Carlsberg A/S

Q1 2021 Trading Statement

Conference Call

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with:

CEO Cees 't Hart and
CFO Heine Dalsgaard

ANALYSTS PARTICIPATING

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Fintan Ryan – Analyst, JPMorgan Securities Plc
Trevor Stirling – Analyst, Sanford C. Bernstein Ltd.
Fredrik Ivarsson – Analyst, ABG Sundal Collier AB
Laurence Whyatt – Analyst, Barclays Capital Securities Ltd.
Mitch Collett – Analyst, Deutsche Bank
Nik Oliver – Analyst, UBS AG (London Branch)
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Pinar Ergun – Analyst, Morgan Stanley
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Carlsberg's Q1 2021 Trading Statement Conference Call. For the first part of this call, all participants are in a listen-only mode. Afterwards, there will be a question-and-answer session. [Operator Instructions] This conference call is being recorded.

I will now hand it over to the speakers. Please begin.

Cees 't Hart, CEO, Carlsberg

Good morning, everybody, and welcome to Carlsberg's Q1 2021 conference call. I hope you are all safe and well despite the continued challenges posed by COVID-19. My name is Cees 't Hart, and with me CFO, Heine Dalsgaard; and Vice President of Investor Relations, Peter Kondrup.

The Group delivered a good start to the year. Thanks to strong performance in some of our key markets, notably in Asia and Central and Eastern Europe. This more than offset continued COVID-19-related challenges in many Western European markets. I will provide the headlines for the quarter and our performance against our SAIL'22 priorities, and Heine will take you through the regions and the full-year outlook.

Due to seasonality, Q1 is traditionally a very small quarter for our businesses across Europe; while in Asia, it is an important quarter due to the festive season. The 11.5% organic volume growth was mainly driven by more than 50% volume growth in China as well as solid double-digit volume growth in markets such as Russia and India. Reported volumes grew by 12.8% due to last year's acquisitions.

Our international premium brands performed very well. Tuborg, 1664 Blanc and Somersby were up by 20% to 30%, mainly driven by growth in Asia and Central and Eastern Europe; and for Somersby, also strong growth in Poland. Carlsberg and Grimbergen were impacted by on-trade restrictions and therefore declined.

Organic revenue grew by 3.8%. The revenue per hectoliter of minus 7% was due to negative country mix in both Western Europe and Asia, and channel mix due to less on-trade, in addition to higher promotions in Russia compared with same quarter last year.

Please turn to slide 4 and a brief update on some of our strategic priorities. When we look at the strong growth numbers for all our growth priorities on this slide, we were, of course, very satisfied. We saw good underlying growth dynamics, although the numbers are also impacted somewhat by easy comparables for Q1 last year. Asia is our designated growth region and delivered as such in Q1. Albeit that we had easy comparables, we saw particularly strong growth in China and we also saw good growth in India. Heine will provide more color on Asia in a moment.

On the back of a good growth in 2020, the growth trajectory for our alcohol-free brews continued with 24% growth in Q1. The category growth is supported by an increasing awareness of health and wellbeing, which has only been further accelerated by COVID-19. We saw very good progress in all regions, although strong growth in Asia was from a very low base. Our craft & speciality volumes grew strongly in Asia and Central and Eastern Europe, while category volumes were down in Western Europe.

Total volumes grew by 13%, with 1664 Blanc being the star performer with 33% growth. Somersby also delivered very strong results in the first quarter, and this was particularly driven by strong growth in Russia, Poland, Kazakhstan, and Australia.

An important driver of the strong progress for our craft & speciality and alcohol-free brews as well as a stronger core beer portfolio, has been the step up in our innovation efforts in line with SAIL'22. On the next slide I will give more details on our innovations.

Please turn to slide 5. In recent years, we have significantly strengthened our innovation efforts and processes. And as a result, seen a number of improvements including optimization of existing products, renovations, expansion of existing products in new markets, and innovations both within liquid and packaging innovation. A few examples are shown on this slide.

Baltika Zero is our largest alcohol-free brand in Russia and the Group. The innovation, Baltika Zero Grapefruit outperformed the alcohol-free segment and supported the very strong growth of our alcohol-free portfolio in Q1 in Russia.

Another successful innovation comes from Frydenlund in Norway, where the brand serves as a bridge between mainstream and craft & speciality. The Juicy IPA was launched in 2020 to support the brand equity of being a trendy, high-quality brand, and has been very popular with consumers, contributing to the stellar performance in Norway.

Somersby 0.0 is the number one voted alcohol-free brand in Poland. In 2020, we launched Somersby 0.0 Wild Berries, to further accelerate the growth of both the Somersby brand and our alcohol-free portfolio. This very strong brand and category growth in Poland served as solid proof points of the success of our continued innovation efforts for Somersby.

In China, Tuborg Pure Draft was another innovation launched in 2020. Priced at a premium to Tuborg Green, it has been very well received by young Chinese consumers and volumes have been ahead of our expectations.

