



Event: Carlsberg Q1 2018 Trading Statement conference call

Date: Tuesday, 1 May 2018

Speakers: Cees 't Hart, CEO
Heine Dalsgaard, CFO

Operator: Ladies and gentlemen, welcome to the Carlsberg Q1 2018 Trading Statement hosted by CEO, Cees 't Hart; and CFO, Heine Dalsgaard. For the first part of this conference, all participants will be in a listen-only mode. And afterwards, there'll be a question-and-answer session. As a reminder, this call is being recorded. Speakers, please begin.

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

Good morning, everybody, and welcome to the Carlsberg's Q1 2018 conference call. My name is Cees 't Hart, and I have with me CFO, Heine Dalsgaard; and the Vice President of Investor Relations, Peter Kondrup. I will go through the highlights of the quarter and Heine will focus through the regions and outlook.

Please turn to slide 2. Quarter one is traditionally a very small quarter for our business due to seasonality. Organic net revenue in the quarter grew by 2% and this was driven by a 1% price/mix and 1% organic volume growth. Reported volumes were flat due to last year's divestment of the German wholesaler Nordic Getränke. Reported net revenue declined by 5%, due to the disposal and the negative currency development. The negative currency impact was broadly based, but with the largest impact from Asian and Eastern European currencies. We confirm our full-year expectations for organic operating profit growth.

Please turn to slide 3, and a few comments on our international premium brands for which we saw good growth. 1664 Blanc continued its strong performance and grew by 44% even after having achieved 46% growth in 2017. Further expansion in our Asian markets is an important driver of the brand growth, but growth also picked up in Eastern Europe where Russia delivered strong growth of the brand. Grimbergen also continues its double-digit growth and grew by 12% in the quarter. The growth came from Western Europe with particularly strong results achieved in France. Tuborg, our largest brand, grew by 11% supported by strong growth in India and China. The brand also grew in several markets in Western Europe, such as Denmark, Norway, Serbia and Bulgaria.

In Denmark, the growth was achieved in spite of a price increase as consumers traded up into more premium Tuborg line extensions. In Turkey, our partner has done a very successful job, making Tuborg one of the largest beer brands in the country. Volumes of the Carlsberg brand were flat: a strong growth in Asia and growth in Eastern Europe were offset by volume decline in the UK.

Please turn to slide 4 and a brief update on the few of our strategic priorities which are also receiving significant support from our SAIL'22 investments. The growth trajectory in craft & speciality category continues as we grew our brands by 30%. Russia, France, China, Poland and the Nordic markets were the main drivers of the growth. Alcohol-free brews grew by 23% in Western Europe with strong growth rates for our alcohol-free brands in markets such as Poland, France, Denmark, Sweden, Norway and Germany. In Russia, Baltika 0 also achieved strong results in the quarter.

Lastly, the roll out of our proprietary one way Draught system, DraughtMaster, continues. DraughtMaster ensures consistent, high-quality draught beer and the ability to have more taps in the outlets leading to higher craft & speciality sales. As a result, our customers see an improved income and much easier operations. We continue to see very firm progress in Italy and Denmark and we have now also launched the system in Norway and Sweden where initial customer interest has been encouraging.

Within the big-city priority, we are now live in a handful of cities where we test different concepts and gain valuable learnings. We have decided not to provide any further update on the big city strategy as our activities remain very commercially sensitive. The priority is a slow burner, and it will not have any material

top line impact for the next years. We would like to stress that of our growth priorities, the short- to medium-term growth will come from craft & specialty, continued growth in Asia, and growing our presence in the expanding alcohol-free beer segment.

With that, I will hand over to Heine who will take us through the regions and outlook.

Heine Dalsgaard, Chief Financial Officer, Carlsberg A/S

Thank you, Cees, and good morning, everybody. Please turn to slide 5 and Western Europe. Net revenue declined organically by 3% as a result of a total volume decline of 2% and a negative price/mix of 1%. Reported revenue declined by 8% due to last year's disposal of Nordic Getränke in Germany, which had an impact of minus 3% and a negative currency impact primarily related to non-euro linked currency with the largest impact coming from the Swiss francs, Norwegian and Swedish kroner, and then the Polish zloty.

