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

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the 2017 Financial Statements Conference Call. Today, I am pleased to present CEO, Cees 't Hart; and CFO, Heine Dalsgaard. For the first part of this conference, all participants will be in listen-only mode. And afterwards, there'll be a question-and-answer session. As a reminder, this call is being recorded.

Speakers, please begin.

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

Good morning, everybody, and welcome to the Carlsberg's full-year 2017 results conference call. My name is Cees 't Hart, and I have with me CFO, Heine Dalsgaard; and the Vice President of Investor Relations, Peter Kondrup. I will go through the highlights of the year and the regions, and Heine will talk to you through the financials and outlook.

Please turn to slide 2 and let me briefly summarize the key headlines for the year. 2017 was a very good year for Carlsberg. We delivered strong and disciplined execution of Funding the Journey and reinvested significantly in our business to drive long-term growth. We grew both top and bottom line. Net revenue grew organically by 1%. Organic operating profit grew by a very solid 8.4% and this included investments of DKK 500 million in our strategic priorities.

Adjusted net results grew by a strong 27%. Reported net result declined due to an impairment of the Baltika brand, which Heine will explain in details later. The Group's cash generation continued to improve and free operating cash flow increased by 38%, being a key driver of the free cash flow of DKK 8.7 billion.

ROIC increased by 100 basis points to 6.9%. Net debt was significantly reduced and net debt/EBITDA was down to 1.45 times. As a consequence, the Supervisory Board will recommend a 60% increase in dividends to DKK 16 equal to our targeted payout ratio of 50%. These financial results serve as solid proof points of our delivery against our priorities for 2017, as well as the key financial SAIL'22 KPIs.

Slide 3 and a few words on our Golden Triangle, which serves as a key KPI in our performance management. It helps us to ensure that we continuously try to get the right balance between growth and profits, but at the same time, delivering a strong free cash flow. The balance of the Golden Triangle in 2017 was not quite as we have planned for going into the year as volumes were more negatively impacted by the situation in Russia than expected. However, the negative volumes were offset by strong results for GPaL margin and operating profit.

GPaL margins strengthened by 40 basis points, driven by a solid 3% price/mix at cost savings in supply chain. The 8.4% operating profit growth was the result of improved GPaL and cost efficiencies, which were positively impacted by Funding the Journey. The organic volume decline was 2%. This was primarily caused by the PET downsizing in Russia, which I will come back to later in today's presentation.

Slide 4 please, and a brief update on our strategic initiatives. Our two Group priorities for 2017 were, firstly to execute on Funding the Journey in order to create sufficient financial headroom, and secondly to invest in our SAIL'22 priorities to drive sustainable long-term top and bottom line growth.

We are very pleased with the progress of Funding the Journey. We delivered benefits of approximately DKK 1.2 billion in 2017 on top of the already DKK 500 million delivered in 2016. We now believe that the program will deliver total benefits of around DKK 2.3 billion. This compares with the previous expectations of DKK 2 billion. We continue to see good traction of all four elements of Funding the Journey and the expected higher benefits are driven by good execution within all areas.

It is very important that we ensure that the governance structures and processes established in connection with Funding the Journey are embedded in our daily routines and operations. While Funding the Journey as a specific program will terminate by the end of 2018, the principles, standards and processes will remain a vital part of how we do business in Carlsberg in the future.

Regarding SAIL'22, we invested in our strategic priorities in support of our core business and to change the growth profile of the group. During the year, we invested DKK 500 million into our core brands, capability building, further expansion of our craft and specialty brands and alcohol-free brews and the establishment of activities in new territories.

Proof points of achievements in 2017 are firstly the good growth of the DraughtMaster system, as we are winning new outlets and converting existing customers from steel kegs to the DraughtMaster system. Secondly, our craft and specialty portfolio grew by 29%, underpinned by continued growth of Grimbergen, 1664 Blanc, and Brooklyn, which was launched in more markets. Thirdly, with respect to alcohol-free brews, we grew volumes by 15% in Western Europe. Lastly, in Asia, more specifically in China, we further expanded the geographic reach of our international premium portfolio.

In June, we launched a new sustainability program called Together Towards ZERO, with very ambitious targets within the areas of carbon footprint, water waste, irresponsible drinking, and health and safety.

Slide 5, please. And some numbers on our international premium brands. We saw good growth rates of our global specialty brands with 46% growth of 1664 Blanc and 15% growth of Grimbergen. China and other Asian markets were important contributors to the growth of 1664 Blanc. Another brand to mention here is Brooklyn, which grew by 29%.

Looking at our core international brands, Tuborg grew volumes by 3%, supported by strong growth achieved in China, in export markets and the launch last year in Laos. The Carlsberg brand grew by 1%, reflecting positive growth rates in markets such as Russia, Poland and China, offsetting the decline of Carlsberg Green Label in the UK.

With that, I hand over to Heine for the financials.

Heine Dalsgaard, Chief Financial Officer, Carlsberg A/S

Thank you, Cees ‘t, and good morning, everyone. Please turn to slide 7 and a few comments on the P&L. Reported net revenue was DKK 61.8 billion. This was a slight decline of 1% due to the impact from disposals. Organic growth was plus 1%, thanks to the strong price/mix of 3%. Asia and Eastern Europe were the drivers of the positive price/mix. The impact from currencies on top line was neutral. Cost of goods sold per hectoliter increased organically by 3% as a result of general inflation, product mix and the volume decline in Eastern Europe. Nevertheless, reported gross margin improved by 70 basis points, positively affected by price/mix and efficiency improvements.

Operating expenses were down organically by 2%, including admin costs being down by 4%. The decline was driven by good execution of operating cost management, which, as you know, is an important element of Funding the Journey in Carlsberg. Marketing spend was 9.7% to net revenue, broadly in line with 2016 of 9.9%.

The ratio of reported OpEx to net revenue declined by 60 basis points to 37.2%. In absolute terms, the decline in reported OpEx was DKK 714 million. The not allocated cost line was DKK 1.3 billion, which was an increase of DKK 116 million versus last year. This was due to one-off costs related to among others the outsourcing of shared services and higher investments in our SAIL’22 priorities.