In total, innovations accounted for more than 10% of Group revenue in 2020.

Please turn to slide 6. We have in recent months received many questions regarding our strategy of what's next. So let me elaborate on our thinking. First and foremost, I want to emphasize that SAIL'22 remains our strategy until end 2022. However, we are now starting to look at our next strategy period, so from 2023 and onwards. The process will very much mirror the successful process which we applied back in late 2015 and early 2016, when developing SAIL'22.

A few insights into this are that we will kick off the discussion at our annual strategy seminar with the Supervisory Board in June. After that, in the late summer, early fall, we will start doing more thorough analyses and deep dives. This work will again be appropriation and conducted in different work streams and driven by all the members of our extended leadership team, to ensure the involvement of all relevant markets and functions.

The valuable learnings from the development of SAIL'22 were that the broad engagement in the strategy and development process facilitated a committed buy-in to and acceptance of the strategy by all key people across the organization; and therefore, a high level of engagement and speed and execution of the strategy. Not surprisingly, the strategy will include considerations with respect to categories, brands, markets, capabilities and execution.

As you can see on the slide, the working title is SAIL'27. It is important to emphasize that next leg of the journey for Carlsberg will most likely be a continuation of SAIL'22. So an evolution rather than a revolution. We expect that many of the priorities in SAIL'22 will remain, such as craft & speciality, alcohol-free brews, and growth in Asia. We will, of course, look into possibly interesting new categories and whether some capabilities need to be further strengthened. We expect to share with you information on the updated strategy, including how we see the future growth algorithm for our company, during 2022.

Slide 7, please, and a few words on our geographic footprint that provides a strong foundation for our current and future growth ambitions. We are pleased with having a very good balance between growth and mature markets. Our mature markets provide interesting value growth opportunities, while our growth markets provide both volume and value growth opportunities. The balance between these markets has strengthened a lot during the past years; and the importance and size of the growth markets in Asia have strengthened significantly.

In particular, the VIC markets – China, India and Vietnam – provides interesting growth opportunities. We are also seeing market volume growth in Eastern European countries such as Kazakhstan and Ukraine. Even Russia has had a positive market volume development in recent years. Across our regions, the value growth opportunities through the ongoing premiumization remain very attractive. We are therefore confident and even more confident than back in 2015, when SAIL'22 was developed, that continued strong execution of our strategic priorities in all our markets across Western Europe, Asia, and Central and Eastern Europe will deliver appealing long-term top- and bottom-line growth.

And now, over to Heine, for the Q1 regional update.

Heine Dalsgaard, CFO, Carlsberg

Thank you, Cees; and good morning, everybody. Please turn to slide 8 and Western Europe, and again, this quarter was significantly impacted by lockdowns and restrictions. Volumes declined organically by 5.8% due to lockdowns of the on-trade across the entire region. Revenue was down by almost 15% due to channel and country mix.

Reported volume and revenue development was slightly better due to last year's acquisition of Wernesgrüner and the Marston's brewing activities. Our alcohol-free beverages continued to perform very well and grew by 26% with brands such as Tourtel in France and Somersby 0.0 in Poland being the key drivers.

In the Nordics, Norway continued last year's growth trajectory, helped by the closed borders. Finland and Sweden were impacted by restrictions, and in the case of Sweden, also by less order sales to the Norwegians. Volumes in Denmark were flat, with off-trade growth offsetting the decline in the on-trade and border.

Our business in France was impacted by lockdown of on-trade that will probably stay in force until mid-May. We saw very good growth in the off-trade and our market share improved slightly due to good performance of our premium portfolio. Switzerland was impacted by on-trade restrictions. Our business over-index in on-trade and events and under-index in off-trade, and therefore, volumes declined.

Poland continued its growth trajectory, seeing good growth of alcohol-free, craft & speciality and Somersby and continued good execution in the off-trade.

In the UK, the integration of Marston's brewing activities is progressing very well, and cost synergies are tracking well. Our UK volumes were challenged by lockdowns as strong off-trade demand was insufficient to offset the lost on-trade business. As you know, on-trade opened for outdoor serving two weeks ago, and we've seen great excitement among consumers who are finally able to go to the pub again.

And now slide 9, and Asia, please, where we saw a great start to the year, thanks to very strong performance, in particular in China. Volume and revenue grew by approximately 30% for the region. We saw strong premium growth in a number of markets. The 1% growth in revenue per hectoliter was impacted by country mix due to stronger growth in markets such as China and India, where revenue per hectoliter is below the regional average.

Our Chinese business delivered more than 50% organic volume growth due to good execution of the Chinese New Year, continued growth of our premium brands, both local and international, continued city expansion and easy comparables with Q1 last year that was significantly impacted by COVID-19. We continued to strengthen our market share, driven by growth of our local premium and international premium brands as well as growth in the e-commerce channel.

