Carlsberg A/S

Q3 2022 Trading Statement

Conference Call

27 October 2022

with:

CEO Cees ’t Hart and
CFO Heine Dalsgaard

PARTICIPANTS

Corporate Participants

Cees ’t Hart – Chief Executive Officer, Carlsberg A/S
Heine Dalsgaard – Chief Financial Officer, Carlsberg A/S

Other Participants

Trevor Stirling – Analyst, Sanford C. Bernstein
Edward Mundy – Analyst, Jefferies Financial Group Inc.
Tristan van Strien – Analyst, Redburn (Europe) Ltd.
Simon Hales – Analyst, Citigroup Global Markets Ltd.
André Thormann – Analyst, Danske Bank A/S (Broker)
Laurence Whyatt – Analyst, Barclays Investment Bank
Andrea Pistacchi – Analyst, Bank of America
Benjamin Silverstone – Analyst, ABG Sundal Collier ASA (Denmark)

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Carlsberg’s Q3 2022 trading statement. For the first part of this call, all participants are in a listen-only mode. Afterwards, there’ll be a question-and-answer session. [Operator Instructions] This conference call is being recorded.

I will now hand it over to the speakers. Please begin. Speakers, please begin. Speakers, please begin.

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

Good morning everybody and welcome to Carlsberg’s Q3 2022 conference call. My name is Cees ’t Hart and I have with me CFO, Heine Dalsgaard, and Vice President of Investor Relations, Peter Kondrup.

Let me begin by summarizing the key headlines for the quarter, driven by both volume and revenue growth.

The group delivered strong top line performance for the quarter. We delivered particular strong volume growth in Asia and in many markets in Western and southern Europe.

We increased our full-year guidance yesterday and finally, we are increasing the fourth quarterly buyback for the year by DKK 500 million to DKK 1.5 billion due to the strong financial health of the group.

I will provide the headline for the quarter, then Heine will take you through the regions and upgraded full-year outlook.

We delivered 3.6% organic volume growth in Q3, particularly, supported by continued strong growth in Asia and solid growth in many markets in Europe. Revenue per hectoliter grew strongly by 8% due to price increases in all markets and in Asia, a positive country and channel mix.

Organic revenue growth was 11.6%. Reported revenue was DKK 20.2 billion, which was an increase of 13.9%. A positive currency impact, mainly from Asia, was partly offset by the deconsolidation of the business in Nepal.

As was the case in H1, our Q3 performance was well ahead of Q3 2019, with total volumes being around 8% and revenue around 20% above Q3 2019. Looking at our on-trade volumes, they were approximately 5% above 2019 levels.

Please turn to slide 4 and a brief update on some of our international premium brands and alcohol-free brews. Carlsberg delivered very strong growth of 12%, thanks to particularly strong growth in most Asian markets, including China, Malaysia, India and Vietnam, and in European markets such as Sweden, Germany, Greece, Croatia and Bulgaria. The 6% growth of Tuborg was driven by strong growth in Asia, not least India India and China. Our volumes in Western Europe were impacted by declining volumes in Norway.

1664 Blanc was impacted by the difficult situation in Ukraine and lockdowns in China while the brand saw strong volume growth in markets such as Denmark, Sweden, Greece, Serbia and Malaysia. We are very satisfied with the 34% growth of the Brooklyn brand supported by growth in markets such as Switzerland, UK, France and the Baltics.

Our alcohol-free brews grew by 15% in Western Europe with strong growth in markets such as France, Switzerland, Germany, Poland, and Denmark. Total volumes were, however, impacted by a significant decline in Ukraine and lower volumes in some other CEE [Central & Eastern Europe] markets. Excluding Ukraine, our alcohol-free brews volumes were up by 6%.

With this, I will hand over to Heine and he will take you through the regions and outlook.

Heine Dalsgaard, Chief Financial Officer, Carlsberg A/S

Thanks, Cees, and good morning, everybody. Please turn to slide 5, and Western Europe, which delivered volume and value growth, albeit – as expected – at lower rate than in first half due to less favorable comps. Volumes grew organically at 2.4%, with a similar positive growth in both on and off-trade.

