

Press Release

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Baltika increased its sales by 6% in the first half of 2021 due to the strong Q1

Despite the hot summer, relaxed quarantine restrictions and stability of the Russian beer market in the first half of 2021, the situation in the industry remained tense. The consequences of the COVID-19 pandemic and changes in consumer behavior presented challenges to brewers. Baltika, as part of the Carlsberg Group, adapted to the changes in the market and increased its sales volume by 6%¹.

Beer market

The shift of volumes from traditional trade to modern trade, which received additional boost with the onset of the COVID-19 pandemic, continued throughout the first half of the year. Despite the restrictions, sales volumes in beer boutiques and HoReCa are recovering². Healthy lifestyle trends, safety and convenience, home consumption, as well as falling real incomes are causing changes in sales channels: shipments to discounters, specialty stores and online commerce are on the rise. In terms of categories, non-alcoholic beer, as well as craft and specialty beers, are increasing in popularity. In addition, the premium and economy segments are seeing an increase at the expense of the mid-price segment.

Sales dynamics and brands

Baltika's indicators are in the market trends. The company's share increased by 1.1 percentage points in the first six months of 2021 compared to the first half of 2020, stabilizing at 27%³. Grimbergen (+65%), Kronenbourg 1664 Blanc (+53%), Tuborg (+45%), as well as Somersby (+66%) and Garage (+6%)⁴ fruit and berry flavored beverages showed sales growth in the first half of 2021.

Shipments of non-alcoholic beer increased by 26.14%, including using new sales channels. During the first six months of 2021 Baltika sold four times as much non-alcoholic beer and soft beverages on electronic trading platforms as it did during the whole of 2020. The company's pool of e-commerce partners this year was joined by the country's largest marketplace — Wildberries.

¹ Hereinafter Baltika's results are the company's own data.

² According to Baltika's assessment.

³ Retail audit data by volume, audit conducted by Nielsen Research.

⁴ By volume.

Baltika's Russian partners highly appreciated the company's work: in 2021 the largest retailers declared the company the best supplier of alcoholic beverages for the year 2020⁵, with the company being ranked first in the Customer Service criterion.

Export sales also showed good momentum in the first half of 2021: despite the restrictions caused by the pandemic, the company's export shipments increased by 31% compared to the same period in 2020. Baltika 7 Mild, Baltika 0 and Flash Up remain the leaders in foreign sales. In May 2021, local production of Flash Up was opened in Uzbekistan.

Investments and sustainable development

The volume of the company's investments in the first six months of 2021 amounted to 1.8 billion rubles. In preparation for the summer season, investments were made to launch new products, purchase refrigeration equipment and beer filling equipment, as well as furniture for summer cafes. Among the largest investments were the replacement of the gas turbine unit at the Rostov-on-Don brewery and the purchase of equipment for non-alcoholic beer production at the Tula brewery. Moreover, at the St. Petersburg International Economic Forum in June, Baltika announced investments of 470 million rubles into production development and environmental initiatives in the three regions of its presence, as well as into digitalization of its business.

At the beginning of the summer of 2021, Baltika once again supported doctors working in the red zones of city hospitals with its non-alcoholic products. The company is continuing to pay close attention to the issues of safe working conditions and business sustainability during the pandemic: employees are provided with personal protective equipment and transferred to remote work if possible, business trips are reduced, cleaning frequency is increased, and regular vaccination opportunities are provided — throughout 2021, the company offered voluntary vaccinations to employees at its plants 10 times.

*"In spite of the fact that in the second quarter there were still some restrictions concerning COVID-19, we felt confident on the market due to the rapid rebalancing of our portfolio, which allowed us to improve our price mix," says **Denis Sherstennikov, president of Baltika Breweries**. "Our employees learned how to work in the new conditions, and the team coped with the challenges at the beginning of the season very well, we were able to maintain and stabilize our market share. However, considering the ongoing pandemic, the situation in the market remains challenging, especially with a number of potential regulatory initiatives undertaken by the government."*

Baltika Breweries LLC is one of the largest producers of convenience goods in Russia. The company's portfolio includes 55 national and regional beer brands and 5 non-beer brands, such as Baltika, Carlsberg, Tuborg, Kronenbourg 1664 Blanc, Garage, Arsenalnoye, Flash Up energy drink and Khlebny Krai kvass. The company operates eight plants in Russia. Baltika is an important part of the Carlsberg Group and its business in the Central and Eastern Europe region, which also includes 15 other countries. Baltika Breweries LLC is a top exporter of Russian beer. Baltika supplies its products to more than 75 countries around the world. Thanks to its world-class quality, the company's brands received more than 670 Russian and international awards in the professional and consumer competitions.

⁵ The results of the survey conducted by SCM Alco, the largest community of managers and logistics and supply chain specialists in the alcohol industry.

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