Event: Carlsberg Q3 2017 Interim financial statement conference call

Date: Thursday, 2 November 2017

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

PARTICIPANTS

Corporate Participants

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Other Participants

Jonas Guldborg Hansen – Analyst, Danske Equities

Matthew Webb – Analyst, Macquarie Capital (Europe) Ltd.

Carl Walton – Analyst, UBS Ltd.

Søren Samsøe – Analyst, SEB Enskilda (Denmark)

Hans Gregersen – Analyst, Nordea Bank AB (Denmark)

Tristan van Strien – Analyst, Redburn (Europe) Ltd.

Olivier Nicolai – Analyst, Morgan Stanley & Co. International Plc

Richard Withagen – Analyst, Kepler Cheuvreux SA (Netherlands)

Mitch Collett – Analyst, Goldman Sachs International

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Carlsberg Q3 2017 Trading Statement. For the first part of this call, all participants will be in a listen-only mode, and afterwards, there will be question-and-answer session. Just to remind you, this call is being recorded.

I will now hand you over to CEO, Cees 't Hart. Please begin your meeting.

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

Good morning, everybody, and welcome to Carlsberg's Q3 2017 conference call. My name is Cees 't Hart, and I have with me CFO, Heine Dalsgaard; and Vice President of Investor Relations, Peter Kondrup.

Before we go through the presentation and on behalf of the whole Carlsberg team, I would like to thank those of you who attended our recent Capital Markets Day. We hope that you enjoyed the dinner and the presentations, and felt it was worthwhile participating. We certainly enjoyed the event and feel privileged that so many of you showed up and engaged with our team. Since we went through the whole business at the CMD, that also means that we will focus on Q3 only today and not give the usual update on the progress of our strategic priorities. For those of you who did not participate at the CMD, the slides are available on our website.

On the next slides, I will briefly go through the highlights of the third quarter, and Heine will walk you through the regions.

Please turn to slide 2. As we highlighted at the Q2 announcement, the third quarter would be impacted by the PET regulation in Russia, tough comparables in Eastern Europe, and the poor summer in Western Europe. Continuous good performance in Asia could not compensate for this, and organic volumes for the Group declined by 4%. Price/mix remained solid at 3%, resulting in organic net revenue decline of 1%.

Reported net revenue declined by 5%, mainly due to disposal of Carlsberg Malawi last year, the disposal of a number of Chinese breweries, and the disposal of Nordic Getränke this year.

The currency impact of minus 1% was due to the strengthening of the euro and consequently the DKK against Asian currencies. Notwithstanding the soft Q3, the nine months net revenue grew by 1% organically.

Funding the Journey is progressing well, and we now expect to achieve benefits of around DKK 2 billion. This also means that we are able to adjust our earnings outlook efforts. We will come back to this later in today's presentation.

Slide 3 please, and a few words on our brands. We saw good growth rates of our global speciality brands with 42% growth of 1664 Blanc and 7% growth of Grimbergen. Not least China and other Asian markets were important contributors to the growth of 1664 Blanc. In Q3, our craft & speciality products grew volumes by 34%, serving as evidence of our successful focus on craft & speciality.

Our alcohol-free brews are also gaining momentum, delivering 14% volume growth in the Western European markets in the quarter. We saw particularly strong growth in markets such as France, Denmark, Poland and Greece.

Looking at our core international brands, Tuborg grew volumes by 5%, with strong growth achieved in China in addition to continued positive results from the launch last year in Vietnam and Laos. The Carlsberg brand grew by 1%, reflecting positive growth rates in markets such as Poland, China and export markets, offset by a volatile Indian market and decline of Carlsberg green label in the UK.

And now, over to Heine for the regional review

Heine Dalsgaard, Chief Financial Officer, Carlsberg A/S

Thank you, Cees, and good morning also from me. Please turn to slide 4 and a few comments on Western Europe. Our Western European business was impacted by the poor weather during the summer. Net revenue declined organically by 4% as a result of a flat price/mix, and total organic volume decline of 4%. We estimate that our overall market share for the region was flat. Price/mix was positive in almost all markets as a result of price increases and our premiumisation efforts. However, due to a negative country mix, price/mix for the region was flat for the quarter. Reported net revenue declined by 8% as it was impacted by the disposal of the German wholesaler Nordic Getränke earlier this year.