Revenue per hectoliter was plus 3% as a result of the price increases earlier in the year. We saw healthy revenue per hectoliter growth across all markets but country mix had a negative impact on the regional number due to less volumes in higher-priced Norway and higher volumes in lower-priced Poland. Organic revenue was up by 5.7% including the impact of currencies, revenue growth was 6.7%.

Due to the significant inflationary pressure, we concluded negotiations for a second price increase during Q3 in all market except for Germany. However, the impact in Q3 from the second price increases was limited, as most price increases came into effect in late Q3 or will come into effect in Q4. Despite the general inflationary pressure and deteriorating consumer sentiment, in general, we have both of our markets not yet seen any material down trading.

Looking at the market, volumes in the Nordics were impacted by tough comps due to the warm summer last year. Volumes in Sweden grew, helped by the increase in the border trade, while they were flat in Denmark and declined in Finland and in Norway. In Norway, the volume development was anticipated. Contrary to last year, the country's borders were open and this led to an increase in the Norway-Sweden border trade and in the number of Norwegians going abroad for the holidays after COVID.

Volumes were up double-digit in both France and Switzerland, supported by very good progress for the core beer portfolio, including 1664 in France, premium beer and also alcohol-free brews.

In Poland, the macroeconomic environment remains challenging with inflation running in the mid-teens. Our volumes were up by 10%, supported by easy comps and retailers stocking up prior to our price increases. Alcohol-free brews grew well, supported by the warm weather.

In the UK, we improved our market share in both off- and on-trade, but our volumes for the quarter were down by low single-digit, impacted, in particular, by a tough month of September.

Please go to slide 6 and Asia, where we had another very good quarter supported by strong performance across all markets. Volumes grew by 9.9%, driven by growth in all markets, albeit in many markets this was on the back of easy comps due to last year's COVID-19 restrictions, which have since been removed.

Asia remains our designated volume and value growth engine, and we are therefore pleased that our volumes were 19% higher than pre-COVID 2019. Revenue per hectoliter improvement of 9% was the result of growth for our premium brands, country and channel mix, and several price increases so far this year.

Carlsberg, Tuborg and Somersby grew, while growth of 1664 plant in Malaysia, Singapore and Hong Kong was offset by lower volumes in China. Organic revenue growth was 19.3%, with reported growth being 25% which is the result of a positive currency mix and currency impact from all markets but Laos and also the deconsolidation of Nepal.

The Chinese beer market was impacted by COVID-19 related lockdowns and restrictions, declining by an estimated 3%. Some of our Western strongholds were impacted by these restrictions and lockdowns. But despite of that, our growth continued and volume increased by 1%. We strengthened our marketshare thanks to both our international brands and local brands such as Shancheng and Chong Qing. Carlsberg, Tuborg, and Somersby delivered good growth while 1664 Blanc was impacted by the on-trade lockdowns. Revenue per hectoliter was up by 4%, supported by both price increases and also mix.

Our Indian business saw strong volume growth in Q3, with both volume and value being well above 2019. Versus last year, Carlsberg volumes almost doubled and Tuborg also delivered very strong growth.

It was another quarter with very good volume growth in Laos, Vietnam and in Cambodia. In Laos, we achieved very strong volume growth in the off-trade, which more than lower consumption levels and frequency in the on-trade due to the high inflation. There was very good momentum behind the crafty range of the power brand Beerlao and for Somersby. In Vietnam, the Huda brands grew very strongly as did Carlsberg, Tuborg and Blanc, albeit the international premium volumes are still quite small. Overall our volumes in Vietnam go up by 55%. In Cambodia, volumes benefited from easy comps. We saw strong growth for both the Sting energy brand and the Angkor beer brand. Blanc has been introduced in the market with the initial consumer response being very positive.

In Malaysia, we posted very good volume growth, although this was on the back of easy comps. The premium portfolio delivered good progress.

Slide 7 and Central and Eastern Europe, please. Regional volumes were impacted by the war in Ukraine and were down by 2.5%, while revenue per hectoliter was very strong at plus 18% due to price increases and country mix. Revenue was up organically by 14.7%. Excluding Ukraine, organic volume was up by 1.4%.

