Carlsberg A/S

2020 Financial Statement

Conference Call

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with:

CEO Cees 't Hart and
CFO Heine Dalsgaard

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Carlsberg's 2020 Financial 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 is being recorded.

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

Cees 't Hart, CEO, Carlsberg

Good morning, everybody, and welcome to Carlsberg's full-year 2020 conference call. My name is Cees 't Hart and I'm joined by CFO, Heine Dalsgaard; and Vice President of Investor Relations, Peter Kondrup. I hope you and your families are safe and well and that you all are getting through these challenging times.

Let me begin by briefly summarizing the key headlines for 2020. COVID-19 had a significant impact on our business. Our priorities throughout the year were protecting our people, supporting our customers and local communities, and safeguarding the commercial and financial health of the group. Our resilience and early and disciplined cost actions enabled us to partly mitigate the top line decline and resulted in a good margin improvement. We made significant cash returns to shareholders, secured liquidity, delivered a strong cash flow, and kept a strong balance sheet. And as a result, we launched another share buyback today and proposed the dividend increase of 5%.

I will now go through the group and regional highlights. After which, Heine will take you through the financials and the outlook for 2021.

Please turn to slide 3 and the headline numbers for the year. The group delivered a solid set of results in spite of the impact from the pandemic. Total group volumes declined by 3.8%, impacted by the market declines and challenging conditions across most markets. Revenue per hectoliter was impacted by country, channel, product impacted mix, and consequently, revenue was down organically by 8.4%.

Our very early and continuously firm mitigating actions led to significant cost reductions and we were able to limit the impact on operating profit, which declined organically by 3.1%. Consequently, we delivered a good operating margin improvement of 70 basis points to 16.6%. Free cash flow including acquisitions was strong at DKK 5.1 billion. The year's total cash returns to shareholders in the form of dividend and share buyback amounted to DKK 6 billion. In a few minutes, Heine will provide more details on all of these numbers.

Slide 4, please. The strengthening of the business over last couple of years paid off in the year of crisis, showing the resilience of our business in terms of organization and people, portfolio and financial situation. Our people showed a high degree of flexibility and engagement despite working under very difficult circumstances, whether at our breweries, in sales or from home. They adapted fast to the new circumstances. We took several measures to minimize the risk of infection, and, therefore, we saw no serious business discontinuity.

The resilience of our portfolio was evident in the performance of many of our brands and specifically for our craft & speciality and alcohol-free brands. We sharpened our focus on our most important local and international brands and adapted price points and pack formats to cater for changing consumer demands, including higher demand for multipacks.

Looking at our financial resilience, we ended the pandemic with costs well under control and a strong balance sheet. Combined with measures taken to protect cash and liquidity throughout the year, our financial position remained very strong and we were able to make solid cash returns to our shareholders and engage in several M&A transactions.

Slide 5 please. Cost reduction was key for our financial performance in 2020. Since we launched Funding the Journey in November 2015, we have successfully embedded a strict cost mindset supported by our OCM, operating cost management toolkit. Using the OCM toolkit, we set targets by cost group at regional and local level, and we are able to continuously identify, execute and monitor cost savings. When we saw COVID-19 impacting China in Q1, we immediately took steps to reduce costs across the group. When COVID-19 later spread to other markets across Asia and Europe, we increased the cost saving targets. Using the OCM toolkit, we ensured that focus on cost reductions, while at the same time striking the right balance between cost reductions and the need for supporting our brands, in order not to compromise the long-term health of the group.

During the first half year, we realized that the impact of COVID-19 would require that we organize ourselves for a different reality. This, unfortunately, meant that we have to be part of these many good colleagues during the second half of the year as we changed structures in markets and above-market functions. This included a reduction in our central office of more than 15%.

We are often asked about team-based performance culture. In our view, this year, really proved how far we have come in this respect. From Q1 onwards, all markets and functions contributed to reduce costs, regardless of the local COVID-impact at the time. Throughout the year, it has been a joint effort to continuously implement gap-closing actions, when reality turned out worse than expectations. Our people have really walked the extra mile in 2020 in order to get the group well through a difficult year.

Slide 6 please. Our SAIL'22 strategy stood the test during the COVID-19 challenges, and our long-term strategic direction remains unchanged. During the year, we sharpened our focus and prioritized the most important activities. I already talked about our Funding the Journey cost culture. Looking at our other more top line oriented priorities, we were pleased to see that recent year's investments in our core beer brands and our targeted approach helped mitigate the impact of the market decline.

So, some of our strong local power brands even achieved growth despite difficult market conditions. A few examples are shown on the slide, such as; the Astra brand in Germany, which grew by 4%; Pirinsko in Bulgaria by 7%; and Frydenlund in Norway by a stunning 38%. We continued to invest in our brands and this included innovations for key core brands such as the successful launch of Tuborg Pure Draft in China in May.

We've also tested new products in the hard seltzer category with launches in Norway, Singapore and Denmark. COVID-19 has driven a rapid acceleration of e-commerce and digital platforms. Albeit still from a low base, we saw strong growth of third party e-commerce sales, which grew by around 60%, mainly driven by Asia and China in particular.

Carl's Shop, our B2B e-commerce platform, also showed very good results. We launched the platform in Laos in the middle of the year and saw strong adaption by customers. In December, around one fifth of revenue in Laos was generated by Carl's Shop. We will continue to roll out digital tools in 2021.

Strengthening our Russian business and in particular our market share in the country was a very high priority for 2020. We are, therefore, very satisfied that we achieved volume growth of 9% and strengthened our market share.

Slide 7, please and our growth priorities. In recent years, our investments in strengthening our craft & speciality and alcohol-free brew portfolios have resulted in very good growth of both categories. Despite severe restrictions imposed on the on-trade in 2020, our craft & speciality volumes grew by 1%. Eastern Europe, especially Russia, was a key driver. On-trade is an important channel for craft & speciality and we were therefore satisfied that even in Western Europe these volumes grew despite the many restrictions. Markets such as Poland, Switzerland and Norway were key contributors. The jewel in our craft & speciality portfolio is the 1664 Blanc brand, and we continued to support the brand with the launch of a new global communication platform in 2020. With 8% growth the brand continued past year's growth trajectory.

