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Speakers: CEO Jørgen Buhl Rasmussen and CFO JØRN P JENSEN

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OPERATOR: Welcome to the Carlsberg full-year results 2014. 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 CEO Jørgen Buhl Rasmussen. Jørgen, you may begin.

JØRGEN BUHL RASMUSSEN: Thank you and good morning to everybody and welcome to our full-year 2014 results conference call. As said, my name is Jørgen Buhl Rasmussen and I have with me our CFO JØRN P JENSEN and Vice President of Investor Relations Peter Kondrup.

Please turn to slide 3 and the headlines for the year. We saw market value growth in all three regions. In volume terms, beer markets were mixed with slightly growing Western European markets, continued growth in most Asian markets and a decline in Eastern Europe. We strengthened our market share in most markets in Western Europe and Asia, and in Russia during the year. We continued to improve price and mix and delivered a solid 3% price/mix improvement. We maintained a strong push behind our commercial agenda and kept a high level of investments in our international brand portfolio and we launched several innovations. The ongoing efficiency improvements are a key priority for Carlsberg and we continue to focus on executing our many efficiency programmes. We delivered 1% organic operating profit growth as strong performance in Western Europe and Asia more than offset the challenges in Eastern Europe. Finally, we will propose through the AGM a 13% increase in dividends to DKK 9 per share. This corresponds to a pay-out of 25% in line with our dividend policy.

Now turn to slide 4, please. In 2015, we will build on the successes from 2014. We will maintain a high level of commercial activities. We want to maintain our strong commercial performance of recent years and grow volume and value market share. This includes further development and expansion of sales and go-to-market tools and capabilities. Consequently, A&P-to-revenue will grow slightly in 2015 in support of keeping a high level of innovations, growing the reach of our international premium brands, revitalising some of our key local power brands and activating the EURO 2016 sponsorship. 2015 will be a challenging year for the Group as the weakness of the Russian economy and the ruble devaluation in Q4 2014 will put pressure on profits from our Eastern European region. This will be countered by proactive measures across the whole Group. We have over the recent years shown strong determination and ability to control and reduce costs by improving efficiencies, ways of working and carrying out strong operating cost management. This will continue and, in addition, we are in the process of simplifying, streamlining and removing duplicative organisational processes and layers to achieve further savings. Finally, we will cut capex significantly in 2015 and Jørn will explain these changes more in detail later. Our key financial priorities for the year are to mitigate the impacts on the ruble devaluation while at the same time improve cash flow and return on invested capital and reduce financial leverage.

Now on to slide 5, please, and a few comments to the Group's 2014 performance. Group beer volumes declined organically by 3%. While volumes grew in Western Europe and we had an overall flat volume development in Asia, volumes in Eastern Europe declined. Reported beer volumes grew by 3%, mainly due to the acquisition impact from Chongqing.

Slide 6. We achieved organic net revenue growth of 2%. This was supported by the solid price/mix improvement of 3%. Operating profit grew organically by 1%. High single-digit organic growth in Western Europe and Asia more than offset the profit decline in Eastern Europe, which was impacted by the market decline and higher costs than last year. The acquisition impact was related to the purchase of Chongqing Brewery and the substantial negative currency impact was due to weaker currencies in several markets, especially in Eastern Europe. This was particularly pronounced in the second half. The Q4 organic operating profit decline was entirely due to lower profits in Eastern Europe. All in all, the Group delivered declining reported operating profits, mainly as a result of the significant currency headwind.

Now slide 7, please, and an update on our international premium brands. Overall, we continued to invest in our well-defined commercial agenda and saw strong performance of our international premium brands as well as our local power brands and our innovations.

The Carlsberg brand grew 1% in its premium markets. The brand did particularly well in Asia, especially in China and India, as well as in France. During the year, our football sponsorships, such as EURO 2016 and the English Premier League, were successfully activated. By the end of 2014, we began rolling out the latest communication platform with the taglines "If Carlsberg did" and "Probably the best".

2014 was another strong year for the Tuborg brand that grew 24%. The important driver was Asia, where volumes more than doubled as a result of impressive performance in China and India. Tuborg was the fastest growing international premium brand in China and has become the third largest brand in India.

Brasseries Kronenbourg celebrated its 350-year anniversary and the premium 1664 brand grew by 9%. The growth was mainly a result of good performance in France, growth in export markets and launches in new markets. The brand achieved good results in Asia, in particular the 1664 Blanc. Grimbergen grew 27% due to strong expansion in new markets and market share gains in France. The brand is now available in 36 markets. Somersby grew 43% as a result of line extensions in existing markets, launches in new markets and strong performance in markets where it was launched during the last few years.

Now to slide 9, please and a few comments on our regions. In 2014, the beer category dynamics improved in Western Europe. We believe that this was driven by an increasingly higher level of innovations, a growing interest among consumers in the specialty and craft beer category, growth in non-alcoholic beers and overall better storytelling about the category. We estimate that the Western European markets were slightly growing in volume and value. We continue to strengthen our market positions and our overall Western European market share grew by an estimated 20 basis points. We have now delivered share gains in both volume and value for the fourth year in a row. The strong commercial performance has been driven by several factors including good performance by our international premium brands, a high level of innovations, revitalisation of a number of local power brands, rollouts and embedding of our well-proven sales tools and focused efforts on identifying and exploiting pockets of growth opportunities. Our beer volumes grew organically by 2%, mainly as a result of market share growth. Price/mix was down 1%. The positive impact from our value management efforts across the region was offset by strong growth in other beverages and channel mix. Our non-beer volumes grew organically by 6%, primarily due to strong performance in the Nordics and Switzerland. During the year, BSP1 was implemented in four markets. Operating profit grew organically by 7% and operating profit margin expanded by 60 basis points to 14.5%. The earnings growth was driven by the volume growth, cost savings within supply chain and the overall efficiency improvements in all areas throughout the Group.

