and Laos, energy drinks in CEEI, and Beyond Beer products in China and Ukraine. Ulrica will go through the financials in more details and, therefore, please go to slide 11 and our growth categories and international brands.

Our premium portfolio grew by 2% with very strong growth seen for the international premium portfolio, including Carlsberg, Tuborg, 1664 Blanc, and Brooklyn. Alcohol-free brews grew by 6% with broad-based growth in most markets in Western Europe and CEEI. Our strategy for alcohol-free brews is to have a broad portfolio of brands with alcohol-free line extensions of our local and international brands. We saw very good growth for brands such as Carlsberg, Tuborg, Lvivske, and Zatecky.

Our soft drinks portfolio grew by 1% as volumes were impacted by the loss of the Schweppes brand in Switzerland with an impact of almost 1%. In this context, it is relevant to mention that we recently got Schweppes in Sweden and now have it in all four Nordic markets. We saw particularly good growth for Pepsi, for our energy drinks brands, Battery and Flash Up, and for our own local soft drinks brands such as Tuborg Squash in Denmark. Beyond Beer volumes grew by 5%, driven by growth for the Garage and Wind Flower Snow Moon brands.

Looking at our international brands, total Carlsberg volumes grew by 9%, while the brand's premium volumes were up by 19%. The strong premium growth was driven by CEEI and Asia. The mainstream volume growth was mainly thanks to good performance in the UK, Malaysia, and Turkey. Total Tuborg volumes were up by 5%, supported by strong growth in markets such as Vietnam, India, Turkey, Ukraine, and Italy. 1664 Blanc grew by 6%. We saw good growth in most markets in Western Europe and CEEI, in Vietnam and Malaysia. And we continued to expand the brand geographically and launched 1664 Blanc in India in December as I just mentioned.

Please turn to slide 12 and Western Europe where volumes declined by 1.1%, mainly due to France and Switzerland. Soft drinks developed more favorably than beer, thanks to growth in the Nordic markets. Weather varied a lot during the year, but for the year, we estimate that the weather impact was modest. We only saw a limited channel mix in the region.

Revenue per hectoliter grew by 2%, driven by price increases, country, and brand mix, the latter driven by premium growth in most markets, and 5% growth of alcohol-free brews. Also remember that comes as revenue in the UK in 2023 was positively impacted by the excise tax on Kronenbourg, which had a full-year impact on revenue per hectoliter in 2024 of around negative 70 basis points. Organic revenue was up 0.9%, while organic operating profit grew by 5.2%, thanks to the positive revenue per hectoliter development and gross margin improvement, which more than offset increased commercial investments. Our operating margin in Western Europe strengthened by 60 basis points to 13.9%.

The Nordic markets delivered low single-digit growth, mainly driven by Sweden and Finland. We saw solid market share performance across markets and categories. In the UK, it was a very busy year due to the Britvic acquisition, the buyout of the noncontrolling interest in our UK business, the supply chain disruption in Q3, and the notification in July about the termination of the San Miguel license by the end of 2024. Despite all of this, the team did a very good job, delivered flat volumes in a slightly declining market. We saw good performance of Carlsberg Danish Pilsner, Poretti, and Brooklyn. It was a tough year in France due to the overall soft market, exacerbated by our own market share loss because of our price increases. Those increases were ahead of the market. The share loss was mainly for the mainstream Kronenbourg brand in the off-trade. Our on-trade performance was good, giving us comfort in the strength of our brands.

Let's look at side 13 in Asia where volumes declined by 1%, mainly due to a soft second half in China. Non-beer volumes grew slightly due to good performance in Laos. Organic revenue growth was 1%, thanks to an increase in revenue per hectoliter of 2%, which was supported by price increases, particularly in Laos, and a positive product mix. Operating profit increased organically by 7.9%, positively impacted by the revenue per hectoliter growth and gross margin improvement. In the second half, profits and margins improved despite lower volumes. The earnings growth was due to supply chain efficiencies, a good second half in high margin markets such as Laos and Malaysia, lower admin cost, and lower sales and marketing investments, which were impacted by both our decision to reduce commercial activities in the second half due to the weak consumer sentiment, mainly in China, and then the comps in second half 2023 when we increased investments significantly.

Let me comment on a few markets and maybe starting with China. The Chinese beer market declined by approximately 4% for the year due to weak consumer environment and bad weather during the summer. The market grew slightly in Q4, supported by easy comps from last year. We maintained our positive market share trajectory. We gained an estimated 30 basis point market share. Volumes declined by 1% as continued premium growth in the big cities was offset by lower mainstream volumes in the Western strongholds. After a solid 3% growth in first half, our volumes declined by 7% in the second half due to tough comps with last year, bad weather, and destocking. We believe that the destocking was completed in December, allowing us to start 2025 with normal stock levels. This view is supported by a solid start to the year. Revenue per hectoliter was slightly negative. A stable pricing was offset by a negative channel mix, which also impacted mix within our premium portfolio. Carlsberg and Wind Flower Snow Moon saw very strong growth while super-premium 1664 Blanc declined, impacted by reduced traffic in the night-entertainment channel. Tuborg delivered modest growth.

In Vietnam, the market stabilized during the second half. We continued to see solid growth of our premium brands as we expanded outside of our core central stronghold, but the mainstream brand, Huda, declined slightly in its stronghold in the central part of the country due to bad weather and weak consumer offtake. Our overall market share and volumes were flat. In Laos, volumes grew by low single digits despite several price increases to offset the significant inflationary pressure. We reached all-time high volumes in Laos, passing the 8 million hectoliter mark.