Looking at a few selected markets, our volumes in the Nordics were impacted by the adverse weather. We gained market share in beer across the markets with the exception of Finland.

In a declining French market, our market share was stable. Although the pricing environment in France remains difficult, our premium portfolio continues to perform well with Grimbergen and 1664 Blanc being the key drivers.

The Polish market declined slightly but we grew volume and value share. This was driven by the re-listing at a major customer in the beginning of the year, and growth in the upper mainstream and premium segments with brands such as Okocim and Zatec.

In some of our smaller Western European markets such as Bulgaria, Serbia and Italy, we delivered solid volume growth. In Italy, in particular, the continuous expansion of our DraughtMaster PET keg system in the on-trade has been a key driver behind our continued growth in the on-trade channel.

Slide 5 and Eastern Europe, please. Net revenue in Eastern Europe declined organically by 2%. The very positive price/mix development continued and we delivered plus 10%. Total volumes declined by 10%. Reported net revenue declined by 1% as the positive impact from currency was reduced compared to the very positive impact during first half.

Our Russian volumes declined by high teens in the quarter as we were up against the very strong Q3 last year which, as you may recall, was very positively impacted by warm weather. In addition, the market is declining due to the PET downsizing, and we lost market share year-on-year as a result of our value-based approach related to the PET downsizing. Our market share loss was driven by share losses in the low-priced end of the market. Sequentially, our market share grew slightly in Q3 versus Q2, and we saw strong performance of brands such as Zatecky Gus and Baltika 3. Price/mix remains very strong at 9% in Russia, supported by our price increases across the portfolio, mix impact from the downsizing, and less volumes in the lower-priced PET segment.

Our Ukrainian business continues its strong performance and grew market share in a slightly declining market. The growth was driven by compelling performance of our local power brand Lvivske, by Carlsberg and Garage and by improved sales execution.

Kazakhstan, Belarus, and Azerbaijan also performed well, delivering volume and value growth.

Please turn to slide 6 and Asia. The positive development in Asia continued. Net revenue grew organically by 7% as a result of a continued solid price/mix of 5% and 2% total volume growth. Reported net revenue declined by 1%, negatively impacted by the currencies and by last year's divestments, notably of Carlsberg Malawi in August 2016 and the number of breweries in China. The solid price/mix improvement was mainly the result of our successful premiumization efforts where we continue to drive our international premium brands out in wider distribution.

In China, we grew volumes organically by 6%. The main driver of the volume growth continues to be our international portfolio, where especially Tuborg and 1664 Blanc delivered another strong quarter. As a result, price/mix was 6%.

The Indian market has been very volatile this year due to the so-called highway ban, implementation of GST, and also, heavy rainfall in some provinces. Our volumes declined by a couple of percent in Q3, as well as year-to-date, while we continue to strengthen our market share. Price/mix in India developed favorably as we increased prices to offset the GST impact.

In markets such as Nepal, Malaysia, Hong Kong and Myanmar, we saw solid performance for the quarter with volume growth and price/mix improvements. In Vietnam, we began to see improved performance by the end of the quarter as the new management team is implementing changes within a number of areas. In Cambodia, volumes declined in the quarter.

Cees, over to you.

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

Thank you, Heine. Please turn to slide 7 and outlook. As we've already pointed out, the volume loss from the PET downsizing in Russia and the poor Western European summer have not been helpful on volumes for this year. However, we see that our initiatives in terms of becoming more efficient and at the same time investing in our strategic priorities are coming through. Especially, the delivery of Funding the Journey is showing good progress as we see faster delivery than previously expected.

We are now comfortable that we will achieve around DKK 2 billion in total net benefits. We have clear plans and know the level of investments required for our strategic priorities. When we were expecting benefits of DKK 1.5-2 billion, we anticipated reinvestment rate of 50% or at least DKK 750 million. Now that we expect to achieve around DKK 2 billion, we anticipate that more than 50% of the benefits will improve operating profit, and less than 50% will be reinvested. We are pleased that we are able to further strengthen operating profit and margins while at the same time having well-funded plans for our strategic priorities to drive future top-line growth.