Slide 10 and a few market-specific comments. The beer and soft drink markets grew slightly in the Nordics with our volumes growing by 4%. We gained market share in Denmark, Sweden and Norway. This was a result of strong execution in the market place and also supported by good performance in the growing specialty and craft category. In addition, our non-alcoholic Carlsberg and Tuborg brands did particularly well in Norway and in Denmark.

We continued our strong performance in Poland and grew volumes by 3% in a market which grew by 1%. We gained both volume and value market share due to strong commercial execution, increased distribution and strong performance of our local power brands as well as Somersby and Radler.

The French market grew by an estimated 3% and our volumes grew by 11%. The volume growth was partly due to the destocking in Q1 last year. Our market share improved, driven by a great performance of our premium brands such as 1664, Grimbergen and Tuborg Skøll as well as K by Kronenbourg in the mainstream segment.

The UK market grew by approximately 1%. The off-trade channel grew, while the on-trade continued to decline. We lost market share in both channels as we chose not to participate fully in various promotional activities during the year. Our price/mix for beer was positive and the Somersby brand continued to grow.

Slide 11 and Eastern Europe. In a difficult environment in 2014, we managed to increase market share in most markets in the region. The beer markets were impacted by the overall uncertain macro environment in Russia and Ukraine.

Organic net revenue declined by 3% and by 20% in DKK due to the negative currency impact from the Russian and Ukraine currencies. Price/mix was strong at 9%. The price/mix was mainly driven by price increases, slight mix improvements and reduced pack sizes in Russia. Organic operating profit declined by 12% and operating profit margin declined by 230 basis points. In reported terms, operating profit declined by 28% due to the currency headwind. The strong price/mix and efficiency improvements were not enough to offset the impact from lower volumes, higher COGS, higher logistic costs and a write-off on obsolete stocks in Russia.

In Q4 margins declined significantly due to several reasons. Firstly, we were cycling strong performance in Q4 last year. In addition to lower volumes, margins were impacted by higher COGS due to the currency impact and higher logistic costs as a result of the rapid channel shift from traditional trade to modern trade resulting in short-term inefficiencies.

Slide 12 and Russia and Ukraine. The Russian market declined in volume terms by an estimated 7% for the year and around 9% in Q4. In consumer value terms, the market continued to grow. The market was impacted by slower economic growth and accelerating inflation, which impacted consumer spending negatively. Per capita consumption in Russia is now around 55 litres. In Q4, we strengthened our market share year-on-year by 50 basis points to 38.6%. On a full-year basis, we lost 80 basis points. The reasons behind this decline were different factors such as our price leadership during the first nine months primarily in modern trade, the introduction of smaller pack sizes to minimise price increases and improve affordability, and disruption in March-April when Baltika changed its legal structure. We continued to execute on our strategy of balancing volume and value and consequently, our value share dynamics positively outperformed our volume share dynamics. Our volumes declined by 14% due to the market decline, market share development and less stocking at distributors in Q4 compared to last year. However, we didn't see inventories coming down as expected as the rapid decline in traditional trade, where we use third-party distributors, was faster than anticipated and consequently, our distributors ended up with too high inventories at year-end. We are taking several steps to maintain a strong and very profitable Russian business. We maintain a high level of investments behind our commercial activities, as well as reduced cost in all areas of the business such as future streamlining of the sales organisation and, most recently, the closure of two breweries. Our Russian business will remain strong and very profitable. However, the significant currency impact has impacted the profile of the Group. For the past years, the contribution of Russia to Group earnings has come down and in 2015, the share of Russia is expected to be less than 20%.

The Ukrainian market declined by an estimated 8%. The decline was very unevenly distributed with a steep decline in Eastern Ukraine and a flattish development in Western Ukraine. Under these very challenging circumstances, our team in Ukraine has done a fantastic job to protect our people and our business, while at the same time keeping momentum behind our brands and maintaining high profitability and we estimate that we gained market share in Ukraine.

Slide 13 and Asia, please. Most markets in the region grew with continued growth in Indochina and India, while China in 2014 was softer than what we have experienced during the past years and what we expect to be the long-term trend. All markets grew in consumer value terms. We increased our market share in most markets in the region as a result of our busy but focused commercial agenda. Our strong push behind our international premium portfolio delivered outstanding results. Tuborg more than doubled its volumes and Carlsberg grew 12% in its premium markets. In addition, we revitalised several local power brands and further strengthened the capabilities of our sales force. Including the Chongqing acquisitions, beer volumes grew by 24%, while organic volumes were flat. The volume trend improved in the second half compared to the first half of the year. Driven by a strong price/mix of 5% and volume growth, organic revenue growth was 11%. The growth became more pronounced during the year. The strong price/mix improvement was driven by our international premium brands, price increases and value management efforts across the region and delisting of low-priced and unprofitable SKUs in China. Organic operating profit grew by 8%. Profits were impacted by investment in growth such as the start-up in Myanmar and higher sales and marketing investments. However, this negative impact was more than offset by the positive price/mix and an income from a terminated license agreement in Q2. In addition to this, we have been intensifying our focus on efficiency improvements in the region. The operating margin decline was as expected and a result of the consolidation of Chongqing Brewery, which came in with a margin somewhat below the Asian regional average.

