Carlsberg Full Year Results 2012
Carlsberg A/S
CEO Jørgen Buhl Rasmussen
CFO Jørn P Jensen
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Operator: *Welcome to the Carlsberg Full Year Results 2012 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.*

I will now turn the call over to your host, CEO Jørgen Buhl Rasmussen. Sir, you may begin.

Jørgen B. Rasmussen: Good morning, everybody, and welcome to our 2012 Results Conference Call. My name is Jørgen Buhl Rasmussen, and I have with me our CFO Jørn P. Jensen and Vice President of Investor Relations Peter Kondrup.

The headlines for 2012 are: Western European markets remained challenging, while we saw better market dynamics in Eastern Europe and continued strong growth in Asia. We continued our focused commercial agenda and delivered strong market share performance across all regions. We delivered positive price/mix driven by growth of our international premium portfolio and the continued rollout of value management tools. Operating profit was in line with guidance while our adjusted net result grew 6 percent, slightly higher than expected, and then strong operating cash flow driven by strong trade working capital improvements. After a summary of our performance for the year, I will go through the regions and after that Jørn will walk you through the numbers, outlook, and our new financial targets and thereafter, as always, happy to take your questions.

And slide three please. Total market development was mixed between regions. For the year, we delivered strong market share performance in all three regions, with a particular strong performance in Western Europe and Asia. It is also very satisfying that the changes implemented in Russia in 2011 started to pay off in 2012 with a strong positive market share trend. Our share performance across the regions has been driven by recent year successfully focused efforts and investments in the commercial area, driving both value and volume share in all markets. Important elements of the commercial agenda have been the further development and rollout of best practice tools. Our international premium brands performed very well. The Carlsberg brand grew 8% in its premium markets, supported by the successful activation of EURO 2012, and the Tuborg brand grew 6% due to the rejuvenation of the brand early in the year with a new campaign which included a new tagline, new visual identity, and new communication. The rollout happened in major markets such as China, India, and Russia, and all with very good results. We also continued the rollout of Kronenbuorg 1664, Grimbergen, and Somersby in new markets in all three regions. Grimbergen was launched in nine new markets and delivered solid double digit growth. Somersby was launched in 15 new markets and is now available in 35 markets globally, and the brand became the fastest growing among the top 10 cider brand globally in 2012. Kronenbourg 1664 grew in France as well as outside France, with particular good performance in markets

such as Russia, Denmark, Canada, and several Asian markets. We also continued to invest in and drive our local power brands. It is a core part of our commercial strategy to balance our focus and investments between international premium brands and local power brands.

And now slide four please. Group organic beer volumes were flat for the year as well as for Q4. Volume development was distorted by destocking in Russia in Q1 of 1.5m hectolitre and less stocking in Q4 2012 compared to Q4 2011 of half a million hectolitre as well as stocking in France in Q4 and then the suspended production in Uzbekistan. Adjusting for this, volumes grew by estimated 1% driven by market share growth as well as Asian market growth. Western Europe grew slightly driven mainly by Poland, while Eastern European volumes declined due to stocking movements and Uzbekistan.

And now slide five please. Organic net revenue growth was 3% supported by positive price/mix for beer of 3%. Operating profit for the year was flat, in line with our guidance. Organically, operating profit declined by 5%, impacted by the stocking movements and suspended production. Having adjusted for these events, organic operating profit would've declined by an estimated 1 to 2%. Q4 showed particularly strong operating profit growth of 14%, mainly due to strong earnings improvement in Eastern Europe and also continued strong earnings improvement in Asia. The acquisition impact on net revenue and operating profit related to our Asian acquisitions, in particularly the increased shareholding in Laos in 2011. The positive foreign exchange impact related to Asian and Eastern European currencies mainly from Russia and Ukraine.

And now to slide seven please and a few comments on the regions. Challenging consumer dynamics and bad weather during the summer impacted the Western European beer markets. The overall market declined by an estimated 1 to 2%. Excluding a continued strong Polish market, the market decline was around 3%. The market development was mixed, ranging from a solid 5% market growth in Poland to high single digit decline in some of the smaller Southern European markets. In this challenging environment, we grew our Western European volumes and achieved 1% organic beer volume growth. Compared to the estimated 1 to 2% overall market decline, we outperformed the markets and grew our regional market share by approximately 40bp. This strong performance was driven by our continued focus commercial agenda in recent years that includes development and rollout of value management tools, product launches, and a balanced focus on and investment behind our international premium brands and also local power brands. In addition, the strong execution of EURO 2012 supported the good performance of the Carlsberg brand in addition to our local brands. Organic net revenue for the region grew by 1%. We implemented price increases in most markets in the region. Although we continued to see a negative country mix and a challenge shift from on trade to off trade, price/mix was 1% for the year. Revenue growth and price/mix was slightly stronger in Q4 mainly due to stock building among our customers in France ahead of the 160% excise tax increase in January 2013 and less strong growth in Poland. We maintain our strict cost management and continue our efficiency improvements. Nevertheless, operating profit declined organically by 6%, impacted by higher input cost and the bad weather, which resulted in us not achieving the expected uplift in sales during the summer. Despite stock building in France, operating profit declined in Q4 impacted by higher input cost, lower volumes, excluding stock building in

France, and tough comparison to historical strong performance in Western Europe in Q4 last year.

And now slide eight please, and a few country-specific comments. In the Nordics, we delivered very solid market share performance and gained market shares in Norway, Sweden, and Finland while we lost in Demark, although the trend improved during the year and our market share increased in Q4 in Denmark. The market share improvements in the Nordics were driven by strong commercial execution and the use of best practice Group tools. A few recent examples of some of the ongoing efficiency programmes that we constantly run across Western Europe were the decision in Norway to move into one-way packaging for CSD, in Denmark to simplify admin and on- and off-trade sales structures, and in Sweden to establish one central warehouse. The Polish business delivered strong results with almost 15% volume growth in a market growing by 5%. Our Polish volume share grew by 90bp to 17.5% with an even higher value share growth. The strong performance was supported by an excellent execution of EURO 2012, a very successful launch of Somersby, and a solid performance of both the Carlsberg brand and our regional brands. Our U.K. volumes declined 3% in a market declining by 5% as the bad weather during the summer more than offset the positive impact of the Diamond Jubilee and the European Championship. Mainly driven by good performance in on-trade, our market share improved by 30bp to 15.3%. We recently signed a three-year sponsorship of Premier League, which will be an important platform for further strengthening of the Carlsberg brand in all our regions. The French market was flat. Our total market share in France declined as solid performance of 1664, Carlsberg, and Grimbergen in super premium and premium was not enough to offset lower volumes of the mainstream and economy segments. Our shipments in France grew slightly for the year, with particular strong growth in Q4 as customers stocked up ahead of the 160% tax increase in January 2013. This gave our French business a very strong finish to the year with a positive impact on operating profit of some 90m. We increased prices in January 2013 to offset the tax increase.

