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SUSPENSION OF 2020 GUIDANCE AND BUSINESS UPDATE

KEY POINTS

- Carlsberg has decided to suspend guidance for the year due to the significantly increased uncertainty of the COVID-19 pandemic to business performance, following recent additional government interventions in some of our key markets.
- Our key priorities are the health and safety of our employees and protecting the commercial and financial health of our business.
- We have launched several additional cost reduction initiatives to mitigate the earnings impact of the lost volume.
- Our balance sheet and liquidity remain strong and we intend to continue the current first tranche of the share buy-back programme, while we will review the second tranche depending on further developments.

CEO Cees 't Hart says: "The outbreak of the COVID-19 pandemic represents an unprecedented challenge and concern for people, governments and businesses all over the world. During this very unpredictable time, our key priorities are the health and safety of our employees and societies at large, as well as protecting the commercial and financial health of our business. We're implementing significant actions to protect our people and our business in the short term while still ensuring the long-term health of our company.

"We're impressed with how our employees globally have tackled this situation. Many colleagues are working under very difficult circumstances at our breweries, in sales or from their home. Even so, in addition to keeping our business running and delivering to our customers, our people have found relevant ways to support their local communities.

"To mitigate the earnings impact of the lost volumes, we're further emphasising our Funding the Journey initiatives and have launched several firm cost reduction initiatives. However, the recent rapid increase in lock-downs of key markets and the uncertainty about the further development of the pandemic make us unable to estimate the full impact of COVID-19 on our business. Consequently, we've decided to suspend our 2020 guidance."

LOWER CONSUMER DEMAND

Across our markets, governments have already imposed and are increasingly imposing severe measures, including closure of on-trade outlets and limitations on, or even closure of, businesses, limitations on social gatherings, travel restrictions and cancellation of sporting and entertainment events.

Asia: In our earnings expectations for 2020, we included our best estimate as at 4 February with respect to the impact of the coronavirus on our business in China and neighbouring countries. The development in China has largely been in accordance with our planning. January saw strong volume development, while volumes were significantly down in February and there were signs of recovery in March. Outside China, consumer demand and, in some markets, production are increasingly being impacted as governments are implementing stringent restrictions to combat the spread of COVID-19, including closures of on-trade outlets.

Western Europe: While our numbers in January and February were in line with our expectations, in March we started to see a significant impact from COVID-19. In most markets, the on-trade channel is being severely impacted. Off-trade is currently less impacted, although increasing restrictions on social gatherings are expected to impact volumes in the off-trade as well. In addition, we have seen a negative product mix in the off-trade channel, as consumers shift their purchasing towards multipacks and show less demand for craft & speciality products.

Eastern Europe: For the first quarter, we saw good results with less severe impact of COVID-19 in our Eastern Europe markets. However, as governments accelerated restrictions during the last couple of weeks of March, we began experiencing a negative impact on consumer demand, which we anticipate will increase further. Overall, however, we expect less negative impact than in Western Europe due to the smaller on-trade sector in Eastern Europe.

We are closely monitoring developments in our markets, conducting frequent reviews in the Executive Committee and all market crisis management teams being activated. We are continuously modelling supply and demand planning, business responses and outcomes, incorporating our ongoing learnings from market to market. However, as the situation is unprecedented and continuously evolving, it is difficult to make any reliable short-term predictions for the business impact.

REDUCING OPERATING COSTS

To protect the continued financial health of our business, and as also stated on 4 February, for 2020 we have taken several actions to further reinforce our Funding the Journey initiatives, accelerating efficiencies and cost reductions. In light of the serious development of the COVID-19 pandemic, we are taking additional measures to reduce costs, mainly targeting specific cost groups, such as consultants, training, facilities, technology, travel and entertainment. In addition, we have implemented hiring restrictions and are looking to reduce marketing and promotional spend where this can achieve short-term savings without impacting the long-term health of our brands.

IMPACT ON CASH FLOW

We are reviewing and reducing or postponing capital expenditures. Specifically, we anticipate lower on-trade investments and lower investments in returnable glass bottles. With respect to working capital, we see a risk of a weaker working capital this year compared with our achievements in recent years. Some customers will be subject to financial distress and, consequently, there is a risk of higher losses on debtors.

STRONG BALANCE SHEET AND LIQUIDITY – CONTINUED SHARE BUY-BACK

Our balance sheet, credit situation and liquidity remain strong. At the end of 2019, net interest-bearing debt/EBITDA was 1.25x. On 4 March, we successfully placed a EUR 500m 10-year bond with a coupon of 0.625% and we have this week obtained a 1-year fixed-term bank loan of EUR 500m. In addition, we have a EUR 2bn committed revolving credit facility, on which we have so far only made very limited drawings. We do not have any upcoming material refinancing needs. There are no covenants associated with any of our debt or credit facilities. In light of our strong balance sheet and liquidity position, we intend to proceed with the current first tranche of the share buy-back programme as described in the 2019 Financial Statement issued on 4 February, while we will review the second tranche of the programme, depending on further developments.

SUSPENSION OF GUIDANCE

We remain confident that the steps we are taking will ensure a continued commercially and financially strong Carlsberg, including after the COVID-19 pandemic. However, the situation across markets has become increasingly volatile and unpredictable. In addition, we have very recently seen further government intervention in some key markets, resulting in full or partial lock-downs. Across the Group, cost reductions have been significant as all markets and functions have adapted to the uncertain and rapidly changing environment. Nevertheless, due to the significantly increased uncertainty related to the negative consequences of the pandemic on our business this year, the full impact on our financial and operating performance cannot be reasonably estimated at this time.

As a result, we now consider it prudent to suspend our guidance for 2020. We will provide updates to the market as our visibility into the effects of the COVID-19 pandemic on our business increases.

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