On the back of tough comps, the Balkan markets posted good volume growth, including very good growth for the international premium brand portfolio. In Italy, low double-digit volume growth was driven by growth for the local power brand, Poretti, and the premium beer portfolio, including Tuborg and Grimbergen. In Greece, volume growth was low double-digits. The brands – local brands Mythos, Carlsberg and Somersby were important growth drivers.

We remain deeply impressed by the strength and the resilience of our Ukrainian colleagues who continue to navigate an extremely difficult humanitarian situation and the enormous business challenges. Our volumes were of course impacted by the war, albeit the decline was less severe than in first half. For the quarter, volumes were minus 18%, with an improving trend during the quarter. In our export and license business, we saw good growth for Carlsberg and for our alcohol-free portfolio.

Before going to our earnings expectations, just a few words on Russia where our volumes declined by 4%, while revenue was up organically by 22%. The complicated task of preparing the Russian business for sale continues. As part of this, we are executing over 150 separation work streams, while at the same time continuing the divestment process.

Please turn to slide 8, and the outlook for the full year. Yesterday, we upgraded our full year earnings outlook, now expecting organic operating profit to grow by 10% to 12% compared to previous expectations of high single-digit growth. The reason for the earnings upgrade relates to better-than-expected performance across many of our markets. The good results have been achieved while at the same time increasing our marketing investments to support the long-term growth of our brands.

Even with the increased guidance, we are expecting weaker operating profit growth in second half than the first half for the same reasons as mentioned at the H1 announcement, namely the increase in commodity and energy pricing, which has a more severe impact on our cost of sales and logistic costs in second half and in first half due to the rolling off of the more favorable hedges from last year. While we are increasing pricing again in second half, these price increases lack the input cost increases. In addition, we are further accelerating investments into our SAIL'27 strategic priorities, including marketing investments across the group and sales investments, particularly in China and Vietnam. Lastly, we have tougher comps in second half than in first half and revenue per hectoliter is not benefiting from the Western European on-trade recovery as was the case in first half.

Based on the spot rates yesterday, we assume a currency impact on operating profit of DKK +250 million compared to DKK +350 million at first half. The decline is in particular due to the depreciation of Laotian Kip and the Norwegian krone. All other assumptions remain unchanged: net finance cost excluding the FX assumed to be around DKK 550m, tax rate approximated from 2% and CapEx around DKK 4.5 billion.

Slide 9, please. And an update on the share buyback. Last Friday, we concluded our first share buyback this year, amounting to DKK 1 billion. The three buybacks so far this year have amounted to a total value of DKK 3 billion and 3.3 million shares, corresponding to 2.4% of the total number of shares. Since the start of the buybacks in 2019, we've bought approximately 10% of the total number of shares.

Today, we initiate this year's last quarterly buyback, which will run until January 27, 2023. Due to the earnings upgrade and our strong balance sheet and liquidity position, we have decided to increase this buyback to DKK 1.5 billion compared to the DKK 1 billion in previous quarter, thereby bringing the total value of the four quarterly buybacks in 2022 to DKK 4.5 billion. The increase in the Q4 buyback is not an indication of the size of the quarterly programs in 2023. The quarterly programmes will, as always, depend on expected earnings and cash performance as well as expected leverage by end-2023.

The Carlsberg foundation will continue to participate in the share buyback on a pro rata basis. Further details can be found In the Q3 – statement.
And now back to you Cees.

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

Thank you Heine. We are very satisfied with the performance of the Carlsberg group so far in 2022, considering the severe circumstances with the war in Ukraine, the pandemic, the commodity and energy price increases and the overall inflationary pressure that is putting tremendous pressure on our business, our customers and our consumers. Our colleagues across the group have put significant efforts into successfully managing these challenges and our Q3 performance, the earnings upgrade and the increased cash returns to shareholders are a testament to their hard work.

Looking ahead, the business environment remains challenging with an uncertain macro situation, very high cost inflation and weakening consumer purchasing power. We will address these challenges and the need for price increases by leveraging our strong commercial programmes, well-embedded performance management systems, tools and capabilities, while not losing sight of our long-term SAIL'27 priorities and ambitions.