In total, we delivered organic growth of 8.4% operating profit. We are pleased with the fact that all three regions contributed with solid growth rates. In reported terms, operating profit grew by 7.7%. The contribution from currencies was a very small positive of 0.7%, while the divestment of Carlsberg Malawi and Nordic Getränke in Germany had a small negative impact of minus 1.4%.

Slide 8 please and the second half of the P&L. The main thing impacting special items was the impairment of the Baltika brand of DKK 4.8 billion. The impairment was made due to changed market dynamics following the PET downsizing, our increased focus in Russia on local and regional brands, and lastly, changed interest assumptions. In total, special items amounted to minus DKK 4.6 billion as there was a small positive impact from disposals.

Net financial expenses were DKK 788 million which was a decline of DKK 459 million compared to last year. Excluding currencies and fair value adjustments, net financial expenses amounted to DKK 980 million which is in line with our expectations. Our net interest costs were down DKK 251 million as a result of the repayment of the £300 million bond that matured in November 2016, the repayment of the €1 billion bond that matured in October 2017, and lower average net debt. The effective tax rate was 41%, and that was impacted by the large impairment charge of Baltika. Excluding this, the tax rate was exactly 29%, in line with our expectations.

Non-controlling interest was significantly up compared with 2016, amounting to now DKK 806 million. This increase was driven by the Chongqing Brewery in China, which in 2016 was impacted by impairment and restructuring, and in 2017 by higher earnings, as well as gains from disposals. Excluding these one-offs, non-controlling interests would have been around DKK 700 million to DKK 750 million for 2017.

Not surprisingly, the Carlsberg Group's share of consolidated profit was down compared to 2016 due to the impairment. Adjusted for special items, we saw very healthy growth and delivered a net profit of DKK 4.9 billion, equal to an adjusted EPS of DKK 32.3, an increase of 27%.

And now some comments on the cash flow. Please turn to slide 9. Free cash flow was strong at DKK 8.7 billion, driven by strong earnings and a positive contribution from working capital. Free cash flow was marginally up versus 2016, which is a strong performance as the free cash flow in 2016 was significantly impacted by proceeds from disposals.

I'll come back to trade working capital on the next slide, and therefore here just mentioned that the change in trade working capital was positive DKK 848 million and the change in other working capital was DKK 388 million. Net interest paid was DKK 408 million, positively impacted by the lower average net debt, the repayment of the £300 million bond in 2016, the repayment of the €1 billion bond in November 2017, and then settlement of financial instruments. Tax paid was DKK 1.9 billion.

Net operating investment was DKK 3.8 billion with gross CapEx being DKK 4.1 billion, in line with our expectations. Financial investments and other activities combined amounted to DKK 699 million, positively impacted by the disposals of a few noncore assets, including Carlsberg Uzbekistan and Nordic Getränke.

Slide 10 please, and trade working capital. On the slide, you can see the development as a percentage of net revenue. Even though we have delivered very good trade working capital performance in recent years, we improved trade working capital even further in 2017 and as a percentage of net revenue, average trade working capital reached minus 13.7% in 2017. This was 120 basis points better than 2016. We're very satisfied with the outcome of our ongoing and strict cash discipline and the current level of trade working capital to net revenue.

Slide 11, please. Our financial leverage continued to decline, and by the end of 2017, net debt/EBITDA was 1.45 times versus 1.96 times by the end of 2016. Net interest-bearing debt was reduced by DKK 5.9 billion versus year-end 2016. The main drivers of the decline are straightforward, namely improved earnings and continued working capital improvements.

Slide 12 please, where we show dividend and payout ratio and ROIC, both clear strategic priorities of SAIL'22. As you may recall, we have clear capital allocation targets as part of SAIL'22. We want net debt to EBITDA to be comfortably below 2, and when this is achieved we will increase our payout ratio towards 50%. As it was clear from the previous slide, we're now comfortably below 2 and consequently, we're pleased with the Supervisory Board at the AGM on the 14th of March will propose a 60% increase in dividends to DKK 16 per share, equal to a payout ratio of 50%. As we have now reached our payout target, we will take a dialog with major shareholders on what could be the next step, and we will come back to you with the conclusion in February 2019 at the very latest.

Improving ROIC is very high on the agenda and a key KPI of SAIL'22. In all regions, we were able to strengthen ROIC. We improved group ROIC, excluding goodwill by 300 basis points, including goodwill, the improvement was 100 basis points to 6.9%.

Please turn to slide 13, and the outlook for the year. 2018 will be the year, when we'll translate all the recent year's changes and investments into growth. A key focus for the year will be to accelerate revenue growth, while at the same time, delivering the remaining benefits from Funding the Journey and ensuring that we maintain a strict financial discipline both when it comes to costs, but certainly also when it comes to cash generation.

Our regional priorities are continued improvement of margins and operating profit in Western Europe, accelerating organic growth in Asia through premiumisation, and in Eastern Europe rebalancing the focus towards top line growth. Based on this, we expect to deliver an organic operating profit growth of mid-single-digit percentages in 2018. Based on the spot rates, on February 6, we assume a negative translation impact on operating profit of around DKK 450 million. The reason is a strong euro and hence the DKK versus most currencies.

Excluding FX, we expect net financial costs of around DKK 800 million. The effective tax rate is expected to continue to decline, and we assume a tax rate below 29% in 2018. CapEx will remain largely unchanged compared to previous years at around DKK 4.5 billion in constant currencies.

Please turn to slide 14 and a few final comments from me on accounting changes. First of all, the changes do not impact the 2017 figures. They will be implemented as of the 1st of January 2018. We will adopt IFRS 15 from the 1st of January 2018. That means that we will reclassify some trade marketing costs as discount and hence move them from A&P spend to discounts booked in revenue. This will reduce net revenue by around DKK 1.2 billion, and marketing costs will be reduced by the same amount. There will be no impacts on operating profit and cash flow.

In addition to IFRS 15, we will reclassify certain costs for the central supply chain and IT functions. The net impact of this will be a reduction of admin costs of around DKK 340 million, which will be reallocated to COGS and sales and distribution expenses. Again, no impact on operating profit.