We saw a positive price/mix in most countries, but our export and license business distorted the regional numbers for the quarter due to lower export & license sale in the Middle East and growth of Tuborg brand in Turkey. Sales in the Middle East were impacted negatively by increasing excise duties and VAT in some of the markets. In Turkey, where Tuborg is sold by our partner through a license agreement, we only include the license fee in our revenue and consequently that impacts regional price/mix negatively. Adjusting for export & license, price/mix in Western Europe was close to plus 1%.

Volumes were impacted negatively by the cold weather in many countries which more than offset the earlier sell-in to Easter.

Looking at a few selected markets, our volumes in the Nordics grew by mid-single-digit percentages supported by the relisting at large customer in Finland for the winter campaign. In Denmark, our beer business developed well and our value share showed solid improvements driven by value management and strong growth of craft & speciality and alcohol-free beer.

In Norway, the positive development continued with particular solid performance of our speciality products, although the CSD business was impacted by a significant sugar tax increase. Sweden started the year well, mainly due to the earlier sell-in to Easter. In France, our craft and speciality portfolio continued to develop positively with strong growth of brands such as 1664 Blanc and Grimbergen. The mainstream category remains under pressure and consequently our volumes declined slightly.

In Poland, our volumes declined and we lost market share following a price increase in Q1. However, our price/mix improved as a result of this as well as our premiumization efforts. The UK was impacted by the continued challenges of the Carlsberg brand, but we saw healthy growth of Brooklyn and San Miguel. In some of our smaller Western European markets such as Bulgaria, Greece and Serbia, we delivered solid results. In the quarter, we acquired the remaining 49% of Olympic Brewery in Greece.

Please turn to slide 6 in Asia. We had a strong start of the year in Asia. Net revenue grew organically by 16% driven by 12% volume growth and 3% price/mix. Reported net revenue grew by 6% negatively impacted by currency movements. We continue to see strong results in our largest market, China. Supported by 14% growth of our premium portfolio combined with the later sell-in to the Chinese New Year, our Chinese volumes grew by 9% and net revenue by 16%. All three major brands in our premium portfolio - that is Tuborg, Carlsberg and 1664 Blanc - delivered solid growth rates with 1664 Blanc taking the lead with more than 50% volume growth.

Our Indian volumes grew by more than 30% due to market share gains and also very easy comparables as Q1 last year was weak being impacted by the highway ban. In most of the other markets in the region, we saw good momentum of our business with particular strong performance in Laos, in Nepal and in Vietnam. In general, we are very satisfied with the progress of our Asian business.

Q1 was extraordinary good due to the later sell-in to the festive season but underlying performance of most markets is very strong. And we are investing a sizable portion of our SAIL'22 investments in the region to further drive volumes and premiumization.

Slide 7 and Eastern Europe, please. Net revenue in Eastern Europe declined by 3% due to 6% volume decline and plus 3% price/mix. All markets with the exception of Russia grew volumes for the quarter. Reported net revenue declined by 14% due to the weaker currencies across all markets. The Russian market declined by an estimated 4% to 5% for the quarter.

We delivered flat market shares sequentially of around 31% but we saw a market share decline of approximately 2 percentage points compared to Q1 last year due to the market share loss in the low-end PET segment during the summer. Consequently, our Russian volume declined by 11% for Q1. Our price/mix developed favourably by low single digit percentages in spite of the continued promotional pressure in the PET segment.

All other markets in the region continued the very positive trajectory of last year delivering 6% volume growth and 19% revenue growth as a result of strong pricing and growth of our premium offerings. In Ukraine, we had a very strong start to the year driven by market growth and solid market share performance.

Please turn to slide 8 and the outlook for the year. Based on the Q1 performance, we are well on track to deliver on our earnings expectations for the full year. Consequently, we maintain the outlook of mid-single-digit percentage organic growth in operating profits. Based on the spot rate on April 30, we now assume a negative translation impact on operating profit of around minus DKK 550 million. The change versus February FX is mainly due to the recent weakening of the Russian ruble.

All other assumptions remain unchanged. Cees, over to you for final remarks.