And now slide nine and Eastern Europe. The Eastern European beer markets were flat for the year. Our organic beer volume decline was 6%, explained by the stocking movements in Russia and the suspended production in Uzbekistan. Organic net revenue for the region grew by 1% with 2% growth in Q4. We delivered a very solid price/mix improvement of 7% as we continued to increase prices across all our Eastern European markets. Operating profit was distorted by Russian destocking and the suspended production in Uzbekistan, which together impacted profit negatively this year by an estimated 400m. Adjusted for this, organic operating profit would've increased by an estimated 6%. Organic operating profit declined 3%. Q4 profits grew strongly by 40% due to positive price/mix and phasing of sales marketing investments, as these contrary to last year were skewed more towards the first half of this year. Operating profit margin declined marginally to 21.3% due to higher input cost and higher logistic cost as well as the events mentioned previously.

And now turn to slide 10 and some additional comments on Russia. The Russian beer market was flat for the year. The market grew slightly in the beginning of the year benefiting from pre-election income increases and low inflation. In the second half, the market declined slightly as the positive benefits of the pre-election income increases levelled off and as a shorter-term transitional

disruption occurred following the closures of non-stationary outlets ahead of the sales restrictions in January 2013. We estimate that approximately one-third of the non-stationary outlets have closed. Underlying, the Russian economy and consumer environment continued to be positive. Our in-market sales or consumer off-take grew by 2% with a flat development in Q4. Our shipments declined by 4%, but adjusted for destocking movements, our shipments were broadly flat year-on-year. During 2011 and 2012, we implemented many commercial and organisational changes within our Russian business. Of particular importance are portfolio optimisation by type of outlets, complexity reduction, channel marketing, value management, structural and people changes. Our market share performance in 2012 clearly indicated that these initiatives started to bear fruit. Our full year market share was flat at 38.2% and, more importantly, was back on a positive trend line. Our Q4 market share improved by 110bp year-on-year, though with a slight decline compared to Q3. We have a very focused brand agenda in Russia. Within the super premium category, the largest international premium brand in Russia, Tuborg, delivered solid growth following the rejuvenation of the brand earlier in the year and the introduction of the 3G bottle. Kronenbourg 1664 was the fastest growing brand in our portfolio. And within mainstream, the Baltika and especially Zatecky Gus brands performed very well while Baltika 7 in the premium category lost some share due to the disruption following the closure of non-stationary outlets. Our price/mix was 5%. The positive pricing was driven by price increases in November 2011 and in March, May, and August to cover the duty increase and higher input cost. Another price increase was implemented in October to offset part of the RUB 3 duty increase in January 2013.

And now slide 11 and a few comments on our Ukrainian business. The Ukrainian beer market declined slightly with worsening dynamics in the second half of the year due to a slowdown of the Ukrainian economy. For the sixth year in a row, we increased our market share in Ukraine. Following the strong performance in recent years, Ukraine has now become our third largest market by volume. The 20bp market share improvement this year was mainly driven by good performance of the local power brands Lvivske and our Baltika brands in combination with superior execution. The EURO 2012 was an important event for our Ukrainian business. The event was successfully activated with positive results for both our international premium brands and the local power brands.

And now slide 12 and Asia. Our Asian business delivered another year of outstanding performance. Most markets in the region grew and we continued to gain market share across the region as we maintained a high level of commercial activities, including innovations, revitalisation of local brands, and rollout of our international premium portfolio. The Tuborg brand did particularly well with more than 60% growth following the launch in China and rejuvenation in India. The Carlsberg brand grew 7% following activations focused around the Chinese New Year and EURO 2012. Furthermore, we continued the rollout of our international brands, including Grimbergen, Somersby, and 1664 Blanc in new markets. In addition to commercial activities, we also continued to invest in building capabilities in our commercial organisation. The region achieved 9% organic beer volume growth and 19% growth including acquisitions. Asia now accounts for 21% of Group beer volumes. We saw particularly strong organic growth in markets such as India, Cambodia, Vietnam, Laos, Nepal, and Malaysia. Volume growth slowed down to 4% in Q4, mainly due to bad weather in China. Organic net revenue grew 19% driven by volume growth, price increases, and our

premiumisation efforts which led to very solid growth of our international brands as well as successful premiumisation efforts for our local brands. The region continued to deliver strong profit growth. Organic operating profit grew by 12%. Including acquisitions and currency impact, operating profit grew by 31%. On top of the strong organic growth, we continued to expand our Asian business. Early in the year we signed an agreement to establish a new brewery in the Yunnan province in China. We acquired a brewery in India and started construction of brewery number seven in the country. And finally in Q4, we increased our shareholding in the Chongqing joint venture. In addition to this, we took further steps to increase our presence in Asia. We announced a joint venture with Singha enabling us to further accelerate the Carlsberg brand penetration in Thailand and just recently we also have announced that we will enter the very exciting market of Myanmar in cooperation with a local partner.

And now slide 13 please and a few country-specific comments on Asia. Our Chinese volumes grew organically by 4% in a market that grew by an estimated 2%. The Chinese beer market was impacted by bad weather and slightly lower overall growth. Our Chinese market share grew slightly, driven by our international premium brands with solid performance of Carlsberg Light and Carlsberg Chill and excellent results of the Tuborg brand, which was launched early in the year. Our Chinese price/mix was very strong at 10% due to premiumisation efforts of local brands and a strong growth of the international portfolio. Indochina continued its strong growth with 18% organic beer volumes growth driven by all countries - Vietnam, Cambodia, Laos, and Thailand. Including acquisitions, volumes grew in excess of 50% in Vietnam and Laos. The strong performance in Indochina was mainly driven by our local power brands, with particular strong performance of Huda in Vietnam, Angkor Beer in Cambodia, and Beerlao. In India, organic volume growth was close to 45% and we exceeded now the 1m hectolitre mark. Our market share grew more than 100bp and exceeded 7% driven by strong performance of Carlsberg and Tuborg. Tuborg became the largest international premium brand in the country. We continued to expand our footprint in India and acquired a brewery south of Delhi and started construction of our seventh brewery, a half million hectolitre brewery in the Bihar state. Our business in Malaysia and Singapore performs well. We continued to drive a commercial agenda with a clear aim to further premiumise our portfolio.

And now with this, I would like to hand over to Jørn who will walk us through the financials.