Alcohol-free brews benefited from consumers increased awareness of health and well-being, possibly fueled by the pandemic. Driven by good results for the alcohol-free offerings of our local power brands in Western Europe and Eastern Europe, volumes of our alcohol-free brews grew by 11%. Innovations such as Baltika Zero Grapefruit, Baltika Zero Raspberry and Brooklyn Special Effects performed very well. In Poland, Somersby 0.0 innovations such as Somersby Raspberry's were key drivers of the brand growth. We also began the alcohol-free journey in Asia with the launch of an alcohol-free brand in China and Carlsberg alcohol-free in Singapore and Hong Kong. So, even in a COVID-19 year, we have the capacity to invest in future long-term revenue growth opportunities.

Asia had a turbulent year in 2020 with the impressive performance in China being partly offset by a very difficult market conditions in many other markets with the most severe in India, Nepal and Malaysia. Operating profit grew organically by 5%, while volumes and revenue declined. This performance was a result of many things including the well- embedded Funding the Journey culture, a more flexible cost structure and the region's ability to quickly adjust and the fast implementation of the early learnings from China.

Slide 8 and an update on our sustainability program Together Towards ZERO. Our ambitious targets to cut carbon and water waste, achieve a zero-accident culture, and promote responsible drinking were not thrown off course by COVID-90. We're pleased to report that we are on track to meet our 2022 targets to help our brewery emissions, cut our beer-in-hand footprint by 50%, and reduce water consumption by 25%. Over the last five years we have reduced our relative brewery emissions by 39% and cut our relative beer-in-hand footprint by 7%. We now have eight carbon neutral breweries and 65% of the electricity used at our breweries is based on renewable sources. In 2020, we were for our progress on carbon emissions being upgraded to the Carbon Disclosures Project's A List, which is the highest possible rating.

Our water useage per hectoliter beer produced was 2.8 hectoliter, a reduction of 7% compared with 2019 and 18% compared with 2015. As part of our water stewardship efforts, we entered a partnership in India to create a solar-powered water desalination unit for the local community.

Importantly, we also progress well towards zero accidents, as we continued to set-up our efforts to embed safe work behaviors. Our lost time accident rate declined by 19% versus 2019.

We are also working on reducing plastic waste and we continued our work on Snap Pack and Green Fiber Bottle. In Denmark, we began using 100% recycled shrink film for multipacks and more markets will follow. In December 2020, we became supporters of the Task Force on Climate-related Financial Disclosures – also known as TCFD – in order for us to better understand and act upon risks and opportunities arising from climate changes. We will, for the first time, report in line with the recommendations of the task force. This will be in our Annual Report published this afternoon. A comprehensive reporting on our ESG efforts and actions will be available later today when our Sustainability Report is published alongside our Annual and Remuneration Reports.

And now to the regions, please turn to slide 9 and Western Europe. The region delivered strong results in Q3, including beer volume growth supported by favorable weather, while Q2 and Q4 were difficult with declining volumes due to restrictions and lockdowns, which particularly impacted the on-trade channel. The second wave of lockdowns in Q4 had a larger impact than in Q2, as the off-trade didn't compensate as much in Q4 due to fewer outdoor consumption occasions during the winter.

For the year, our on-trade volumes declined by around 40%, putting significant pressure on the region's profitability. Beer volumes declined organically by 4.8%, while the organic decline in total volumes was 7.3% due to the lost German/Danish border trade from the 1st of January 2020. In 2019, this business accounted for around 1.5 million hectoliter.

Revenue per hectoliter declined by 6%, impacted by channel and country mix. The negative country mix was mainly due to Poland growing, while some of the higher priced markets such as Switzerland, Denmark and France declined. The region delivered significant cost savings within supply chain, logistics, marketing and administration. These savings were not enough to offset the revenue decline and consequently, operating profit declined organically by 17.2%. The development was particularly bad in Q2 and Q4 due to the severe COVID-19 related market situation. Some markets delivered good operating margin improvement, although for the region as a whole, operating margin declined by 120 basis points.

Slide 10 and a few market specific comments in addition to the general COVID-19 situation in the region. The volume development between markets was very mixed. Three markets – Norway, Poland and Bulgaria – delivered solid volume growth. A few markets, such as Germany, the Baltics and the Balkans, reported almost flat volumes, while markets such as France, Switzerland, Denmark, Finland, Italy and Greece all saw double-digit volume decline.

Revenue per hectoliter developed differently per market depending on the degree of on-trade exposure. Large on-trade markets, such as the UK, Italy and Greece, reported a sizeable decline in revenue per hectoliter due to the negative channel mix. Other markets such as Denmark, Norway, Poland and Finland were able to improve revenue per hectoliter as a result of premiumization and successful value management efforts that more than offset the negative channel mix. For the region, both craft & speciality and alcohol-free brews continued to grow and especially the alcohol-free category delivered very good results with 16% volume growth.

In terms of structural changes, the the establishment in the UK of the Carlsberg Marston's Brewing Company was concluded in October 2020. The new company had a challenging spot due to the lockdowns in UK, but the integration is progressing well. In Germany, the Wernesgrüner acquisition was concluded and the business has already been integrated into Carlsberg Germany.

Please turn to slide 11 and Asia, where the market development also varied significantly between markets.

Our Chinese business was severely impacted by COVID-19 in Q1, but rebounded in Q2. The other markets in the region were impacted later with a very negative impact seen in Q2. A few markets have since witnessed some degree of rebound, but the situation towards the end of the year remained challenging and volatile in most of the markets. Total volumes declined organically by 5.9% as the recovery in China could not offset the market declines elsewhere in the region. This said, on aggregate, we gained market share across our Asian footprint during 2020.

Revenue per hectoliter was impacted by country and channel mix and grew by 1%. The Asia team executed the cost mitigation initiatives very well and consequently operating profit grew organically by 5% and operating margin improved strongly by 220 basis points to 23.5%.

Slide 12, and a few market specific comments. China – the group's largest market – was our best-performing market in Asia. Our Chinese volumes grew by 3% in a slightly declining market and revenue per hectoliter increased by high-single-digit percentages. The growth is driven by continued expansion of the Wusu brand in new provinces, growth of premium brands and the big city expansion.

The strong growth of Wusu in the recent years meaning that this brand is now one of our largest local power brands. 1664 Blanc grew by double-digit and Tuborg delivered another year growth, exceeding 5 million hectoliters for the first time.

In Q4, revenue per hectoliter was further enhanced by the Wusu growth outside its home province where it sells at a significantly higher price point. Revenue per hectoliter was also impacted by a change in discount accruals, which was offset in other cost lines and therefore profit neutral.

Margins in China were very high in the first half of the year due to the marketing cut that we did in Q1 to mitigate the COVID-19 impact. When volumes recovered in Q2, we benefited from the volume uplift while not spending a lot on marketing.