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

Thanks, Heine. Before we open for questions, a few final remarks from my side. We are satisfied with our performance in Q1. We see solid growth in our key strategic priorities such as craft and speciality and alcohol-free brews. We are well on track to deliver top and bottom line growth for 2018. And finally, we maintain the outlook for the year.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions]

And our first question comes from the line of Jonas Guldborg from Danske Bank. Please go ahead. Your line is open.

<Q – Jonas Guldborg – Danske Bank A/S>: Yeah. Good morning, gentlemen. Thank you for taking my questions. Firstly, if you could add some additional comments on your market share losses in the UK. To what degree this is a cause for concern and then maybe also including the – how did that price/mix develop in Q1 in the UK? Then secondly, comments – some comments around how you read the Russian market declining in Q1, does it change your expectations for a flattish full-year development in Russia? And then, thirdly, it sounds like from the comments on the festive seasons in Asian countries that we should look at Q3 – sorry Q4 and Q1 in combination, and if I do that, it looks like Asian volumes has organically developed flattish, but I guess that is due to the change of your accounting. So, if you could put some comments on how the underlying growth was in Asia adjusted for these later sell-in. Thank you.

<A – Cees 't Hart, CEO Carlsberg>: Okay. Thank you very much. Good morning, Jonas. Thanks for your questions. With respect to the market share in the UK, the market share loss is mainly driven by, first of all, decline in mainstream segment, as consumers are trading up. And we over index in mainstream and second thing is that the Carlsberg brand continues to lose market share in the mainstream segment. We see Carlsberg Export doing better, because of the new advertising, but Carlsberg Green, as it is called, is continuing to lose some market share and we will come of course, with collecting measures. I don't have at this moment of time information about price/mix – well we have – but basically I think that's too detailed for now.

With regard to the market decline in Russia, it's – in our estimation, it's 4% to 5% if we compare with Q1 last year. Then mainly if you correct for the PET downsizing, we think the market has been flattish, and we don't change our view of the Russian market where we've said that we will be around zero this year in terms of volume.

In Asia, frankly, you can cut the market every time in different pieces of course but we are very satisfied with the development of our Asian market. Obviously, we have Têt a bit later. You have some of the trade loading in Q1 rather than in Q4. But if you combine it and if you look at China, India, if you look at our market share development, if you look at the different price/mix developments, we are very satisfied about Asia.

<Q – Jonas Guldborg – Danske Bank A/S>: Okay. Thank you.

<A – Cees 't Hart, CEO Carlsberg>: Thank you.

Operator: Thank you. Our next question comes from the line of Sanjeet Aujla from Credit Suisse. Please go ahead. Your line is open.

<Q – Sanjeet Aujla – Credit Suisse Securities (Europe) Ltd.>: Hi. I'd just like to come back to Russia. Can you just discuss the pricing environment there? Actually, you've been running with a big price gap with your competition driving some of the share losses that you've seen. Are you seeing any signs of the pricing environment improving there?

<A – Cees 't Hart, CEO Carlsberg>: Thank you, Sanjeet, and good morning. No, we have not seen any changes in the pricing environment. Maybe it's a bit too early because this is the moment in the season that price increases are being taken. So, obviously, we are monitoring that closely. And with regard to the way we operate, that we participate in some of the deep promotions in some of the key accounts by which we have been able to stabilize our share development in Q1.

<Q – Sanjeet Aujla – Credit Suisse Securities (Europe) Ltd.>: Got it. And just a follow-up on the – can you just also discuss your market share performance in the premium segment in Russia? And just a follow-up on the Nordics. What would your volumes have been if you exclude the contract benefit in Finland?

<A – Cees 't Hart, CEO Carlsberg>: The share performance in premium has continued to improve in Russia and in terms of the volumes, if you do not have the contract in Finland the volumes would be flat in Nordics.

<Q – Sanjeet Aujla – Credit Suisse Securities (Europe) Ltd.>: Got it. Thank you.

Operator: Thank you. Our next question comes from the line of Søren Samsøe from SEB. Please go ahead. Your line is open.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Yes. Good morning, gentlemen. Firstly a question regarding the strong growth that you mentioned you have in some of your scalable premium prices like Grimbergen and 1664 Blanc. Would you say that this is due to your – I mean is this a direct result of your SAIL'22 strategy and in regards to that would you say that you are in line or are you slightly ahead or slightly behind the plan that you set out for now?