For 2017, we expect to deliver approximately 60% of the benefits. The reinvestments for this year will be less than 50% partly because the benefits this year will be higher than previously expected and partly because the poor summer prompted us to re-evaluate the timing of certain projects.

It should be noted that we expect marketing costs to revenue to be broadly in line with 2016.

As we are more comfortable in our ability to achieve around DKK 2 billion from Funding the Journey, and as we see a larger proportion being delivered in 2017, and then less in 2018, coupled with the fact that we now have the peak season behind us, we are able to adjust our full-year earnings outlook upwards to 7-8%. This compares with the previous expectations of the mid-single digit organic growth and operating profit. Driven by a solid cash flow from operations as well as the divestments done in the beginning of the year, we also feel confident that we will reduce financial leverage further this year.

Based on the spot rates on October 31, we assume a positive translation impact on operating profit of around DKK 75 million compared to DKK 50 million in August. All other assumptions are unchanged compared to the half-year announcement in August.

Slide 8, please and a few concluding remarks before we open up for Q&A. The Asia region delivered solid performance but due to the impact of the poor weather in Western Europe and the volume decline in Russia, volumes were down organically by 4%. We delivered a very solid 3% price/mix driven by our premiumisation efforts. We saw good delivery of Funding the Journey, and as a result, we are able to adjust operating profit outlook up.

And with this, I would like to open for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Jonas Guldborg from Danske Bank. Please go ahead. Your line is open.

<Q – Jonas Guldborg – Danske Equities>: Yeah. Good morning, Cees and Heine. Just a clarifying question first. Could you just repeat what you said about the delivery of benefits from Funding the Journey? Did you say 60% in 2017? And then, if I calculate right, that would be – it will remain 15% for 2018. Then second question is how much did the Russian beer market decline in Q3? And then if you could elaborate on the pricing environment in Russia, are competitors also increasing their prices now? Are the difference between your prices and competitors' prices decreasing compared to a quarter ago? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Thank you, Jonas. Funding the Journey, Heine?

<A – Heine Dalsgaard – Carlsberg A/S>: Sure. So good morning, Jonas, and thanks for the question. So, first of all, yes, you're right that we did say and we do mean that approximately 60% of the total benefits will be delivered in 2017, and then that also means that approximately 15% will be delivered in 2018.

<A – Cees 't Hart – Carlsberg A/S>: With regards to Russia, the market decline is approximately 5%, and the competitive pricing pressure is not easing at the moment. The good news for us is that we have gained some market share in Q3. So, we saw from July to September the market share going up a bit, and now, we are preparing ourselves for 2018 plan.

<Q – Jonas Guldborg – Danske Equities>: So, just a follow-up. Then how do you explain the market share increase from July to September? What is the reason for this you think?

<A – Cees 't Hart – Carlsberg A/S>: Well, we have improved our understanding of the PET landscape and the dynamics within that segment. We have done some actions with some of the key accounts and we better understand how we can react.

<Q – Jonas Guldborg – Danske Equities>: Okay. Thank you very much.

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

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

<Q – Matthew Webb – Macquarie Capital (Europe) Ltd.>: Yeah. Hi. Couple of questions, please. Firstly, on the guidance you're giving that you're now going to be reinvesting a smaller proportion of the cost savings than you previously guided to. And I was just wondering why that was? Is it that you see fewer opportunities than you had before? My understanding really previously was that you – even if you exceeded your expectations on the cost savings that there was really plenty of opportunities to reinvest that money. So, I'm just a little bit surprised by that.

And then, just also on Russia. Following up on the previous question about why you've seen that improvement in market share in Q3. I mean, just to be clear, have you made any pricing adjustments at all in that period in response to the fact that your competitors have continued to compete very aggressively on price? Thank you.

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

<A – Heine Dalsgaard – Carlsberg A/S>: Yes. So, on Funding the Journey and on the guidance. So, frankly, we see this as a positive development. We are now nearly two years into the Funding the Journey programme. The programme, as we've said, is progressing well across the entire organisation. Funding the Journey is embraced well. It's really embraced and lived by the entire Carlsberg organisation. And therefore, we now feel comfortable with benefits from Funding the Journey of around DKK 2 billion versus previously DKK 1.5-2 billion.