Now let's move to slide 14 and the CEEI region. Here, we delivered strong results. Volumes grew by 4%. Revenue per hectoliter increased by 4%, thanks to price increases in all markets and a positive product mix. Consequently, revenue grew organically by 7.8%. Like the two other regions, the organic growth in operating profit of 9.6% was due to revenue growth and improved gross margin. The operating margin improved by 10 basis points to 18.5%.

In Ukraine, our business delivered another strong year despite the highly challenging conditions. Volume growth was the high single – was again high single digit, and revenue per hectoliter improved due to price increases and mix improvements. In Q4, the environment became even more difficult due to an increasing number of attacks, causing electricity shortages and less traffic in traditional trade and on-trade outlets.

I've already talked at length about India, so I'll just confirm that the business did very well, delivering low double-digit volume growth driven by Tuborg Strong and Carlsberg Elephant.

Performance in the markets in Southeast Europe and the Baltics was very good. Supported by good weather, the markets grew and our volume growth was in mid-single digits. Eastern Europe was a mixed bag with very good performance in Azerbaijan and Belarus, while our volumes in Kazakhstan declined due to a weak consumer environment, high inflation, and bad weather. The team in Kazakhstan has a busy and exciting year ahead of them to be ready for the takeover of the Pepsi license in 2026, which is expected to double our current business.

And with that, over to you, Ulrica.

Ulrica Fearn, CFO

Thank you very much, Jacob, and good morning, everyone. So, please do go to slide 15. So, before going into the numbers, I do want to briefly explain the impact of hyperinflation accounting, which we have had to implement for the business in Laos. So, hyperinflation accounting means that from the 1st of January 2024, we've had to restate the financial statements to reflect current purchasing power in Laos, and the impact of hyperinflation is posted in the currency translation line, which means that there is no impact on organic development. The restatement will, unfortunately, retrospectively impact our 2024 quarterly and half-year reporting for Asia and group. And the restated numbers are included in the Excel spreadsheet, which is available on the website and was attached in this morning's stock exchange announcement.

And as you can see from the table on the slide, the impact is on operating profit included in the FX line in the P&L and is minus DKK 75 million or less than 1%. And there's no impact on adjusted EPS. On ROIC, the impact is minus 70 basis points, which actually means that excluding the impact of hyperinflation, ROIC would have been flat. There is a full overview of the adjustments that have been made due to hyperinflation accounting, including P&L, cash flow, and balance sheet in note 10 in the full year announcement.

So, let's move to slide 16 and the P&L. Revenue grew organically by 2.4%, supported by the slight volume growth and the improvement in revenue per hectoliter of 2%, which was mainly the result of price increases and a positive mix in Asia and CEEI. The reported revenue growth was 1.9% as the small acquisition impact of 0.2% was offset by currencies. And in addition to hyperinflation impact, the main impact came from the depreciation of Chinese, Laotian, and Ukrainian currencies.

An important element of Accelerate SAIL is to restore gross margins to pre-COVID levels, as this will enable us to continuously ensure the right level of support behind our growth priorities. And, therefore, it is of course very satisfying that we improved gross margin by 120 basis points to 45.8%. In addition to the revenue per hectoliter improvement, gross margin benefited from an organic decline in cost of sales per hectoliter of 1%, which was achieved as a result of efficiency improvements, country mix, and slightly lower commodity costs.

We increased marketing investments further this year by 6%, bringing marketing to revenue to 8.7%, which was 30 basis points higher than last year. Total operating expenses, excluding marketing, increased by 5% due to higher logistics cost, higher sales investments to strengthen tools and capabilities and that's things like value management and e-commerce, and finally, also write-offs of obsolete technology platforms. The latter was booked in non-allocated costs in half two.

The gross margin improvement was more than able to offset the higher operating expense, and operating profit grew organically by 6%. The reported operating profit was impacted by adverse currencies. Again, it was particularly the Chinese, Laotian, Ukrainian currencies that impacted that. Including the impact on hyperinflation, the currency impact was minus 3.1%. Reported operating profit, therefore, grew by 2.8% to

DKK 11.4 billion, and the operating margin strengthened by 10 basis points to 15.2%. Excluding the impact of hyperinflation, the operating margin improvement would have been around 30 basis points.

Special items, net, amounted to minus DKK 519 million. And some of the major items were the revaluation of step acquisition of CSAPL, and that is the holding company of the business in India and Nepal, and costs related to the M&A activities during the year. And as always, there is a detailed overview of special items in note 4 in the full year announcement.

Net financials amounted to minus DKK 905 million. Excluding currency gains and losses, net financial items amounted to minus DKK 1.1 billion, which was an increase of DKK 371 million, due to higher net interest-bearing debt and higher interest rates. The FX gain was DKK 159 million positive due to a dollar hedging gain ahead of the CSAPL transaction and the impact of hyperinflation accounting in Laos. The effective tax rate was 19.8%, which was below our expectation of 21%, and the lower tax rate was due to the clarification of certain tax exposures, which led to reversal of uncertain tax positions.

Net profit for continuing operations amounted to DKK 6.9 billion, while the adjusted net profit for continuing operation was DKK 7.3 billion. Adjusted earnings per share for the continuing business grew slightly by 0.6% to DKK 54.9, supported by the lower numbers of shares. As mentioned in the previous slide, there was no impact on adjusted EPS from hyperinflation. The reported net profit was DKK 9.1 billion, positively impacted by the divestment of the Russian business, which led to a capital gain of DKK 2.3 billion, which was similar to the cash proceeds. And we have received the cash and converted it into hard currency.