Jørn P. Jensen: Thank you, Jørgen, and now please turn to slide 15. For 2012, operating profit was in line with guidance. Adjusted net profit growth, i.e., adjusted for special items after tax, grew by 6%. This was slightly higher than expected at the beginning of the year and was primarily driven by lower financial expenses as we have reduced our average funding rate. We continued our focus on driving profits and cash flow. In 2012, we improved cash flow significantly. Operating free cash flow grew 13% driven by very strong improvements in trade working capital, and free cash flow in total grew by 50% impacted positively by the disposal of the Copenhagen brewery site. Despite the substantial investments in Eastern Europe and Asia and our structural changes of growth, we managed to keep net interest-bearing debt and financial leverage unchanged. Finally, the Board will propose to the AGM a 9% increase in dividend to DKK 6 per share.

And please turn to slide 16 for the income statement. As you can see in the table, organic net revenue was up 3%, or 1.8bn. Organic COGS per hectolitre was up 4% in '12, in line with our expectations. The poor harvest in Eastern Europe in '11 was the key contributor to this development. Throughout the year, we were successfully offsetting the increase in COGS through higher sales prices, a better mix, and continued efficiency improvements which meant that organic gross profit ended the year being up by 3%. Nevertheless, gross profit margin declined organically by 40bp. Reported gross profit margin was 49.7%. Total opex including brands marketing was up organically by 924m. The increase was due to a number of things which were mainly growth in Asia, higher logistics cost and trade marketing costs in Eastern Europe, primarily Russia. Our efforts to increase efficiency and reduce the cost base throughout the business is and will remain a key priority. The rollout of the integrated supply chain and business standardisation project beginning in Sweden in April will be a very important lever in our continuous efficiency journey. All in all, operating profit was 9.8bn, which was in line with 2011, but with an organic decline of 455m. Adjusting for the stocking movements and the suspended production, the underlying organic decline would've been 1 to 2%.

And now to slide 17. Special items were plus 85m. They were positively impacted by 1.7bn from the sale of the brewery site in Copenhagen in Q2. The main costs in special items in 2012 of which a significant part was booked in Q4 were impairment of the smaller and no longer needed brewery in St. Petersburg, restructuring in Norway as we're moving into one-way packaging, an impairment of Carlsberg Uzbekistan, and a JV in Northern Germany. Generally, special items relate to the many restructuring initiatives in the business, and you can find a full description in note four in the announcement. Net financials were down 246m compared to last year. Interest charges were down 184m as a result of a lower average funding costs. Other financial items were minus 212m, which were 162m better than last year and related to currency movements and fair value adjustments. All in all, net profit was 5.6bn, up 458m from last year. Adjusted net profit, or clean net profit, was 5.5bn against 5.2bn last year.

And now to cash flow on slide 18. The sum of the first three lines, EBITDA including other noncash items, adds up to 14.1bn, an increase of 231m. Driven by our relentless focus on reducing average trade working capital, we delivered yet another strong improvement in 2012 as average trade working capital to net revenue improved to 1% compared to 1.9% end of '11. The improvement in trade working capital was 852m. All in all, cash flow from operations was 9.9bn, an improvement of 1.1bn versus last year. Capex was 500m higher than last year. The increase was driven by investments in sales as well as capacity expansion in Asia to drive the future growth of the Group. All in all, that resulted in a 13% improvement in free operating cash flow.

And now slide 19 please. Net acquisitions amounted to minus 791m and were mainly related to acquisition of associates, including increased ownership in the JV in Chongqing. The very positive cash flow from real estate was the proceeds from the sale of the brewery site in Copenhagen, which had a positive cash flow effect of 1.9bn. So all in all, free cash flow was 5.9bn, up 2bn from '11. Net interest-bearing debt at the end of '12 was 32.5bn. This is at last year's level as the 5.9bn free cash flow was offset by dividends of 1.1bn and the buyout of minorities of 4.9bn of which Baltika amounted to 4.3bn.

And now to slide 21 and our 2013 outlook. For 2013, we anticipate that the beer markets in our three regions will follow the same trends as we saw for '12. We expect flat costs of sales per hectolitre in DKK with limited variations between the regions, i.e., in organic terms a low single digit increase. To elaborate a little further on Eastern Europe, we are budgeting for lower barley/malt cost for '13 for Eastern Europe, although we expect that we will still have to import part of our Eastern European demand again due to some quality issues with the harvest in '12. The benefit from lower barley or malt cost will however be more than offset by higher costs of other categories, keeping cost of sales in total in Eastern Europe at a high level. A&P to net revenue is expected to be flat versus '12. We will in '13 start rolling out the supply chain integration and business standardisation project. This is one of the largest and most operational important changes we have ever done. It will be a key enabler for our transformation of our Western European operating model where all procurement, production, planning, and logistics across the region will be centrally managed, supported by standardised processes and data and full transparency. The project will go live in Sweden in the spring and then followed later by Norway and the UK. We plan to spend 300-400m in implementation costs in '13 related to this. These costs will be booked in operating profit with the majority being in Western Europe. As a result of our refinancing efforts, we expect our all-in interest rate to decline by 50 to 75bp. Tax rate is expected to be 24 to 25% and capex at last year's level. Finally, as usual, we assume a devaluation of the Russian rouble to the euro to an average for the year of 42 corresponding to the forward rate. In conclusion, we expect an operating profit at around 10bn and a mid single digit percentage increase in adjusted net profit or clean EPS.

And now slide 22 please. During '12, we updated the Group's strategy to give it an even sharper focus. The strategy revolves around brands, customers, efficiency, reputation and CSR commitment, and our people. Performance and achievements against the strategy will be measured using a wide range of KPIs, which are embedded in incentive schemes throughout the organisation. The updated strategy impacted our medium-term targets. We remain firm in our ability to constantly improve profitability. However, the margin targets have proved difficult to use as internal and external performance targets at several events both within and outside of our control have and will continue to impact margins, for instance, cost related to the integrated supply chain and business standardisation project and the still volatile input costs in Eastern Europe. Consequently, we have removed the medium-term targets and replaced them with what we believe is a clear and a simple metric that reflects the Group's intentions of generating long-term value. Based on our view of our regional beer markets and our ability to drive volume and value growth in the category and continuously improve efficiencies, we believe the Group is capable of generating sustained long-term operating profit and earnings per share growth. This is expressed in two external communicated financial ambitions. Driven by all the ongoing changes we continue to implement in Western Europe, we have an ambition of improving operating margin by an average of 50bp or more per year for at least the next five years. For the Group, our longer-term ambition is to deliver average growth in adjusted underlying earnings per share of more than 10% per year. As both targets are average, there will of course be years where we beat the targets and years where we will come in below. Both targets reflect our growth opportunities and all the opportunities we have are constantly improving internal efficiencies.

