

Press release

February 5, 2021

Baltika Breweries increased volumes in 2020

Since 2020, Baltika has been implementing a new business strategy. It helped the company increase volumes by 9%¹ compared to 2019, in the face of a highly competitive beer market and restrictions due to the pandemic.

After Q1 2020, which showed an increase in sales, Baltika had to restructure its work due to the pandemic: employees who were not involved in production and sales were transferred to home office, and exports of products and their sales in HoReCa were limited.

Q3 was successful due to the warm summer and softening of restrictions, and in Q4 the company again had to adapt to the changed business environment. At the end of 2020, HoReCa in Russia decreased by 36%. However, the overall performance of Baltika was not affected as much by HoReCa's losses as in other countries, due to the segment's small share in sales. Despite the background of 2020, Baltika showed steady growth in off trade (+9.8%) and beer boutiques (+41%). Good results were demonstrated by the brands Baltika² (+6%), Tuborg (+14%) & Kronenbourg Blanc (+34%), as well as fruit varieties Seth&Riley's Garage (+14%) and Somersby, whose sales volume increased 2.5 times compared to 2019 due to the updated packaging, the launch of a new, blackberry, taste and promo campaign.

Sales of alcohol-free beverages in 2020 increased by 26% compared to 2019: energy drink Flash Up — by 28%, and "Baltika 0" — by 19.5%. In response to the growing demand for non-alcoholic products on the Internet, contracts were signed with the online shops Utkonos, Samokat, Ozon and Yandex Market.

Despite the difficulties caused by the pandemic, Baltika has improved its customer service, including for large retail chains. In autumn, Baltika received the "Best Novelty of the Year" award from the Magnit chain of stores and was awarded by X5 Group as the best partner in the supply chain.

The company's products were also awarded with foreign prizes. The energy drink "Flash Up" won the "Brand of the Year 2019" award in Uzbekistan (according to a study by the National Marketing Center), and "Baltika 0" was recognized as "Non-alcoholic beer No. 1" in Latvia. Despite the COVID-19 restrictions, Baltika's sales abroad increased by 9% in 2020. The top markets for Baltika exports in 2020 were Armenia, Kyrgyzstan, Tajikistan, Uzbekistan, China, Israel, Germany and the United States. Baltika No. 7 Myagkoe, Flash UP Ultra Energy, Seth&Riley's Garage Hard Californian Pear and others were the new products for export.

The total investment volume of Baltika in 2020 is 2.8 billion rubles. The launch of new brands and the sustainability were the company's main investment areas in 2020. The investments were as well directed towards: in particular, Baltika completed the prelaunch work for the water treatment facilities in Rostov-on-Don and St. Petersburg and upgraded methane tanks for collecting biogas from treatment

¹ Here and further — Baltika/Carlsberg Group internal data.

² Not including alcohol free varieties.

facilities in Tula and Yaroslavl, increasing the share of biogas use to 11% of the volume of natural gas purchases for factory boilers.

In addition, the company replaced 25% of coolers in retail outlets with more eco-friendly ones and started a project to convert part of the car park to methane, purchasing 3 methane road trains and starting the re-equipment of the cargo fleet in St. Petersburg.

Baltika continues to work on reducing the eco-footprint of packaging. In May 2020, the company announced plans to collect and dispose of at least 50% of its marketable packaging by 2022, compared with 44% in 2019. The packaging is being collected together with partners in the framework of the project "Bring benefit to your city".

Carlsberg Group results across Eastern Europe

In Eastern Europe, the impact of COVID-19 was relatively modest due to low on-trade exposure. However, particularly towards the end of the year, markets were negatively impacted by a change in channel, customer and product mix as a result of weakening consumer confidence.

All markets, except for Ukraine, delivered total volume growth for the year. For the region, beer volumes grew organically by 5.3%. Non-beer volumes grew strongly by 22.6%, mainly due to growth of energy drinks across the region. Total volumes were up organically by 6.2%.

Revenue grew organically by 1.0%. Revenue/hl of -5% was impacted by the higher level of promotional activities in Russia aimed at strengthening Baltika's position in the Russian market.

The region delivered strong organic operating profit growth of 10.9%, driven by strong performance in all markets outside Russia. The operating margin increased by 220 bp to 19.2%.

***Baltika Breweries LLC** is one of the largest manufacturers of consumer goods in Russia. Baltika Breweries operates 8 breweries in Russia. The company is a significant part of the Carlsberg Group and its operations in Eastern Europe, which also includes Azerbaijan, Belarus, Kazakhstan, and Ukraine. Baltika Breweries LLC is the leading exporter of Russian beer. The company's products are exported to over 75 countries around the world. Thanks to the world class quality of the Baltika brands, they have received more than 670 Russian and international awards at professional and consumer competitions.*

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