Finally, we will also change the way we report volumes. So far, we have reported volumes on a pro rata basis, which means that we have included our share of volumes from associated companies. Since these companies are only one line consolidated, we have not booked any revenue from them, and therefore there has not been a clear link between our reported volumes and net revenue.

Going forward, we will not include volumes from associated companies and consequently, our volumes will decline. The impact will be seen in Western Europe and Asia as our largest associates currently are Portugal and Cambodia. In Appendix 1 in the announcement, you can find 2017 pro forma numbers reflecting these changes so that you can update your models.

Back to you, Cees.

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

Thank you, Heine. Please turn to slide 16 on Western Europe. Net revenue in Western Europe was flat as a result of flat volumes and price/mix. We achieved positive price/mix in most of our Western European markets, but due to country mix, the regional price/mix was flat. Reported net revenue declined by 3% due to the disposal of Nordic Getränke in April of 2017 and the negative currency impact.

Beer volumes were impacted by the poor weather in parts of the region during the summer and declined organically by 1%. Other beverages grew organically by 2% due to the good performance in the Nordics. Market share developments for the region was largely unchanged, compared with last year. Organic operating growth was plus 7.5% and reported operating margin improved by 130 basis points. The progress in earnings was driven by value management efforts, improved mix due to our premiumisation efforts and Funding the Journey benefits, including good results within supply chain savings and operating cost management.

Almost all Western European markets delivered profit growth. H2 organic operating profit growth was 2.6% as it was impacted by the poor weather in Q3 and an acceleration of investments in SAIL'22 priorities.

Slide 17, please, and some market-specific comments. In the Nordic markets, our total volumes were flat. The summer, especially Q3, was challenging because of the bad weather. Price/mix continued to develop favorably, mainly due to growth of our premium propositions and we delivered approximately 1% price/mix. Our non-beer businesses in Sweden, Norway and Finland delivered solid volume growth, while we lost market share in Denmark. All four markets improved profitability due to the Funding the Journey benefits and price/mix improvements.

Our French business continued its positive premiumisation efforts, led by premium brands – such as Kronenbourg 1664, Grimbergen, Tourtel and craft brands – while Kronenbourg in the mainstream segment declined. We strengthened our market share in the off-trade, while we lost in the on-trade. Price/mix was flat in spite of a difficult pricing environment.

Our Swiss business runs like a Swiss watch and delivered another year of very solid performance. Our core mainstream beer, Feldschlösschen, delivered good results, supported by a number of crafty line extensions. In addition, we grew our craft & specialty and alcohol-free offerings well ahead of the market. Price/mix developed favorably.

In a declining and highly competitive Polish market, we grew volumes by 5%. Our brands in the upper-mainstream and premium segments – Okocim, Kasztelan, Carlsberg and Somersby – grew, while Harnaś in the strong beer segment declined. As a result of the premium focus, price/mix and profitability improved.

Our volumes in the UK declined by 6%, partly as a consequence of tough EURO 2016 comparables. We continued to focus on premiumising our portfolio and achieved a solid price/mix. A number of portfolio initiatives were taken, including the addition of Brooklyn along with other craft and premium brands such as Poretti, the rejuvenation of Carlsberg Export at the beginning of the year and the addition of the London Fields Brewery portfolio.

In the remaining part of the region, we saw particularly good top-line growth and margin improvement in markets such as Portugal, Italy and Bulgaria. Furthermore, the Baltics, Greece and Germany reported a solid earnings improvement.

Slide 18, and Eastern Europe. Net revenue in Eastern Europe was down organically by 1%. Volumes declined by 8%, partly offset by a strong 8% price/mix. Reported net revenue grew by 7%, supported by a positive currency impact driven by the Russian ruble.

The strong price/mix was a consequence of price increases and the introduction of smaller pack sizes in Russia following the PET downsizing as of the January 1, 2017. As expected, price/mix was less pronounced in H2, as part of the positive impact from the downsizing came through in Q4 2016.

Operating profit grew organically by 12.2%, driven by the positive price/mix and strong execution of Funding the Journey. As a result of the positive currency impact, reported operating profit grew by 21.2%.

Operating margin strengthened significantly, improving 240 basis points to 20.4%. We grew volumes in all markets but Russia.

Slide 19, please, and some market-specific comments. The Russian beer market declined by an estimated 4% to 5% for the year, impacted by the downsizing of PET bottles. Our Russian volumes and market share were severely impacted by the PET downsizing. In response to this significant change in the marketplace, we adopted a value-based approach to drive further value in the market.

Some competitors went for a volume-based approach, and consequently, our products in the PET segment were priced at a premium, resulting in market share loss. As a result, our volume market share declined and our volumes declined by 14%. However, our value approach resulted in a strong 7% price/mix. Combined with a tight cost control, our Russian business achieved strong profit improvement and a significant margin uplift in spite of the volume decline.

We saw good progress of some of our key brands in the premium and mainstream segments, such as Baltika 3, Carlsberg, Tuborg and Zatecky Gus, which all gained market share whereas the aforementioned value approach impacted brands in the lower-mainstream segments, where especially Zhigulevskoe lost share.

In Ukraine, we continued to perform strongly and delivered 3% volume growth and strong price/mix. The market grew slightly, and we gained market share, driven by compelling performance by our local power brand Lvivske, as well as Carlsberg, 1664 and Garage. The growth of our premium brands contributed to favourable mix improvement.

Our business in Belarus, Kazakhstan and Azerbaijan all delivered earnings improvement. Kazakhstan, in particular, delivered a strong set of results, driven by a significant revenue growth that was achieved following a high-single-digit market growth, market share gain, and strong performance of our local brand Irbis, Garage, Baltika 3, Carlsberg and 1664 Blanc.

Slide 20 and Asia. Net revenue in Asia grew organically by 5%, driven by a very solid 5% price/mix as volumes were flat. Reported net revenue declined by 1%, impacted by a negative currency impact, mainly from the Chinese, Malaysian, Lao and Vietnamese currencies, and last year's divestments, notably of Carlsberg Malawi in August 2016 and a number of breweries in China.

Our international premium brands – Tuborg, Carlsberg, 1664 Blanc and Somersby – all delivered strong growth and they were the key drivers of the solid price/mix improvement. Tuborg remains the main volume growth engine, supported by continued popularity in markets such as China and India. In 2017, Tuborg volumes in Asia were up 6%.