So Jørgen, back to you for a final comment.

Jørgen B. Rasmussen: Thank you, Jørn, and that was basically all for today. But just to summarise the Group's 2012 performance, I would say we delivered strong market share performance across all regions. We delivered very solid price/mix driven by growth of international premium brands and rollout of value management tools. 2012 operating profit was in line with guidance, with adjusted net result growing slightly more than expected. Free operating cash flow grew 13% driven by strong trade working capital improvements. And 2013 will be a year where we initiate a step-change of our Western European business model. And finally, we have set new clear longer-term financial ambitions.

And with this, we're happy to take your questions.

Operator: *Thank you. We will now begin the question-and-answer session. If you have a question, please press star then one on your touchtone phone. If you wish to be removed from the queue, please press the hash key or the pound sign. If you're using a speakerphone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question, please press star then one.*

Ian Shackleton from Nomura is online with a question.

Ian Shackleton: Yeah, good morning, gentlemen. **I wonder if you could just talk a little bit around your net profit guidance because it does look quite low relative to your EBIT guidance and I think we were assuming there will be a benefit from the buying of the Baltika minority interest this time. You've indicated there's lower interest and obviously you've indicated EBIT will be up around the 2% level. What are we missing? Why is that earnings' guidance not a little bit higher?**

Jørn P. Jensen: I don't think you're missing anything. If you are using those assumptions, you just mentioned yourself, I would assume that you will get close to our EPS guidance. One... I don't know what you have on minorities, but of course, yes, there is a significant improvement on minority charges due to that we no longer expense anything on Baltika of course. On the other hand, there is very good growth in, for instance, Laos, which is now fully consolidated but with a big minority and in Malaysia unchanged minority as such, but good growth in those two markets in Asia which of course increases the minority charges coming from Asia. But you should, with what you just said, more or less get to our mid-single-digit EPS guidance.

Ian Shackleton: **But just a follow-up. I mean you talk about the market dynamic being similar in 2013. When we think about Russia, does that mean you're thinking about a flattish market, but we've still got quite good price/mix?**

Jørgen B. Rasmussen: Basically yes. We are for Russia and it's driven by what we see being the kind of short-term disruption from all the non-stationary outlets and the closure of those. A flattish market we think is likely and flattish could be slightly growing. It could be flat, but that's where we see the Russian market being next year - or this year 2013. And price/mix, more of the same as well as we saw in '12.

Ian Shackleton: **Just finally, you've obviously previously had the Eastern European medium-term margin target 26 to 29, and I understand why you're moving**

to different targets, but is that type of margin recovery, is that still realistic in the medium- to longer-term?

Jørn P. Jensen There's no doubt that our ambition is of course as it is for all regions and all markets to constantly improve our profitability. But we have also decided not to use those guidance or those guidance numbers and operating margins because it is, especially as you know for Eastern Europe, it is just very volatile. Two years ago, a few years ago, it was 30%. Then due to a very sharp increase in input costs, it was down to a little more than 20, so it is just very volatile, and we don't find that it is ideal to guide on those relative margins.

Ian Shackleton: Very good. Thank you.

Operator: Adam Spielman from Citi is online with a question.

Adam Spielman: Hi, thank you very much. **A couple of questions. And first of all, please, if I can just dig a little bit deeper into what Ian was asking. So talking about Eastern Europe, in 4Q, price/mix was only 4%, and that was despite the price increase in Russia in October. And I was just wondering what does that tell us about - - how should we think about that projecting forward? Was there anything special about that? I suppose that's one question. The second question is: You said on Russian input - - or Eastern European input cost, you said there were some big offsets or some offsets to the decrease in the average barley price, and I was just wondering if you could talk about that, please. And then thirdly, if you can just talk about underlying trends you expect in France, obviously excluding the stocking impact that we will have seen around January.** Thank you.

Jørgen B. Rasmussen: If I start with your first question, the pricing in Russia, I would say first of all, don't see Q4 being different to what you see for the full year. It's all linked to the phasing of the different price increases. And in a place as Russia, we had many in '11 and we have many in '12, so the difference in timing in terms of price increases can give different numbers, especially when we start looking at it by quarter instead of a full year trend. So if we look at pricing trend and mix trend for this year, for last year '12 being probably very much what we will also in 2013, so we don't see a significant difference in Q4.

Adam Spielman: **That would be the 7% annual figure?**

Jørgen B. Rasmussen: It will be kind of mid-single-digit is probably a fair assumption.

Adam Spielman: Yeah, thank you.

Jørn P. Jensen: On input costs, as we're saying, it is in DKK, it is basically flat versus '12. So when it comes to barley assumptions in Russia, yes, we are seeing barley prices being slightly down far, far less than what they would have been had everything been kind of normal. So unfortunately in '12, we again had some quality issues. It was not at all as in '11, but we had some quality issues, which means again that we have to import a smaller proportion of our needs in total for '13. We have the, as you know, the wheat price going up quite a lot globally, which is kind of a floor price for barley. So in spite of supply being higher, it's not significantly higher than it was the year before, the price did not decrease as much as it in principle should have.

Adam Spielman: Yep.

Jørn P. Jensen: So, yes, lower but not as low as we would have hoped for and not as low as we planned for early in the year, but that was how it played out. So it is definitely still so that input cost in total is at the high level again in '13.

Jørgen B. Rasmussen: And your last question about...

Adam Spielman: **Sorry, on the input, what are the things that went up? Because obviously barley went down, you said not as much as planned, but something obviously went - - is going up.**

Jørn P. Jensen: Packaging. Packaging, yes.

Jørgen B. Rasmussen: And some of the other raw material costs.

Jørn P. Jensen: Sure, but packaging being the most important.

Adam Spielman: Sorry to interrupt.

Jørgen B. Rasmussen: No, it was France, yeah. France underlying trends. And I assume you're talking about kind of total market, correct?

Adam Spielman: Yep.

Jørgen B. Rasmussen: So based on the consumer price increase and the tax increase, we assume the market development for '13 in volume will be low-single-digit to mid-single-digit decline.

Adam Spielman: Thank you very much.

Operator: Søren Samsøe from SEB is online with a question.

Søren Samsøe: Yes, good morning, gentlemen. **First, a question regarding your new longer-term target of EPS growth above 10%, it seems a bit of a step down in information level, but of course I can understand the reasons behind it. But if you could just maybe give us a little bit more detail on where do we expect this EPS growth to come from, i.e., how much do you think will come from EBIT growth, how much from lower financial cost, and how much from acquisitions maybe? I don't know if you have thought that into the target, but maybe just elaborate, and maybe also if you could sort of region-wise say where the growth should come from over the next five years.** Thank you.