In H2, we took market expense back to normal levels leading to a more normal margin level. Other Asian countries such as Vietnam, Laos, Hong Kong, and Singapore, almost return to some sort of normality during the year, although they are still very fragile. These markets delivered a modest volume decline in the range of 2% to 5%.

Our local power brands, specifically Beerlao in Laos and Huda in Vietnam, were important drivers of the volume recovery. India, Nepal, and Malaysia are unfortunately far from returning to normality. These markets have been very hard hit by restrictions, and in all three markets, we had to completely shut down our operations in Q2. Although we saw an improvement during the second half of the year, full-year volumes in India and Nepal declined by 40% and 50% respectively.

Our business in Cambodia was impacted by the beer market decline due to less tourism, and our rebuild of the business. Volumes declined significantly for the year but in Q4, our business delivered year-on-year volume growth, mainly as a result of good CSD performance.

Slide 13, and Eastern Europe, where our business was only modestly impacted by the pandemic due to a small on-trade exposure of approximately 5% of volumes. We saw total volume growth for the year in all markets with the exception of Ukraine. Total volumes were up organically by 6.2% driven by beer volume growth of 5.3% and non-beer volume growth of 22.6%. The latter was mainly due to growth of energy drinks, where our Flash Up brand delivered very strong growth in all markets.

Our alcohol-free brews did particularly well in the region and Baltika Zero reached the 1 million hectoliter milestone, cementing its position as the group's largest alcohol-free beer brand. Revenue grew organically by 1%. Revenue per hectoliter of minus 5% was impacted by the higher level of promotional activities in Russia in order to regain some of the market share lost in recent years. The region delivered strong organic operating profit growth of 10.9% driven by all markets outside of Russia and operating profit margin increased strongly by 220 basis points to 19.2%. These results were driven by significant cost savings across the region and a favorable development in cost of goods sold, which more than offset the impact of the high level of promotional investment in Russia.

Slide 14 please. The Russian beer market grew slightly in 2020 supported by good weather during the summer. At the end of Q1, we kicked off our changed promotional priorities initiating our so-called Plan B with the aim of turning around the volume trajectory and restoring our market share. We were very successful at this and our full year market share improved. Volumes grew by 9%, while revenue per hectoliter declined by high-single digit percentages due to the higher level of promotions and negative packaging mix and a negative channel mix due to the growth of the discount channel. As expected, profit and margins declined due to the higher level promotions.

Our business in Ukraine is more skewed towards the on-trade than the regional average, and we therefore saw a negative impact from COVID-19. Our volumes developed in line with the market, declining slightly. Revenue per hectoliter was negative mainly due to the channel and brand mix. Our local mainstream brands, 1664 Blanc and alcohol-free brews did very well.

The other markets in the region Kazakhstan, Belarus and Azerbaijan delivered double-digit revenue growth driven by solid volume growth and improved revenue per hectoliter due to price increases and growth of craft & speciality and alcohol-free brews.

And with that, I will hand over to Heine, who will take you through the financials and outlook. Heine…

Heine Dalsgaard, CFO, Carlsberg

Thank you, Cees, and good morning, everyone. Please turn to slide 15, and some comments on the income statement. Revenue was impacted by both lower volumes and price/mix and declined organically by 8.4%. The decline in the second half was 5.2% versus 11.6% in the first half. Throughout the year, revenue per hectoliter was negatively impacted by country, channel, product and packaging mix. In reported terms, revenue declined by 11.2% due to currencies, in particular the Russian, Norwegian and Chinese currencies.

COGS per hectoliter improved organically by 3% due to efficiencies and product and country mix. The lattershould be seen in the light of growth in China, Russia and Poland which all had below average costs. Gross profits declined organically by 10% and 13% in reported terms. Gross margin was 48.4%, a decline of 110 bps as our supply chain efficiencies were not enough to offset the under-absorption of fixed costs and channel, product and country mix. We have been very satisfied with our operating cost management tool kit, which has enabled us to execute very tight and predictable cost control.

Operating expenses declined organically by 14%. Excluding marketing, the organic decline was 13%. We began taking actions already in January when the pandemic hit China. Since then, we have reduced costs in 14 out of 15 cost groups, including supply chain, marketing, people, travel and entertainment and professional services. It was only the bad debt cost group that was not reduced due to the hardship felt by most on-trade customers, which has meant that we have had to significantly increase provisions for trade receivables and loans to on-trade customers.

In reported terms, operating expenses relative to turnover declined by 200 bps to 32.2% from 34.2% in 2019. We've talked a lot about our marketing spend during the year. We cut back our marketing investments in the first half at a time when many of the usual targets for marketing activities were either shutdown or severely restricted in doing business. During the peak season in the second half, however, the picture was different as less restrictions meant that many of our on-trade customers were back in business. Therefore, we increased marketing investments in selected markets quite a bit in the second half compared to the first half. For the full year, marketing expenses to revenue amounted to 7.5%.

Operating profit per hectoliter was up 1% organically while operating profit declined organically by 3.1%. As Cees has already mentioned, we saw solid growth in Asia and Eastern Europe and decline in Western Europe. Due to the impact from FX, in particular NOK, RMB, RUB and LAK, reported operating profit declined by 7.3%. The operating margin improved by 70 bps to 16.6%, which we are very satisfied with.

Slide 16 please, and a few comments on the items below EBIT. Net special items amounted to minus DKK 247 million. They were impacted by restructuring measures across the group, including measures related to the Reset for the Future initiative that we've previously described. Special items also included impairment of brands, including the Angkor brand in Cambodia which unfortunately has not developed as anticipated, and also one-off costs related to COVID-19 such as safety measures and donations. All this was partly offset by a reversal of purchase price allocation provisions in China made in previous years. Net financials were minus DKK 411 million. Excluding currency gains and losses, net financials amounted to minus DKK 550 million which was a reduction of DK 100 million compared to 2019 and mainly due to a reduction in other financial expenses. Net interest increased due to the higher net debt and also higher cash costs.

The currency gains mainly related to US dollar and euro deposits in Eastern Europe. The effective tax rate for the year was 24.7%. This rate was positively impacted by the net impact of tax-exempt and nondeductible special items. Excluding these, the effective tax rate would have been 25.7%.

Non-controlling interest primarily relates to our businesses in UK, Malaysia, China and Laos. For 2020, non-controlling interests amounted to DKK 778 billion. This was DKK 130 million lower than 2019, reflecting challenging market conditions in Malaysia and also Carlsberg Marston's in the UK which came in with a loss in Q4.