So, move to slide 17, please. The free operating cash flow amounted to DKK 6.4 billion versus DKK 7.5 billion in 2023. And the main drivers of the decline was higher CapEx, net interest, change in other working capital and tax, and the combination of which more than offset the higher EBITDA. The change in trade working capital was plus DKK 471 million. The average trade working capital to revenue for the year remained strong at minus 20.7%. Free cash flow amounted to DKK 9.8 billion and positively impacted by the rewinding of financial deposits in 2023 and the settlement of an outstanding loans to our partner in CSAPL as part of the acquisition of its shares.

Net interest-bearing debt was DKK 27.4 billion, and the increase of DKK 5 billion was mainly due to the acquisition of non-controlling interests and the cash returned to shareholders, partly offset by the proceeds from the disposal of the Russian business. Net interest-bearing debt to EBITDA was 1.73 times. Return on invested capital was 13.8%, mainly impacted by the step acquisition in Nepal and hyperinflation accounting. Return on invested capital, excluding goodwill, was 35.5%.

So, slide 18 and a recap of the delivery against our capital allocation priorities, which have remained unchanged for the past almost 10 years. The first priority is to invest in the business to drive long-term organic growth and value creation. And I've already talked about the increase in marketing and sales investments, capabilities and tools in 2024, and it's all done to support growth of the company.

Our second priority is to have a leverage below 2.5 times. By the end of 2024, net interest-bearing debt to EBITDA was 1.73 times and was well below this threshold. But with the acquisition of Britvic, our leverage is higher. We will be very disciplined and focused on reducing leverage and have committed ourselves to reach our leverage target by the end of 2027 at the latest.

The third priority is to have a dividend payout of adjusted net profit of around 50%. In March, we paid out a dividend of 49%. And next month, after the AGM on the 17th of March, we expect to pay out a dividend equal to 49% of adjusted net profit. We remain committed to our dividend policy, also during a period where the balance sheet is a little bit more stretched than normal.

The fourth and fifth priority are returning excess cash to shareholders and engaging in value accretive acquisitions respectively. We carried out a share buyback in half one, but terminated the ongoing share buybacks when announcing the recommended offer for Britvic. Until we reach our leverage target of below 2.5 times, reducing debt will take priority over share buybacks. We've already talked at length about our M&A transactions in 2024, so I will leave that to that.

And now to full year earnings outlook on slide 19. For 2025, we're expecting a relatively stable consumer environment, although uncertainty still remains as to consumer sentiment in both Asia and Europe. For the business, excluding Britvic, we expect a flattish development in cost of sales per hectoliter, but a moderate increase in our total cost base due to slightly higher commercial investments, including marketing, sales, and capability building such as value management and B2B, and also some ERP renovations. The organic development for volumes, revenue, and operating profit will be impacted by the loss of the San Miguel brand in the UK as of 31st of December 2024, with an estimated negative impact of 2- to 3-percentage-point organic operating profit growth for the group.

As a result of this, we expect an organic operating profit growth of 1% to 5%.

Our organic earnings expectation does not include the acquisition impact from Britvic, which will be consolidated from the 16th of January. As already said, we have owned the business for only three weeks and we are still in the process of getting the full and detailed understanding of the business. Our current assessment is that the business is in good shape, and our confidence in our initial business case is high.

Britvic reported an adjusted operating profit of £250 million in their 2024 annual accounts. And so far, we have not discovered anything that will make that number look very different when consolidating it into Carlsberg's account. We expect the underlying business to deliver top and bottom line growth again in 2025. However, it is too early for us to give a precise guidance on the earnings expectations of the business and by that acquisition impact in Carlsberg's reporting for 2025. We still need to go through the numbers and plans.

And there may be both upsides and downsides to the £250 million. And upsides in terms of underlying business growth and initial cost synergies, and downsides in terms of differences in accounting principles, additional commercial investments, write-downs, or impact of PPA adjustments. And we will provide more colour on earnings expectation as and when we get more clarity during the year. And consequently, for modeling purposes at this stage, £250 million may not be a bad starting point, recognizing that that number will likely be different by the end of the year.

Based on yesterday's FX rate, we assume a translation impact of around £150 million positive for 2025. The currency impact does not include the impact of hyperinflation accounting in Laos nor the currency impact of profits in Britvic. The latter will be included in the acquisition impact in 2025.

For the lines below operating profit, we have included the expected impact from the Britvic acquisition in the assumptions. Financial expenses excluding foreign exchange losses or gains is expected to increase to DKK 2.6 billion to DKK 2.7 billion due to the higher net interest-bearing debt. We intend to refinance the Britvic bridge facility as soon as possible using our EMTN bond program.

Reported effective tax rate is expected to be around 23%, and the increase compared with previous years is due to the acquisition of Britvic plc and deferred tax deductibility of the acquisition-related interest expenses. CapEx is expected to be around DKK 7 billion to DKK 8 billion, impacted by the construction of the soft drink bottling facility in Kazakhstan and including planned CapEx in Britvic. We don't guide on special items, but please note that special items in 2025 will be heavily impacted by Britvic integration costs, as mentioned by Jacob.

And with that, back to you, Jacob.