Now slide 14 and a few comments to the Asian markets. In China, our volume grew by more than 30% due to the acquisitions, while volumes declined organically by 7% in line with market development in Western China. The Chinese premium category continued to grow, but the overall Chinese beer market declined in 2014 by an estimated 4% due to slowing economic growth, bad weather in several provinces and less activity in the restaurant and entertainment sector. We continue to invest and push through significant changes in China to ensure that we capture longer-term opportunities which we see in the market. The integration of Chongqing Brewery is on plan. As part of the work, we did a major re-launch of the Chongqing brand in November. The re-launch was based on our experiences with similar re-launches of local power brands in Western China in recent years. In addition to improved branding, this work has also resulted in a significant reduction of bottle types and complexity of the portfolio. The premium segment in China continues to grow. The Carlsberg and in particular Tuborg brands gained segment share thanks to strong marketing support and the continued rollout of Tuborg.

Our beer volumes in Indochina grew organically by 8%, driven by a continued market growth as well as strong performance of our local brands, Beerlao, Angkor and Huda in Laos, Cambodia and Vietnam. Line extensions and rejuvenation of these local power brands contributed to the strong performance. As you may recall, we began our operations in India in 2008. Our expansion in the country has been through greenfields and with our international brands. We are therefore very pleased with already having reached a market share of 11%.

Our volume growth in India was a strong 42%, which was driven by continued growth of the Carlsberg and Tuborg brands. The Tuborg brand has been a strong driver of this. The brand is now the largest international premium brand and the third largest brand overall in India.

In Malaysia, we saw soft market sentiment and fewer tourists. 1664 and Somersby performed very well. We have intensified our focus on improving profitability through efficiency improvements in the market.

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

JØRN P JENSEN: Thank you, Jørgen, and please turn to slide 16. Our businesses in Western Europe and Asia delivered another year of strong results, both top and bottom-line. However, as already explained, market conditions in Eastern Europe were tough due to the impact of the challenging macroeconomic environment on consumers. Unavoidably, this had a negative impact on regional volumes, revenue and earnings.

Across the Group, we had a disciplined and focused approach to cost and efficiencies but without compromising on the support for our strong brands and commercial execution. This approach delivered solid organic ratios with single-digit growth ratios for price/mix, gross profit and operating profit per hectolitre.

Free cash flow was impacted by the acquisition of the so-called Chongqing Eastern Assets. BSP1 is live in six countries. In 2014, we went live in the UK, Finland, Poland and Switzerland and we are now preparing for the last wave of big countries to go live in the spring. As a consequence of the focus in 2015 on realising the full range of benefits earlier, we will postpone the BSP1 implementation in smaller markets to 2016.

Now to slide 17 and the income statement. Organic net revenue increased by 2% or DKK 1 billion, driven by the positive price/mix. The acquisition impact amounted to DKK 2.7 billion and was mainly related to Chongqing Brewery. The negative currency impact was predominantly due to the significant weakening of the Eastern European currencies. COGS per hectolitre in organic terms were slightly up, while down in reported terms due to the currency impact. Organic gross profit per hectolitre developed positively by plus 4% as a result of the positive price/mix. Organic gross profit margin improved by 30 basis points. Total opex increased organically by 4%. This increase was mainly driven by higher logistic costs in Eastern Europe and higher sales and marketing investments in Asia. All in all, organic growth in operating profit was 1%. As I mentioned on the previous slide, this growth was driven by strong results in Asia and Western Europe, while we were able to offset the negative development in Eastern Europe. Reported operating profit was down 5% due to the significant currency impact of minus 8%.

Now to slide 18, please. Special items were up, primarily due to the impairment charges in connection with the recently announced closure of two breweries in Russia. Net interest costs were down DKK 261 million compared to last year, due to lower average funding costs. Other financial items were DKK 54 million lower than last year with a significant plus DKK 205 million in Q4 versus Q4 last year. This Q4 swing primarily relates to currency gains on receivables in euro in Russia, ie gains from the significant appreciation of euro to ruble in Q4. Pre-tax profit was down DKK 1.1 billion versus last year due to the adverse impact from currencies. The tax rate was 26.1%. This was a little higher than last year and mainly due to the fact that Russia, which has a lower-than-average corporation tax rate, accounted for a smaller proportion of pre-tax profits than last year. Based on all this, reported net profit was down DKK 1.1 billion and adjusted net profit down DKK 276 million or 5%.

Now to cash flow on slide 19. The sum of the first three lines - EBITDA including other non-cash items - adds up to DKK 12.8 billion, which is DKK 0.5 billion down compared to last year. The change in trade working capital was minus DKK 177 million. Trade working capital was impacted by a lower amount of excise duty payables. The average trade working capital to net revenue was minus 3.6%, which was on par with last year. The change in other working capital was minus DKK 682 million, impacted by lower VAT payables and an increase in other receivables from sale of assets. Paid net interest was down DKK 100 million from last year and was due to lower funding costs. All in all, cash flow from operations was DKK 7.4 billion.

Now to slide 20, please. Capex net was DKK 5.5 billion, slightly higher than last year. They were primarily driven by capacity investments in Asia, some structural enhancement investments in Western Europe and investments in sales equipment to generate top-line growth. Net acquisitions amounted to minus DKK 1.2 billion, impacted by the purchase of the Chongqing Eastern Assets in Q4. All in all, free cash flow was DKK 670 million.