And we've always said that the closer we get to DKK 2 billion, the higher the likelihood of more EBIT effect, and thereby also less reinvestment effect. We don't spend money just to spend it, but we do invest and we do spend as much money as we find appropriate. Therefore, let's reiterate that only due to the fact that we have a more EBIT impact because of the higher total benefits.

<A – Cees 't Hart – Carlsberg A/S>: With regard to Russia, the improvement in the quarter, you've seen more or less 120 basis points in the three months that we were going up as a kind of a trajectory. But

basically, that is mainly in the modern trade and due to, first of all, some extra promotions we did after seeing in Q2 the dynamics in the segment and especially our market share was so poor.

As I said earlier, we understand a bit better the dynamics within the PET segment. You have a very low priced segment and then you have, if you like, the branded PET segment, as it seems now which keeps a strong share within that segment. And we are focusing more on that one because that's, of course, where our strength is with our brands.

<Q – Matthew Webb – Macquarie Capital (Europe) Ltd.>: Thank you. Sorry. May I just ask one very quick follow-up question on the first point. Should we therefore assume that if you were to achieve savings of above DKK 2 billion, I know you got this internal target of DKK 2.3 billion, that probably 100% of those incremental savings would therefore flow to the bottom line?

<A – Heine Dalsgaard – Carlsberg A/S>: You're right that if we are to achieve above the DKK 2 billion target, then a higher percentage of those benefits will flow directly to the bottom line.

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

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

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

Operator: Thank you. Our next question comes from the line of Carl Walton from UBS. Please go ahead. Your line is open.

<Q – Carl Walton – UBS Ltd.>: Yes. Thanks for the questions. Just to follow up on the Funding the Journey phasing, just to that point, if there were higher savings, you're saying obviously a lot more going to be dropping through. But in terms of when you are thinking about this originally, I think I was a bit confused on this as well that I thought there was going to be around 50%, even at kind of the DKK 2 billion or the DKK 2.3 billion.

But just to clarify for 2017, it's around DKK 1,200 million gross savings and the reinvestment is definitely below 50%. Obviously, that implies – I think if you are thinking about there being less reinvestment over the final year, that implies a significantly less net savings from the final year. Is that just right on the 2017, the DKK 1,200 million gross savings and below 50% reinvestment for 2017, just to check?

<A – Heine Dalsgaard – Carlsberg A/S>: That is right, yes.

<Q – Carl Walton – UBS Ltd.>: Okay. Perfect. And just in terms of the raised guidance, in terms of the phasing of investments, just to clarify that, it's because of the weak summer. The phasing has meant that you pushed back a lot of things timing-wise, and would now for more into 2018, early 2018?

<A – Heine Dalsgaard – Carlsberg A/S>: That is definately part of it, yes.

<Q – Carl Walton – UBS Ltd.>: Okay. Perfect. Just to clarify that. Thank you very much.

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

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

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Yes. Sorry, just to get back to the guidance, I mean, just to clarify. I mean, after Q2, I mean, not sort of much new has happened. I mean, we also talked about sort of

DKK 2 billion from Funding the Journey and the weather, if anything, has been probably worse than you could expect, I guess. What is really driving this profit upgrade? If you could maybe elaborate a bit more, give more details on that?

And then secondly, if you could talk about, more about where you are in terms of the reinvestments compared with the original plan. Are you on track, are you ahead, or are you behind that? I guess, given phasing, you are a bit behind. Yeah, and then I have one more question.

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

<A – Heine Dalsgaard – Carlsberg A/S>: So, why do we change our guidance in terms of Funding the Journey benefits? AS said before, we are now nearly two years into the programme, assessing it, things are progressing well and they are delivering solid results. Funding the Journey, and in particular the link to SAIL'22, is really being embraced by the entire organisation. That is why we now feel comfortable with around DKK 2 billion versus previously DKK 1.5-2 billion. And that's really why we now also feel comfortable to upward adjust our earnings outlook to 7% to 8% versus previously mid-single digit. So it has to do with Funding the Journey and it has to do with the fact that Funding the Journey is well progressed and is continuing to deliver solid results.