Jacob Aarup-Andersen, Group CEO

Thank you very much, Ulrica. That was a fairly long presentation, a little bit longer than usual. So, hopefully, you're still awake and you're listening in. But we wanted to give you more colour on the many recent big events, and I know that's also something you've requested. So, hopefully, that gave a bit of colour.

Before opening up for Q&A, let me highlight what is our key priorities for the coming years, and those priorities to ensure that we deliver long-term compounding earnings growth and value creation.

First and foremost, we will focus on accelerating long-term revenue growth in line with Accelerate SAIL and by capturing market growth opportunities and investing behind key growth initiatives. We will bring gross margins back to pre-pandemic levels, supported by efficiency improvements in supply chain, which will enable us to deliver operating profit growth ahead of revenue growth, and at the same time, enable us to increase commercial investments. We will focus on the integration of Britvic to ensure delivery of the promised synergies as fast as possible, while at the same time accelerate growth of the business. And we will generate as much cash as possible from the total business to reduce financial leverage as fast as possible.

Now, I'm sure you have many questions, but can we, as always, please 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, of course, welcome to join the queue again.

With that, I think we are ready to take your questions, operator.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Simon Hales from Citi. Please go ahead.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Thank you. Morning, Jacob, Ulrica, and Peter. So, two then, please. I wonder if you could just start off and talk a little bit more about the factors which might or might not drive your 2025 profit guidance towards the top or bottom end of that plus 1% to plus 5% range, just to give us some idea what assumptions you're making within that.

And then, secondly, I wonder – Jacob, if you could give a bit more colour around that performance in China through Q4 and into the first quarter of the year. Appreciate the destocking completed by year-end and you flagged a good start at the beginning of 2025. One of the spirits companies this morning is talking about a softer Chinese New Year so far. I just wonder if you could just expand a little bit more on what you're seeing sort of right now in that market.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you, Simon. Good morning to you. So, first of all, on the question around operating profit guidance of 1% to 5%, so, of course, it's early days. We're in the beginning of February, so there is a number of uncertainties as we look through the year. I think I will probably put it into a couple of buckets for you. First of all, the consumer. So, we've been heavily impacted in the last couple of years by a consumer weakness driven, especially, by the inflationary environment, which the consumer has struggled to deal with. You've seen that across all of the FMCGs. So, we're not assuming in our guidance any significant change in consumer sentiment across our main markets and regions. So, deteriorating or improving consumer sentiment in our key markets will drive you towards the lower or the high-end here.

Of course, China, specifically when we talk consumer, is important given the size of the business, but also given the potential ranges of outcomes in China. The China market, the uncertainty is there both on the positive and the negative side. So, I think the Chinese market taking off on the back of stimulus actually having a real impact, that will drive us to the high-end of the range. And I think that's a key metric.

Staying on China, the third element I would highlight would be Chinese New Year. I'll talk to that in a second. But, of course, we need to not just look at sell in but also sell out. And so, we'll see how the Chinese New Year fully pans out once we have all the data. And that will, of course, be an enabler as well. And the fourth element, which we are reluctant to mention, but it just has an impact on our business, of course, is weather. We saw a lot of volatility on the weather-related front in 2024. And the key Western European markets were hit quite hard weather-wise in June, recovered afterwards. CEEI has had both good and bad weather depending on where you are. So, I think, overall, it's consumer, consumer especially the Chinese consumer, it's weather, and it's execution of these key events like Chinese New Year.

Then you asked about colour on China on Q4 and Q1. So, of course, happy to speak to that. I think we alluded to the fact that our Q4 in China, we saw a decline in our business as we were focusing mainly on destocking, ensuring that the distributor stock levels were down to normal levels before year-end. As you know, Simon, I know you know this, but I'll repeat it anyway, Q4 is, it's a small quarter for us. It's around 10% of annual volumes in China. So, the important fact for us was to make sure that we were set up correctly with the right start to the new year, not with excess stocks out in the distributor levels. So, Q4 was muted in terms of volume development. We had a negative volume development in Q4, but that was, you can say, on purpose in terms of making sure we have the right destocking go through the system.

Looking into Q1, we've had a solid start to the year with good sell-in through Chinese New Year. Despite the fact that we had a tough comp, we had a good Q1 last year, as you may remember. Basing Q1 just on January sell-in, that's of course – it's too difficult to evaluate the full quarter on that. We need to see the consumer offtake during Chinese New Year and the subsequent distributor restocking in February and March. I'm not aware of the comment that you referred to from another company. I can only – as always, at Carlsberg, we talk about what we see. And, of course, there are also differences between the two categories, etcetera. But it's a solid start to the year. We're not calling a significant change in China but it's – we can see that with the way Q1 has started, it seems like we have hit the right level of destocking in Q4.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Brilliant. Thanks for the color.

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

<Q – Edward Mundy – Jefferies International Ltd.>: Morning, Jacob, Ulrica, Peter. I have two questions, please. The first is on your COGS per hectoliter in 2024, which were down. I think it's part of 2.0 [indiscernible] where you're sort of shifting your focus from SG&A towards COGS. Could you talk about momentum on that program into 2025? And do you see the raw material part of COGS being better or worse than 2024, as you go into 2025? That's the first question.

And then the second question is around the opportunity to scale premium, Beyond Beer, low-alc, all of these sort of non-mainstream parts of your portfolio within Europe. Is there anything you're going to be doing differently in 2025 to try and capture that European growth?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Morning, Ed. Why don't I start on the categories there, and then Ulrica will speak to the cost side? Yeah. If you look at 2025, if I take a step back and look at 2024 and, for that matter, also 2023, we already, at that point, we've increased the allocation of our resources both on sales and marketing towards these growth categories. Accelerate SAIL, as I know you know it, Accelerate SAIL puts investments behind what we believe are the core growth categories for us in the coming years, and you mentioned them here, premium, Beyond Beer, and low or no alcohol products. And then when you look at 2025, it's a continuation of those programs.