Now to slide 21, please. During the latter part of 2014, we accelerated the focus on return on invested capital to include the whole organisation learning from what we did some years back when we introduced a similar strong focus on working capital. Basically, we are now taking the same type of initiatives on return on invested capital, which includes detailed targets by markets and functions, including a strict follow-up. This also includes a robust training programme to ensure our employees exactly know how they play a role in reducing capital employed and increasing returns. In addition, return on invested capital is included in cash bonus schemes from 2015 across the organisation. Return on invested capital including goodwill for 2014 declined slightly by 10 basis points due to the Eastern Asset acquisition in Asia and lower profits from Eastern Europe.

Now slide 22, please. For 2014, we are proposing a 13% increase in dividends to DKK 9 per share. That means that since 2009 we have increased dividends by an average of 21% per year. It also means that dividends are in line with our dividend policy of a pay-out ratio of at least 25%.

Finally to slide 24 and the outlook for 2015. For 2015, we will continue to build on the 2014 success and the strength of our company to ensure that we capture both short and longer-term opportunities that are present in our markets. We will continue to invest behind our brands and in growth opportunities. In addition, we are taking all necessary sensible actions to protect short-term profitability and improve cash flow and returns. For 2015, we expect Western Europe and Asia to continue their positive development and to continue to strengthen our position in Eastern Europe.

However, as said several times already, 2015 will also be a year when our financial performance in reported terms will be impacted negatively by the expected GDP decline and currency devaluations in Eastern Europe. To mitigate this, we have in our planning for 2015 taken tough decisions aiming at further improving our cost effectiveness. On top of an already busy efficiency agenda, we have initiated a Group-wide push to further improve the organisational efficiencies through simplifying, streamlining and removing duplicated processes and layers. Furthermore, we will implement a new operating cost management framework for zero-based budgeting, tracking and monitoring costs. BSP1 will be rolled out to the remaining bigger markets in Western Europe in the spring, but we will postpone the rollout to the smaller markets in order to focus on realising benefits faster in the bigger markets.

Our major underlying assumptions for 2015 are the following. For Western Europe, we expect the beer market to be flattish and for Asia we expect continued market growth. In Eastern Europe, we expect the market to decline due to the expected decline in GDP and accelerating inflation. However, we expect that the Russian beer market will continue to grow in value terms as consumer price increases will more than offset the volume decline. The excise duty freeze in Russia will also significantly contribute to our top-line development.

COGS per hectolitre are expected to be lower than last year in reported terms. In organic terms, COGS per hectolitre is expected to be higher than last year, primarily due to the forex transaction impact in Eastern Europe. A&P-to-revenue is expected to be slightly higher than last year as we continue to invest behind our brands and in commercial activities in general. Based on this, we expect organic operating profit to grow by mid- to high-single-digit percentages.

The euro/ruble rate has so far this year on average been around 75. If you assume that this rate will prevail for the full year, the negative translation impact will be around DKK 900 million. From this level, a plus/minus 10% move in the exchange rate would impact reported operating profit with around plus-minus DKK 200 million. Obviously, the sensitivity changes if the ruble moves away from the current spot rate. If the ruble weakens further the sensitivity declines and if the ruble strengthens the sensitivity - or the upside, if you like - will increase. For the full year, Russia is expected to be less than 20% of total operating profit. Below operating profit, we expect all-in cost of debt at 4%; a higher tax rate of around 28% due to country mix, less income from Russia. Capex will be reduced significantly to around DKK 4 billion, corresponding to around index 90 to depreciation.

In general, 2015 will be about significantly improving cash flow and we plan net debt to EBITDA to be less than 2.5 at the end of the year. 2015 will also be a year when we intensify focus on return on invested capital. This key metric is reflected in the organisation's incentive programmes for the year. In addition, we are also aiming for improved credit metrics. This will mean that despite the fact that the M&A strategy is staying intact, the M&A agenda will have a low priority for a period of time. So, all in all, we plan to improve return on invested capital, significantly improve cash flow and consequently also improve credit metrics.

JØRGEN BUHL RASMUSSEN: Thank you, Jørn. Before I summarise, just a few comments on the other piece of news coming in this morning. I will retire later this year and the Board has decided to appoint Cees 't Hart as the new CEO of Carlsberg. It is a well-prepared transition and the Board and I are in full alignment that now is the right time for the company and me to make a change and secure progress and continuity of leadership. I am very proud to have led such a great company and will work to ensure a very smooth transition to Cees when he joins in June. That also means that I will meet many of you at the roadshow in the coming weeks, as well as after our Q1 announcement.

Then to the summary. We grew market share in the majority of the markets in Western Europe and Asia and in Russia during the year. Price/mix was a healthy 3%. We delivered 1% organic operating profit growth. We maintain a very strong push behind our commercial agenda and we continue to focus on executing our many efficiency programmes and we will propose to increase dividends by 13% to DKK 9. With this, we are happy to take your questions.

OPERATOR: Okay. Thank you. We will now begin the question-and-answer session. If you have a question, please press the 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. Once again, if you have a question, please press star then one on your touchtone phone.

Okay, and we have a first question coming in from Trevor Stirling from Bernstein. Please go ahead.

TREVOR STIRLING: Good morning, gentlemen, and, Jørgen, I look forward to catching up in the roadshow and congratulations on the achievements over the last seven years in some very difficult circumstances.