Jørn P. Jensen: I guess you can debate if it's a step-up or step-down in information. We also consider it to be an improvement to kind of give a longer-term target on net profit growth. But anyway, it is supposed to come from all regions. It's not assuming any acquisitions. It is primarily coming from EBIT. Of course there's a smaller impact also from deleveraging as such, but it is primarily driven by EBIT development, and then we do not break it down per region obviously.

Søren Samsøe: Okay. **And then I just had a question: In Russia, you say that Q4 was negatively impacted by the closure of non-permanent outlets. Should we also expect to see this in Q1 and Q2?**

Jørgen B. Rasmussen: I would say more broadly the second half in 2012, we started seeing kiosks and pavilions closing down, those being non-stationary, so second half was definitely impacted by that and, yes, we see that continuing into 2013. As we say in our release, we estimate about one-third of the universe has closed down by end 2012, so there's more to happen, so we'll see some impact on that also into 2013.

Søren Samsøe: **And any impact from the marketing ban that's maybe a more delayed impact? Do we see anything now or - - and do we have any problems with the new rule on using 80% malted barley yet?** Thank you.

Jørgen B. Rasmussen: No, I would say on all the regulation matters, what we are seeing is in line with what we have said in the past, very little if not no impact from marketing ban. There will be some short-term disruption from non-stationary outlet closure. And the 80/20 rule so far being in place in Russia; as you remember, the technical regulation, they're still discussing across the Customs Union a 50/50. Also, let's say, fully in line with what we expected. So everything around regulation, what we have said in the past, I would say what we're seeing is as we assumed.

Søren Samsøe: Okay, great. Thank you very much.

Operator: *Matthew Webb from J.P. Morgan is online with a question.*

Matthew Webb:: Hi, yeah, three questions please. **Firstly, I just wondered how big a benefit you would get from Eastern European input costs normalising. I don't expect you to put an exact figure on it obviously, but I mean would it be enough to have a significant positive effect on your regional margins? And also related to that, do you think that there are any structural reasons why you might be stuck with higher than historic costs in that region? For example, have the cost of converting barley to malt, you know, gone up versus a few years ago? The second question: Can I just be clear, on the 300-400m of costs you'll be incurring in Western Europe this year, are they permanent additions to the cost base or will they fall away over time? And then the third question is just on your dividend policy. I was surprised and pleased to see that the dividend going up. Is that a sign of things to come? Will you now potentially be looking to link your dividend to your earnings growth?** Those are the three questions. Thanks.

Jørn P. Jensen: Right, Matthew. If we start with malt Eastern Europe or input cost in general, no, there's nothing that has kind of structurally changed. It's not so that conversion costs are going up. If anything, of course, we are doing our outmost to actually get them down. So you can say that the still very high barley cost that we're having in '13 is due to the two things I talked about before, it is underlying due to the wheat prices and harvest in the US and then it is due to that we still unfortunately in '12 had some quality issues on the local harvest, but there's nothing underlying which does not make us believe that if we hopefully eventually get a normal harvest in Russia that our raw material prices should not be materially lower than what you're seeing at the moment.

When it comes to the 300-400m, yes, you can say it is kind of one-off. It is implementation costs. It is cost that you will see as we are also mentioning in the announcement in '13, in other markets in '14, and then again in other markets in '15 and then there will not be obviously any more implementation costs.

The final question on dividends, it is basically due to that we are showing good growth in our underlying results in our net profit and very strong cash generation. That is what is driving it. It's not because we have a policy as such. Our change is just based on very good performance in '12 as we have it.

Matthew Webb: **Can I just follow up on the second question? I mean if those costs in Western Europe are - - could be considered one-off, why are they not being taken as exceptional? And also, can I just follow up on the first question as well? I mean would I be right in thinking therefore in Eastern Europe that if we as and when we get a normalisation of input costs, you will see a real benefit to your margin, a very visible benefit, but not enough to get you back up to the old guidance range?**

Jørn P. Jensen: Yes. Should we start with last question. Yes, true that we will see real benefits. Where it will then eventually get us to, let's get back to that when we are actually seeing a normal harvest.

Matthew Webb: Okay.

Jørn P. Jensen: The reason why the 300-400 is not treated as exceptional or special items, it's basically just that that is not in accordance with our accounting standards.

Matthew Webb: Okay.

Jørn P. Jensen: And I agree too that you are seeing others, some of our peers, basically treating exactly the same type of costs as exceptional, but that is not in line with our accounting standards.

Matthew Webb: Okay, that's great. Very clear. Thanks a lot.

Jørgen B. Rasmussen: And can I just add one comment to this whole margin discussion? As we have discussed many times in the past, I mean it's important also to look at EBIT in absolute numbers. And if you look at EBIT per hectolitre, also in Eastern Europe, it's up in '12 versus '11 in actual numbers.

Matthew Webb: Thank you.

Operator: *Lars Topholm from Carnegie is online with a question.*

Lars Topholm: **Yes, gentlemen, also questions regarding your supply chain integration. First of all, you have 3/400 million in implementation costs and have also guided for implementation's costs for '14 and '15. But for you to reap the fruits of this exercise, would there be restructuring costs on top of that, for instance, if this project allows you to close breweries? And second question: When do you see the positives from this offsetting the implementation costs? And then I have a household question on special items. What is the cash flow effect from the Q4 special items and what is the tax impact from special items for the year?** Thank you.

Jørn P. Jensen So the 300-400m relate actually to the business standardisation part of this, so it is in relation to the IT primarily. The integration of supply chain in itself, of course in the beginning increases our central costs a little bit, and then local costs, due to that processes and so on are being standardised, will decrease. Will there eventually someday be restructuring costs in connection with us becoming more efficient? I guess you can say hopefully, but nothing is kind of planned for at the moment.

When it comes to special items, if it is 2012, then you can say you have the pre-tax number directly of course in the announcement and then the facts, if you then kind of calculate the facts yourself, because I don't have it right here, it's basically just what eventually gets you to the difference in net profit and net profit adjusted, and you have both numbers on page three in the release.

Jørgen B. Rasmussen: And to you second question, we should start seeing the full year benefit from this BSP1 in ‘16/’17.

Lars Topholm: Okay. **So no gradual benefit in '15, for instance?**

Jørgen B. Rasmussen: Yes, there will be.

Jørn P. Jensen Of course there will be benefits as markets are implemented. But if you take '13, for instance, then it's Sweden in the spring and of course you will then have very limited benefits in '13 or in Sweden. But then again in '14, you will have all the benefits from Sweden. Then other markets to follow and so on. So it will come on gradually. But as Jørgen has said, it's not until it's done of course that we have the full benefits from all markets.