<A – Cees 't Hart, CEO Carlsberg>: Thanks, Søren. I guess, I think we can really say that this is a consequence of our investments of SAIL'22 both in Grimbergen and 1664 Blanc. It has to do as well with the roll out in different countries as we said two years ago, especially Grimbergen was doing very well but only in four, five countries. And as we discussed before, we have now moved to other countries with Grimbergen and as well with 1664 Blanc. And we see the success coming through, which is very encouraging.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Okay. And then I couldn't help noticing that you have moved up Asia as the division you report as the number two division now, which I think is the first time I've seen that. What should we read into this? I mean, why do you choose to do that now?

<A – Cees 't Hart, CEO Carlsberg>: Maybe not now, we talked earlier about it; that we always get a lot of questions about Russia and a lot of focus, but at the moment, you see that Asia now is basically our second region. It, of course, is then the second region that we should mention. So, basically it shows as well how fast Asia is growing and how well we are doing there.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Okay. Thank you very much.

Operator: Thank you. Our next question comes from the line of Mitch Collett from Goldman Sachs. Please go ahead. Your line is open.

<Q – Mitch Collett – Goldman Sachs International>: At the full year stage, you weren't keen to commit for the 2% to 4% organic revenue growth aspiration in F 2018. You started with a two against what was the harder, one of the harder comps. Would you be willing to commit to 2% to 4% organic sales growth at this stage? And then perhaps, can you just talk a bit more about the acceleration in Tuborg, which has gone to 11% growth in Q1. I think it was running at 3% last year? And then, I suppose, given that's your biggest brand, what is the offset for that Tuborg growth and why haven't growth overall accelerated?

<A – Cees 't Hart, CEO Carlsberg>: I'm not sure about your last part of the question. But the first two, in terms of the 2% to 4% as you probably recall, is that we said that that will be a CAGR for the coming years, 2% to 4%, so we don't guide on the top line for this year.

With regard to the acceleration of the Tuborg brand, that's very much due to India. We have the highway ban in 2017 in Q1, as you recall. We grew in India this year in Q1 by 30% but on an easy comps. I look at Peter, no, he didn't get your first question as well. So either you need to repeat that or we move to the next?

<Q – Mitch Collett – Goldman Sachs International>: Yeah. I just wondered if with Tuborg accelerating so much, given it's such a big brand, which other brand is getting slightly worse to offset that acceleration?

<A – Cees 't Hart, CEO Carlsberg>: Which are brands that offset? Well, basically due to the fact that the main growth comes from China where we grow with our total portfolio and for India where Tuborg next to Carlsberg is one of our main brands, it doesn't need to – it doesn't basically eat in in other volumes from other brands.

<Q – Mitch Collett – Goldman Sachs International>: Okay. Understood. Thank you.

Operator: Thank you. Our next question comes from the line of Trevor Stirling from Bernstein. Please go ahead. Your line is open.

<Q – Trevor Stirling – Sanford C. Bernstein Ltd.>: Good morning, Cees and Heine. Two questions from my side, please. The first one is China. So, if you could talk a little bit more about China, Cees, and what the underlying trends in China are, is it still fair to say volume is flattish, maybe slightly down with a very strong price/mix? And the second one, I think I know the answer to this but any update on Habeco?

<A – Cees 't Hart, CEO Carlsberg>: Okay. Good morning, Trevor. Thanks. Let's start this with the last one, there's no news on the Habeco deal. We continue to have a good dialogue with the government and that's where we leave it for now. With regard to China, we see that 40% growth of our premium portfolio and the Chinese volumes in total grew by 9% and net revenue by 16%. So, we seem to have a good momentum in that market as we speak. 30% of our volumes is in premium that's 40% of our net sales and our total portfolio international portfolio grew by as I said 14% average, Carlsberg 8%, Tuborg 14% and Blanc 53%. So, I hope that gives a bit of color to you.

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

<A – Cees 't Hart, CEO Carlsberg>: Thanks, Trevor.