Three question from my side, please. In Russia, could you tell us how much excess stock and how much inventory was left over at the end of the year, so just to know what we should be expecting for Q1 in terms of the headwinds you face?

The second question: in Russia, there are many moving parts in the 2015 margins, the impact of COGS, the transactional FX, the brewery closures. Are you able, Jørn, to say broadly what you expect to be margin development in Russia in 2015? I appreciate it is going to be very much subject to operating leverage as well.

And the third question, Jørn, relating to financial income. There was a DKK 330 million benefit from financial income in Q4. I was just wondering. Is that part of ongoing business or were there some special one-offs in there?

JØRGEN BUHL RASMUSSEN: Trevor, thanks for your comments. To your first question about the excess stock, as we say in our release, it's well down versus what we came out with last year but, because of the fairly rapid kind of channel shift where our traditional trade is well down and modern trade is slightly growing, it is higher than what we planned on. I don't want to quantify the exact inventory level, but it's well down on last year.

JØRN P JENSEN: Trevor, on your second question, if it was basically a question of if we are guiding on Eastern European margins for 2015, then that we are not doing. But as you are saying, of course there's a number of moving parts. On the positive side, as said, of course, the impact from the excise duty freeze on our ability to take prices is a major moving part and a negative is the transaction impact, definitely, on COGS. Then of course, we will also focus on efficiencies in Eastern Europe, in general, as we are doing throughout the Group, in 2015.

On the financial items, yes, call it a one-off but, as I said, there was a big swing in other financial items in Q4. The main reason for that is actually the devaluation of the ruble, just the other way around here, in the sense that we have a significant euro receivable in Russia and of course that actually leads due to the appreciation of the euro to a one-off financial gain in Q4.

TREVOR STIRLING: Thank you very much, Jørn. Just returning to Russian margins, Jørn, I appreciate you are not going to give guidance, but do you think the net impact will be positive or negative?

JØRN P JENSEN: That is, well, the same answer.

TREVOR STIRLING: The same answer. Okay, thanks, Jørn.

OPERATOR: Okay, and there is a next question in line coming from Simon Hales from Barclays. Please go ahead.

SIMON HALES: Thank you. Good morning, gentlemen. A couple of questions, if I can. Just in regards to the Russian brewery closures you've announced, how quickly should we start to see some of the benefits of the savings there start to come through to the bottom line? I wonder if you could give us any idea of the timeline from here on in and how things will progress there.

Secondly on Western Europe and on pricing and mix, could you comment a little bit about the Q4 trend there - it looked a little bit weaker than I would have expected - and perhaps in addition to that how your negotiations have been as we move to 2015 with the supermarkets, particularly in France and the UK, to give us a feel for how we should think about that sort of pricing environment for the current year? Thank you.

JØRN P JENSEN: On the first one, brewery closures, full impact from this summer.

JØRGEN BUHL RASMUSSEN: To your second question about pricing mix in Western Europe, I would say underlying in Q4 that's not different to what you see in the first nine months. The biggest difference is really driven by a changed business model for how we sell non-alcoholic beer to Africa and Middle East out of our breweries in Western Europe, primarily Switzerland and France. So that really explains the change in price/mix trend Q4 versus the first nine months: underlying no big change.

On how we are getting on with negotiations, no detailed comments apart from, I would say, as normal and most would be already closed and done.

SIMON HALES: Okay, and just one quick follow-up, thinking about the brewery closures and your reduced capex guidance for this year. Jørn, is that reducing capex partly a result of the absence of that maintenance capex and those brewery closures and where else is it coming from? It's quite a sizeable cut.

JØRN P JENSEN: Not really, so capex - call it production capex - in Eastern Europe for obvious reasons has been quite low for a number of years. So, no, it's not really coming from there. It's coming from all over. So it is really cutting on capex all over, all three regions, all markets.

Also of course it is the reflection of, as you have probably noticed, that we have been spending also in total somewhat more than depreciation for a number of years and of course that needs eventually to reverse. So of course it is possible to also get below depreciation and especially in 2015 we are being quite prudent and tough on how we are managing capex.

JØRGEN BUHL RASMUSSEN: But I think it is we expect it's important to say on the capex number, when we talk sales capex, that when we think it's important to invest in more coolers to drive growth, we are investing, yes.

SIMON HALES: Okay, thank you, guys.

OPERATOR: Okay, and there is a next incoming question from Tobias Bjorklund from Danske Bank. Please go ahead.

TOBIAS BJORKLUND: Yes, good morning, gentlemen. I have a question regarding Western Europe. There are some improvements in the beer category and the perception of it. Could you give some comments on why that is and if it's going to continue?

The second question is about the volume decline. You say volume is going to be down in Russia for 2015 and could you give some indication of how much? Is it mid-single digit or where are we? Also, the price/mix, if you could give some more details on that?

The last question. You were talking about sales and marketing as a percentage of sales should be higher and I wonder where that comes from. Is it Russia and the change in legislation that pushes for higher marketing or is it elsewhere? Thank you.

JØRGEN BUHL RASMUSSEN: Thanks, Tobias. On the beer categories - and I believe we made reference to it also in the release - first of all, specialty craft beer has certainly engaged more people into the beer category. That's a positive driver. I think we are also all in the industry getting better at telling stories around beer. Innovation. We are all coming with more innovation into the beer category. That's also helping. So we see a number of drivers for why the beer category trend is getting a little more healthy and in some markets in fact we start seeing positive penetration where wine now starts facing negative penetration. So early positive signs, but not a significant change. That's also why we are saying slight improvement, not a big change.