Then with regards to your question on phasing on reinvestments, you are right that due to the PET downsizing and due to the weather, in particular, during summer in Western Europe, we did decide early on to play safe and that is why there is an element of postponement, as Cees also said, in our reinvestments from 2017 into 2018. We do definitely continue to invest as we find it appropriate. So, there is a phasing effect on this, you're right.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Does this also mean that the positive volume effect, or at least positive growth on top line, that we should see from the reinvestments also is maybe going to be little bit delayed in terms of your original plan?

<A – Heine Dalsgaard – Carlsberg A/S>: No. It's boradly in line with our expectations. As said, a lot of the initiatives we are investing in here, you can't see any immediate sort of top-line effects. It's more medium to longer term. So, no, you can't say that.

<Q – Søren Samsøe – SEB Enskilda (Denmark)>: Okay. And then, finally, a question on China where you have very good double-digit revenue growth and it's driven by a premiumisation. Just wondering, is it fair to assume that this growth then is margin accretive?

<A – Cees 't Hart – Carlsberg A/S>: Yes, it is. We are growing in the added value segment. To give you a few figures on that one, the premium brands grew by 15%, 1664 Blanc by 38% in Q3, Tuborg by 16%, and these are high-margin brands. So, the answer is yes.

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

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

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

<Q – Hans Gregersen – Nordea Bank AB (Denmark)>: Good morning. Four quick questions, reinvestments, am I right to understand that overall reinvestments for the full Funding the Journey programme will be lower than previously anticipated? Secondly, you mentioned ZBB/operating cost management. Can you

give a status on where you're on that as you previously were arguing, you have been slightly behind schedule at least in Western Europe? Thirdly, if I understood correctly, Heine, you mentioned there would also be a positive cash flow generation in the second half. Just to confirm that.

Finally, A&P, you mentioned at the CMD that you would see some price benefits or lower purchasing prices that was not a part of the programme. How much of that have you gained? And I also would like to confirm whether your share of voice has been confirmed in the quarter. Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Heine?

<A – Heine Dalsgaard – Carlsberg A/S>: So, first of all, the reinvestment part, Hans, so the full programme is still expected to deliver in absolute numbers absolutely as much as expected. The thing that has changed, which is not new to us, we've said that all along is the relative part of the reinvestments. So, we've said, the closer we get from the DKK 1.5-2 billion, the higher the EBIT effect. If we were to go above DKK 2 billion, then the EBIT effect, relatively speaking, would be even higher. So, that's the first part.

The second part of your question, Hans, around zero-based budgeting, we call it OCM. In Carlsberg, how is that progressing? You're absolutely right that we have previously stated that we have seen a slow sort of embracement in Western Europe that is completely gone now. We see Western Europe embracing these initiatives just as well as the rest of the organisation and we do see the benefits coming through across the line, which also is part of our upgrade logic.

Cash flow 2017, we don't comment specifically on the split between the quarters and the half years, but you can expect for the full year a slight positive effect from cash flow [*corrected: working capital*]. In terms of marketing spend in A&P, Cees?

<A – Cees 't Hart – Carlsberg A/S>: Yeah. Thanks, Heine. If I understood your question well, it was about the share of voice. I don't have the report on share of voice for the quarter three. What we did is we dampened our support a bit during Q3 because of the bad weather. In terms of investments as a percentage of net revenue, it's more or less the same for the quarter three. And the good thing is that we see a continuation of our market shares. So, we kept our market shares, except for the UK. I hope that answered your question?

<Q – Hans Gregersen – Nordea Bank AB (Denmark)>: No, because you said at the CMD that you made some price benefits in renegotiating major purchases that was not a part of Funding the Journey. So, have those been reinvested which would suggest that you actually increased your A&P activity?

<A – Cees 't Hart – Carlsberg A/S>: [indiscernible] (27:39). Ah, no - That will come next year, Hans. So, that's a new contract, we just started with Initiative media, and the fruits of that negotiation coming in the 2018 and later.

<Q – Hans Gregersen – Nordea Bank AB (Denmark)>: Thank you.