Operator: Thank you. Our next question comes from the line of Mike Vitfell-Rasmussen from ABG Sundal Collier. Please go ahead. Your line is open.

<Q – Michael Vitfell-Rasmussen – ABG Sundal Collier Norge ASA (Denmark)>: Thank you. I would like to follow-up a little bit more on the Habeco question just after if possible. I do understand there's been some issues with the Sabeco deal. Can you please elaborate a little bit about this if this has changed your willingness to go ahead and increase the stake or potentially you will come into some kind of price negotiations or just move along as in the past? And then also my second question will be on the new potential PET ban in Russia. Can you add a little bit of flavor on how that process is moving? What your guys talking to the Duma members and so on are saying here please? Thank you.

<A – Cees 't Hart, CEO Carlsberg>: Yeah. Thank you. With regard to Habeco and Sabeco, well, we obviously monitor like you what's happening with Sabeco, but there's nothing at this amount of time I can say more about it. You have the same information, I guess, that we have. We continue to have our good dialogue with the government.

With regards to the proposal on further limitation of the PET sizes, a few members of the Duma have proposed to further reduce the maximum size of PET bottles as you've read. There's not set any date for first reading in the Duma. And as we understand it, the proposal is not backed by the government at this stage. I will be in St. Petersburg with SPIEF in early May. And there, of course, we will have talks with members of the government, and I might even be allowed to raise a question in the meeting with President Putin again. This case on PET has started already eight or nine years ago. So, these kind of steps can take quite a while, but there's no further update for now.

<Q – Michael Vitfell-Rasmussen – ABG Sundal Collier Norge ASA (Denmark)>: Thank you very much, Cees.

<A – Cees 't Hart, CEO Carlsberg>: Thank you.

Operator: Thank you. Our next question comes from the line of Olivier Nicolai from Morgan Stanley. Please go ahead. Your line is open.

<Q – Olivier Nicolai – Morgan Stanley & Co. International Plc>: Hi. Good morning. Just got a couple of questions on India, please. You had a 30% volume growth in Q1. Which state were the main driver beyond this volume growth? Also, are you aware of any further regulation in 2018? I know that some of your peers, for instance, mostly in spirits, to be fair, mentioned some route-to-market changes which affected their sales in some states. Thank you.

<A – Cees 't Hart, CEO Carlsberg>: Okay. I got your first question, not your second. But let me first take your first question and then you might want to repeat your second one. When we talk about the states, it's a bit mix but has a lot to do with where the impact of the highway ban was the highest. But we have seen recovery in almost all states, just because of the highway ban recovery. We see the numerical distribution in many of the states coming back significantly. We are not yet on the 100% in any states but we are, I think, on average between the 75% and 80% with regard to the numerical distribution in Q1 2018 vis-à-vis 2017. So, we're all now on our way back.

<Q – Olivier Nicolai – Morgan Stanley & Co. International Plc>: Okay. And my second question was really about if you are aware of further regulation in 2018. We've seen GST, we've seen highway ban. Is there anything coming up in 2018 that you're aware of in India?

<A – Cees 't Hart, CEO Carlsberg>: Yes. We – in general, we don't see further announcement of regulations due to come up. But we see < tax issue in West Bengal. So, there will probably be an increase in the excise.

<Q – Olivier Nicolai – Morgan Stanley & Co. International Plc>: Thank you very much.

<A – Cees 't Hart, CEO Carlsberg>: Thank you.

Operator: Thank you. Our next question comes from the line of Hans Gregersen from Nordea. Please go ahead. Your line is open.

<Q – Hans Gregersen – Nordea Bank>: Good morning. Heine if I heard you correctly, you stated that you are well underway with Q1. Does that mean without going into specific numbers that Q1 from an EBIT point of view did better than you have forecast. That's the first question. Second part is, if you look on Asia, you have, for quite some time, delivered very strong organic growth. And the point is how much operating leverage can we see that driving into the margin over a five-year horizon? As the second question. Thirdly, how many new big cities – although not a part of the big city program – have you added into China? And then, finally, Cambodia, is any new status on the turnaround progress? Thank you.