Excluding China, the rest of Asia reported organic volume growth of 5%. We saw a good start to the year in India and Vietnam, with both markets delivering high-teen volume growth. In India, the growth was mainly due to lower excise tax in some states, trade loading in other states ahead of price adjustments and easy comparable numbers for the month of March.

In Vietnam, the growth was driven by restrictions being lifted during the quarter, and growth outside our core region in the central part of the country. In other markets such as Nepal and Malaysia, our business remained in lockdown and also declined for the quarter. Net-net, a good start for the year in Asia, but the situation remains very fragile in several markets, and we see intensified lockdowns following increases in infection rates. Therefore, we expect continued volatility in the coming quarters.

And now slide 10, and Central and Eastern Europe, please. The region delivered a solid start to the year. Revenue grew organically by 3.1%. This was driven by 8.9% organic volume growth, partly offset by declining revenue per hectoliter. The lower revenue per hectoliter was mainly the result of the higher level of promotions in Russia compared with the same quarter last year and, in some markets – and that's primarily in Southern Europe – a negative channel mix due to on-trade restrictions. Reported revenue declined by 9% with a currency impact of minus 12% due to the depreciation of Eastern European currencies in the second half of 2020.

With the exception of Belarus, all markets in Central and Eastern Europe delivered strong organic volume growth for the quarter. Russia achieved strong mid-teens volume growth, mainly due to a higher market share year-on-year following our so-called Plan B with a higher level of promotion, that was initiated at the end of Q1 last year. Our market share in Q1 this year was at the same high level as in Q4. In Ukraine, our volumes grew slightly in a declining market that was impacted by cold weather and frequent changes in COVID-19-related restrictions.

In Southern Europe, January and February were challenging, but in March, all markets reported strong volume growth. This was mainly due to easy comps as restrictions started from March 2020. However, in the large on-trade markets in Southern Europe such as Italy, Greece and Croatia, the situation remains uncertain due to continued lockdowns and the dependency on the tourist season.

In our export and license business, growth was driven by the licence businesses in Turkey and Ireland and the export business to South Korea and to Australia in particular.

Now slide 11, please, and an update on our share buybacks. As we said in February, we will execute the 2021 share buybacks as quarterly programs due to the continued business uncertainty related to the COVID-19 pandemic.

The first quarterly share buyback program ended Friday last week. In total, 749,879 shares were purchased at a total value of DKK 750 million, corresponding to an average share price of DKK 1,000 per share. The daily volume bought represented an average of around 6% of daily traded volumes on Nasdaq Copenhagen.

Today, we then initiated the second quarterly buyback. As we had a good start to the year, the value of this second share buyback program has been increased. The intention is to buy back Carlsberg B shares amounting to DKK 1 billion up until August 13.

The Carlsberg Foundation will participate in the share buyback on a pro rata basis. Further details can be found on page 4 in the Q1 trading statement.

Please turn to slide 12 and the outlook for the full year. As we assumed in February when we gave full year guidance, the year of 2021 would be uncertain and volatile, and, as a result, we prepared ourselves for different scenarios to be ready if, or when, the business environment would change. In addition, we took again a strict view on costs, while at the same time being prepared to invest more when markets open up. This has served us very well. And thanks to this and a strong recovery in some markets, we started the year very well.

In February, we communicated our 2021 guidance expectations and the earnings expectations of 3% to 10% organic growth in operating profit, which was based on Western Europe being impacted well into Q2, China and Laos being on a recovery trajectory, the situation in other Asian markets remaining fragile, Central and Eastern Europe being impacted by restrictions in Southern Europe, and the competitive environment in Russia remaining fierce.

This situation has not changed significantly versus our expectations. In Western Europe and Central and Eastern Europe, we've seen restrictions being prolonged in many markets well into Q2. At the same time, the Asian and particularly Chinese performance was very strong for Q1, while in Q2, several markets are seeing an increase in infection rates and that has led to renewed lockdowns in markets such as Laos, India and Cambodia.

Based on these different puts and takes, and as we have visibility four months into the year, we're able to raise the bottom-end of the range in our earnings expectations to 5% to 10% organic growth in operating profit compared to the previously announced 3% to 10%.

It is important to emphasise that the volatility and uncertainty in many markets remain high. In Western Europe and Central and Eastern Europe, we have the important peak season ahead of us and continued lockdowns, restrictions or changes in consumer behavior may influence full year results significantly.

Based on spot rates yesterday, we assume a currency impact on profit of around DKK -250 million. All other assumption remains unchanged. That means net finance costs, excluding FX, are therefore assumed to be around DKK 600 million, tax rate around 25%, and CapEx between DKK 4 billion and DKK 4.5 billion.

And now, back to you, Cees.

Cees 't Hart, CEO, Carlsberg

Thank you, Heine. Before opening for Q&A, let me summarize. We delivered a good start to the year, thanks to strong performance in some of our key markets, notably in Asia and Central and Eastern Europe. In many Western European markets, the business environment was challenging and remained so due to COVID-19 related restrictions. We are able to raise the bottom-end of our earnings outlook.