That was all from our side today. But before opening up for Q&A, let me summarize.

The group delivered strong top-line performance for the quarter, driven by both volume and price mix. Volume growth was particularly strong in Asia and in many markets in Western and Southern Europe. We have increased our full year guidance and finally we are increasing the fourth quarterly buyback for the year by DKK 500 million to DKK 1.5 billion due to the strong financial health of the group.

That was it from our side. And as usual, for the Q&A, we will limit the number of questions to two per person to ensure that as many as possible get a chance to get through. After your questions, you are welcome to join the queue again.

And with this, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question is from the line of Trevor Stirling from Bernstein. Please go ahead. Your line will now be unmuted.

<Q – Trevor Stirling – Sanford C. Bernstein>: Morning, Cees and Heine. I do have two questions. But I think before the questions, Heine, I think this is probably our last public – your last public appearance with the analysts. Is that right?

<A – Heine Dalsgaard – Carlsberg A/S>: That is right.

<Q – Trevor Stirling – Sanford C. Bernstein>: So, I just want to say thank you very much.
Okay. Just to say Heine, thank you very much for all you've done for Carlsberg over the years. Thank you very much for all you've done for us and your patience in answering what may be very stupid questions at times. So hopefully, I've got two questions for you, and I hope they're not too stupid. And so, the first one price/mix in Europe was 3%, was probably just a little bit less than I was expecting. I appreciate that the second round of pricing hasn't kicked in yet. But can you just talk a little bit of what was going on within that 3% in terms of product mix, country mix, pricing, et cetera?

And then second question, looking forward to 2023 and the COGS outlook in 2023, I appreciate you're not fully hedged. You never will be fully hedged. But at the moment, do you think it's going to be worse than 2022, better than 2022? Any directional steer you can give us would be very welcomed.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Trevor. And as a reward for Heine, that he can shine the lat time, last time over to you, Heine.

<A – Heine Dalsgaard – Carlsberg A/S>: Thank you. And hi, Trevor and thank you for the kind words. So, price/mix in Europe around 3%. If we look at it market per market, we are actually having a quite healthy price/mix effect in all of our markets. The reason for the 3% has to do with country mix due to the fact that Norway which is higher-priced is down, and Poland which is lower-priced is significantly up. So, the reason for the 3% is country mix. If we double click on the individual countries, we have a rather healthy or very healthy price/mix effect in all of our margins.

With respect to COGS 2023, first of all, we are now approximately 90% hedged on aluminium and also on malt for 2023. It's too early to give sort of precise comment as you know on 2023, both COGS and logs due to the volatility. We do expect costs per hectoliter to increase. We will, as you are well aware, stick to our rigor and drumbeat for the overall business, and we will stick to sort of defending our profit per hectoliter using the same tools, the same methodology, the same approach, including OCM, which has served us so good so far.

<Q – Trevor Stirling – Sanford C. Bernstein>: Okay. Thank you very much, Heine.

<A – Heine Dalsgaard – Carlsberg A/S>: Thank you, Trevor.

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

<Q – Ed Mundy – Jefferies Financial Group Inc.>: Good morning, gents. Two questions from me, please. Just following up from Trevor's question, just on Europe revenue per hectoliter. I appreciate that the adverse geographic mix has held it back. Do you have a sense of what the underlying price/mix would have been if you adjust for both the Norway and the Polish impact? And then secondly, on China, has disruption from September continued into the early part of Q4, and any more sort of colour you can give on your business in China?

<A – Cees 't Hart – Carlsberg A/S>: Yeah, Heine, the first and I will take the China one and good morning, Ed.

<A – Heine Dalsgaard – Carlsberg A/S>: Hi. Good morning, Ed. So, it is, as said, healthy market by market, on average something like mid single-digits.

<Q – Ed Mundy – Jefferies Financial Group Inc.>: Thank you.