Net profit was DKK 6 billion. The decline of DKK 0.5 billion versus 2019 was of course due to the lower operating profit, partly offset then by lower net financials and the lower tax rate. Adjusted net profit, that is adjusted for special items, increased by 3.3% and adjusted earnings per share increased by 6.3%, also supported by the share buyback.

And some comments on the cash flow on slide 17, please. Free cash flow amounted to DKK 5.1 billion. Comparing with 2019, the main differences were the lower EBITDA, a net impact of trade and other working capital, and the M&A activities which we engaged in this year, whereas in 2019 free cash flow was positively impacted by the disclosure of brewery sites in Western Europe. The change in trade working capital of plus DKK 1.3 billion was mainly due to strong cash management discipline and lower trade receivables as a result of lower sales, while the change in other working capital of minus DKK 1 billion was impacted by a number of things, including lower VAT payables and reclassification and change in provisions. Average trade working capital to revenue was strong at minus 18.6%. We are very satisfied with this performance.

The M&A activities impacted our 2020 cash flow as well and included the Marston's UK acquisition, Wernesgrüner Brewery in Germany and the acquisition of the Brooklyn brand in our markets. Combined, these effects amounted to DKK 3.2 billion.

As said at the first half results, CapEx was impacted by the acquisition of the Brooklyn brand rights. Excluding this, CapEx declined by DKK 1 billion to about DKK 3.6 billion which is around 30% lower than the expectation at the beginning of 2020 and due to lower sales CapEx, fewer returnable glass bottles, fewer investments in draught lines, and also cancellations or postponements of non-business-critical projects.

Slide 18 and net interest-bearing debt, please. We maintained a strong balance sheet in 2020 ending the year with a net interest-bearing debt to EBITDA of 1.51x. At the end of the year, net interest-bearing debt was DKK 21.3 billion which was DKK 2.5 billion higher than end of 2019. The reasons for this were mainly the significant cash returns to shareholders through dividends and share buyback as well as acquisitions and the lower operating profit compared to 2019.

The average duration of our debt was 5.6 years and we have no short-term maturities on our debt portfolio. As part of our efforts to maintain a strong liquidity in a very uncertain year, we established a new short-term bank credit facility of €500 million that was then later repaid, and in March and June, we issued two €500 million bonds at very attractive rates of 0.625% and 0.375% respectively. Our focus on ensuring strong liquidity and financial flexibility is also evidenced by our conscious decision to have a significant cash position, which at the end of 2020 was DKK 8.1 billion versus DKK 5 billion at the end of 2019.

Slide 19, please, and a follow-up on capital allocation priorities, which remain unchanged and for which we are satisfied with our performance this year. Our first priority is to invest in our business to ensure the long-term value creation of the Group. Despite COVID-19 and despite significant savings we kept supporting and investing in our end and our activities.

Our second and, of course, very important priority is to maintain a strong balance sheet. As I mentioned on the previous slide, our leverage of 1.51x remained well below our target of below 2x.

Our third priority of an adjusted dividend payout ratio of around 50% was delivered upon in March, when we paid a dividend of DKK 3.1 billion, equal to 50% of adjusted net profit in 2019. For 2020, we propose a dividend of DKK 22 per share – in total DKK 3.2 billion – which is also equal to a payout ratio of 50%.

Our fourth priority is to distribute excess cash to shareholders currently in the form of share buybacks. For 2020, our total share buyback amounted to DKK 2.9 billion, resulting in total returns to shareholders including the dividend of around DKK 6 billion. This cash return was made while we at the same time maintained a strong balance sheet.

Due to the continued business uncertainty related to the pandemic, especially now here at the beginning of the year, we have decided to execute this year's share buyback as quarterly programs, as this gives us higher flexibility during the year. The share buyback launched this morning amounts to DKK 750 million and runs until April 23. The size of subsequent share buybacks will be determined quarter-by-quarter, and we will come back with information on the next quarterly share buyback on April 28, in connection with the Q1 trading statement.

Our last priority is value-enhancing M&A transactions which we also carried out. even in a very difficult COVID-19 year.

Please turn to slide 20 for more information on the Chinese restructuring, which was completed in December 2020. In 2013, when the group increased the ownership of Chongqing Brewery to 60%, the Chinese regulators required us to eliminate so-called horisontal competition between Chongqing Brewery, which is listed on the Shanghai Stock Exchange, and our other Chinese businesses before the end of 2020.

Therefore, in late 2020, most of our Chinese assets and those of Chongqing Brewery Company were injected into an already existing company, Jianiang. Jianiang was and still is owned around 51% by Chongqing Brewery and around 49% directly by the Carlsberg Group. So Jianiang now owns most of our Chinese assets.

As you can see from the chart on the right hand side of the slide, our total economic interest in Jianiang is 79%, due to the fact that we own 60% of the shares in Chongqing Brewery and around 49% of the shares in Jianiang directly. The asset restructuring has very limited impact on the group's income statement, financial position and cash flow, but it does simplify our structure in China and it does reduce complexity significantly.

And now please turn to slide 21 and the outlook for the year. To provide guidance at a time like this and in particular this time of the year, when the pandemic continues to significantly impact our business is a challenge. As you know, the regulators in Denmark strongly encourage companies to provide guidance, but we want to emphasize that the guidance is much more uncertain than usual as the development of the pandemic, including timing of vaccination, government actions, consumer reactions and the macroeconomic development, are unknown and may have sizable implications on our business performance again in 2021.

Consequently, the guidance we provide is broader than usual, reflecting these uncertainties. Broadly speaking, for the group, we are assuming a very challenging Q1 with severe on-trade restrictions, a gradual improvement of the on-trade during Q2 and, as a result, most restrictions being lifted before the peak summer season. Based on this, we are guiding for organic growth in operating profit to be within the range of 3% to 10%. At the low end of the range – so that is at 3% – we will basically be back at 2019 organic operating profit levels during 2021. Detailed assumptions per region can be found in this morning's full-year announcement.

In addition, we assume currency impact on operating profit of minus DKK 200 million due to weaker Asian and Eastern European currencies. Net finance cost excluding FX is assumed to be around DKK 600 million. Tax rate is assumed to be around 25% and CapEx between DKK 4 billion and DKK 4.5 billion, higher than in 2020 but slightly lower than in 2019.