Organic operating profit grew by 8.1% and the reported operating margin expanded by 90 basis points to 20%. The premiumisation efforts and supply chain savings, especially in China, impacted gross margin very positively and were key drivers of the profit improvement. In line with our expectations, the region delivered 4.4% organic operating profit growth in H2, due to higher marketing investments, following a step-up of spend behind the SAIL'22 priorities.

Slide 21, please, and some market-specific comments. The Chinese market declined by an estimated 1% but continued the ongoing premiumisation trend with consumers trading up into the international premium categories. Our good performance of our premium portfolio in China, which includes Tuborg, Carlsberg and 1664 Blanc, continued and grew by 12%. Tuborg remains our most important premium brand in the country. The brand reached 4 million hectoliter in 2017, which is an impressive achievement considering that the brand was launched in the market in 2012. In addition to our premium portfolio, we saw growth of our key local power brands. Volumes in Q4 were negatively impacted by the later sell-in to the Chinese New Year.

Net revenue in China grew organically by 8%, driven 5% price/mix and 3% organic volume growth. We increased our marketing spend, supporting the wider distribution of our international premium brands. Nevertheless, our profitability continued to strengthen as a result of our cost efficiency focus and the strong growth of the premium portfolio. In 2017, we reached an interesting milestone with China becoming our largest market in volume terms.

In India, 2017 was a very volatile year due to the highway ban and the introduction of GST. Consequently, our volumes declined by 2%, but this was less than the market and we therefore strengthened our market position, reaching an estimated 17% market share for the year. In spite of the volume decline, our profitability strengthened.

In Laos, we continued to deliver solid performance, with good revenue growth and margin improvement. We achieved particularly strong growth in the premium category with the Tuborg, Carlsberg and Somersby brands.

In Vietnam, we changed the local management early in the year, and the new management is driving changes in order to strengthen our local commercial organization. Flooding and the later sell-in to Têt impacted volumes negatively in Q4. As I know you will have questions about it. Let’s take the Habeco question upfront. Our ongoing dialog with the Vietnamese government is progressing. The positive and constructive dialog has continued also very recently. We will continue to work towards the successful conclusion for all the parties involved.

Our business in Myanmar grew strongly by more than 50%, mainly driven by our local mainstream brand, Yoma. In Cambodia, we lost market share and our volumes declined. Our businesses in Malaysia and Singapore delivered another year of solid performance, driven by good delivery of Funding the Journey, growth of our premium portfolio, and continued growth of Carlsberg Smooth Draught. Nepal also delivered strong results, driven by market growth, value management efforts and tight cost control.

That was all for today. But before opening up for Q&A, a few concluding remarks on slide 22. We executed well on Funding the Journey. We invested DKK 500 million in our business to drive long-term growth, while growing operating profit organically by 8.4%. We delivered on all our regional financial priorities. We delivered good financial performance with solid organic operating profit growth, ROIC improvement and strong cash flow. And we reached the 50% payout ratio target already in the second year of SAIL’22.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Sanjeet Aujla of Credit Suisse. Please go ahead. Your line is open.

<Q – Sanjeet Aujla – Credit Suisse Securities (Europe) Ltd.>: Morning. Three questions from me, please. Firstly, on the market share dynamics in Russia, I think there was a deterioration in the second half. Can you just remind us where your price points are on the PET part of the portfolio and what’s your outlook on the market share dynamics and pricing into 2018?

Second question is just on working capital, another year of strong progress. How do you feel about being able to further improve the working capital ratio over the medium term? And then just on the cost saving. You've raised the guidance again to DKK 2.3 billion. How do you feel going into 2018 and beyond about further opportunities on the cost base? And will you be giving guidance for 2019 and beyond? Thanks.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Sanjeet, and I will take the first question, and Heine the other two. With regard to the share in Russia, our share indeed declined due to the PET ban and a different pricing than our competitors. In total, the volume declined by 270 basis points year-over-year.

Regarding the question about the price points, we, at the end of 2016, were 2% to 3% more expensive in PET than our competitors. However, due to the different strategies, we are now at between 20% and sometimes 30% price premium versus our competitors due to the fact that we, slightly in the beginning of the year, raised our prices. They reduced their prices, but as well a further intensification of big promotions or deep promotions in the modern trade. And that has been the dynamics of 2017, and consequently, our market share development.

In 2018, we are looking at the development of positive new eyes just before the season. At this moment of time, it doesn't seem that competition takes another stand than last year, and that means that we need to ensure that we will not further decline in our market share. So, basically, the objective for our local team in Russia is to rebalance the Golden Triangle and to ensure that we are not rebalanced in the direction of volume and to ensure that we're not losing market share further. Heine?

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. Good morning. If we start with your question on working capital, you're right. 2017 was a strong year, minus 13.7%, definitely among the best in our industry. We will continue with a very strict cash flow discipline also going forward, but don't expect any material cash flow impacts in 2018. We focus on maintaining our current strong performance versus revenue. So, the discipline will continue but don't expect material cash flow positives from this. Maintaining the current level versus revenue is our target.

In terms of cost savings, you're right that we are now guiding towards around DKK 2.3 billion. And then how do we feel about further potential? Well, furthermore, we feel comfortable. We will not launch a sort of a new project around cost savings. But cost savings will – and this is already being embedded as a way of living in Carlsberg, so the journey will definitely continue also after 2018.

<Q – Sanjeet Aujla – Credit Suisse Securities (Europe) Ltd.>: Got it. And just to follow up on the Russia pricing question. When do you – when will you take corrective measures there? And does that therefore imply a year of price declines or price/mix declines in Russia for 2018?

<A – Cees 't Hart – Carlsberg A/S>: I think we're not going to comment on what we're going to plan in the market because we don't want to make the competition wider. Let's state, again, we want to rebalance the Golden Triangle. We want to improve our volumes, and we want to stop the market share decline.

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

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

Operator: Thank you. And our next question comes from Matthew Webb of Macquarie. Please go ahead. Your line is open.