<A – Cees 't Hart – Carlsberg A/S>: So, when we – yes, when we go to China, as we've seen for China, Q3 it was a bit muted with regards to the volume growth development and that was very much following the COVID-19 restrictions, impacting in particular, the northwest, but also the Chongqing and Sichuan province. We are still doing better than the market and delivering a positive share development and revenue per hectoliter development, but indeed, we are a bit more hit by COVID in the second half of the year than – even when we speak about current trading – than in the first half of the year. To put a bit more color on that, Xinjiang and Ningxia provinces are not being released from lockdown so far. Also in Yunnan, there's some tightening of the measures. So, in that respect, we see some development in the second half of the year, more than in the first half of the year based on COVID measures in China.

<Q – Ed Mundy – Jefferies Financial Group Inc.>: Great. Thank you.

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

Operator: The next question is from the line of Tristan van Strien from Redburn Partners. Please go ahead. Your line will now be unmuted.

<A – Cees 't Hart – Carlsberg A/S>: Tristan, over to you.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Can you hear me?

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

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Hello? Can you hear me now?

<A – Cees 't Hart – Carlsberg A/S>: Yes, we do. Good morning.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Sorry about that. So, first of all, to second Trevor's comment. Thank you very much, Heine. I really appreciate it. Good luck in the future. I'm sure you do incredibly well. Just two questions. One just expand on the European consumer, I mean you basically see no material impact on volumes so far with your pricing? Is there any other commentary you can make on what you're seeing with the European consumer, especially in light of some of the comments yesterday by one of your competitors?

And then the second question, just a follow-up on China. I don't think I saw revenue per hectoliter number. So, maybe if you can comment on that if possible. And additionally, yesterday or two days ago, China Resources Beer expanded into the Baijiu market and I just thinking your thoughts on that, and particularly in China, is that something perhaps you guys will be looking at as well?

<A – Cees 't Hart – Carlsberg A/S>: Thank you for the questions. Thanks Tristan. With regards to the European environment, the consumer sentiment is indeed very low. But we have seen very little evidence of our consumer impact – of any consumer impact, but we see some signs in some markets, with Poland being the most visible one, where flavoured products – these are a bit more expensive products– and Somersby are declining. But on the other hand, Harnas, the mainstream brand, is increasing. In France, we're seeing growth for our mainstream brand Kronenbourg, which indicates maybe some down trading in France, but also shows the strength of our portfolio, covering all our price points. But also, on the other hand, we continue to see a very solid development in markets like Switzerland and Denmark with stable volumes, with solid revenue per hectoliter development and with continued good premium demand.

That was for Q3 and what we see at this moment in time. As inflation continues to increase and brewers increase prices again in the second half of the year and beginning of 2023, yes, you could argue that we see some bigger risk in 2023. But again, for now, very little evidence.

Then with regards to the net revenue per hectoliter development in China, that was 4%. And as we said during the Capital Markets Day with regards to China, we have our SAIL'27 programme for China that does not involve Baijiu or in other markets. We think we have – in the beer segment – ample opportunities to grow and we will, for the time being, stick to that, Tristan.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Thank you very much.

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

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

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Morning, Cees. Morning, Heine. Morning, Peter. Just a couple from me, really just sort of following up on those sort of European consumer comments, Cees, if I can, I just sort of wondering, obviously you're highlighting that you're not seeing any clear signs of deterioration across your European footprint in aggregate at this point. Now is that the assumption you're making into the year-end, i.e., do you still expect Q4 overall to be resilient from a consumer offtake standpoint? And then secondly, maybe relates to that, I mean, you called out in the presentation, a bit of deterioration in the UK, as you moved into September. I think others have been flagging some weaker September and early October data out of the UK market. What if you could just you just expand on your comments there, are you seeing some channel shift on- to off-trade or any sort of down trade to hard discounts and things like that? Any color would be great.

<A – Heine Dalsgaard – Carlsberg A/S>: This is Heine. Good morning. With regard to Western Europe, it is basically it is the same as already said to Tristan. With regards to Q4, don't forget that there were some closures, COVID-related, in December by the end of 2021. So in that respect, we feel that we should land also Q4 in Europe okay.

With regards to the UK and you're right, we see there are some difficulties in the markets so to say. The on-trade frequency, the vist frequency has declined significantly over the last couple of months. Kantar has shown in a report that they see the lowest consumer confidence that they've ever measured. So that is not good.