Finally, as we announced in August, we have changed the regional structure from January 1, 2021. A number of markets have been moved from Western Europe to Eastern Europe that has therefore been renamed to Central and Eastern Europe. The new region includes the Baltics, the Balkans, Greece and Italy, and also of sizable export and license business that handles our business in North America, the Middle East, Turkey, Australia, Africa, South Korea and so on. We have made this change to create a better balance between the regions and to optimize the regional management efforts and also time. Restated numbers are in the appendix of the announcement. And in the appendix to this presentation, we have included a few charts with the new regional breakdown.

And now back to you, Cees.

Cees 't Hart, CEO, Carlsberg

Thank you, Heine. That was all for today. But before opening up for Q&A, a few remarks on the group's financial progress since we launched SAIL'22 at the beginning of 2016. Please go to slide 22. As you may recall, SAIL'22 includes three financial KPIs – organic operating profit growth, ROIC improvement, and optimal capital allocation. The group has done well on all of these. Even including 2020, we have delivered an average annual organic operating profit growth of around 6.5%, while at the same time increased our marketing investments. The drivers of this growth have been a combination of Funding the Journey and an acceleration of top line growth driven by value management, growth of premium brands and growth in Asia. In addition, we have been improving the operating margin.

As a result and supported by share buybacks, earnings per share have advanced very well from DKK 35.6 in 2016 to DKK 43.6 in 2020 or an annual average growth of approximately 15%.

On ROIC, we have also delivered continuously good improvement with year-on-year growth, even in 2020. Higher profits and strict focus on cash and investments have been the key drivers.

In terms of capital allocation, we have delivered on our promises, including significantly increasing the cash returns to shareholders. In 2016, we paid approximately DKK 1.5 billion back to our shareholders. In 2019 and 2020, this amount increased by more than four times to around DKK 6 billion to DKK 7 billion. We are, therefore, pleased with the execution of SAIL'22, which will continue to set the right direction for the group for the coming years, in terms of sustained top and bottom line growth margin and ROIC improvements and resulting in a high cash return to our shareholders.

As we said at the beginning, the strengthening of the business paid off in a year of crisis. Our performance in 2020 gives us confidence for future years.

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

Peter Kondrup, Vice President Investor Relations, Carlsberg

Yeah. Hello, everyone. As Cees said, we are now ready for the Q&A session. But in order to ensure that everyone gets a chance to ask questions, please limit the number of questions to just two questions per person.

In previous sessions, too many have not been able ask the questions before we have had to close the calls. So if you have further questions, you can just re-enter the queue again. So, operator, can you please take the first questions.

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.

<Q – Ed Mundy – Jefferies International Ltd.>: Good morning, Cees. Good morning, everyone. Two questions then. The first is that in your guidance you're indicating the Chinese market is assumed to back to its normal trajectory. I was wondering whether you could quantify what normal trajectory over the last couple of years. So pre-COVID, you've done high-single-digit volumes, high-teens revenues. Is that broadly in line with what you're thinking in terms of a normal trajectory?

And then the second is really I appreciate it's a very early stage in the year and with still lockdowns in Western Europe. But how do you think about upside risk to your guidance of 3% to 10% organic EBIT? Is it really from just a quick recovery or do you think there's more [indiscernible] (00:46:34)?

<A – Cees 't Hart – Carlsberg A/S>: Thanks, Ed, and good morning. With regards to the guidance on China, when we talk about normal trajectory is basically that the China market return to normal, although the situation remains fragile. We still see occasional lockdowns and travel restrictions around Chinese New Year. There could be some headwinds. But what we mean is that the off-trade, on-trade, night entertainment are opened. Night entertainment is opened at 85% level. And that's what we mean with back to normal. Within a back to normal situation, then we need to perform. And then, we should of course be very successful with our commercial program. But we are not implicitly guiding to a top line development. When we talk about the market back to normal, we are talking really about the market structure and the opening of the different channels.

Then, with regards to an upside, well, frankly Q1, as Heine already said, will be difficult due to all the lockdowns. So we barely think about upsides. It's now about making sure that we keep our promise and commitments that we made this morning. And as Heine said, we need for that a good summer.

<Q – Ed Mundy – Jefferies International Ltd.>: Great. Thank you.

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

Operator: And the next question is from the line of Fintan Ryan. Please go ahead. Your line will now be unmuted.

<Q – Fintan Ryan – JPMorgan Securities Plc>: Great. Thank you very much. Good morning, Cees. Good morning, Heine and Peter. Just two questions for me, please. Firstly, in relation to the very strong margin developments in both Asia and Eastern Europe during 2020, what should we be thinking around how sustainable those margins are? And get in place with that, what levels of reinvestment would you be putting in, I guess, in both China and the outlook for Russia with regards to the presumed COGS inflation in the market?

And then secondly, just in relation to the share buyback, I appreciate you said it's going to be updated on a quarterly basis. But would you have any sort of implicit targets within that? And that if there is no M&A, would you consider trying to get to the top end of your leverage range or is there anything that sort of guides your thinking when it comes to what you will be hopefully enhancing further share buybacks? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Fintan. Good morning. Heine, on margins?

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. Good morning. So, in terms of the margin outlook for Asia and Eastern Europe, we're satisfied with the performance so far. We don't comment specifically, as you know, on margin per region going forward. We're satisfied with the performance. We are positive about the future. We will – as we have said all along, we will continue to invest into both China and Russia, at different angles though. We will, in China, continue to focus more on top line growth than on margin progression. And for Russia, we will continue with what we call Plan B, as you know, which is to regain and continue to regain our and defend our market share.

In terms of the share buyback, well, it is a bit uncertain time. As you know, it is – and that's basically the logic why we've decided to go with quarterly programs and not a yearly program. So what we will do is to look at how the pandemic develops, how this will impact our business. And then we will come back on a quarterly basis with updates. So, that means that the full year 2021 share buyback can be higher, it can be lower than four times the DKK 750 million and it really depends on the business development during the year. We want to remain flexible and look at how COVID-19 evolves, but we can confirm surely that share buyback remains a key part of our capital allocation principle, so it's very high on our agenda.

<Q – Fintan Ryan – JPMorgan Securities Plc>: Great. Thanks for that. But just to follow up on the margin question please. Though we saw that COGS per hectoliter improved organically by 3% during 2020, would you be able to give a sense of what you were sort of expecting for 2021? I appreciate all the dynamics around channels and countries, but broadly what would you be seeing from that, please?