Lars Topholm: **But if we look at '15, for instance, is it realistic to assume the benefits will exceed the implementation costs guided for that year?**

Jørn P. Jensen: No, that's definitely not unrealistic because then of course we have had our implementation costs in '13 and '14 and only have so to speak in that year implementation costs for the last remaining markets and then benefits should definitely be higher than implementation costs in that year.

Lars Topholm: Excellent. Thank you very much.

Operator: Trevor Stirling from Stanford C. Bernstein is online with a question.

Trevor Stirling: Morning, gentlemen. Three questions please. **The first one, in the release, you make reference to an unusually high, tough comp based on margins in Western Europe in Q4 of last year, so maybe if you could just give us a little colour about what it was that benefited margin exceptionally last year that dropped down this year. The second thing, coming on to the BSP and the phasing of the costs, am I right, Jørn, it looks like costs are peaking in year three, which is somewhat unusual that often costs start to - - I'd say the cost base ease a little bit if you get out to the back end of the project as some of the central code writing disappears. And maybe also related to that, could you just say what costs associated with BSP you incurred this year in terms of getting ready for the project? And the final one, small one, relating to Russia, we talked about slightly less destocking in Q4 - - sorry,**

less stocking in Q4 in Russia than the prior year. Does that mean we should expect slightly less destocking in quarter one of 2013?

Jørgen B. Rasmussen: If I take the first one, Trevor, on the tough comp for quarter four last year, as you recall and we all recall after the profit warning mid last year, clearly in the second half year we did everything possible to really optimise our results and we looked at everything from travel cost, Christmas parties, everything, so the profit we made in quarter four last year was historically very high. If you look at the margin in quarter four last year, I think was more than 13% and normally in a quarter four you see typically around 10%, so last year was extraordinarily high based on the many, many, many actions we took across the business after the profit warning.

Trevor Stirling: Understood, Jørgen.

Jørgen B. Rasmussen: And if I may take your last question and then Jørn take the one on BSP on less stock building in quarter this year, yes, will also imply less destocking in quarter one this year.

Trevor Stirling: Great. Thank you.

Jørn P. Jensen: On BSP and first of all on phasing, then the reason why it seems to be low in the beginning and then high in the end is basically how we're implementing. So, for instance, as we also mentioning in our announcement, it's now Sweden in the spring, i.e., one country. Next wave is then two countries. But then in wave three and four, there'll be many, many more countries going live at the same time and that's why we have higher implementation costs kind of at the end of the programme, so it's basically kind of in order to ensure that we are implementing in the best possible way. That we are a little more cautious in number of countries in the beginning and then in the end where everything works, of course then we can take more countries at the same time.

So the other question on '12, don't forget that in building the whole thing, then we basically capitalise by far most of the investments and that also means when it comes to P&L effect in '12, that is relatively modest. It's around a hundred million, not more than that.

Trevor Stirling: Great. Many thanks, Jørn.

Operator: Casper Blom from Handelsbanken Capital is online with a question.

Casper Blom: Thank you. Just a couple of follow-up questions actually. **On the business standardisation programme, could you give any flavour to how much you expect this to support your net working capital development? I know you're looking at this average approach on the net working capital, but how do you see that impacting the different items on the working capital? Secondly, Uzbekistan, now you're taking this impairment charge here, but are there any news to when we could expect Uzbekistan to get on track again?** Thank you.

Jørn P. Jensen: On working capital and BSP, then it's not so that we cannot improve working capital before BSP is fully implemented, it's definitely our intention to continuously improve working capital and there's still a way to go to become best in class on this as you know. Then of course BSP in itself will make us able to

probably do even better and that comes from the far, far higher transparency in general that we will have in our Western European business when BSP is fully implemented.

Jørgen B. Rasmussen: And to your second question about Uzbekistan, as I think you all know, the challenge we have is mainly linked to conversion of currency and therefore getting raw material and we're still working on a solution. We're still hopeful, but time will show. It's not straightforward, but we're hopeful.

Casper Blom: Okay. Thanks a lot.

Operator: *Hans Gregersen from Nordea is online with a question.*

Hans Gregersen: Good morning. Four quick questions. **If we look on the revised guidance metrics you've provided, does that reflect any underlying changes in operating profitability compared to the previous guidance matrix? That's the first question. Second question: In terms of higher packaging costs in Russia, what's driving that? Is that a mix change or is it hedging, contracts expiring, or what is driving that? Then regarding the implementation of BSP and the supply chain issue, you mentioned in the release that you have 500 million implementation cost in 2015. Does that imply that that will fall away in '16 plus the benefit you're getting from implementation here? And then finally, in terms of the high dividend, does that suggest that in terms of your sort of visibility in terms of acquisitions in Asia that you're not expecting in the short- to medium-term?** Thank you.

Jørgen B. Rasmussen: If I take the first two questions, Hans, your question about if there's any underlying change to let's say our business model and between regions, no, there's not. It's more of the same. We still see opportunities, and that's reflected now in our guidance for the longer-term. We still see opportunities to improve our business model and be more efficient in Western Europe. It's still what's driving, let's say, the underlying business here. And if you go into Eastern Europe, we over time expect some growth and also on the bottom line and Asia continuing strong growth, so no underlying change as such.

Hans Gregersen: **Could I just clarify here, if I look let's say in the EBIT budgets you had three to five years down the road under the old guidance metrics, is there any significant changes or is there any real changes taking place on the EBIT line as such?**

Jørn P. Jensen: Of course we don't know what you have...

Hans Gregersen: I said "your internal budget."

Jørgen B. Rasmussen: No.

Jørn P. Jensen: There's no structural changes in anything versus what we have talked about before.

Jørgen B. Rasmussen: It's back to what Jørn said earlier about the percent margin as a target is really hard to target ourselves on when you have big changes to sometimes COGS and also when you increase your top line quite a lot, not least due to pricing and mix.

Hans Gregersen: Fair.

Jørgen B. Rasmussen: So in absolute terms, there's no change to what we'll be looking at.

To the second question about higher packaging costs, I would say in general you see COGS or cost increases across most of the packaging parts and therefore it's not showing or indicating any significant change to packaging mix.

Hans Gregersen: **Have you been negatively impacted by, let's say, hedging contracts that are expiring or is it just underlying price changes?**

Jørn P. Jensen It's more underlying, also because when it comes to packaging materials, that is not really, apart from aluminium as such, hedged contracts, it is kind of long-term contracts.

On your third question, Hans, BSP, the answer is yes, so those 500 will fall away so that we will not have those in '16. On the other hand, of course, we will have the benefits.

And the third - - fourth question on dividends, no, it's not an indication at all that we're not seeing a lot of opportunity M&A-wise in Asia, it is just a reflection of the very solid performance in '12.