On the other hand, we have not seen it really back in our volumes in Q3. We had a minus 3% development. On the other hand, we have an improvement of our shares. And basically with that, we look forward to Q4. So, yes, of course, there are some anecdotal evidences that things are changing in UK, but by and large, we have not seen that in Q3 yet.

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

<A – Heine Dalsgaard – Carlsberg A/S>: Okay.

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

<Q – André Thormann – Danske Bank A/S (Broker)>: Thank you so much and good morning, everyone. So, first of all, I wonder whether you could give some more comments around the performance of Somersby. And I also heard your comments around 1664 Blanc. I just wonder when should we start to see growth pick up for 1664 Blanc? I understand that Ukraine and also China impacts this, but should we start to see growth pick significantly up in 2023? And my second question is also related to this. How do you look at premiumization going into 2023 in the current situation we are seeing especially for Western Europe? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, André and good morning. Well, with regards to Somersby, it is very much related to Ukraine. As we said, we have a high expectation from Somersby in many countries that we launched it over the last two years. And one of them is China, which had a super start from Somersby, of course, very low scale. It was more test market, which we are now going to expand. So, you should see growth from Somersby going forward. The same applies for 1664 Blanc. Indeed, especially the cities that are being hit by COVID at this moment of time in China are important for 1664 Blanc, hence you see some muted development on the volume of 1664 Blanc but also here applies, you should see growth of 1664 Blanc in the coming years. One of the proof points for that will be also the launch of 1664 Blanc in Vietnam and the further roll out of big cities in China and wherever we have launched 1664, we see a good continuation of volume growth.

With regards to, let's say, our SAIL'27 plans and especially premiumizing our portfolio. As we said during the Capital Markets Day, we're under-indexing in this segment. Yes, there might be some pressure on this segment going forward. On the other hand, with all the efforts we will make to correct our situation of the index, we feel that there are still many opportunities to grow our premium portfolio in the coming two, three years. So, we stick to our focus on premiumization going forward towards our 2027 goals.

<Q – André Thormann – Danske Bank A/S (Broker)>: Thanks so much.

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

Operator: The next question comes from the line of Laurence Whyatt from Barclays. Please go ahead. Your line now be unmuted.

<Q – Laurence Whyatt – Barclays Investment Bank>: Hi. Good morning, Cees and good morning, Heine. Just want to add one question for me, please. I'm assuming the sale of Russia goes through by the end of year end, FY 2023 leverage, it must be very low. If there isn't sufficient liquidity to continue your quarterly buyback program, would you consider a special dividend as an option for capital returns?

<A –Cees 't Hart – Carlsberg A/S>: Thank you, Laurence. You only have one question I understand, so over to Heine.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah, good morning. So, first of all, as said the sale of the Russian business continues as planned, both with regards to the sort of separation project, but also the specific activities around the divestment process, which is actually quite complicated.

We will continue with the discipline that we have had on the capital allocation that we've had basically since 2016. So it's not in our plans to do any special dividends. The logic that we've applied is that we will continue to invest in growing the business organically. We will continue to ensure a strong balance sheet. We'll continue to have a dividend payout ratio of around 50%, and then the remaining part of the allocation will be a mix of share buybacks, which we consider the most flexible tool in these circumstances, and then potential M&A activities. And it's clear on the M&A side, the one that could be coming closer is buying out some minority stakes, as you know. So there are no plans of changing our capital allocation principles. It is a dividend payout ratio of around 50% and then the rest of the cash returns to shareholders to be done by a share buyback.

<Q – Laurence Whyatt – Barclays Investment Bank>: Very clear. Thank you very much.

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

Operator: [Operator Instructions] The next question will be from the line of Andrea Pistacchi from Bank of America. Please go ahead. Your line will be unmuted.