We continue to innovate. We continue to launch new products into these categories, as I believe it was this week that we officially launched the first triple-zero cider with Somersby, triple zero being launched in Germany, which is not just zero alcohol but also zero calories. And so, we'll continue to innovate on that and say a larger proportion of our sales and marketing and innovation budgets are allocated towards these categories.

Of course, some of – these categories are also higher margin and also higher price points. And, therefore, with the cyclicality we've seen in the last 18 months, they're seeing some headwinds cyclically. But, still, despite that, as you can also see from the numbers, these all three categories are growing faster than mainstream cold beer. So, we're super excited about the categories. We're excited about the innovation pipeline that is coming through. And therefore, we'll continue to invest disproportionately behind the categories versus mainstream beer.

Ulrica, on the cost side?

<A – Ulrica Fearn – Carlsberg A/S>: Yeah. Thank you, Ed. And I think, absolutely, there is good momentum. And we have shifted the focus into really driving savings and efficiencies behind our COGS line. And that is some of what you're seeing coming through in 2024. There are some other that are offsetting the inflation, but there are some other upsides as well as mix. But, yes, the big part of that is savings.

And I think your question was, how does it then take the momentum into 2025. In 2025, we do expect COGS per hectoliter to be about flattish. And when it comes to the input to the commodities, we have seen some declines in barley and sugar, for example, but others have increased and you're probably well aware of aluminium and other packaging material have also gone up, such as cardboard. And, of course, within that, in the whole cost base of COGS, there's also salaries which continue to increase both for us and our suppliers. So, conversion costs will continue to increase. And then we have rising environmental fees and higher energy prices.

But, again, we will focus and take the momentum from driving those efficiencies, which includes negotiating supply contracts and improving brewery efficiencies to offset that and expect COGS per hectoliter to remain flattish into the next year.

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

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

<Q – Søren Samsøe – Skandinaviska Enskilda Banken AB>: Yes. Hello, Jacob, Ulrica, and Peter. Just two questions from my side. Just on the CapEx side of things, you said in the slides you did DKK 5 billion this year and you guide for DKK 7 billion to DKK 8 billion. So, if we assume that's DKK 1 billion from investments in Kazakhstan and maybe DKK 750 million from including Britvic, then we are not quite at the DKK 7 billion to DKK 8 billion yet. So, can you bridge the difference there? That's the first question.

And then related to that, in terms of the free cash flow level in 2025, I know you're not guiding on that, but could you indicate whether should we, for modeling purposes, incur similar growth as for EBIT or is there something that could sort of deviate there? Thank you.

<A – Ulrica Fearn – Carlsberg A/S>: Thank you very much, Søren. On CapEx, it's – what's sitting underneath that number is an underlying CapEx, which is consistent with the 7% of revenue. So, that's about 5, 5.5 for next year. And then you have on top of that the – what we announced was more than €100 million of Kazakhstan bottling facility where – which is about DKK 0.8 billion to DKK 1 billion. And then we take in Britvic's CapEx, probably around point DKK 0.6 billion to DKK 0.8 billion within that, and that gets you to that round number.

In terms of free cash flow next year, there is – I'll just say that there's nothing specific that we will think about that's got any one-off that will take you off the trends that you would continue to monitor and build into the next year.

<Q – Søren Samsøe – Skandinaviska Enskilda Banken AB>: Okay. Thank you. That's clear.

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

<Q – Sanjeet Aujla – UBS AG (London Branch)>: Yeah. Morning, Jacob, Ulrica. A couple for me, please. Can you talk a little bit towards how you see the pricing outlook for Western Europe, particularly against the back of a continued favorable COGS environment? And just digging deeper into France, I think you spoke a bit about your market share underperformance. What plans do you have in place to try and turn that business around in 2025? Thanks.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you, Sanjeet. So, listen, starting on the pricing, I'm going to be a little bit annoying on that and be a little bit cautious. Of course, for legal reasons, we're not – we cannot be very specific on pricing. But what we can say is when we look at it broadly, we do expect in 2025 that you'll see a positive pricing impact across our markets. And we still see – I think Ulrica just alluded to it, we still see total cost slightly up for the year, with everything that's going on. And, therefore, we are still expecting to see a positive price impact, also in Western Europe.

Of course, market by market, it can be different. And I cannot comment on market by market, then I will go to jail. But I can say more broadly that our focus is on continuing to make sure that we price cost increases through. This is a mantra that I will keep repeating. You've heard it from me before, and we'll keep on doing that. We need to cover the cost increases we see via continued pricing.

Then your question was on France. Listen, we – it's hard to be super specific on the plans for 2025. We are fully aware that a lot of people are listening into this call. And I'm not going to give you the full plan for how we expect to regain momentum in 2025. But, listen, if we take a step back, there's no doubt that when we look at 2024, we had a combination of a market that was declining by an estimated low single digits. That was a weak consumer. It was weather. And we declined more than that market, so we declined a bit more than that market.

We lost share in off-trade. And the main reason behind that was we seem to have increased prices more than the market. And on top of that, we saw Kronenbourg Red and White continue to lose share due to the segment declining that it's well positioned in. And due to that positioning, it's in – consumers of Red and White are also very price sensitive, and therefore, higher prices combined with lower levels of promos that impacted volumes. 1664 was also impacted, as you will have seen from share loss, and that was also the price increase impact.