And with this, we are ready to take your questions. Peter, please remind everybody the process for this.

Peter Kondrup, Vice President Investor Relations, Carlsberg

Yeah. Good morning, everybody. As Cees said, we're now ready for the Q&A session. In order to ensure that everybody gets a chance to ask questions, please limit the number of questions to just two questions per person. If you have further questions, you can enter the queue again.

So, operator, can we take the first question, please?

QUESTION AND ANSWER SECTION

Operator: Yes. [Operator Instructions] And the first question is from the line of Edward Mundy from Jefferies. Please go ahead. Your line will now be unmuted.

Ed Mundy – Jefferies International Ltd.: Good morning, everyone. Thanks for taking the question. I've got two, please. You've got off to a very strong start. Europe is gradually starting to reopen. China is flying. You've obviously raised the bottom-end of your guidance. What's holding you back from raising the top-end of the guidance at this stage?

Then my second question is on China. Over 50% growth. You mentioned some of the key drivers in the presentation. Is there any phasing of shipments that's boosting the numbers here or just the 50%-plus actually reflects underlying consumer offtake?

Cees 't Hart – Carlsberg A/S: Thank you, Ed. Over to Heine.

Heine Dalsgaard – Carlsberg A/S: Yes. Good morning, Ed. So, on the sort of the guidance outlook, we feel more comfortable for good reasons. But we believe there is still a high degree of uncertainty as to how the pandemic and its consequences will evolve here during 2021.

The bottom-end of the range has been raised due to a few factors, including the fact that we have slightly more certainty for the year with now almost four months concluded with, as you can see, relatively good result, and that includes a strong start to the year in China. And at the same time, back to your question, we had a challenging start in Western Europe and we see increasing risk for Q2 due to the sort of prolonged restrictions. But overall, we feel more comfortable.

Cees 't Hart – Carlsberg A/S: And with regards to your question on China, Ed. Well, we had a very strong start in China in Q1 and indeed we had easy comparables with Q1 [last year] where our Chinese volumes declined by approximately 20%. However, we also had a good execution with Chinese New Year with good loading ahead of the Chinese New Year and good throughput at the distributors.

All our premium brands have very good momentum at this moment of time. It's over 60% and we grow with them. And the continued market share growth is delivered by premium brands and our big city expansion. Then if you look Q1 versus Q1 2019, so it's Q1 2021 over 2019, we grew by 20%. With regard to shipment, we saw a continuation of our growth in April. So it's – in all kind of – from whatever angle you look at it, it's a strong quarter.

Ed Mundy – Jefferies International Ltd.: Thank you. And just coming back to the guidance question as to why you're not raising the top-end, is it just you're waiting to see exactly when does Western Europe reopen and is that that degree of uncertainty that's holding you back at this stage?

Heine Dalsgaard – Carlsberg A/S: Well, there's a lot of different factors to take into account, but the Western European lockdowns is certainly one of the key factors. There are other factors like, for instance, whether there will be further restrictions in China, how the infections evolve in the other Asian markets. So, there is a lot of uncertainty out there, and just to remind everyone, we are still ahead of the peak season, in particular in Western Europe and Central and Eastern Europe.

Ed Mundy – Jefferies International Ltd.: Great. Thank you.

Cees 't Hart – Carlsberg A/S: Thank you, Ed.

Operator: The next question comes from the line of Fintan Ryan from JPMorgan. Please go ahead. Your line will now be unmuted.

Fintan Ryan – JPMorgan Securities Plc: Good morning, Cees, Heine, and Peter. Thanks for the questions. Two for me, please. Firstly, with regards to your price/mix, I appreciate the pressures around channel and country mix you mentioned in terms of Q1. But do you have any concerns around or questions around your ability to take a like-for-like pricing and in particular with potentially increasing raw material inflation environments? And specifically around in Russia, could you give us an update of how the pricing negotiations with the customers have gone in Q1? What would you hope for in terms of price/mix for the rest of the year there, in the competitive environment generally?

And then secondly, just in terms of the competitive environment and particularly in France and Denmark, again Denmark, you mentioned that volumes are broadly flat and France, your off-trade shares held up at least Q1. And what were the main drivers of the improved performance in those markets and like, would you be anticipating to be able gain share in both the on-trade and the off-trade once both channels are reopened during the year? Thank you.

Cees 't Hart – Carlsberg A/S: Good morning, Fintan, and thanks for your questions. In regard to price/mix in Europe, as you said, the main driver of that is indeed channel and country mix. And we give you an example. Poland grew by 7%. If you look at France with a significantly higher revenue per hectoliter declining with 60%, you can understand that all in total, Western European level, the price/mix is negative. However, we don't see underlying issues with our price/mix, especially also because craft & speciality is growing significantly for the Group at 13%, as you have seen. Alcohol-free is growing significantly. That's not so much a revenue play, if you'd like, but more a margin play. But in total, we don't see any issue going forward with regards to price/mix. Of course, we also see the increases in the raw materials and we are preparing how to mitigate that. For the time being, we are well hedged. So, it's something that comes toward us in 2022.