<Q – Andrea Pistacchi – Bank of America>: Yeah. Good morning, Cees and Heine. Two questions, please. First one is how are you thinking of the balance between volume and margin in Europe in the current environment? I ask this because it seems that the second round of your pricing in Europe was probably a few weeks, a bit later than some of the peers, however of course, you had good hedge cover, so you could very much do this. And the second question, please, if you could just share a few words on France where in Q3 last year, you had some issues and the year before, but clearly you've had a much stronger performance this year. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Andrea, and good morning. Well, we apply our so-called the Golden Triangle which is about volumes / market share, the gross profit after logistics, that margin and of course, then the operating profit. Especially in these circumstances, we very much focus on the profit per hectoliter. But on the other hand, we also focus – per country – on the balance in that Golden Triangle. So the Golden Triangle is our leading tool so to say, and then adjust between the three when required by local market circumstances, but also our dominant logic for the future. And with these kind of high cost the focus is on the profit, the absolute profit per hectoliter.

With regards to France, indeed, we view a significantly better than in previous periods. We had 16% volume growth, 20% revenue development. We gained market share in both volume and value, with strong performance across brands, especially 1664 and Tourtel. We also had double-digit growth fro Grimbergen and good growth for Blanc and Brooklyn. Continued very strong performance of alcohol-free beer, again driven by Tourtel. So at this moment in time, we have the right momentum in France.

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

<A – Cees 't Hart – Carlsberg A/S>: Thank you very much. Can we have the last question, please?

Operator: The last question comes from the line of Benjamin Silverstone from ABG. Please go ahead. Your line will be unmuted.

<Q – Benjamin Silverstone – ABG Sundal Collier ASA (Denmark)>: Thank you. Hi, Cees and Heine. My first question is regarding the channel mix, could you please just give some more flavour on the dynamics in Q3 and how you look at this for next 12 months? And the second question is regarding Vietnam, volumes are very strongly at 55%. So could you give some more information about what is driving this market here? Is it the market itself or is it the investments that you put into the market this year? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Benjamin and good morning. With the general mix, frankly, we have not seen that much of a difference versus the first half year after the improvement. When we look at Q3 on-trade versus 2019, we see the Western Europe is at an index of 98. Asia is even above and Central and Eastern Europe at the index of 87. When we talk about the outlets, especially in Western Europe, we estimated around 10% of the number of outlets have not reopened, but also that those that have reopened have gained some more business. So, we are back to more or less where we were. Going forward, that depends a bit, of course, on the impact of the significant price increases, especially then for the on-trade. But as we said earlier, we don't see so far any significant dynamics there.

Then with regards to Vietnam, as you know, we have very much hopes for Vietnam for the future. We have a special plan, a special investments that we've basically made in sync with SAIL'27 and investments we started off in the second half of the year. We grew by 55% in volume, 86% in net revenue. A lot has to do, by the way with the recovery of the beer market. As such, the beer market went up by 43%. So, we had a good and a faster-than-expected recovery also in our own volume. Important for us, of course, is the market share that grew, supported by very strong growth for Huda and also international brands like Carlsberg, Tuborg and Blanc. But the last one, the international brands come from a low base. And as said on the CMD, we have channelled the SAIL'27 investment to Vietnam to further strengthen our presence in the market. As you know, we are very much in the center of Vietnam and we want to expand our footprint in Vietnam. So a good start of our SAIL'27 investment in Vietnam.

<Q – Benjamin Silverstone – ABG Sundal Collier ASA (Denmark)>: Thank you very much.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Benjamin. With that, we've come to the last question. Thanks a lot for listening in and thank you for your questions. This was, as Trevor said also, Heine's last conference call at Carlsberg. Heine, it has been a pleasure working together with you and I want to thank you for your contributions to develop Carlsberg to the strong position, where we are today.

We are pleased, we are very pleased that we have been able to recruit Ulrica Fearn, who is a highly competent replacement for Heine. Ulrica has a strong global financial background, including almost 20 years in the beverage industry. In addition to having many of the same competencies as Heine, she will also have a fresh pair of eyes on how we can further strengthen our business and she will join us at the 1st of January in the New Year. But for now, Heine, thanks a lot for being an excellent colleague and a great contributor to our success.

Thanks to those on the call. Thank you again for listening. We're looking forward to meeting some of you during the coming days and weeks. Have a nice day.

DISCLAIMER

or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "intend", "plan", "project", "will be", "will continue", "will result", "could", "may", "might", or any variations of such words or other words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

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