<Q – Matthew Webb – Macquarie Capital (Europe) Ltd.>: Yeah. Thanks very much. Two questions, please. Firstly, just to follow up on Russia. So, just to be clear, your aim is not to try to recover any of the market share losses that you've incurred in 2017, it is just to prevent any further losses. And if I've understood that correctly, is that because you've come to the conclusion that the market share losses and the volume that you ceded in 2017 was sufficiently unprofitable, that it's not really worth disrupting the overall pricing environment in the market to try to win that back. Clearly, you've still delivered a very good strong profit performance despite that. So, I just wanted to make sure I've understood that correctly.

And then the second question, are you able to give any indication of the reinvestment rate in 2018 of the gross savings that you're targeting from Funding the Journey. I mean, I don't expect a precise number, but could you perhaps say whether you expect it to be higher or lower than the reinvestment rate in 2017, which I think was just over 40%? Thanks very much.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Matthew. And basically, you answered your own question. Thanks for that. But to echo you, yes, it's very low-margin products, but on the other hand, of course, there's a kind of line, in a sense, for market shares. But indeed, we don't want to open a kind of price war and to regain the kind of very low-priced and low-margin volumes.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. Good morning. Then answering the question on reinvestment rate in 2018. First of all, we don't guide specifically on specific years on Funding the Journey. Overall, we can say that we expect to deliver around the DKK 2.3 billion, of which more than 50% will go to the bottom line and then less than 50% will be reinvested.

<Q – Matthew Webb – Macquarie Capital (Europe) Ltd.>: Okay. Thanks very much.

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

<Q – Michael Rasmussen – ABG Sundal Collier Norge ASA (Denmark)>: Thank you very much. And well done on your cost savings story, guys. Three questions. First on the craft & specialty beer, can you just give us an update on how large share of volumes and revenues we're looking at, at this moment? And then, if you could also add a couple of words on the big cities' approach, I think, in Q3, you mentioned you were in two cities, and when will we hear more about how this is progressing? And finally, on Russia, anything happening in terms of the Efes-ABI merger that you can share with us at this call? Thank you very much.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Michael. Craft & specialty is around 5% of our volume now together with AFB. The value, obviously, is higher. With regard to the big cities, we anticipate in May to really go a bit more public on it. And with regard to Efes-ABI, they – as far as we see it, they still operate separate from each other. And obviously, we look carefully about the moves they're making, but I can't give you any update that you might want now.

<Q – Michael Rasmussen – ABG Sundal Collier Norge ASA (Denmark)>: Great. And it's slightly understood that you are live currently in two cities in the big cities approach, is that right?

<A – Cees 't Hart – Carlsberg A/S>: A few more. Yeah. We're talking about five now. Yeah.

<Q – Michael Rasmussen – ABG Sundal Collier Norge ASA (Denmark)>: Okay. Great. Thank you very much.

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

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

<Q – Trevor Stirling – Sanford C. Bernstein Ltd.>: Morning, Cees and Heine. Three questions on my side. Two as well please. The first one, Heine, would be the non-distributed are now running around DKK 1,300m. As you look forward, some of those are one-off costs. Do you have an estimate of where you'd expect that number to be on a run-rate basis as you get beyond the SAIL'22 investments or the hump with the SAIL'22 investments?

Secondly, you mentioned about the acceleration organic growth you're expecting this year. Cees, do you have a vision of where you think you'd like to get to in terms of the long-term organic revenue growth for Carlsberg?

And the third question is mine. The FX hit came in a little bit higher than expected. Is that chiefly from the ruble or is it pretty broad based?

<A – Cees 't Hart – Carlsberg A/S>: Okay. Trevor, good morning. Thanks for your questions. First, Heine.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. If we start with the not allocated we're around DKK 1.3 billion versus DKK 1.2 billion the year before. The reason for the increase has to do with certain one-off costs, including investments in shared services, and then also investments in SAIL'22 priorities. Going forward, expect year-over-year smaller declines. So, that's how we see that one.

In terms of the other one which was then FX, it's basically – so the reason for the amount basically comes across different currencies. And it all relates to the strengthening of the euro. If we try to split it across, mainly 40% will come from Asian currencies, 45% from the ruble and ruble-related currencies and then 15% come from Western Europe, Swiss francs, Norwegian kroner and also the Swedish kroner.

<Q – Trevor Stirling – Sanford C. Bernstein Ltd.>: Thanks so much, Heine.

<A – Cees 't Hart – Carlsberg A/S>: With regard to the net revenue growth to be expected, what we said earlier is that when you look back in 2022, we should have a CAGR of 2% to 4% organic net revenue growth.

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

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

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

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Yes. Good morning. Just a question regarding your new guidance for 2018, the mid-single-digit organic EBIT growth, just trying to get my head around what lies behind this guidance. I mean, you have easy comparables going into the year. As part of price/mix, it seems you have some benefits from Funding the Journey, and I guess there also must come some effects from reinvestment into brand. Is that what is behind your EBIT growth guidance or should we more look at it in a sort of a Golden Triangle context? Maybe you could elaborate a little bit what you have been thinking behind making this guidance? Thank you.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah, but you answered the question yourself. It is including all these different elements, so both the comparables from last year, Funding the Journey benefits, and then, it's clear that in 2016, as you see, we have reinvested around DKK 500 million into growth initiatives and part of that will pay off also in 2018. From our view, it's a balanced guidance. We feel comfortable. Otherwise, we would, of course, not have guided like that.

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

Operator: Thank you. Our next question comes from Fernando Ferreira of Bank of America Merrill Lynch. Please go ahead. Your line is open.

<Q – Fernando Ferreira – Bank of America Merrill Lynch>: Thank you. Good morning, Cees and Heine. Two questions for me, please.

First one, I got your comments on Russia in terms of the market share evolution, but I wanted to get your expectations for the total beer market in 2018, as we have the World Cup in June-July and also no major regulatory hurdles.

And then, second question, as your focus is shifting to top-line growth, can you talk about the pricing environment, especially in Western Europe? Have you pursued any improvement recently, or is it still a challenging environment for like-for-like pricing? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you very much, Fernando. Good morning. And with regard to the Russian market, we feel that we are getting closer to the bottom, if you like. The market declined, however, by 4% to 5% in 2017, but if we adjust for the PET market impacts, the market would probably have been flattish in volume terms.

