

**Company announcement 23/2022**

21 April 2022

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## **ACCOUNTING IMPACT OF DEVELOPMENTS IN RUSSIA AND UKRAINE, AND NEW EARNINGS GUIDANCE**

On 28 March, the Carlsberg Group announced its decision to seek a full divestment of its Russian business, following Russia's invasion of Ukraine.

The divestment of the Russian business may take up to 12 months and will have multiple implications for the presentation of the Group's financial statements.

The war is severely impacting our activities in Ukraine, where our first priority remains the safety and wellbeing of our employees. The extraordinary business situation impacts the presentation of the Ukrainian business in the financial statements.

Below, we provide an overview of the most significant accounting changes. The figures presented in this announcement are subject to change as we proceed with the carve-out and divestiture process.

### **ACCOUNTING CHANGES**

#### **RUSSIA**

As of 1 January 2022 and until completion of the divestment, the Russian business will not be part of the Central & Eastern Europe region. In the Group's income statement, the net result from the Russian business will be presented separately as "net result from Russian operations held for sale" below profit after tax. Comparative 2021 figures will be restated accordingly.

The net assets related to the business in Russia are being reassessed at fair value, currently resulting in a write-down of approximately DKK 9.5bn. The reassessment is not based on external offers for the business but on a range of internal assumptions, including but not limited to assumptions regarding the extent of sanctions, developments in the Russian beer market, continued business operations in Russia, the competitive environment and macroeconomic development, including inflation and interest rates. All assumptions are based on current expectations and subject to a very high degree of volatility and uncertainty. Consequently, the fair value of the net assets related to the business in Russia is highly sensitive to changes in the assumptions and will therefore be reassessed frequently, with further adjustments expected, until the final fair value can be determined based on the actual transaction. The write-down of the net assets related to the business in Russia will be included in the "net result from Russian operations held for sale".

In the statement of financial position, the Russian assets and liabilities will be presented in the lines "assets in disposal group held for sale" and "liabilities in disposal group held for sale" respectively.

Upon completion of the divestment, the accumulated currency translation reserve within equity related to the Russian business will be reclassified from equity to the income statement and included in the net result from the Russian business. At 31 March 2022, the accumulated currency translation reserve related to the Russian business represented a loss of around DKK 42bn (31 December 2021: loss of DKK 38bn). After reclassification of the currency translation reserve, the amount will be recognised in retained earnings. Consequently, there will be no change to total equity. The reclassification will have no effect on the Group's cash position.

### CENTRAL & EASTERN EUROPE

The war in Ukraine has also led to impairment and write-downs of goodwill allocated to the Central & Eastern Europe region, including the goodwill related to our business in Ukraine. In total, write-downs of goodwill in Central & Eastern Europe amounts to approximately DKK 700m and will be included in special items.

### UKRAINE

We assume that we will be able to resume production at our breweries in Ukraine when the situation in the country stabilises. However, due to the extraordinary nature of the situation, there will be changes to the accounting treatment of profit and loss from the business.

Any volume sold and revenue generated in Ukraine after 24 February will continue to be included in the regional figures, while the related operating result will be reported at DKK 0 until a consistent level of operations is resumed. As we continue to incur fixed costs, including salaries to employees, the business in Ukraine is expected to be loss-making, which will be reported in special items.

A significant number of customers and sales outlets in Ukraine have been negatively impacted by the war. Consequently, impairments of doubtful trade receivables, obsolete inventories and commercial assets will be recognised in special items at around DKK 300m.

In 2021, the business in Ukraine generated volumes of 6.5m hl, revenue of DKK 2.0bn and operating profit of DKK 445m.

### GROUP FINANCIAL POSITION

The Group's financial position and liquidity remain very strong, despite the reclassification of our business in Russia. The write-down of the net assets related to the business in Russia is non-cash and will therefore not impact the Group's cash position. At year-end 2021, net interest-bearing debt/EBITDA was 1.24x. Based on the restated figures excluding Russia, net interest-bearing debt/EBITDA at year-end 2021 would have been approximately 1.37x, well under our financial leverage target of below 2x.

### RESTATED FIGURES

In 2021, reported operating profit for the Group was DKK 10,862m. Excluding the Russian business, the restated operating profit was approximately DKK 10,129m.

In connection with the Q1 trading statement on 28 April, we will provide restated 2021 figures excluding the Russian business, including full-year and half-year income statement for the Group and quarterly figures for the Central & Eastern Europe region.

## **2022 EARNINGS EXPECTATION**

On 9 March, the Group suspended its outlook for 2022 due to the very high uncertainty related to Ukraine and Russia and the possible indirect impact on the rest of the Group.

Following the decision to divest the Russian business and the subsequent changes to the accounting treatment of this business, the interim changes to the accounting treatment of the business in Ukraine as described above, and further transparency on the indirect consequences from higher input costs, the Group is now able to reinstate its full-year guidance.

Based on the restated 2021 operating profit of DKK 10,129m, which excludes the business in Russia, and including operating profit of DKK 0 from Ukraine from 24 February 2022, we now expect:

- Organic operating profit development of around -5% to +2%.

Fully excluding the Ukrainian business in 2021 and 2022, the above guidance would change to:

- Organic operating profit development of around -1% to +7%.

It must be emphasised that the earnings expectation is significantly more uncertain than usual, as the development of the war in Ukraine; continued uncertainty on input costs; the COVID-19 pandemic, including possible government actions, particularly in China; consumer sentiment; and the macroeconomic development may have significant implications for business performance during the remainder of the year.

Based on the spot rates at 20 April, we assume a translation impact of around DKK +400m for 2022.

Other relevant assumptions are:

- Financial expenses, excluding currency losses or gains, are expected to be around DKK 550-600m.
- The reported effective tax rate is expected to be around 22-23%.
- Capital expenditure at constant currencies is expected to be around DKK 4.5bn.

Further details will be provided in connection with the Q1 2022 trading statement, which will be published on 28 April at 8.00 a.m. (CET).

**Contacts**

Investor Relations:

Peter Kondrup +45 2219 1221

Iben Steiness +45 2088 1232

Media: +45 4179 1216

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Some important risk factors that could cause the Group's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of materials used by the Group, cost of energy, production- and distribution-related issues, IT failures, market-driven price reductions, litigation, environmental issues and other unforeseen factors. The nature of the Group's business means that risk factors and uncertainties may arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.