<A – Heine Dalsgaard, CFO Carlsberg>: Well, let me start, Hans. Good morning. With the question on the outlook for the full year, so you're right that we're well under way in terms of delivering and continuing our progress and success with Funding the Journey. Q1 is basically in line with our expectations and that also means that we're continuing the journey towards delivering in line with our full-year guidance. In terms of Asia, operating leverage, you're right that it does help on profitability to have a higher volume growth and revenue growth clearly. But it's not something we comment on specifically.

<Q – Hans Gregersen – Nordea Bank>: But, Heine, could you – sorry. Heine, could you then give a little bit further insight in a different way? Can you give, not in number terms but then verbally, how much are you overinvesting in the region to drive growth and how long will you continue to do that, let's say, for the next three years?

<A – Heine Dalsgaard, CFO Carlsberg>: Well, first of all, we're not overinvesting in the region at all. We are allocating which is perfectly in line with SAIL'22. We are allocating quite a bit of our SAIL'22 money into the region and in particular into China and into India. But it's in line with our expectation, and it's in line with SAIL'22. And it's definitely not overinvesting and it is paying off. This is one of the reasons why we have the strong growth we have.

<A – Cees 't Hart, CEO Carlsberg>: Also with regard to the big cities, outside our big city program, so basically these are the big cities indeed in China – in Western China – sorry, Eastern China. We talk about 10 cities there. And with regard to your question on Cambodia, we're working indeed on turnaround plan but we have not seen basically the evidence of success of that yet but that's too early to say.

<Q – Hans Gregersen – Nordea Bank>: Thank you.

Operator: Our next question comes from the line of Richard Withagen from Kepler Cheuvreux. Please go ahead, your line is open.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Yes. Good morning gentlemen. I have two questions. First of all can you talk a bit about the dynamic of price/mix? I think especially in the Nordics and France because if you look at your numbers you obviously mentioned the Middle East and Turkey effect. But then also UK and Poland were weak and I think those are markets where your revenue per liter is relatively low. So, does that mean that your price/mix in the Nordics and France is quite strong? And is that mainly mix or is there also an element of price in there? And then the second question is on Russia, Baltika announced some new initiatives with Burger King and Teremoc. Is that part of strategy to expand distribution or increase exposure to different channels in Russia? And what kind of beers are predominately sold in these outlets? What will be the impact on price mix?

<A – Cees 't Hart, CEO Carlsberg>: Okay. With regard to the dynamics in Europe indeed we have a positive price mix in Nordics and in France. And if we take out the export & license business, we do have Europe about a price/mix improvement of plus 1%. With regards to Baltika and Burger King, yeah, we – obviously, we do want to be where the consumers consume or shop, and it means as well that we use these kind of channels. It's very much on the Baltika No. 0. And the more Baltika No. 0 we sell, the better it is for our price/mix.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Very good. Thanks, Cees.

<A – Cees 't Hart, CEO Carlsberg>: Thank you, Richard.

Operator: Thank you. Our next question comes from the line of Edward Mundy from Jefferies. Please go ahead. Your line is open.

<Q – Ed Mundy – Jefferies International Ltd.>: Hi. Morning, everyone. Just two questions, please. You're keeping your Russian market guidance of sort of flattish for the year despite Q1 down 4% to 5%. Have you seen evidence the market has improved in Q2? And then, the second question is on Western Europe where you're flagging the negative mix from Tuborg growth in Turkey. What was the impact of Tuborg exports on your volumes in Q1 in Western Europe?

<A – Cees 't Hart, CEO Carlsberg>: On the first one, when we talk about Q2 in Russia, well we had a good start of April, but that's not so much the issue. Why we are confident is that basically we kept our share. We have a negative or a difficult comps versus Q1 2017, and huge volume and share decline in Russia started in Q2 and basically continued in Q3. So, why we are confident to come back to more or less zero is because we have a trust that we keep our market share, and we have other comps less difficult than in Q1. Then on Tuborg Turkey, well, we are dealing there as a partner. You can imagine that we don't give specific details on number.

<Q – Ed Mundy – Jefferies International Ltd.>: Okay. Thanks.

<A – Cees 't Hart, CEO Carlsberg>: Thank you.

Operator: Thank you. Our next question comes from the line of Laurence Whyatt from Société Générale. Please go ahead. Your line is open.