We remain cautious on the Russian market. I don't want to predict if or when the market really turns. So, basically, our outlook will be flattish. On the positive side, there's no new regulation or tax increase for 2018. The economy is improving. However, consumer sentiment remains depressed and consumers have become more price-cautious.

And in addition, the market is going through large changes such as the growth of DIOT, the growth of regional brands, high promotional pressure in the modern trade, and, of course, as well, on a strong number two player. So, there will be a volatile environment again in 2018. Yes, the World Cup is there as well. So, we, by and large, estimate around zero.

<Q – Fernando Ferreira – Bank of America Merrill Lynch>: Thank you. And then on pricing in Western Europe?

<A – Cees 't Hart – Carlsberg A/S>: Yeah. Sorry. Pricing in Western Europe, there will be few, let's say, that remains to be, of course, difficult but we have some small successes in some of the countries, where we have been able to increase our prices. But you see, especially in Q4, in terms of negative price/mix and pricing was more because of the mix of countries, the UK, and then a difficult Q4 in 2016 because on a huge incident. Poland, the Biedronka volume came back, as you saw, in Q4. As you know, that is, in terms of mix, a bit worse. However, as we said, in Switzerland and some other countries, we have been able to increase the prices and lead the market there. So, it remains difficult, but we continue to look into that.

<Q – Fernando Ferreira – Bank of America Merrill Lynch>: That's great. Thank you.

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

Operator: Thank you. Our next question comes from Simon Hales of Citi. Please go ahead. Your line is open.

<Q – Simon Hales – Citi>: Thank you. And just three quick questions, please. You've obviously given some good guidance in relation to the FX impact on EBIT for next year. I don't know, Heine, if you can say anything about the impact on the financial charges line that we might see from some of the recent euro strength. Secondly, wondering if you could just talk a little about the input cost outlook as you see it generally. And finally, just a step seeing in CapEx next year, could you just give a bit more detail on where that's going?

<A – Cees 't Hart – Carlsberg A/S>: Heine, over to you.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. So, you're right, very specific on the EBIT impact from FX. I said it's due to the strengthening of the euro. It's clear that there is also an impact on the net financial line which is difficult to predict, and that's why our guidance on the financials is excluding FX.

In terms of CapEx, we're now guiding of around, what, broadly in line with this year, 4.1 billion this year, and for 2018, it is around 4.5 billion in constant currencies and it's basically across supply chain in particular but also in commercial activities, the roll-out of DraughtMaster is one example of that.

You had one more question, which I really didn't get. What was that?

<Q – Simon Hales – Citi>: It was just on the input cost outlook as you see it at the moment.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. So, the cost for 2018 slightly up. It's included in the guidance and we don't give any detailed indications, neither by market nor by region.

<Q – Simon Hales – Citi>: And can I just follow up and just quickly go back to Russia and the pricing on PET relative to competition? Cees 't, you said you don't want to give any detailed guidance at this stage as to your plans for the year. But have you actually moved pricing at all year-to-date in Russia on any of those PET brands?

<A – Cees 't Hart – Carlsberg A/S>: Year-to-date, not. In 2017, we took a price increase of 2% in February and 2% in October. Following 2016 where we increased the prices by 8% to 9% in a year. But year-to-date, not yet.

<Q – Simon Hales – Citi>: Okay. Understood. Thank you very much.

<A – Cees 't Hart – Carlsberg A/S>: By the way, it tends to follow consumer index in total.

<Q – Simon Hales – Citi>: Okay. Thank you.

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

<Q – Hans Gregersen – Nordea Bank>: Good morning. Leverage, you have created yourself quite a good headroom. What should we expect in terms of capital allocation, in terms of scope and timing that can be cash returns M&A? That's the first question.

Second question, if we look to China, you mentioned in the H1 report, if I recall correctly, that you had a 400 bp margin expansion on the EBIT line, and I think it was around 300 bp in 2016. What is the outlook for overall 2017 on that? And then unallocated cost, you mentioned that you had one-off costs related to outsourcing of shared service. Can you explain what that is? And then, finally, you have in the past argued that you command more or less the entire Russian profit pool. Is that still the case? Thank you.

<A – Heine Dalsgaard – Carlsberg A/S>: So, good morning, Hans, if I start with the leverage and capital allocation question. So, first of all, remember, our four or five principles for capital allocation that we discussed with you guys basically nearly a few years ago. One is that we want to invest in the business. We've done that. As you see this year, we have invested an additional DKK 500 million into growth initiatives within SAIL. Then, the second priority was to reduce our leverage to be comfortably below 2. And we're now at 1.45, so that is comfortably below 2. Third, we said that we want to increase the payout ratio to 50%. That is basically what we do from a historical level of 20% to 30%. Now, we are at 50%.

So, we have done exactly as we said, in the sequence we've said. Then, we also said that when this is done, so when one, two, and three are delivered, we're going to look at the potential for additional shareholder return. That could be either share buybacks or extraordinary dividends. As said before, we will now take a dialog with the biggest shareholders to get their view, and then we will come back into you on this, at the latest, in February 2019.

In terms of acquisitions, it is clear that that is the one thing that can change the timing of point number four, which is the additional shareholder returns from share buybacks or extraordinary dividends. We still focus primarily on the organic agenda, so that's our key focus in the company.

But as you know, our view, inorganic projects that can come and can change the timing and, of course, how big is the big one, but we also have a few minor ones here and there, of which the one we announced yesterday, Olympic in Greece, is one good example. So, overall, we're going to discuss it over the next months with the big shareholders, and then come back to you.

<Q – Hans Gregersen – Nordea Bank>: How much capital did you spend on the Greek acquisition?

<A – Heine Dalsgaard – Carlsberg A/S>: It's something that we are not allowed to disclose as per agreement with our partners in Greece. So, it's not an amount we can disclose.

<A – Cees 't Hart – Carlsberg A/S>: Then with regard to China, as you've seen is that our premium brands grew substantially in 2017: Carlsberg by 9%; Tuborg 12%; 1664 Blanc 44%. As a result and as a result of the closure of the breweries over the last two years, the margin is improving significantly. We started two and a half years ago with this 5%. Now we are looking at the low teens, 13%-14%. And, of course, at the moment that the premium brand grows continuously in 2018 that we will further move up towards 15%-16%. Then with regard to the Russian profit pool as far as we have the information, we can only indeed confirm that we more or less own the profit pool in beer in Russia.