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

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Good morning, gentlemen. Three questions if I may. Just the first for Heine, as your business shifts more towards Asia, can you just remind us what impact that has on your tax rates, whether that's favorable or not? Then the second one is how big is wheat beer as part of your portfolio right now in China? And some of your competitors now have launched wheat beer

extensions on their mainstream portfolio in China. Are you looking to do that and go beyond Kronenbourg 1664 have you for that matter?

And then the third bit, in Russia, it seems a bit of a white-knuckle ride as you're hoping that competitors will follow with pricing, what if they don't? It seems like Heineken just launched into economy and got some growth. Efes continues to have a volume strategy, what happens if they don't follow over the next 12 months? Thank you.

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

<A – Heine Dalsgaard – Carlsberg A/S>: Sure. Hi, Tristan. And thanks for the question. So, as more profit goes towards Asia, that does have an effect on the tax rate. But it's really difficult on Asia, as we've discussed before, to talk about an average. So it really depends within Asia, which country it is. It really depends on the split between the different countries in Asia. As we've said before, we have some inefficiencies, tax and legal-wise in some markets in Asia. China is one of them. We're working on optimizing that simply by consolidating and working on a lot of different other tax initiatives. So, you can't say that the more Asian profit we have, the worse it is for the effective tax rate. It really depends on the split per country.

<A – Cees 't Hart – Carlsberg A/S>: Then Tristan, with regard to wheat beers, I agree with you, the wheat beer category is growing and we are currently tapping into the trend very successfully with the 1664 Blanc. What we said earlier, the Q3 was 38% for 1664 Blanc; year-to-date even 46%. So, in that respect, we are successfully tapping into that trend. In addition, we now have some other options to strengthen our position in that segment, and that will materialise in 2018.

With regards to what happens if the competitors don't follow our strategy, well, what I said earlier, we are facing the consequences of our value-enhancing approach so far. We have increased significantly our margin, but lost volume and share. Again, the competitive promo and pricing pressure is not easy. We have improved our understanding of the PET landscape. We are now planning to regain ground. We did that already a bit in Q3, and we are now making our plans for 2018. And these – basically these are scenarios. So, we are straightforward moving further with our value focus but, at the moment, the competition is doing that or will not follow, we have scenarios.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: Okay. Thanks, Cees. Just a follow-up on the wheat beer, what share of that is that now of your portfolio in China?

<A – Cees 't Hart – Carlsberg A/S>: That's what I don't know. What I know is that our total premium of which we are part of, is 23% of volumes and 35% of net sales, and that's increasing in our portfolio.

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

<A – Cees 't Hart – Carlsberg A/S>: I just got it from Peter; it is 1% to 2%.

<Q – Tristan van Strien – Redburn (Europe) Ltd.>: 1% and 2%.

<A – Cees 't Hart – Carlsberg A/S>: 1% to 2%. Yes.

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

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

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

<Q – Olivier Nicolai – Morgan Stanley & Co. International Plc>: Hi. Good morning. I've got a couple of questions. First of all, just to get back to the pricing on PET in Russia. You said, I think, previously that there was a 30% discount for some of your competitors' product to – compared to yours. Could you give us an update on this data today?

Second question is on India. You said in your press release that obviously Q3 was affected by disruptions from the highway ban. Do we expect still some disruption in Q4 or is it completely done? And just lastly, could you give us an update on the big city strategy, please? Thank you.

<A – Cees 't Hart – Carlsberg A/S>: Okay. Olivier, thank you very much. With regard to the PET, the price premium in the market has not changed. So, our colleagues were there a few weeks ago and they did an extensive trip and market investigation. We see very different price points even in the same cities. So, it's a bit patchy. But in general, what we read from the news and figures is that it's still roughly 30%. So, that's where we are at this moment of time and that has not changed.

With regard to the India highway ban, what we see is that slowly, slowly, the number of outlets that are active again is increasing. I was, well, early this week in Mumbai and I could see this with my own eyes, basically the distribution is back but obviously Mumbai is not India. We have a list which we have every month updated what the distribution in the outlet is and we see that increasing but we still feel that in Q4 there can be an impact of the highway ban on our figures. And then...

<Q – Olivier Nicolai – Morgan Stanley & Co. International Plc>: On the big cities?

<A – Cees 't Hart – Carlsberg A/S>: Big cities. Sorry. Yeah.