With regards to Russia, the competitive situation in Russia is, in our view, unchanged. The high level of promotion pressure has continued. We announced a 2% price increase in October, November to partly cover the RUB 1 tax increase. We have not seen yet any higher prices on the shelves from our competitor, and we continue to try to optimize price/mix without losing market share in order to offset inflation on input costs.

We are very satisfied with the current market share level and, of course, would like to see less promotional market pressure in the market. But at this moment of time, as you have seen in Russia, we are doing there pretty well with a good growth of 16% in volume, and also having established our – continued our market share which we grew over 2020, finishing at a level of roughly 27%, 27.5% at the end of last year and continuing that in this year.

And then with regards to France market share, there, we have been able to improve our market share at the end of 2020. In off-trade, it is now flat versus last year. We see growth in 1664, in Grimbergen and Tourtel. So, in that respect, we are able to get more promotional slots. As you know, we had some issues related to COVID last year because our brewery wasn't able to pre-produce the production needed for the volumes in summer. And hence, we could not participate in some big promotional slots. We have been able to repair the situation in the second half or better say in last quarter. And by that, we also saw our market share improving.

With regards to Denmark, we have lost some share during 2020. It has really to do with the closed border to Germany. That's where price-sensitive consumers buy. So, Danish consumers buying relatively lower-priced beer and brands at the border. And at the moment, they can't do it there, they do it in Denmark probably at the discount channels, and hence, we have lost some share there. And also the so-called "brown pubs" were closed where we over-index and also there we see some less backdoor sales of Tuborg from the retail, and hence, some pressure on our market share.

So as we read situation, no structural issues, more due to COVID-related issues and we're confident that we can come back on market share in the second half of year. At the moment, especially in Denmark, COVID issues are easing, as we speak.

Fintan Ryan – JPMorgan Securities Plc: Great. Thank you. Very clear.

Cees 't Hart – Carlsberg A/S: Thank you, Fintan.

Operator: The next question comes from the line of Trevor Stirling from Bernstein. Please go ahead. Your line will now be unmuted.

Trevor Stirling – Sanford C. Bernstein Ltd.: Sorry, Cees and Heine, I should have pressed 5 star. All my questions have been asked already.

Cees 't Hart – Carlsberg A/S: Thank you. Good morning, Trevor.

Trevor Stirling – Sanford C. Bernstein Ltd.: Good morning.

Heine Dalsgaard – Carlsberg A/S: Good morning.

Operator: Okay. Thank you. So, the next question comes from the line of Fredrik Ivarsson from ABG. Please go ahead. Your line will now be unmuted.

Fredrik Ivarsson – ABG Sundal Collier AB: Hello, gentlemen. Thank you very much.

Cees 't Hart – Carlsberg A/S: Good morning.

Fredrik Ivarsson – ABG Sundal Collier AB: Hi, guys. A couple of questions from me. First back to China. You referred to volumes being 20% higher than 2019. I'm just curious here whether that might be a level that you forecast for the rest of the year as well in your internal budgeting. That's my first one.

And then also coming back to the raised guidance, wonder whether that's a volume thing that's driving you to raise it or if it's more of a mix thing, maybe referring to craft & specialty growing by 13%. I guess, the corresponding figure for last year was 1%. So, yeah, just curious to hear what your thoughts on that is.

Cees 't Hart – Carlsberg A/S: Thank you very much, Fredrik, and good morning. With regards to China, no, we don't think we will end up with 20% versus 2019 in total. We are not giving, let's say, our internal budgeting. However, we see a good momentum. We see our market share improving. We also see some very strong months ahead of us vis-à-vis 2020, especially as you recall, May, June, July were extremely strong.

So, we focus very much on market share development and the development in the different levers of growth, including the big city. the Wusu brand that is still continuing to show good growth and also our international premium brands. So, in total, we are on a good trajectory in China. Heine?

Heine Dalsgaard – Carlsberg A/S: Good morning, Fredrik. So, on the guidance question, whether it's volume or mix. So, it's both elements, it's both volume and it's also the mix element.

And then on top of that, when you talk guidance which, in our case, then is EBIT guidance, it's also the fact that we are well prepared for different scenarios with, as you know, our firm Funding the Journey and OCM approach. So, we have, as we also said, again taken a strict view on our costs so that we are prepared for different scenarios and we do that for two purposes.

One is that we want to defend our EBIT and our cash. The second reason is that we want to ensure that we're 100% ready to invest into top line growth when the markets come back and we are ready. So, it's both volume, it is mix and it's also our firm transparency and view and discipline within costs that makes us comfortable with the full year outlook.

Fredrik Ivarsson – ABG Sundal Collier AB: Very clear, as usual. Thanks a lot.

Cees 't Hart – Carlsberg A/S: Thank you.

Operator: The next question comes from the line of Laurence Whyatt from Barclays. Please go ahead. Your line will now be unmuted.