Hans Gregersen: Okay. Thank you.

Operator: Michael Rasmussen from ABG Sundal Collier is online with a question.

Michael Rasmussen: Yes, good morning, everybody. **First, I would like to ask a question coming back to the answer you gave to Søren Samsøe. I didn't really understand your answer, so could you please tell me: Do you expect the technical document, i.e. the 50/50, to go through? Is that in your budget or are you fine with staying at the 80/20 where we are today in Russia? Second question being in relation to the long-term guidance and how special items have been historically versus how you expect to see them going forward. I think if we go back over the past 10 years, on average you've had special items of 750 million. Is that number going to be significantly smaller going forward? And how about the cash share of that? I think that number was about 80% of that being cash historically. And then just finally, a quick question on Russia, your market share was down 60bp sequentially in the fourth quarter. Should we expect your market share to be up in 2013?** Thank you.

Jørgen B. Rasmussen: Your question or clarification on the technical regulation, Michael, as we have said before, in terms of costs, it's not really the issue about the technical or the 80/20 or 50/50, it's more about less flexibility. At the moment, what I said to Søren's question was: At the moment, the law in Russia is 80/20. But if and when the new technical regulation gets implemented, it will move back to 50/50. But as such, it's hard to say that any significant cost implication of whether it's 80/20 or 50/50, completely depends on the price for a number of components, so I hope that clarifies what we said to Søren's question.

On Russia and market share, I have said again and again and all along, you cannot look at this month-by-month or quarter-by-quarter, you have to look at the

trends, and we're extremely pleased about the trend line in 2012 being up and we assume, yes, also we can add a bit of market share. That's certainly our plan in 2013 as a trend line, but don't look at it month-by-month or quarter-by-quarter because sometimes, there'll be quarters or months where it's down or maybe a lot up depending on activities and competition.

Jørn P. Jensen So just to be absolutely clear on the first question, it's the 80/20 that we are using in our financial plan for '13.

On special items, Michael, I really don't think it makes any sense to look at averages because it is really different things year-by-year. Sometimes there's a big gain, sometimes there's a big impairment with no cash effect at all and so on and so forth. So a far better number than 750 and 80% cash effect is something in the neighbourhood of a few hundred million DKK with cash effect if you take it kind of longer-term year-by-year.

Michael Rasmussen: Thank you very much. That was actually a very, very helpful answer. Thank you, Jørn.

Operator: *Samar Chand from Barclays is online with a question.*

Samar Chand: Thank you, gentlemen. Just two quick questions. **Firstly, can you just confirm if you've completely passed through the excise increase now in Russia? I know you took an increase in October, but I understand that's only partially offsetting the excise. And can you also please comment on whether competitors have followed on that excise price increase? And secondly, is there any way of quantifying what the kiosk ban impact has had on Q4? Can we just very simplistically assume that volumes have been down 1 or 2% from just the kiosk ban closure in isolation?** Thank you.

Jørgen B. Rasmussen: To the Russian excise question, no, the increase we took in October is only part of the increase we will take to cover the excise duty. In general, I would say in '12, and also late in '12, we have seen competition being not very different to our pricing. So if I look at '12 as a full year, I would say we have all been close to the same kind of price increase, which meant the market consumer price all in all for most went up by 10% or thereabout.

To the second question and that was about the kiosk closure, the kind of short-term disruption, what could be the impact, it's probably in the bulk part what you're talking about, the 1 to 2% impact in quarter four from kiosk pavilion closure.

Samar Chand: Okay. **So if I assume that same impact for first half next year, then to get to flat market, you’ve got to imply slight growth in the underlying market then to get to your guidance. Is that the right way of thinking of it?**

Jørgen B. Rasmussen: But I wouldn't go in and guide here by quarter or by half year, I would just say we think it could be flattish next year and it's based on the underlying economy, consumers. It's pretty positive, but then we have some short-term disruption. That's why we're saying flattish, and flattish for the year could be flat or slight growth.

Samar Chand: Okay. **And just in following up from that, on your comment around the economy, you have seen an increase in the level of food inflation, perhaps a bit of a surprise to the local economist. I mean at what level does the food inflation have to get to before it has an impact on your volumes, just historically looking at the category's performance?**

Jørgen B. Rasmussen: It really depends on where you see the inflation. If it's on basic food products and if you start getting into double digit inflation, then we start seeing an impact on the category in general, but I don't think a lot suggest we are looking at that for next year.

Samar Chand: Okay, great. Thank you very much.

Operator: Nik Oliver from Merrill Lynch is online with a question.

Nik Oliver: Hey, morning, guys. Just two questions left from my side**. Firstly, on the East European margins, I appreciate midterm guidance very hard to give, but I guess you've got much better visibility thinking through this year. So if we're just working with, it looks like a market broadly flat, maybe your volume slightly ahead with some share gains, mid-single-digit price/mix, and then inputs broadly flat, what sort of magnitude of margin increase can we think about for '13? Is about 100 bps a bit reasonable? And then secondly, just on the comment on France, market volumes only down mid-single-digits. I would have thought with pricing up 15% or so, it could have been worse than that. And then maybe just as an extension, just some colour around trading year-to-date in Western Europe, is that sort of tracking in line with 4Q or better or worse?** Thank you.

Jørn P. Jensen: Nik, to the first one, we are not guiding on our expected margin in Eastern Europe or in any other region for '13, but of course our plan is definitely as it always is to improve our earnings year-by-year, market-by-market, and that goes for all the markets in the Eastern European region as well.

Jørgen B. Rasmussen: To your second question about France and low- to mid-single-digit decline assumption, you could take France because it has premiumised a lot as a market and is fairly premium as you know as a beer market. The price sensitivity in France is less than you would find in some other markets, and that's why we assume this 10 to 15% consumer price increase will only kind of cause mid-single-digit market decline.

To your last question, I think what you asked about was if we see any change to the Western European market trends in the early part of this year compared to end last year. Was that the question?

Nik Oliver: Yeah, exactly, yeah.

Jørgen B. Rasmussen: I think it's too early to comment on. We are only into the new year and normally we don't comment on the first quarter until we get to our first quarter release. But in general, I can say we don't assume any change to the consumer environment compared to what we saw in 2012.

Nik Oliver: Okay, that's very clear. Thank you.

Operator: *Melissa Earlam from UBS is online with a question.*

Melissa Earlam: Good morning. **A quick question to clarify your guidance for Northwest Europe margins to increase by 50bp on average per annum. Does that include the BSP implementation costs?**

Jørn P. Jensen: Yes, it does.

Melissa Earlam: Thank you.

Jørgen B. Rasmussen: I think two more questions and then we have to start closing the call.