On volume development in Russia, also based on many of our investors have told us again and again, "Stop guiding on volume development in Russia. It's more important to understand value developments". That's why we are not guiding on volume the same, but saying the category will grow in value, of course partly driven by price and mix and probably some negative volume. But we don't want to be specific on volume apart from saying we expect and will see a growing category in 2015 for beer in terms of value development.

On price/mix, Russia I guess the question was about. We are trying to balance making sure we aim for making beer a little more affordable again, but also recognising we will have a high CPI and food inflation. That's how we are going to balance pricing in our pricing plans for 2015.

Sales and marketing we say is slightly up as a percent of net sales. That's really across regions, but again with very focused priorities, so it's not in every country and every brand. It's where we see most opportunities but it's not in one region only or in one specific market only. It's across.

TOBIAS BJORKLUND: Okay, thank you.

OPERATOR: Okay, and the next question comes from Ian Shackleton from Nomura. Please go ahead.

IAN SHACKLETON: Yes, morning, gents. Two questions around free cash. I wonder if you could give us an idea of the cash impact from special items in FY 2015 and how material that would be. In the medium term, how should we think about use of free cash? You got to the 25% pay-out ratio dividend. Does that go up further or do we start to think about buybacks?

JØRN P JENSEN: Ian, if we take the last question first, as you know, the dividend policy is at least 25%. Now we are at 25% and, if that is to be changed or increased, that decision we and the Board will take in a year's time. So there is nothing new on return of cash apart from this: that we are now in line with our dividend policy.

On free cash and special items effect in 2015, then there's nothing at the moment that is suggesting that that should be very different from what you have seen in the last few years at this point in time.

IAN SHACKLETON: Just to follow up, you are obviously going to be consolidating the Chongqing Eastern Assets in FY 2015. How material will that be on the P&L?

JØRN P JENSEN: It's going to be, in the bigger scheme of things, a small, small drag.

IAN SHACKLETON: Can you quantify that at all, Jørn?

JØRN P JENSEN: No, we are not guiding on that specifically, as you know. But it is a high double-digit in DKK terms, minus.

IAN SHACKLETON: Okay, thank you. Just going back to my original question, buybacks, is that something that is possible then in a year or so's time?

JØRN P JENSEN: I think the tone in our message today, as I have it, is not suggesting that that is a priority for now.

IAN SHACKLETON: Very good. Thank you.

OPERATOR: The next question comes from Nik Oliver from Merrill Lynch. Please go ahead.

NIK OLIVER: Hey, good morning. Just coming back to the question about the comment on the rapid channel shifts in Russia, could you just talk through that in a little more detail? Is that macro-related or is that just an ongoing change in structure in the industry that we expect to continue? I guess if that keeps going forward, we should see the discount segment continue to lose share towards premium in the market, which should help your mix going forward. Is that the right way to think about it?

JØRGEN BUHL RASMUSSEN: I think it's partly macro-driven. It's of course also driven by more and more chains opening up, but also driven by the fact that we had in our category a kiosk closure happening in 2013. That took out a number of stores in traditional trade.

So I would say those will be the key drivers behind it.

The beer category is still dominated by traditional trade. So modern trade is probably getting close to 35% now of the total beer market. Then you can add a little less than 10% for on-trade and more than 50% still being traditional trade. On the mix question, keep in mind, mix is more positive in modern trade than traditional trade, so you have a better mix on average in modern trade than traditional trade. I hope that answers your questions.

NIK OLIVER: Yes, that's great. Thank you.

OPERATOR: Okay, and we have a next question coming in from Søren Samsøe from SEB. Please go ahead.

SØREN SAMSØE: A follow-up question on the capex question. This new level of around DKK 4 billion, how many years do you see that to be sustainable? That's first question.

Then secondly, if you could comment on the market share development in Russia, it was positive in volume. What has the development been in value?

Also, maybe in the same discussion, I think you mentioned in your price in the first nine months but what has happened in Q4? How have the dynamics been in the market there?

Then finally, you say you'll implement zero-based budgeting, but I was under the impression that you already had some zero-based budgeting-like programmes running. If you can say how the new programme is different from the older ones? Thank you.

JØRGEN BUHL RASMUSSEN: Yes, I can start with the marketing and price leadership. On market share, first of all, our value share is following volume share development and in general, if you look at the last couple of years, value share has been moving faster than volume share and we are very much at the same level now on value share as volume share. If you take the decrease we have, the 80 basis points for the full year, and bear in mind the downsizing we have talked about on half of our portfolio, so taking some volume out of some our SKUs, it basically mathematically reduces our volume share by 50 basis points. So you can say the real decline is maybe 30 basis points because the 50 basis point decline has no impact on value share development.

Also, based on some of the comments coming up this morning, I just want to clarify when we look at, as an example, Q4 versus Q4 last year, we are up in Q4 2014 versus Q4 2013 and we are more up in modern trade than the development we see in traditional trade, so our performance is better in modern trade than traditional trade.

On price leadership, yes, we did see us leading on price in the early part in particular in modern trade, as we have talked about. I would say in the latter part of the second half, that has not really been the case. I would say there has been pretty much a similar picture across the category.

JØRN P JENSEN: Søren, on your first question on capex, no doubt also now the introduction throughout the organisation of this return on invested capital programme will definitely help in general on capex for the next many years. As said and as you know, we have been investing above depreciation for a number of years, so we will do our utmost to keep capex at a low, sensible level for a number of years. That is without guiding on 2016 and beyond 2016.