<Q – Laurence Whyatt – Société Générale SA (UK)>: Hi. Good morning. Thanks very much for the question. Firstly in Vietnam following the investments in ThaiBev into Sabeco, I'm wondering if you've seen any change in market practices from your competitive landscape. Secondly, in the UK following the announcement of the Sainsbury's-ASDA potential merger, I was wondering, what impact do you think that might have on the UK supermarket landscape? And thirdly, following – we've had number of months of the ABI-Efes merger in Russia or the joint venture. I was just wondering if you've seen any change in the competitive landscape there as a result of that one. Thank you very much.

<A – Cees 't Hart, CEO Carlsberg>: Okay. Laurence, thank you very much. I must admit that probably the 3 times no change as an answer. So, in Vietnam, I think it's too early. Sabeco is basically taking over, as you know, at beginning of the year and management needs still to come in as far as we have been informed, so no change. In the UK, well, the deal has been announced on Monday. Obviously, our teams are looking at it but no answer on that one. And ABI-Efes, we have not seen any combined efforts in the market yet.

<Q – Laurence Whyatt – Société Générale SA (UK)>: Thanks. Just to confirm then on Sabeco, you are expecting a management change following the ThaiBev investment.

<A – Cees 't Hart, CEO Carlsberg>: Well, I guess, if you take over a company for that kind of money, you want to run it yourself. So, yes, we expect it.

<Q – Laurence Whyatt – Société Générale SA (UK)>: Excellent. Thank you very much.

<A – Cees 't Hart, CEO Carlsberg>: Thank you, Laurence.

Operator: Thank you. Our next question comes from the line of Eddy Hargreaves from Investec. Please go ahead. Your line is open.

<Q – Eddy Hargreaves>: Good morning. Apologies for moving straight down into your third division but couple of questions on Russia. One is, can you give us any sort of steer as to your expectations around the World Cup facing all sales, profit, marketing over Q2 and Q3, and just more broadly how you expect that to pan out? Secondly, just very simply, could you say what your capacity utilization is now at Baltika. And then the sort of second question is regarding Poland. Apologies if I missed it but could you indicate what the size of your prize increase has been and what the volume decline has been in that market, please?

<A – Cees 't Hart, CEO Carlsberg>: Okay, Eddy. Thank you very much for your questions. With regard to the World Cup, as you know that will be mainly played in Q2. So that will be the main activities and the cost of this. We're not the main sponsor as you know and we expect the main sponsor to activate their sponsorship which may have a positive impact on their market share but obviously we have activations as well. So, we're looking forward to do the tournament.

The second question...

<Q – Eddy Hargreaves>: With capacity utilization...

<A – Cees 't Hart, CEO Carlsberg>: Of course. It is between 50% and 60%. So, it has not changed significantly because we basically produce more perhaps more ... smaller volume, so more bottles run over the line. So, in the brew house, we have a lower utilization but on the [bottling] line, it's even slightly higher. And then, I look at Peter for the third question because he is calculating that as we speak and we talk about a 4% positive price/mix.

<Q – Eddy Hargreaves>: And 4% price/mix in Poland and the volume performance?

<A – Cees 't Hart, CEO Carlsberg>: We will come back to you later on that one.

<Q – Eddy Hargreaves>: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Frans Høyer from Jyske Bank. Please go ahead. Your line is open.

<Q – Frans Høyer – Jyske Bank A/S>: Thanks very much. This contract in Finland, was that a factor in the price/mix erosion in the Western Europe? And if so, how much?

<A – Cees 't Hart, CEO Carlsberg>: Yes. It has impacted our price/mix in Europe. Frankly, I don't know by how much now.

<Q – Frans Høyer – Jyske Bank A/S>: So small effect. Okay.

<A – Cees 't Hart, CEO Carlsberg>: It's a small effect, yeah. And basically, if you move to this kind of detail... we don't want to disclose all these kind of things because the talks then as well about the contracts.

<Q – Frans Høyer – Jyske Bank A/S>: Okay. I don't know if I misunderstood your comments on the big cities effort. Are you pouring cold water on that effort? Are you changing your plans on CapEx and so on in that area?