What is good to see is that we still have solid performance of premium and craft and solid performance in on-trade. And therefore, we take all of those impacts as we look into 2025. We have a new MD in France who started in September. We're going to give him and the local and regional teams time to execute on their plans for 2025. And if that requires a rebalancing of certain elements, we will make sure that happens. But it's too early to conclude on how 2025 looks. There's no doubt there's a laser focus on making sure that we improve our performance versus what we saw in 2024.

<Q – Sanjeet Aujla – UBS AG (London Branch)>: Thank you.

Operator: The next question comes from the line of André Thormann from Danske Bank. Please go ahead.

<Q – André Thormann – Danske Bank A/S>: Yes. Hello, everyone. Thanks for taking my questions. Just two from me, please. So, the first is in terms of Britvic, and I wonder if you can give any more details on the guidance that you have given here. So, for example, what's your assumptions around how the top line will develop for 2025? And the second thing is also in terms of Britvic and the CapEx needs that you talk into, what investments needs do you see for Britvic now that you have gotten the keys? Thank you.

<A – Ulrica Fearn – Carlsberg A/S>: Hi, André. Yes, I'll take that. We have – unfortunately, as Jacob mentioned before, we've only had the keys for a few weeks. So, there are some many ups and downs, of course, around both – all lines on P&L as we get to know what their budget look like, what the underlying momentum looks like, but most importantly also what their accounting policy is and how they post things. So, we find it a little bit difficult, unfortunately, right now to give more than the guidance that I said before around EBIT. And we don't really guide on revenue anyway generally. But we clearly expect the continued growth momentum in the business, and we will continue to push. And we have said that this is a growth case and we will, of course, continue to drive for that. We are also – but we are also offsetting that. We don't know whether there will be any negatives against that that could offset, as I said before about accounting differences, if there are any costs that come up that we haven't taken into account. But underlying, there's clearly still growth in the business and net we think that, for now, £250 million for EBIT. And we'll come back to you with more detail as soon as we have them.

In terms of CapEx, there isn't really that much more to say than I've said already. It's a very well-invested business. We have no reason to believe that it's anything different, having been a little bit closer for a few weeks. So, the estimate that I shared before is a good estimate from what we expected them to continue to invest that we bring into our CapEx budget for next year. But, again, it might change a little bit up and down when we get further into the detail of their lines.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: And I can just add to Ulrica's comments on the numbers. More holistically, it's been a great couple of weeks. It's been a great day one. We're very happy with the quality of the operations, commercial momentum, and also supply chain that we've come in and seen. As you say, it's a well-invested business, high-quality people, and no – thankfully, no major negative surprises coming out. So, everything going according to plan.

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

Operator: The next question comes from the line of Nicolai, Olivier from Goldman Sachs. Please go ahead.

<Q – Olivier Nicolai – Goldman Sachs International>: Hi. Good morning, Jacob, Ulrica, and Peter. Got two questions, please. Could you give us, first, an idea on the potential synergies opportunity on working capital on Britvic, which historically was not as efficient as Carlsberg? So, is there anything that you can do there to bring it back to the level of the rest of the group?

And then just on second point on Britvic, again, going back to this £250 million EBIT expectations for this year, do you include the potential – potentially lower sugar costs already in this number since you mentioned that part of your COGS being flat is actually driven a little bit by the sugar costs coming down? Thank you.

<A – Ulrica Fearn – Carlsberg A/S>: Hi, Olivier. I'll start on the working capital. And, clearly, a continued focus on cash both in Carlsberg and in Britvic is an important priority for us. So, it's a very important question you're asking. I can't say that we've been close enough to it to try to understand exactly what the – if there will be an uplift. But I will say that, of course, we have got a very good track record of focusing on cash and working capital, and we will take that with us in and look very closely into what we – how Britvic seems to have had – maybe there might be some opportunities in there. And if we apply the same principle as we have in Carlsberg, we're of course trying to drive for an improvement rather than anything else and are likely to maybe see some opportunities.

However, I will also say that they've got a very different geographical footprint than us. So, to get to our levels of trade working capital of revenue is probably difficult. But we will go in and absolutely drive for more opportunities, using the experience and the track record that we've got.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Just on the sugar comment, Olivier, there are so many moving parts on the £250 million that there is no specific assumption on any windfall gain from lower sugar prices. So, we're not going to specify that … take that out specifically.

<Q – Olivier Nicolai – Goldman Sachs International>: Okay. Thanks. Thank you.

Operator: The next question comes from the line of Andrea Pistacchi from Bank of America.

<Q – Andrea Pistacchi – Bank of America>: Yes. Good morning. I've also got two on Britvic, please. A lot of interest on Britvic. The first one is, look, in the last 10 years, I think Britvic's developed some pretty good or very good, in fact, R&D and innovation capabilities on liquid. So, do you see potential or how are you thinking about the potential to leverage this to maybe accelerate your growth in Beyond Beer?

And then the second one on Britvic, actually, is on your guidance on interest on financial expenses for this year. I was wondering whether that includes a refinancing already of the Britvic debt and how that refinancing potentially could affect that guidance. Thank you.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thanks, Andrea. So, you're definitely right. We've – one of the reasons why Britvic is such a high-quality company, and I think a lot of external stakeholders are also really starting to realize that is there's been a significant investment in R&D and innovation over a multiple, multiple years, as you say. And I personally also had the pleasure of visiting the R&D center already. It's been a high-innovation pipeline across different types of soft drinks, a really, really broad palette within the category.