SØREN SAMSØE: But how does that fit together? You also say you will have a low priority on acquisitions, so you think you can still do expansion in Asia without organic capex and without acquisitions?

JØRN P JENSEN: Yes and no. Of course, if suddenly, for instance, say, the Indian market grows more than we expect, if suddenly it would make sense to do another greenfield in India, of course we will do that. But we definitely think that we can manage for now with the capacity and the capacity expansion plans that are already in our capex also for 2015. So, it's not so that we are not expanding capacity in these numbers in Asia. We actually are doing so.

When it comes to the last question on zero-based budgeting, no, we have not had a real zero-based budgeting framework throughout the Group until now. We have done it in a more primitive way in a few markets, but it's not been a Group-wide programme. This will also be linked to incentive schemes when implemented probably from 2016. That is not been done before, either, so it is a new way of thinking and budgeting and monitoring and tracking costs. There will be, hopefully, even more cost discipline throughout the organisation. As you have seen in other companies, this tends to work.

SØREN SAMSØE: Yes, okay. Thank you.

OPERATOR: We have a next question coming in from Sanjeet Aujla from Credit Suisse. Please go ahead.

SANJEET AUJLA: Yes, hi, guys. Can you just outline what sort of price increases, if any, you've taken in Russia at the start of the year?

Then just a clarification on the FX impact. You highlighted a DKK 0.9 billion translation effect. Is that purely related to the ruble or does that include the full currency effect from other markets as well? Thanks.

JØRN P JENSEN: The DKK 900 million is in principle ruble, but it's also very close to being the sum of everything.

JØRGEN BUHL RASMUSSEN: On the price increase in Russia, as we often do, we take price increases very late in the year before and that's what we also did this time around. We have not yet taken a price increase in Q1.

SANJEET AUJLA: What was the magnitude of the price increase late last year?

JØRGEN BUHL RASMUSSEN: We had, if I remember correctly, two price increases in the last three or four months and that was probably a total of 4 or 5%, if I remember correctly.

SANJEET AUJLA: Thanks.

OPERATOR: The next question on the line comes from Hans Gregersen from Nordea. Please go ahead. Mr Gregersen, your line is open now.

HANS GREGERSEN: Yes, good morning. A follow-up here on FX. You stated that DKK 900 million was basically the target for the full year for everything. Does that imply, for example, that the negative Ukraine is offset, as an example, by the positive impact from Switzerland? Do I understand this correctly?

Going to China, could you give a little bit more insight into how the integration is progressing for the overall Chinese acquisitions? What are you doing on an operational level, if you can share a little bit of further insight into that?

The third question: you have signalled a further drive on costs. Can you give a little bit more on what, where and when? Thank you.

JØRN P JENSEN: Hans, the first one, forex and more or less all, yes, that means more or less as per today.

JØRGEN BUHL RASMUSSEN: On China, Hans, what we are referring to - when we are on track on the integration - it's really in every aspect whether we talk about breweries getting it up to Carlsberg standard, back-end systems, front-end. It's about premiumising local power brands using the Brave toolbox, as we call it here, when we work with local power brands out in the Asian region.
It's about building sales capabilities in the Chongqing organisation where we take it step-by-step but we start in the core regions being in the heart of Chongqing and then we move out to the outer areas.

HANS GREGERSEN: What about cost-cutting in terms of brewery closure and staff sizing?

JØRGEN BUHL RASMUSSEN: It's in progress and is certainly part of our plan and has always been part of our plan.

HANS GREGERSEN: But should we expect any massive information or news from this in 2015?

JØRGEN BUHL RASMUSSEN: As always, we can never be specific when we talk about those kinds of things.

JØRN P JENSEN: Was that an answer to the last question as well, Hans?

HANS GREGERSEN: No.

JØRN P JENSEN: So, on costs, it's not in any specific market or region or function. It is really, as we stated, a Group-wide push in general to improve organisational efficiencies, simplifying, streamlining, removing duplication in processes and functions, ie it is really all over. When it comes to the zero-based budgeting way of thinking, it is on also all non-FTE-related cost items throughout the Group, market by market, function by function.

HANS GREGERSEN: Driven by zero-based budgeting?

JØRN P JENSEN: Well, you can say that now we are starting it, so it will have a relatively limited - if any - effect in 2015, but it will be definitely fully implemented from next year.

HANS GREGERSEN: Thank you.

OPERATOR: Okay, and there is a next question in line coming from Andrew Holland from SG. Please go ahead.

ANDREW HOLLAND: Hi. Just another question on the guidance and just to clarify. The DKK 0.9 billion you specified is the translation impact and you are now saying basically of all FX movements. So on top of that, we've got whatever transaction impact we assume. Is that correct? As I'm looking at Q4 in Eastern Europe and looking at the margin decline of 860 basis points, clearly the impact of a declining business on margin can be pretty negative, so the total impact of the FX transaction and translation is going to be rather more than that DKK 0.9 billion.

JØRN P JENSEN: I completely agree, Andrew. So, yes, as you said, the number we are guiding on is the translation. The total currency impact is, as you are saying, of course, higher. But the transaction impact is built into the mid- to high-single-digit growth in organic operating profit.

ANDREW HOLLAND: Right, so you think you can do high-single-digit growth in operating profit, including the impact of the ruble on the transaction?

JØRN P JENSEN: Yes, we think we can do mid- to high-single-digit, including transaction on the ruble and other currency movements, yes.