<A – Heine Dalsgaard – Carlsberg A/S>: Yes. So we don't comment specifically on outlook for COGS per hectoliter. But when it comes to COGS, we see a modest COGS inflation, mainly driven by sort of higher raw material costs like barley, sugar and also cans. If you look at the margins – the markets, sorry, the largest impact from COGS will be in Russia and in Ukraine due to largest devaluation of the currencies and also, following that, significant increases in particular hard currency denominated packing materials.

<Q – Fintan Ryan – JPMorgan Securities Plc>: Great. Thank you very much.

<A – Heine Dalsgaard – Carlsberg A/S>: Thank you.

Operator: And the next question is from the line of Simon Hales from Citi. Please go ahead. Your line will now be unmuted.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Thank you. Morning, Cees. Morning, Heine. Morning, Peter. Just a couple then for me. Can I just ask a little bit about I suppose Q4 trading in Western Europe and that revenue per hectoliter move? I think you mentioned it in the presentation, Cees, but maybe I missed a little bit. I'd be interested if you could explain just the negativity we saw there which I think was greater than in Q2. And then in relation to that, how do we think about sort of the first quarter of this year developing? I mean should we expect an even greater deterioration in Western Europe in Q1 versus what we saw in both Q4 and Q2 last year because that looks like how we're trending? So, anything you can help us with there in terms of the short term.

And then secondly, can I ask you around sort of M&A? Obviously, the Vietnam deal we've talked about for many years, it didn't happen by the end of the year as hoped. Should we just park that now and assume Habeco is off the agenda? And also how are you thinking and are there any implications as you see it at this stage with regards to the recent approach to Marston's by the private equity group? Does that have any knock-on bearings to your JV?

<A – Cees 't Hart – Carlsberg A/S>: Thanks for the questions, Simon, and good morning. With regards to Western Europe and especially Q4, you've seen the volumes were hit by lockdowns. There was an on-trade decline of 60%. So, that's huge, of course. There was a slight growth in the off-trade, but less than in Q2, and it's mainly due to less outdoor occasions during winter due to the weather. So, basically less outdoor consumptions in on-trade and less consumptions in parks, beaches and so on and so forth, and maybe also a bit of COVID-19 fatigue. So, indeed, Q4 was, let's say, worse than Q2 for the reasons I just mentioned.

With regard to 2021 on-trade, we don't think that on-trade will be fully opened until the peak season, so that will be around June. And we expect food-led outlets to reopen during Q2. And the nightlife, so pubs, restaurants and also events will not be open – or held – until Q3. So we do not expect the new normal for the full year until 2022 and we also see of course some increasing risk of bankruptcies.

And then with regard to the M&A, Vietnam, the descriptions continue. But as you know, we're barely there to talk about it. It takes ages. But we are still discussing. So it's not off yet. It continues. But we don't – we are not able to give more color on that at this moment of time.

And in terms of Marston's, Heine will give you an answer with regards to the new developments. Heine?

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. Hey, good morning, Simon. So, with respect to the bid for Marston's, this is clearly a matter for the Marston's PLC board and we don't have, as you know, anything that … we cannot provide any further comments on Carlsberg or for Carlsberg Marston's Brewing Company by the way. But from our side, we want to be clear that this does not in any way impact our day-to-day operations. We are in the midst of creating an exciting new business and this remains our key focus. We are very positive of the cooperation, and the integration of the business. And just then to reiterate, we have of course protection in our agreements with the Marston's PLC including a call option in case of change of in control.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Got it. And can I just sort of just check one thing back to your answered, Cees, in terms of the outlook for 2021, given that you're not expecting the on-premise to normalize until June. If I take that as your base case, is that how I should think about your organic EBIT guidance range that that is the base case for you delivering maybe 6% to 7%, i.e., the midpoint in your guidance range for the year. Is that the right way of thinking about this?

<A – Cees 't Hart – Carlsberg A/S>: I agree with your first part. So, basically this is how we … so for the guidance, we took a number of assumptions and the one I just gave you on Western Europe is a part of the assumptions. And then of course, we have the ones for China and for Asia and Eastern Europe. But for Western Europe, we say we will have difficulties in Q1, a gradual reopening in Q2 and we expect a normal summer.

<Q – Simon Hales – Citigroup Global Markets Ltd.>: Got it. That makes complete sense. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Simon.

Operator: And the next question we have is from the line of Trevor Stirling from Bernstein. Please go ahead. Your line will now be unmuted.

<Q – Trevor Stirling – Sanford C. Bernstein Ltd.>: Good morning, Cees and Heine. One question from my side. Phenomenal margin performance in the second half, particularly in Eastern Europe, you've squeezed the lemon very hard already in the last few years. Where did you find that 440 bps of margin expansion? And I think you've mentioned Heine that some costs will come back next year. What level of cost, the turn do you expect across the group?

<A – Cees 't Hart – Carlsberg A/S>: Good morning, Trevor. Heine, please.

<A – Heine Dalsgaard – Carlsberg A/S>: Yes. Good morning Trevor. So, well, we are not squeezing the lemon for sure not too much. As you know, when it comes to margins that is a key part of our journey. And we will continue the journey also after 2020 into 2021 and into 2022.

Well, some costs will come back, that's for sure, that includes marketing costs where we will go back to the levels that we had before. Some costs will remain lower in 2021, that they were 2020, and also lower than in 2019. Those costs groups that will be lower include people, as you know we unfortunately had to say goodbye to a lot of good colleagues. So, that's one category. Another category that will remain lower is travel and entertainment. We are targeting going forward approximately 30% lower travel costs in a normal year. So that means that in a year like 2021, which will then be partly COVID impacted, it would be even lower.

So these are some of the accounts. Also professional services, frankly this year, we've reduced our expenses for professional services with more than DKK 200 million. We don't expect that to come back either. So, it's really a mix of expenses that will come back, like marketing, and expense reductions that are sustainable like on the people side, like on travel, like on professional services.

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

<A – Heine Dalsgaard – Carlsberg A/S>: Thank you. Trevor.

Operator: And the next question we have is from the line of Laurence Whyatt from Barclays. Please go ahead. Your line will now be unmuted.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Hi. Good morning, Cees and Heine. A couple from me please. Just on the share buyback being quarterly, it's a relatively unusual, but obviously it's quite unusual circumstances at the moment. Are there any events that you are expecting or anticipating throughout the year that might color whether you – how that share buyback progresses?

And secondly on Russia, you've gained good market share. Are you expecting or are you seeing any competitive response from your major competitor in the market when it comes to promotions? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Okay. Good morning, Laurence. Heine, over to you?