<A – Heine Dalsgaard – Carlsberg A/S>: And then, Hans, on your question on outsourcing and what is it, it's basically initiatives that we launched in the middle of 2016 where we took one step which was to outsource part of our captive shared service center in Poznań to Genpact. We have done that. So, now we move on to the next step which has to do with further strengthening our capabilities in Poznań, outsourcing more to Genpact and then it's about strengthening the processes across in particular to start with Western Europe and to look into whether there are more potential for shared services.

<Q – Hans Gregersen – Nordea Bank>: Yes. Sorry, Heine, if my question was unclear. My question is you mentioned in unallocated cost that you had a one-off cost related to that. How much was that?

<A – Heine Dalsgaard – Carlsberg A/S>: That's not an amount we disclose, but you can say the increase was DKK 100 million. And you can expect that we have the same scrutiny of costs in headquarter as we have in other parts of the group. So versus last year, the cost should have been slightly down. Now, they are up by DKK 100 million. And so this is slightly down plus the DKK 100 million all goes to shared services and then SAIL'22 investment.

<Q – Hans Gregersen – Nordea Bank>: And if I could just clarify, it was correct to understand that the Chinese EBIT margin was around 13%-14% today and you target 15%-16% in some point of time in the future?

<A – Cees 't Hart – Carlsberg A/S>: in 2018 indeed because if the premium brands continue to develop as they did in 2017, it is further – I'd say the consequence of closing the breweries, we should be there. Yes.

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

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

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

<Q – Laurence Whyatt – Société Générale SA (UK)>: Hi. Good morning. Thanks very much for the questions. Firstly in Russia, you've mentioned that you haven't raised your prices yet this year. Could you give us any more insights on what the competition have done this year? And if you've got any price expectations in Russia during 2018? You mentioned that it's still quite difficult time. Just wondering if you could be able to get anything through during 2018.

And secondly, there's been some chopping and changing of the regulation on advertising in Russia recently. Could you give us an update on where we currently are and whether you expect the advertising regulations to change after the World Cup? Thank you very much.

<A – Cees 't Hart – Carlsberg A/S>: Thank you. Good morning. Well, it is, as I said earlier, a difficult market to predict. There are so many different movements in the market. It remains to be in a dynamic and a stable trade environment. We see acceleration of the general shifts, which leads to multiple new developments, the rebirth of wholesalers, the further inorganic expansion of largest chains through the acquisition of ailing local retailers, the growth of discounter subchannel and so forth. So, basically, a lot is going on. We obviously don't know what the competition has in mind with regard to price increases. We have our hopes but we don't affect.

And with regards to the regulations, yes, we have always said that we feel that 2018, there'll be a bit more easy because of the World Championship and some, let's say, big beer sponsor there, and we would want to understand what's ahead after 2018. Difficult to predict. We are in conversation, of course, with different officials in this, but we don't have any direction that we can share with you because we don't have any direction.

<Q – Laurence Whyatt – Société Générale SA (UK)>: Okay. And just to clarify on the pricing, have you seen any changes from your competition during the first part of 2018?

<A – Cees 't Hart – Carlsberg A/S>: No, nothing.

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

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

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

<Q – Ed Mundy – Jefferies International Ltd.>: Hi. Good morning, everyone. A couple of questions from me. 2017, you grew revenues organically 1% below your 2% to 4% medium-term target. Are you able to quantify at all the impact of some of the one-off headwinds that probably won't occur in 2018 such as the PET ban in Russia, poor weather in the Nordics, and lapping the euro comps in the UK? What do you think collectively they were worth?

Second question on top line, how confident are you of growing 2% to 4% in 2018, or could you even grow ahead of that in light of some easy comps? And then a point of clarification on tax. I think you've indicated it can be better than 29%. Could you provide a bit more guidance on exactly what the tax rate could be for 2018?

<A – Cees 't Hart – Carlsberg A/S>: Good morning. Thank you very much for your questions. With regard to the first one, we don't want to move into our guidance on the top line year-by-year. You're right Ed, we're at 1% last year. We have basically committed to grow between 2% to 4% in the coming years as CAGR. But bear in mind what we said at the Capital Market Day that we changed gears. We have now the funds to support our brands because of Funding the Journey. We have invested in some of the brands and capabilities, and obviously that now needs to come through and you should see that in the top line. So we recommend to the 2% to 4% over periods of the coming five years, but we don't give the guidance per year.

<A – Heine Dalsgaard – Carlsberg A/S>: Then, to answer the question on tax, well, you're absolutely right that we are guiding towards below 29%, and that is basically the amount of detail we have in our guidance. What I can say is that for 2017, we said below 30% and we hit 29% corrected for the impairment.

<Q – Ed Mundy – Jefferies International Ltd.>: Okay. Thanks. And just as a final follow-up, I think for the minority charge, you said the underlying it was DKK 700 million to DKK 750 million for fiscal 2017. Is that sort of a broadly sensible number to use for 2018?

<A – Heine Dalsgaard – Carlsberg A/S>: Yes.

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

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

Operator: Thank you. Our next question comes from Richard Withagen of Kepler Cheuvreux. Please go ahead. Your line is open.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Yes. Good morning. Thanks for the questions. First of all, can you talk a bit about the concrete plans for the three growth initiatives in 2018? So, the big cities across specialty and Asia. And perhaps also related to that, the marketing spending in 2018, whether that will change compared to last year. And then second question is, yeah, back on Russia, what innovations are you planning in 2018, also with the World Cup in the back of your mind?

<A – Cees 't Hart – Carlsberg A/S>: Okay. Thank you very much. With regard to the three initiatives, our five big cities, these are, what we said earlier, test markets. These are, as well, slow burners. So, we expect real contribution further into 2020-2021, because we try out new ways of handling and secure a country, and we will update you at upon that we have some first reviews on that one.