Operator: *Chris Pitcher from Redburn is online with a question.*

Chris Pitcher: Thanks very much. **Maybe a clarification, have you given the total implementation costs in total for BSP, including the capitalised costs you expect to run over the period of the process? And have you given an update on what you expect the return on? Because this sort of projects do have a habit of overrunning, it will be useful to actually have a target to base that against. And then on Eastern Europe, obviously a big source of share gain was Efes Russia. Is that the biggest uncertainty for you this year, their response now that they've got that business properly integrated? And then finally, on the input costs in Russia, you talk about normal harvests based on the climactic effects and things like that, but how much visibility do you actually have over the supply chain in terms of quality of farming, quality of packaging production versus, say, Western Europe? Is this just an issue going forward that maybe the quality of inputs are significantly more variable because of the infrastructure in place?** Thanks.

Jørn P. Jensen: If you take the first one, then you can say that there should not be any risks when it comes to what the cost will be on kind of building BSP because it has now been builded.

When it comes to our implementation costs that we have in our announcement this morning, we definitely do not expect to exceed those costs.

Chris Pitcher: **But in terms of the total now, is that 300-400 million this year, there'll be more next year, there'll be some residual in the last year, that that total figure is?**

Jørn P. Jensen: But that's just adding the three years together, so to speak, which is slightly more than a billion and that's the implementation cost I'm thinking about…

Chris Pitcher: Yes.

Jørn P. Jensen ...that I'm referring to and we definitely do not expect those to be higher also because the whole thing has now been builded over the last few years.

Chris Pitcher: **And awhile back though, the expected saving was moved to that 700, that was then said that was not going to be the full amount. Have you given a hard saving figure that we can overlay over the implementation costs? Just I might have missed it.**

Jørn P. Jensen: No, you have not missed it because we have not said it, so instead that is what we are guiding on indirectly through...

Chris Pitcher: The margin, yes.

Jørn P. Jensen: ...the margin increase in Western Europe and the EPS growth for the Group over the next many years.

Chris Pitcher: Okay.

Jørn P. Jensen: But I can say the payback on this investment will be very, very fast so to speak.

And then maybe on your last question on Russia and harvest, of course there is still a lot of structural things, efficiency and productivity-wise that needs to improve in the Russian agricultural sector as such. It is improving year-by-year as more and more also foreign investors are investing in the agricultural sector in Russia and I think you can follow that through other listed companies focusing on this. So there's definitely still room for improvement on productivity and efficiency and so on and so forth and we are following that very closely, so we do not see any reason for not being able to, in principle, constantly seeing improvements in both conversion as such, but then it is, at the end of the day, very much about the weather.

Chris Pitcher: Okay. Thank you. Just on Efes.

Jørn P. Jensen: Yep.

Jørgen B. Rasmussen: Yes, on Efes and market share, I would say in general, we always assume competition will respond and I'm sure they will also respond, but at the same time what I see most of our competitors are talking about, including Efes SABMiller in Russia, is as much about value and not only volume, so I think the response will be balanced. And we have certainly seen in '12 it was more kind of a balanced competitive situation, still intense, but more balanced, and we assume the same for '13.

Chris Pitcher: Thank you very much.

Jørgen B. Rasmussen: And now the final last question please.

Operator: Mitch Collett from Goldman Sachs is online with a question.

Mitch Collett: Hi there. **I wonder if you could talk about the change in medium-term guidance in Eastern Europe and to what extent that is a reflection of new management and them looking at that business and essentially deciding that the previous targets were unobtainable. And secondly, you've said in the statement that marketing should be around about the same level in 2013 as it was in 2012. I guess that's because some of the spend that would have been used on prohibited channels in Russia is now moving to other areas, and I wondered if you could talk briefly about that. And then finally, just a clarification, the EPS growth you're targeting would be assuming no FX impact either way?** Thanks.

Jørgen B. Rasmussen: To your first question on if it's new management kind of impacting the change to target setting, not at all. Underlying, this is not a change to how we view our Eastern European business, we're just saying guiding on a percent margin in a market or in a region where there's more volatility in terms of COGS, et cetera, does not make sense and doesn't help let's say also our internal target setting. So underlying, still look at the same kind of business and also we have the same expectation, so it's just a different way to express it and that's part of the new targets, so not a change.

Mitch Collett: **Maybe a slight follow-on from that, how is the management of that business incentivised then? Presumably, they're not incentivised on achieving margin targets, what do they have to achieve to prove they're delivering?**

Jørgen B. Rasmussen: They have not very different target in general to many other CEOs or countries in the organisation, so significant targets would be first of all the absolute EBIT. It would be also about the cash delivery. It would be about the market share and market share in volume and in value, and then some other KPIs being linked to this strategy we're talking about also being updated here in 2012.

Mitch Collett: Okay.

Jørgen B. Rasmussen: To your second point about marketing, yes, we'll be in line with 2012, and you're right it's because we're going to spend the money in a different way than we used to. Now we don't have the same access to media, so will be more events, more in store theatre, et cetera.

Jørn P. Jensen: And to the third question, we are actually assuming - - we're not assuming constant currency, we are assuming, for instance, a continuous devaluation of the Russian rouble to the euro.

Mitch Collett: Okay. **So similar to the, I guess, you guided today at 42 and the spot rate is around 40…**

Jørn P. Jensen: Just... You can just use the Bloomberg forward rates.

Mitch Collett: Okay. **And then maybe one follow-up on the impact of the formalisation of various kiosks, I thought that we were at about a third had formalised at the time of the Capital Markets Day in St. Petersburg, is that right? And has that really changed over the final quarter? It seems like it's the same number, so I was just interested as to why that had caused disruption.**

Jørgen B. Rasmussen: I mean certainly I don't know exactly how you got the impression from the Capital Markets Day that it was one-third, but our best estimate in terms of kiosk and pavilion non-stationary would be about one-third of the universe are no longer selling beer, and we also expect, over time, the volume to migrate to other channels, those closing down. But you have the short-term disruption that the consumer certainly cannot find their outlets they normally buy beer in, that's why we're talking about short-term. So one-third would be end 2012 is our estimate of the universe that has disappeared.

Mitch Collett: Okay. **It's something that will come back once those consumers find a new place to buy beer, essentially, is what you're saying.**

Jørgen B. Rasmussen: Yes, because a lot of places you find another outlet very nearby, a grocery outlet, but it just takes a little time for the consumers to get used to going elsewhere and the first couple of times probably don't buy beer.

Mitch Collett: Yes. Okay, thanks very much.

Jørgen B. Rasmussen: Thanks a lot and thank you everyone for dialling in, and we will close the call here and see many of you in the coming days. Thank you.