Laurence Whyatt – Barclays Capital Securities Ltd.: Good morning, Cees, Heine and Peter. A couple from me, if that's okay. Firstly, on China, just following on from Ed's question, you mentioned that one of the reasons you're keeping guidance at the level it is and not raising the top end is because of potential lockdowns in China. I was wondering if you could give us a bit more detail on the current level of restrictions in China and sort of what level potentially could come in during the rest of the year.

And secondly, on China, I was wondering if you could give us a bit of color around price versus mix growth in the country. It looks like the price/mix overall was very strong given the overall level of price/mix in Asia. Just wondering, particularly within China, how much of that was absolute price increases? Thank you very much.

Cees 't Hart – Carlsberg A/S: Thank you, Laurence, and good morning. With regards to China lockdowns, I think what Heine wanted to say is that you never know at this moment of time. We see sometimes cities being closed for a while. Yunnan was, I think, three or four weeks ago, they were closed for a couple of days. It seems that the government is able to really direct immediately resources to such a COVID incident, takes measures and then is able to clear the situation very quickly. However, we see a different situation, as you all know, in India, but also in Laos now, in Nepal, Malaysia. So COVID in Asia is not at all behind us yet.

So, in general, we see less risk for China. We see a realistic – if you are realistic, we see some risk for India. You saw a very good quarter. But at this moment of time, the volumes, of course, are a bit lower due to the situation there. And the same applies for Laos.

With regards to price versus mix, frankly, China is not a market where you can easily take pricing. Our big competitors don't take price. It's more, if you like, a country where we really want to grow our volume, and we do that at the high end of the portfolio. So, with brands like 1664 Blanc, but also Carlsberg, Tuborg and also Wusu, is basically increasing the price/mix vis-à-vis the other brands.

So, in total, we see a further strong growth of our international premium brands, and hence continue to have a strong price/mix in China. If that answers your question, Laurence?

Laurence Whyatt – Barclays Capital Securities Ltd.: Yes, it does. Thank you very much.

Cees 't Hart – Carlsberg A/S: Thank you.

Operator: The next question comes from the line of Mitch Collett from Deutsche Bank. Please go ahead. Your line will now be unmuted.

Mitch Collett – Deutsche Bank: Good morning. I also have two questions. And coming back to guidance. I think when you gave the guidance at the start of the year, you said that you were assuming the restrictions were lifted before the summer season in both Western Europe and the southern part of Central and Eastern Europe. I know you've already commented a bit on the underlying drivers of guidance and the change. But can you just confirm whether or not that's still your expectation or not?

And then my second question is, you commented in the release about strong March growth rates, again in Western Europe and I think the southern parts of Central and Eastern Europe. Can you perhaps give us some numbers or some direction about what the March growth rates looked like either for those parts of your business or for the overall Group? Thank you.

Cees 't Hart – Carlsberg A/S: Thank you, Mitch. The first part is for Heine.

Heine Dalsgaard – Carlsberg A/S: Yes. Good morning, Mitch. So yes, you're right. It was our assumption when we started the year, when we gave our full year guidance that many restrictions are being lifted before the peak season and that is still our expectation. So, no change.

Cees 't Hart – Carlsberg A/S: With regards to the March 2021 volumes, we saw indeed a relatively strong March. That was, of course, vis-à-vis more easy comps last year. But Western Europe was up by 15%, 1-5; Asia 43%; and Central and Eastern Europe by 12%. So in total 22%, Mitch.

Mitch Collett – Deutsche Bank: That's very clear. Thank you.

Cees 't Hart – Carlsberg A/S: Welcome.

Operator: The next question comes from the line of Nik Oliver from UBS. Please go ahead. Your line will now be unmuted.

Nik Oliver – UBS AG (London Branch): Hey. Good morning, Cees, Heine, Peter. Thanks a lot for the questions. Two for me on China, please. Firstly, the Wusu brand you mentioned, the strong growth. Can you just remind us how big that is now as a percent of the portfolio? And any guidance you can give us on how you think that brand can grow over the medium term? Because I guess that there's a like-for-like, also a regional penetration and element to that brand.

And then secondly on margins in China, I think previously you'd indicated that they might edge down slightly this year, as you invested behind the growth. Just given the strong start we've seen on the premium side, is that still the case, just given the gross margin differential between premium and the more mainstream parts of the portfolio? Thank you.

Cees 't Hart – Carlsberg A/S: Good morning, Nik. With regards to the Wusu brand, indeed, it's a very strong brand with a cultural "hard-core" spirit, I'd say. It's our strong local power brand with much preferred liquid and also ABV. It is plus 5% ABV versus typically 3% ABV in China as you know. And that profile helps us a lot. The consumer like it and they're willing to pay a premium for it.

So, it's more or less almost 24%, 25% of our portfolio in China. So, it's big. And we are having focused commercial approach in promoting the brand via social media. We are able to reach the younger and also the aspirational consumer effectively to offer them a premium and better-tasting liquid as I said. And by that, the Wusu brand continues to grow.