<Q – Olivier Nicolai – Morgan Stanley & Co. International Plc>: Yeah.

<A – Cees 't Hart – Carlsberg A/S>: Big cities. As we said earlier, we are making a test. And we have started in two cities now and we will update the market, I guess, around May with the first findings of our test. I would like to basically repeat that we see big cities as a slow burner for the top and the bottom line. We see obviously much faster impact on our results with the focus on alcohol-free beer and craft & specialities, but for the longer term, this is an important initiative as well for the kind of learnings, we will get out of these markets because we go there – we go into these markets in, well, we try to be disruptive. Learn from that and maybe are able to apply some of the results and learnings in our own markets.

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

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

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

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: Yes. Good morning. Thanks for the question. Two from me. First of all on your speciality and craft portfolio that accelerated in the third quarter compared to your growth rate in the first half of the year. Can you elaborate a bit on what's driving that? Is there a specific region or specific new products that you brought to the market?

And then the second question is on Vietnam. You mentioned that a couple of the measures of the new management team are starting to have a positive impact on the business. Can you also elaborate a bit there, what's happening, what's changing?

<A – Cees 't Hart – Carlsberg A/S>: Okay. Thank you very much. Craft and speciality is basically that we have started off and indeed we see an acceleration. A lot of that comes from China. I don't want to repeat the figures, but I mentioned these earlier, but these are the kind of figures that indeed drive our Q3 results as well. However, we see this across the markets where we started to invest in craft and speciality. So, that's encouraging news for our SAIL'22 programme.

With regards to Vietnam, yeah, we have new management, and we got the discipline back into the market focusing on the distribution points, focusing on pricing and price discipline, making the right calls in terms of portfolio, support levels, so basically that's where we are in Vietnam, and we hope for a better 2018.

<Q – Richard Withagen – Kepler Cheuvreux SA (Netherlands)>: And is there anything new to mention on Habeco, Cees?

<A – Cees 't Hart – Carlsberg A/S>: There is not a lot to be said there. Basically, where we are is where we were before quarter three. So, basically, we are supportive of the government's privatization agenda. We wish to serve as a partner for the government and we're still negotiating. It's a substantive and legally complex process. We look forward to continuing our positive conversation with the government, and Habeco on this topic. We're doing it already now for the last four or five months. And we see every time again new deadlines from the government and the last one is by the end of November. So, we're working towards that.

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

<A – Cees 't Hart – Carlsberg A/S>: Thank you. We have time for one more question.

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

<Q – Mitch Collett – Goldman Sachs International>: Hi there. And I just wanted to come back to Funding the Journey and reinvestment. So, I think you've made it very clear the 85% of the Funding the Journey savings will have been achieved by the end of 2017. Can you give a figure for the absolute cumulative level of reinvestment by the end of 2017?

And then, secondly, I think you said marketing should be flat this year. I think I got the impression from the Investor Day that about 70% of the reinvestment would be put into marketing. Given that it's going to be flat this year in terms of marketing spend, is that still the right weight behind marketing, or perhaps is the reinvestment going elsewhere? Thanks.

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

<A – Heine Dalsgaard – Carlsberg A/S>: Yes. So, let's start with the last one. You're right in your assumption, but it doesn't change the fact how we look at marketing spend. Marketing spend and marketing cost relative to revenue for 2017 are expected still to be broadly in line with 2016.

In terms of the reinvestment part, you are right that 85%, as said, of the total benefits will be delivered by the end of 2017. We do not comment specifically as to how much the reinvestments will be by the end of 2017. We'll come back to that once we report on 2017 in February 2018. Just be aware that the one factor you don’t have is what to multiply the 15% with for 2018. And that, of course, is something that we also will come back to in February when we give the guidance for the full-year 2018.

<Q – Mitch Collett – Goldman Sachs International>: Okay. And maybe to ask a related question, I mean, should we be expecting growth in profit over and above SAIL’22 during 2018 or not?

<A – Heine Dalsgaard – Carlsberg A/S>: No. We said all along that the total programme is going to be what is delivering 2016, 2017, and 2018. You can expect growth in our profit in 2018, and you can expect that we will continue to reinvest back into the business.

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

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

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

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. Bye-bye.