With regard to the initiatives on craft & specialty and the alcohol-free beer. Craft & specialty has the momentum. We just quoted some, for example, in China, like we'll do the same in any other countries, we see that especially Grimbergen, but as well 1664 really have the momentum. You could argue for 1664 sales are from a relatively low base, but a 45% growth is in – probably 60% is a commendable figure we think. And so we continue that by basically putting money behind it and resources and move further.

With regard to the alcohol-free, we focus first and foremost on Western Europe. We grew nicely in the first and the second half of the year, and we continue to invest in that. Not to forget, when you talk about big initiatives is the further rollout of DraughtMaster. These are, if you like, DraughtMaster, craft & specialty and AFB, these are the engines for the growth in the coming period.

With regard to innovations in Russia. Well, we see there is a further need for craft – space for craft & specialty. So that's where we'll enrich our portfolio with in the coming periods. These are, if you like, for the Russian markets innovations, but for us, of course, the brands that we had in our portfolio that have already shown some good results in other countries.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Yeah. And sorry, Cees 't, just to come back on these – on the growth initiatives. I mean, related to that marketing spending in 2018, any comments on that?

<A – Cees 't Hart – Carlsberg A/S>: Yeah, those will be more or less the same as last year.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: All right. Thank you.

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

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

<Q – Frans Høyer – Jyske Bank A/S>: Yeah. So, question regarding the timing of the remaining Funding the Journey benefits around DKK 600 million, do they all materialize in 2018, or is it into 2019 as well? And in terms of the SAIL'22 spend, that was DKK 0.5 billion in 2017, where do you see that number going in 2018? And then a more general question on the key swing factors, the risks, the opportunities that you see for each of the three regions in 2018, please?

<A – Heine Dalsgaard – Carlsberg A/S>: So good morning, Frans. As with the timing of the Funding the Journey benefit, so the benefits that we have talked about will come through in 2018, and it's all been included in our guidance. But after that, as we have discussed previously, we're not going to launch a new sort of program, but we will continue the journey. This is about not spending company money in different ways than you would if it was your own money and constant focus on cash and on cost will continue.

In terms of sale investments in 2018, we don't give specific guidance on it. What we do see is that the total program will deliver around DKK 2.3 billion. We feel comfortable with that, and more than 50% of that will go to the bottom line and that means that less than 50% will go to sale investments.

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

<A – Cees 't Hart – Carlsberg A/S>: Then with regard to key risk and opportunities, that's a broad question, but let me give you a few highlights. On Russia, I think it clearly remains to be a volatile environment. It can be a bit more positive because of the World Championship and no new regulations. On the other hand, maybe the pricing in PET is still being repaired and there remains to be high promotional pressure in overall trade.

In Europe, we are all depending on the weather of course. We had a poor summer, but if that repeats this year then that of course is a risk. And then on the other side, pricing, further improving our mix, are not so much a risk, but basically these are the kind of things we need to work hard on to really get it through.

In Asia, we're now in a momentum – or a sweet spot if you'd like – in China and if we can continue with that, it would be great. But on the other hand, India with all the kind of regulations and changes as we always said that will remain to be a rocky road, and therefore that could make or break our yield in India. And so, these are kind of high-level overviews with some of the key risks and opportunities, Frans.

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

Operator: Our next question comes from Jonas Guldborg of Danske Bank. Please go ahead. Your line is open.

<Q – Jonas Hansen – Danske Bank A/S>: Yeah. Good morning, everybody. I have one question remaining on my paper. So, I will keep it short and sweet here. With the structural changes you made during 2017 and also the Greece acquisition from yesterday, what will the M&A impact on EBIT in 2018 net?

<A – Heine Dalsgaard – Carlsberg A/S>: That is going to be very limited.

<Q – Jonas Hansen – Danske Bank A/S>: Very what, sorry?

<A – Heine Dalsgaard – Carlsberg A/S>: That will be very limited. So, expect zero.

<Q – Jonas Hansen – Danske Bank A/S>: Okay. Okay. Understood. Thank you very much.

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

<A – Heine Dalsgaard – Carlsberg A/S>: You're welcome.

<A – Cees 't Hart – Carlsberg A/S>: And then we have time for one more question. Can we have the final question?

Operator: Thank you. Our final question comes from Tristan van Strien of Redburn. Please go ahead. Your line is open.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Good morning, gentlemen. So, I'll finish with three questions, please. One, on Russia, there's been a lot of discounting in the traditional trade originally by Heineken. So, when I look at the numbers, you guys seem to be following Heineken on this, particularly on your Bolshaya Kruzhka brand. So I was wondering why you're following and how's the tie-up with your value focus in that market?

The second one, Heine, your working capital seems really benefit from trade receivables. Can you just give a bit more color on that? Is that the trade terms, or is that a geographical shift? What is driving that on your receivables more than anything else? And then the third is Laos is growing very nicely. Are you maintaining or gaining share or is that market getting a bit more competitive at the moment? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Tristan. The first one with regard to Russia, the Zhigulevskoe brand is a bit of indeed a kind of controlled brand. So that is where we compete on price if needed with some of our competitors. So as you see it, it is following that on purpose to have at least a price point which we can match at the moment that the competition goes mad with discounts. But we basically don't do that with our other brands.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Understood.

<A – Cees 't Hart – Carlsberg A/S>: With regards to Laos, we see some, indeed some more competition there. So far, we've been able to control that. So, our market shares have not slipped in beer and that's a good news for us. So the tactics we applied in the market really helped us in 2017 to maintain our market share.

<A – Heine Dalsgaard – Carlsberg A/S>: Yeah. Good morning, Tristan. Then on your question on working capital, you are right that we had a significant improvement in trade receivables in 2017. And it basically comes from two factors. One is our continued focus on optimizing the terms for trade receivables, which is something that will continue. But there is in this number as well a significant impact from the geographical mix. So, in a year like 2017 when Russia on the top line is soft and India is soft, that is very good for our trade working capital. And that's also – and we don't expect that to continue. And that's also why we're cautious when looking ahead and saying that maintaining a level of this 12%-13% in excess is actually our target.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Right. Thank you. That's very clear. Thank you.

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

Thank you very much. That was the final question for today. Thank you for listening in, and thank you for your questions. We're looking forward to meeting some of you during the coming days and weeks. Have a nice day.