As you know, it's a very big brand in the west, and it found its way more to the center and the east. And therefore, we for the foreseeable future see a continuation of the potential of Wusu and by that also a continuation of the growth of the Wusu brand in China. However, it's part of a mix, as I said earlier. Also, the international premium brands worked very well for us. The big city approach continues. So in that respect, it's part of a multiple number of elements that help us to grow in China.

Then with regards to margin, over to Heine.

Heine Dalsgaard – Carlsberg A/S: Yeah. Good morning, Nik. So, on margins in China. For Q1, margins are up in China for the good reason that last year, as you know, was heavily impacted and that we throughout the year took firm actions which then on top of a good growth, as you've seen, this year just has resulted in very, very strong margins in Q1.

What we have said, with respect to the full year, remains the case which is that our algorithm for China is to invest as much as we practically can into top line growth. It's not that we want to hold down margins as a priority; it's just that when we prioritize the top line growth versus margin progression, China in particular focuses on top line growth. And that remains the priority for the country and that has not changed with the premium expansion.

Nik Oliver – UBS AG (London Branch): Okay. Thank you, both. That's really clear. Cheers.

Heine Dalsgaard – Carlsberg A/S: Thank you.

Operator: The next question comes from the line of Olivier Nicolai from Goldman Sachs. Please go ahead. Your line will now be unmuted.

Olivier Nicolai – Goldman Sachs International: Good morning. Just two questions on my side. Just in Europe first, as we see restriction easing in Q2 across Europe plus you have also the coming Euro Football Cup where I believe Denmark is actually qualified among many other countries where you are big, what are you hearing from your customers in on- or off-trade? And are they still cautious about increasing their inventories or are they more optimistic few months ago?

And the second question, just a follow up on China. Have you noticed a change in competitive dynamics in the premium segment? And is there more upside on big city strategy or any more distribution gains going forward? Thank you.

Cees 't Hart – Carlsberg A/S: Thank you, Olivier; and good morning to you. So when we look at Europe, frankly, it's a bit patchy. In France, our customers are a bit more, if you'd like, depressed than now in the Nordics, especially in Denmark. Yes, in most of the markets where we are in Western Europe, the local or the country team has been qualified. So in that respect, that's good. It's really too early to say what the general mood is. Obviously, all our customers are really focused on the dates to open their pub or restaurant again.

What helps us significantly is our DraughtMaster system because it reduces the risk for them. As you know, the beer is fresh for more than 30 days and that helps them to take also bit of a risk on the stock. So in total, where customers can open, extremely willing to accommodate our brands and focus on a big and a fast restart for their premises. But it's very difficult at this point of time to have a general view on Europe.

Then with – I can't see my own handwriting anymore. In China, sorry, about the premium brands. The big city remains to be in the upside for us. We are in 39 cities as we speak. We see also that Wusu on its own is moving towards other big cities, where we have not established yet our own distributors. So, also that is good in regards to the future development of our big city strategy. And hence, the big city [strategy] remains to be extremely important part of our portfolio, both in terms of expansion and also in terms of growing from the core. Where we started three years ago, these big cities continue to do very well. And that gives us confidence, also for the future, that this is not only at the moment that we can'tthat then thegrowth is over. On the contrary, we see from the core that the growth of our portfolio is continuing there.

Olivier Nicolai – Goldman Sachs International: Thank you very much.

Cees 't Hart – Carlsberg A/S: Thank you, Olivier.

Operator: The next question comes from the line of Pinar Ergun from Morgan Stanley. Please go ahead. Your line will now be unmuted.

Pinar Ergun – Morgan Stanley: Good morning. Thank you for taking my questions. The first one is on on-trade. Some of your peers appear to have struggled to meet the rising on-trade demand in the UK recently. Are you comfortable with Carlsberg's ability to supply peak on-trade demands if we were to see a strong recovery over the summer and that's both in the UK and elsewhere?

And the second one is on shareholder returns. There's a top up in Q2 buybacks, mean more shareholder returns could be on the cards should demand accelerate over the rest of the year. Thank you.

Cees 't Hart – Carlsberg A/S: Thank you, Pinar. Good morning. In regards to the on-trade, yes, everything is of course being ready to follow the markets, I would say. Again, our DraughtMaster system helps on that, but also there where we don't have DraughtMaster, our supply chain is, we think, agile enough to really cater for the peak in the on-trade. So far where we started both in Denmark and UK, we have not seen disruptions yet. Of course, we need to learn going forward. But the entire team, both the commercial team and supply team, is very much focused to deliver the volume in time and in quality of course. Heine?