<A – Cees 't Hart – Carlsberg A/S>: So, the share buyback – good morning, Laurence. On the share buyback part, well, the decision to split it into four quarterly buybacks is mainly due to the uncertainty and the volatility that remains high due to lockdowns and the following consequences that has then for our business. And by doing it in this way, we have the flexibility then to initiate or not or to do smaller share buybacks, to do bigger share buybacks. And that's something we decide quarter-by-quarter. And the decisive factor really is how COVID evolves and what kind of an impact we would see that having on our business.

<A – Cees 't Hart – Carlsberg A/S>: Then Lawrence, with regards to Russia and the competitive situation in Russia. The situation is unchanged and the high level of promotional activity seems to continue. We announced a 2% price increase in October-November. And that's to partly cover the RUB 1 tax increase from the 1st of January 2021. We have not yet seen any reaction from competitors. All brewers are currently going through the annual negotiations. We have concluded some of our agreements, but some major agreements are still under discussion. And, we of course don't know the status of competitors' negotiations. And we will not have a good understanding about their practice and promotions until we get well into Q1, then we can see their actions on the shelves in the shops.

<Q – Laurence Whyatt – Barclays Capital Securities Ltd.>: Understood. Thank you very much.

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

Operator: And the next question we have is from Søren Samsøe from SEB. Please go ahead. Your line will now be unmuted.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Good morning, guys. Søren here. Just two quick questions from my side. First one, sorry to be continuing to talk about the assumptions for Western Europe, but should – you talked about a normal summer. But how does this compare with what we saw in 2020? I mean do you expect same kind of let's say restrictions or harder restrictions or lower restrictions like then in 2020?

<A – Cees 't Hart – Carlsberg A/S>: Hi, Søren, good morning. So, let me repeat with regard to Western Europe, so with regards to the first half of year and especially in Q1 that will be – we will have a challenge due to lockdowns. We expect that the on-trade will be negatively impacted well into Q2 across the markets and night life likely impacted also in Q3. You refer to the summer of 2020, we will have tough comps in Q3 due to the very good weather. But we assume that with regard to restrictions that we have limited restrictions, maybe only a few in night life as we said earlier. So, the guidance assumes a peak season where on-trade is close to being back to normal.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Okay. Thanks. And then, my second question is regarding China where you have the high-single-digit growth in price/mix in Q4. I do understand there may be some like one-off or at least – or some reversal of rebates from earlier years in that number. Could you quantify what the number would have been without these rebates? And also what would be the impact down on EBIT level if you could quantify that? And then as a follow-on on that what would be the normalized level we should see for price/mix in China in 2021 would be your best guess here?

<A – Cees 't Hart – Carlsberg A/S>: Okay. Heine, please?

<A – Heine Dalsgaard – Carlsberg A/S>: Good morning, Søren. Yes, so the comment around the China discount accruals is really a technical sort of accounting posting in China. It is a reversal of previously booked discounted accruals. Adjusting for this, so taking this one out, revenue per hectoliter in China for the full year would have been, let's say, 5% to 6% instead of the reported sort of 8% to 9%.

And then with respect to your comment on effect on EBIT, then this reversal had very limited EBIT impact as the positive sort of revenue impact is offset by changes in other lines, for instance in COGS and also in SG&A. So limited or basically no net P&L or EBIT impact.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: And expectations for, I mean, normalized levels, should we then assume the 5% to 6% is a good level?

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah, well we don't comment specially on stuff like that but it's not completely out of whack.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Thanks, Heine. Glad to hear that. Thanks guys.

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

Operator: And the next question we have is from the line of Tristan van Strien from Redburn Partner. Please go ahead. Your line will now be unmuted.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Good morning. Two questions. One just on Europe. Can you maybe just give a sense how your key account negotiations went, especially in this environment and how different it is. Are you going – are we going to expect the same kind of promotional pressure we saw in 2019, or is it a bit different this time around?

And the second question, I'm just still working through your statement. But is it fair to assume that your exports and license business has – those revenues on a per hectoliter basis as well as margins that are superior to your group?

<A – Cees 't Hart – Carlsberg A/S>: Good morning, Tristan. With regards to the key account negotiations, well, we're not going to comment on it, because they're going on at this moment in time. But what we see is that due to, let's say, limited volume development in the on-trade, of course, the off-trade becomes more and more important and gets by that more pressure for promotions by our competition. So, yes, we see some more pressure there.

On the other hand, we are basically not seeing this as a very particular situation. You could say it's more or less business as usual with a slightly higher focus on extra promotional slots.

With regards to CE&L [Carlsberg Export & License] Heine?

<A – Heine Dalsgaard – Carlsberg A/S>: Good morning, Tristan. So, the very short answer is yes. So, yes, our export and license business has a higher revenue base and also higher margins than the average for the group.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Okay. Thank you. Just a follow-up on the key account measures. Previously you've discussed it's very difficult to recover inflationary pricing, particularly in Western Europe and mix obviously is trying to offset that. Is that – so is it fair to assume that's a continued theme for the next year?

<A – Cees 't Hart – Carlsberg A/S>: Yes. Yeah. No changes in that. So, as I said earlier, it's more or less business as usual, but a bit more focus on getting to the promotional slots. Most of the key accounts do not expand the number of slots for beer. And hence, at the moment that you want to get such a slot you need to pay a bit more. So, there's a bit more pressure on that one.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Brilliant. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Tristan.

Operator: And the next question we have is from the line of Mitch Collett from Deutsche Bank. Please go ahead. Your line will now be unmuted.

<Q – Mitch Collett – Deutsche Bank>: Good morning. Can I just get a bit more color on marketing spend, which you said is likely to recover in F 2021. How much of a drag are you assuming from increased marketing spend in the guidance you've given. What sort of phasing would it be correct to assume given the current level of restrictions? And then if I'm allowed one follow-up that's unrelated. You say e-commerce was up 60%. Can you just give the percentage of group sales that are now through e-commerce channels.

<A – Cees 't Hart – Carlsberg A/S>: Yes. With regard to the marketing appropriations, Heine.

<A – Heine Dalsgaard – Carlsberg A/S>: Hi, Mitch. So, with respect to marketing 2021, we will increase that compared to 2020 when we reduced marketing spend in the first half of the year. In first half 2021, we will again be selective on how we execute our marketing investments and on-trade will remain closed in many markets, that's well into Q2, and then especially clearly Western Europe, but also South Europe.