And what we see here is we see two opportunities. We see an opportunity to – well, potentially three – an opportunity to continue to drive innovation in the UK marketplace, which is, of course, ultra-important for the Britvic portfolio. The second element is this gives us a significant shift in our capabilities within non-alcoholic innovations, which we can leverage across all of our soft drinks markets together, of course, with our peers – sorry, with our partners in those markets. And the third element and longer term, it can also drive innovation within the Beyond Beer. That means also the alcoholic Beyond Beer space.

For now, of course, the main focus is on making sure that we don't lose any momentum in the UK business especially, and, therefore, the innovation pipelines that are there needs to continue to be executed on. And they are very exciting. But at the same time, this gives us a larger muscle within the non-beer categories across all of our soon-to-be 11 markets where we operate soft drinks businesses.

Ulrica, on the financial expenses?

<A – Ulrica Fearn – Carlsberg A/S>: Yeah. Thank you, Andrea. Yes, indeed, it's all included is the short answer. A little bit longer answer would be, of course, that what's included in that is the increase of DKK 1.5 billion of – DKK 1.5 billion to DKK 1.6 billion included in that is the higher debt, of course, because of the transactions including the Britvic transaction. And we can – we've assumed about – there's a coupon of new debt of probably about 3.5% to 4% on that. But it also does include an increase in other finance costs, which is mainly due to the refinancing costs that you referred to. Of course, and in terms of the coupon of the refinancing, we can't be exact on this. And it depends, of course, on when we take it out and the currency and the maturity. So – but that's a good number to keep for now.

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

Operator: [Operator Instructions] The next question comes from the line of Mads Lindegaard Rosendal from Danske Bank.

<Q – Mads Rosendal – Danske Bank A/S>: Hi, guys. Thanks for taking my question. This is perhaps just a follow-up in terms of the refinancing of the deal. If you could just confirm what sort of flexibility do you have with this bridge that you got for the deal. Can you potentially move refinancing into next year if you want? If you could give some colour on that.

<A – Ulrica Fearn – Carlsberg A/S>: Yes, we can. It is a – it's a fairly flexible facility and which allows us to for a year to assume take the right time in the market when we can take the right refinancing out. We are intending to take it out as fast as we can and refinance all of it at a faster speed. But we have got the flexibility should it get delayed.

<Q – Mads Rosendal – Danske Bank A/S>: Okay. Thanks. Thanks a lot.

Operator: The next question comes from the line of Peter Sehested from ABG. Please go ahead.

<Q – Peter Sehested – ABG Sundal Collier ASA (Denmark)>: Yes. Thank you for taking my questions. I have two. The first is pertaining to the announcement from Wetherspoon in the UK last – late December. So, my question is specific. How much of the lost San Miguel volumes can you actually expect to offset with your own? That's the first question.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Yeah. Peter, do you want to do the other one as well? Or should we...

<Q – Peter Sehested – ABG Sundal Collier ASA (Denmark)>: Yeah. No, no, I can take the other one. The other one is a bit more fluffy, strategic, etcetera. I mean, but – we saw the Molson Coors announcement with Fever-Tree. And you're also stating – you're highlighting that you continue to be a beer company or a brewer. Sorry, looking at the numbers, it seems as though is that's strategically a better idea to be a soft drinks manufacturer than a brewer. So my question is this: how should we think about the equity story long term? And also, picking into your Capital Markets Day that you have planned for October, what are sort of the key messages that you want to convey at that point in time? Because it seems there is a lot of focus on maintaining the brewer or sort of image due to equity story, market perceptions, etcetera, etcetera. But the other direction might actually seem to be a bit more sensible to increase that exposure. Thank you.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thanks, Peter. Let me start with the first one. So, the Wetherspoon announcement, I assume you're referring to the change to Poretti, which, of course, is a development we are seeing across a number of our on-trade accounts. So, if you look at the replacement of San Miguel, first of all, it's, of course, been important for us to honour our obligations with San Miguel until the contract ended. The work we've been doing preparing for the new world has been very focused on – you can say if you look at the two different channels, on-trade and off-trade, we do expect that we can mitigate a significant proportion of the on-trade volume, but a limited proportion of the off-trade volume in the short term. As you also know, the majority of the volume that we are losing is in off-trade and, therefore, there is a significant loss of volume and revenue to start with.

So, it is, of course, great that we are seeing some major on-trade accounts here and moving in 2025, changing the product with our own brands. But the vast majority of volume is off-trade. And in off-trade, the expectation is that the initial hit is large. And that's also in our guidance, of course. The work is ongoing on both replacing on-trade and off-trades volumes. But especially in on-trade, that's where we're seeing real traction, which is also, we say, an easier route to market for us.

Then, when we look at the – when we look at your – what you call fluffy question, I don't think it's fluffy. I think it's a fair question. Of course, it's big debate in this industry what – as different alcohol categories and non-alcohol categories start blending together, et cetera, it is an industry that is somewhat in flux in terms of consumers changing preferences and how do we ensure that we maintain relevance and that we can cater to all consumer occasions. That's very important for us. We are brewer at the core. That is – Carlsberg is a brewer at the core, both in our DNA, but also in our product portfolio and our mix. And as you will also have seen from the slides, we have a significant soft drinks component now, but we are still a brewer at the core, also not just in terms of our DNA, but also definitely when you look at the numbers themselves.