Heine Dalsgaard – Carlsberg A/S: Yes. Good morning, Pinar. And on your question on the shareholder returns. Then, just to reiterate, the DKK 1 billion was decided based on the fact that we had a good start to the year, which then gave us comfort to increase the return in Q2 versus the DKK 750 million in the first quarter program. Buyback, just to reiterate that, has for the last few years and will remain for the coming years an integrated part of our capital allocation principles. And by announcing by quarters, as we've discussed before, we have the flexibility to initiate, to reduce or to increase and also to decide the amount by quarter depending, of course, on the business development, the impact from COVID-19 and M&A. So from our point of view, no change. Our policy and our focus on shareholder returns remains unchanged.

Pinar Ergun – Morgan Stanley: Thank you.

Cees 't Hart – Carlsberg A/S: Thank you, Pinar.

Operator: The next question comes from the line of Tristan van Strien from Redburn Partners. Please go ahead. Your line will now be unmuted.

Tristan van Strien – Redburn (Europe) Ltd.: Good morning. Just one clarification and two questions on China. You mentioned earlier a revenue per hectoliter in France. I wasn't sure if you said it was down 60%, 6-0 or 16%. So, just checking on that one. And then two on China. One, I don't think you actually get the actual price mix in China. It should be wonderful if you give that. And maybe also give a sense that you're comfortable with that rate for the next several years.

And then related to that, broader on the wheat beer, the white beer market in China. Can you just give us, how big that market now is in China and where do you think it will go to? And perhaps a bit more content, where is that growth coming from? Is that just a shift from lager? Is that women coming into the category? Why is wheat beer working so well in China and Asia as a share of beer relative to Europe, for example?

Cees 't Hart – Carlsberg A/S: Tristan, good morning. With regards to France, what I said is that the volume in France was minus 16% and I didn't mention any net revenue per hectoliter as such. But relative to Poland, France is significantly higher than Poland, and hence a negative country mix as a consequence of the fact that Poland was growing by 7% and France was declining by 16%, 1-6%.

With regards to price/mix, China is 5%. And we are – yeah, we think we can continue that more or less in that rate. So, that's your first question.

And then your second question with regards to wheat beer, well – frankly, I'm not a specialist on wheat beer in China. What we know is that, indeed the segment is growing very fast. It seems to really – because maybe also it's a bit light – really appeal to the consumers. We see some of our brands that have a range extension in wheat beer doing it very well. It's not really yet a part of our four levers of growth, but it's in a very – so far, a very good range extension. Then we have 1664 Blanc of course, which is just excellent. There we see that in spite of the interest of the consumer in international brands, but also the very specific liquids that we have combined with the very iconic bottle. And that combination makes it extremely successful. We also see that it's not only male, but also female drink. So there we get, if you like, a broader consumer base. And hence, we continue very much to support that brand in China.

Tristan van Strien – Redburn (Europe) Ltd.: Thank you. And maybe just a follow-up, sorry. How big is that market now in China? Are we now a proper single-digit percentage there or is it still insignificant in terms of the overall beer market?

Cees 't Hart – Carlsberg A/S: Well, tomorrow I have a six-hour commercial review with China, so I will ask the question. Frankly, I don't know, Tristan, how that part of the market is, but Peter will come back to you afterwards.

Tristan van Strien – Redburn (Europe) Ltd.: Thank you.

Cees 't Hart – Carlsberg A/S: Very good. Thanks, Tristan. Can we have the last question, please?

Operator: The last question comes from the line of Simon Hales from Citi. Please go ahead. Your line will now be unmuted.

Simon Hales – CitiGroup Global Markets Ltd.: Brilliant. Morning, all. One quick one then from me, please. Cees, you talked about sort of your increasing confidence about the medium-term outlook for the business, given the implementation of the SAIL'22 you put through and what will come thereafter. I think in the past you've sort of indicated that medium term you'd expect to sustain the 3 to 4 percentage type compounding top line growth. Are you suggesting that your confidence could see that rise above that over the medium term, given what you're seeing as we recover?

Cees 't Hart – Carlsberg A/S: Thanks, Simon. Yeah, what we have said for SAIL'22 is that we would have a CAGR of 2% to 4% of net revenue growth. Indeed, what we've said in conversations is that we think going ahead, especially with regards to the higher share of the Asian business in our portfolio that could be higher, maybe even 3% to 5%. Frankly, we need to do our math at the moment that we do our SAIL'27 program. As we said, we will start in five to six weeks from now with the first meeting in the Supervisory board.

Of course, we have done our homework in terms of what are the – at this point of time – so far the achievements of the different categories we've chosen in 2015, and do we still some leeway further into the future which facilitate growth for Carlsberg. And at the moment that we have done that, including then maybe also some further investments in either countries or subcategories or adjacent markets, we come to a new target – an internal target – for the net revenue for the future. But indeed, growth in that, we think that for the foreseeable future, we could be between the 3% and 5%.

Simon Hales – CitiGroup Global Markets Ltd.: Very clear. Thank you.

Cees 't Hart, CEO, Carlsberg

Thank you, Simon. And that was the final question for today. Thank you for listening. Thank you for your questions. We are looking forward to meeting some of you during the coming days and weeks. Have a nice day. Bye-bye for now.

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