<A – Cees 't Hart, CEO Carlsberg>: No, not at all. No cold water. The only thing is we have an early success there. We learn a lot from it, but we just want to basically develop that in peace. And at the moment, if we're going to talk too much about cities and success, then that will, of course, instigate competitive reactions, so that's the reason. In terms of CapEx, we've never said that we would put a lot of CapEx in that. It's asset-light. But we are still firm on that big city project.

<Q – Frans Høyer – Jyske Bank A/S>: So, no changes to the spending behind those efforts?

<A – Cees 't Hart, CEO Carlsberg>: Yeah. No, no.

<Q – Frans Høyer – Jyske Bank A/S>: Thanks for clarifying that. Thank you.

<A – Cees 't Hart, CEO Carlsberg>: Yes.

Operator: Thank you. Our next question comes from Andrea Pistacchi from Deutsche Bank. Please go ahead. Your line is open.

<Q – Andrea Pistacchi – Deutsche Bank>: Yes. Good morning. Two questions please. First one on Russia, I realize that Q1 is a small quarter, but why do you think the market hasn't really improved yet there, as the downsizing should now have – sort of played out by now? Second question on Vietnam and new management there. Besides the Têt timing, are you seeing an underlying improvement in the business there? And what is the new management doing differently? Thanks.

<A – Cees 't Hart, CEO Carlsberg>: Thank you. With regard to Russia in Q1, well, it depends on how you look at it. If we look at it and correct for the PET ban, we would argue that the market is now stable, which is already very different from in the past, so in that respect, we don't feel that it's a negative news on Q1 with regard to the market development. On Vietnam, yes, we have new management. We see improvement, basically, in almost all the lever of the business with regard to how to run a business operationally. So, we have renewed some of the contracts with wholesalers and distributors. We're improving our distribution. We are moving to better price segmentation and then discipline in the market. So, we see there a good impact of the new leader in Vietnam.

<Q – Andrea Pistacchi – Deutsche Bank>: Can I – sorry, can I just – on Russia. So, you're saying the PET, the downsizing is still having some, sort of, tail end effect? It's not complete – in Q1 it wasn't completely in the base yet?

<A – Cees 't Hart, CEO Carlsberg>: Yeah. The big changes in Q1 2017, I mean, now moving against Q1 last year. So, there is some impact. In Q2, we expect that there was no any, let's say, impact of PET anymore, and then we see the underlying development of the market.

<Q – Andrea Pistacchi – Deutsche Bank>: Thanks.

<A – Cees 't Hart, CEO Carlsberg>: Thanks very much. Can we have the last question please?

Operator: Absolutely. The last question comes from the line of Simon Hales from Citi. Please go ahead. Your line is open.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Thank you, gents, for taking the final question. Can I just ask about your full-year guidance? I appreciate that obviously the Q1 performance was in line with your expectations, but I wonder whether the mix of delivery in Q1 was different to what you expected, sort of, three or four months ago i.e. it was better in Asia and a little bit tougher than you thought in Europe. If that is the case, how do you think about the full-year mid-single-digit organic growth guidance, are you expecting a little bit more now perhaps from Asia and a little bit less than Europe than you expected three months ago?

<A – Cees 't Hart, CEO Carlsberg>: Thank you, Simon. I think it's an excellent question for Heine.

<A – Heine Dalsgaard, CFO Carlsberg>: Yeah. So, you're right. Q1, first of all, was in line with our expectations overall. It's clear when you look at the mix, there are some different elements into it. But overall, there are many moving parts in our profitability and in our mix, in our volume and in our revenue. So, we do not comment is specifically on the individual, sort of, elements of the full-year guidance. So, basically, full-year guidance remains mid-single-digit organic growth in operating profit. A lot of moving parts, some plusses and some minuses, and it's basically our task to make sure that negatives are balanced up against positive so that we – whenever we see movements and there is a lot of movements that we initiate gap closing plans and that's what we do. So, overall, confirming our full-year balance.

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

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

And with that confirmation of the full-year guidance, we conclude the call. This was the final question for today. Thank you for listening in and thank you for your questions. We are looking forward to meeting some of you during the coming days and weeks. Have a nice day. Thanks a lot.