We see soft drinks and Beyond Beer as a very attractive way of ensuring that we create strong moats around our beer business by maintaining relevance towards consumers no matter what their occasion is. What is important for Carlsberg is to use our strong beer core to develop product portfolios that ensures that we can cater to the client, the consumer, no matter where they are. And we see significant benefits in the interplay between beer and soft drinks or beer and Beyond Beer when we have those portfolios together. So, it's highly synergistic. It creates a lot of value, and it makes sure that Carlsberg stays relevant also as we look decades out in terms of these consumer trends.

You spoke about Molson Coors and Fever-Tree – the Fever-Tree announcement. And listen, we have just with Britvic. We've bought a phenomenal tonic brand called London Essence, which has a lot of potential. So, when you look across our product portfolio, we have great brands within basically all of these different categories, whether it's iced coffee or whether it's herbal products or kombucha or whether it's tonic water. But the relevance for us, our starting point is how can we strengthen our beer business in a market by complementing it with great brands around it.

Then, you asked about the Capital Markets Day in October. I think if it's okay with you being February 6, we will hold back on giving you too many details on what will happen there. You also need a little bit to look forward to when we get to that.

<Q – Peter Sehested – ABG Sundal Collier ASA (Denmark)>: Okay. Thanks. Just add on to the first one, just to clear. So, anything what may come out of Wetherspoon's, it's not included in your guidance for this, correct, right?

<A – Jacob Aarup-Andersen – Carlsberg A/S>: No. Listen, we will not comment on specific customers, but we've, of course, made sensible assumptions around what we can retain in our business, and that's in the guidance. And, therefore, I'm not going to start going into client-by-client level.

<Q – Peter Sehested – ABG Sundal Collier ASA (Denmark)>: Okay. Thank you. Thank you.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you. Operator, I'm being told that we have time for one more question.

Operator: The next and last question comes from the line of Thomas Lind from Nordea. Please go ahead.

<Q – Thomas Petersen – Nordea Bank Abp>: Good morning, everyone. So, also two questions from my side, please. The first one is on China. And, I guess, the overall strategy here, if I understood you correct, Ulrica, then you have maybe cut back a little bit on your marketing, sales and marketing expense here in the second half, probably due to the consumer sentiment. If I understood, 2024 is the baseline year for accelerate growth. So, wouldn't it make sense to accelerate sales and marketing investments in 2024 and hit the ground running in 2025? So, maybe any help on how we should think about the 2025 here and 2024 in China?

And then, the second question is you're highlighting the Tuborg Squash in Denmark, which has seen good growth, I think. And I was just wondering here if there isn't a risk of you cannibalizing your Coca-Cola volumes in the soft drink segment in Denmark. Those are my two questions. Thank you.

<A – Jacob Aarup-Andersen – Carlsberg A/S>: Thank you, Thomas. Let me take – let me start on China. So, sales and marketing, I think we flagged already at Q3 on sales and marketing in China that we were reallocating simply due to the continued weakness on the on-trade channel. We were reallocating sales and marketing spend towards the off-trade channel, and then we were reducing the absolute growth. So, not the – we're not taking it down, but the absolute growth for the year, we're taking a little bit off and reallocating it to other places where we saw more traction.

And, of course, theoretically, I'm not going to argue against the point that, of course, you could have invested even more and gotten a better growth rate into 2025. But in real life, when we look at it, the on-trade channel has been so weak in China that we don't want to pour money into channels where there's very little traction. I think we have a duty to our shareholders to constantly allocate our sales and marketing spend where we get the best return on our spend. And the Chinese on-trade channel has just been simply been too weak. So, it wouldn't have made sense. It would have been overinvesting and with very little impact.

As we look at 2025 in that context, we're going to continue to take a very data-driven approach to our big city strategy, which is where this spend goes in. If we see traction and pick-up in certain channels, we will increase investments. No doubt about that. As you know, our focus in 2025 is to once again grow market share and, therefore, grow faster than the market. That also means there's continued investment. So, don't worry that we are not investing in China. I can guarantee you we invest in China on sales and marketing, but we will also be data driven and we have a laser focus on not wasting our shareholders' money.

The second question, I believe, was on Tuborg Squash. You're right that we've seen a product development here. So, just for the context and not everyone follows the Tuborg Squash brand, I assume, this is a brand we introduced in 1936. So, it's almost 90 years old. It's a household name for the Danish consumer in the carbonated orange segment. What we've done is we have refreshed the visuals, also refreshed the communication. And we've introduced a sugar-free version of the orange. And then we've added two line extensions to Tuborg Squash to capitalize on the strength of the brand. We are constantly innovating in across all of our categories, and it's not a new thing that we also innovate here. You can say the Lemon Lime version that we've introduced on Tuborg Squash, that will replace the Carlsberg Sport volumes we had, et cetera, et cetera.

So, on the overall, you asked about Coca-Cola. We have a good relationship with Coca-Cola. We run CSD, as you know, in both Denmark and Finland. And, of course, the launches are always aligned with them and we have a good relationship with them. And they have fully acknowledged the fact that, of course, we will constantly innovate also on our own brands. There's no drama or debate around that. So, thank you very much, Thomas.

Jacob Aarup-Andersen, Group CEO

I think with that, that was the last question. Just on behalf of the team here, thank you for your continued interest. We will definitely see many of you in the coming days, so look forward to that. Until then, have a great day.

DISCLAIMER

"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.