In some market in particular and many markets in Asia, marketing investments will actually this year be back at 2019 level as a percentage, then of top line marketing investments for the full-year are expected to be closer to 2019 level, than to that of 2020 level. And it's clear that it is, as said, it really varies with respect to phasing depending on the region, we are not getting to spend a lot of marketing in Western Europe in on-trade in Q1, but then gradually improve or increase in Q2. And then as I said, it is a bit different due to different season in Asia, but the logic remains the same.

<A – Cees 't Hart – Carlsberg A/S>: And then Mitch, with regard to your question on e-commerce. Frankly, it's still very small in Carlsberg. It also depends on how you define e-commerce. If you look at that what immediately more or less goes to the consumer – so business to business to consumer – then we're talking about 1% to 2% only in China. And in China, we have – we seem to be very successful and we increase there with 50-60% our revenue, but on a very small basis.

If you then look at our Carl's Shop, if you define that also has e-commerce, then it's a much bigger part of our revenues because it's a successful platform and that is – has been rolled out in six Western European markets, and now one in Asia, and the one in Asia is Laos, and for that, we know that already after a year 18% of our net revenue went through that platform, which is called Carl's Shop. And we also saw higher net sales revenue per hectoliter. So, it's important for us to be on top of it, but the category as such is developing slowly, slowly in terms of e-commerce.

<Q – Mitch Collett – Deutsche Bank>: Understood. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Mitch.

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

<Q – Olivier Nicolai – Goldman Sachs>: Hi. Good morning, Cees, Heine and Peter. Just two question on my side. First, UK is a much bigger part of your business now with Marston's in, but you still have a limited number of brand. So, when can we expect your full portfolio to be launched including your star brands? Or in other words, will I still have to import my Grimbergen and 1664 Blanc from France?

And then, second question, Cees, almost six years ago you joined the Carlsberg Group. At the time, obviously Russia was bigger and declining, Asia was smaller. I remember you guiding for kind of a modest mid-term growth – sales growth of 2% to 4% at the time. Now, as we come out of this crisis, I know that this year which is low, but as we come out of this crisis, how should we think about the medium-term growth algorithm for Carlsberg considering that your footprint [indiscernible] (01:14:26) over the last five, six years pivoting way more towards Asia and Russia is smaller but also Russia stabilize? Thank you very much.

<A – Cees 't Hart – Carlsberg A/S>: Thanks, Olivier, and good morning. With regards to Marston's, well, the deal will strengthen the UK business considerably. We have significantly improved the brand portfolio to your point. It's very complementary because we now have a strong portfolio of ales that Marston's brings in. And as you know, we have a strong presence in lagers.

We are focusing very much on the integration, making sure that this portfolio is going to work for us. Of course at this moment of time, the lockdown does not help but we're extremely optimistic about the prospects of this joint venture. And we see also a huge opportunity of cost savings, which partly we can put behind the brands we have, including some of the brands you just mentioned.

So, the first and foremost focus is navigating the storm through merging the business, focusing on the consequences of COVID and being prepared for the reopening, making sure that we get the synergies out of this business. And I think by 2022, the team will come up with maybe broader portfolio of choices. But for the time being, we focus really on integrating the brand portfolios in one successful portfolio.

With regards to our guidance, yes, we have the algorithm. We said that by the end of – I think it was 2016, that algorithm will be 2% to 4% top line improvement and then mid-single digit in terms of EBIT, ROIC of 10% and above, and then an operating margin of 17%. This will continue into 2022. I think you're right to say or to assume that post-COVID we should be at the top of that range, more towards the 4% than the 2% and after 2021, we will come up with new plans for the future, including then also a kind of – we didn't say that the guidance or state it as a guidance in those days, but we made it as a kind of ambition we had. And as you have seen in one of our last chart in presentation, a lot of this, if not all of this ambition is coming true and obviously we are prepared now for 2022 and onwards, and the reshaping of the portfolio whether it's about countries or categories, indeed brings us confidence and also optimism for the future.

Having said that...

<Q – Olivier Nicolai – Goldman Sachs>: Thank you.

<A – Cees 't Hart – Carlsberg A/S>: ...could I – thank you, Olivier. Could I have the last question, please?

Operator: Yes. The last question is from the line of Toby McCullagh from Société Générale. Please go ahead. Your line will now be opened.

<Q – Toby McCullagh – Société Générale SA (UK)>: Hi there. Good morning. I guess I've just got two left really. One is a follow-up on the e-commerce question where you flagged the strength in China. I was just wondering if in that market, whether your e-commerce footprint was different, your geographic or your mix footprint was different from the rest of the business and the big cities expansion? And whether or not this might change your view on the physical build-out of that physical growth given the success of e-commerce?

And then, secondly, just on the craft & speciality business, I wonder if you could just update us on the percentage of volumes and sales in craft & speciality and indeed alcohol-free at the group level, and whether you can give any sort of incremental regional detail. Thanks very much.

<A – Cees 't Hart – Carlsberg A/S>: Thank you. With regards to e-commerce, it's a very different play in China than in the other countries. Frankly, we have a very great group local team in e-commerce in China. We've learned a lot from them. And these learnings they are applicable and they are possible we basically then take to other markets. And the head of e-commerce of China is just starting in a new job here in the group here in Copenhagen in order to ensure that we get the learnings of China through the rest of the globe. So, they are ahead. As you know, the market is very different. The good thing for us you see is that we have significant higher share in e-commerce than our fair share and that gives us also confidence that we are doing the right thing.

With regard to the craft & speciality and alcohol-free beer, first of all, we see this as a testimony to the choices we have made. Even in COVID, the craft & speciality grew by 1%, alcohol-free beer by 11%. As you know, these have higher margins and the margin development of Carlsberg through the years has also be helped by the growth of these two categories.

So, when you talk about these categories, the two together, it's 9% of volume of the beer volume we have. It's 15% in Western Europe, and it's 17% of revenue. And if you want the split, the craft & speciality is now more than 13% of net revenue and alcohol-free beer is 4% of net revenue. But alcohol-free beer is skewed to Western Europe and Russia.

Cees 't Hart, CEO, Carlsberg

So, that brings us then back to the finishing off of the call. Thanks a lot for listening in. And thanks for your questions. We are really looking forward to meeting you – some of you during the coming days and weeks. Unfortunately it's virtual. So, let's hope that the next year by this time we can have physical meetings again.

For now, thanks a lot. Have a nice day. Bye-bye.

Operator: Ladies and gentlemen, the call has come to an end and you may now all disconnect your lines.

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