ANDREW HOLLAND: Right, okay. Thank you. Just a smaller one on the BSP1 delay. Can you just say what you won't be doing and whether you think that's going to have actually any impact on the P&L?

JØRN P JENSEN: We think that what we will do will have a positive impact on the P&L for 2015 and that is by basically postponing the smaller markets, where of course the benefits will also be smaller, to later years. On the other hand, we will then spend our resources on ensuring that we get the benefits out of the bigger markets faster than we originally planned. So, net-net, positive for the P&L in 2015.

ANDREW HOLLAND: Okay, thank you.

OPERATOR: The next question in line comes from Chris Pitcher from Redburn. Please go ahead.

CHRIS PITCHER: Good morning. A couple of questions. Can you clarify your comments on M&A becoming a lower priority? Does this preclude you from taking a potential stake in Yanjing, which the press has been talking about, or does it mean you can still take a big stake in Yanjing if available?

Then, secondly, could you clarify your comments? In the statement, you say you expect Eastern Europe to be below 20% of operating profit this year, but in the presentation you said you expect Russia to be below 20%. Obviously, if it's Eastern

Europe below 20%, then Russia is going to be near 15% of the Group. Just clarify on that, please?

JØRGEN BUHL RASMUSSEN: Yes, Chris, maybe I'll take the M&A and then Jørn can take the Eastern Europe question.

On M&A, when we say it's a low priority, it does mean focus will be on the organic business. It will be on driving cash, improving ROIC, as we talk about in our release.

I don't want to comment specifically on any possible acquisition and not on any specific company. But it will be, as we say, a very low priority in 2015, M&A. But as such, our M&A strategy does not change but, for 2015, certainly a low priority.

CHRIS PITCHER: Sorry, just clarify. You're saying "a low priority", but if Yanjing were to call up and say, "Would you like to take a 20% stake?", you would still be interested in that or Hanoi Brewing Company? It doesn't mean you are going to deliberately step away from M&A?

JØRGEN BUHL RASMUSSEN: Chris, as I just said, I can never comment and will never comment on any specific possibility.

CHRIS PITCHER: Okay.

JØRN P JENSEN: Chris, you were absolutely correct in assuming that we consider 15% to be less than 20%. So, yes, it will be below 20% both for Eastern Europe and for Russia. The reason why are not being very explicit is of course that now we are talking about it in reported terms and, as we are not guiding on the ruble exchange rate per se, you need to do the calculation yourself. But it is definitely true that Russia will be a bit below 20% in total with the current spot rate.

CHRIS PITCHER: Okay. Thank you.

OPERATOR: We have a next question on line coming from Tristan van Strien from Deutsche Bank. Please go ahead.

TRISTAN VAN STRIEN: Hi, good morning. First of all, Jørgen, congratulations and thank you. I look forward to having a beer before you go.

Three lines of questions, if you don't mind. I didn't quite get the answer on ZBB. My understanding is obviously you've tightened your budgets for FY 2015 already, so I assume the programme will not be implemented until FY 2016. I guess what I want to know is which packages you are first implementing in the ZBB programme and which consultant are you using to help you guide through that process?

The second question is: you are quite confident on China in future years and have a strong positive trend. If you can maybe elaborate on what you believe that positive trend would be and what gives you that particular confidence in the face of declining demographics?

The third bit is: your working capital was impacted by lower excise payments, which I assume are from Russia. Can you just let us know how many average days your accounts payable are around excise and to what extent Russia fits above that? Thanks, guys.

JØRN P JENSEN: The first one on ZBB, we are using well-recognised consultants that have tried this many times before in other well-known companies and it's quite broad when it comes to packages, so it's the different modules, so to speak, within budgeting, tracking, monitoring and so forth. So it is quite broad. That you have also seen in other companies who have done this also not that long ago, so to speak.

When it comes to your last question, I simply don't remember specifically days payable with or without excise duties in Russia, so Peter will have to get back to you on those kinds of things.

JØRGEN BUHL RASMUSSEN: First of all, I look forward to having a beer or two with you. Then secondly, on China, maybe more important would be why we are confident about the development going forward being more positive than what we saw in 2014. The minus 4% in volume development for the total market in China is certainly negatively impacted by some one-off factors, weather being one factor, Xinjiang unrest being another factor, more in our own regions and less, you can say, in the old bit of China.

The negative impact on the old entertainment sector and restaurant sector based on less entertainment from the government, etc, the biggest impact will be in 2014. You will see less impact year-on-year going forward in that respect. So that's why we are saying going forward we expect the Chinese market to be more like flattish or maybe very low single-digit volume growth, but significantly better when we talk value growth. We tend to see often in China, price/mix overall plus 5, 6, 7 or 8%, so much better in value.

TRISTAN VAN STRIEN: Okay, all right. Thank you very much, guys.

OPERATOR: Okay, and the next question comes from Richard Withagen from Kepler Cheuvreux. Please go ahead.

RICHARD WITHAGEN: Yes, good morning. I have two questions. First of all, coming back on the inventory situation in Russia, you earlier said that you expected around a 1 million shift in 2015. I think that's relatively lower now with the comments you made, but can you perhaps quantify that? Do you expect any write-downs for you based on this inventory situation?

Then the second question is on the new CEO. What do you think makes Cees 't Hart especially suitable to become Carlsberg's next CEO?

JØRGEN BUHL RASMUSSEN: On the inventory question, as I said and I want to repeat, it's well below what we came out with last year. When I say "we", it's in distributors and what we estimate being the inventory level in distributors. You are right; the impact for the 2015 will be less than the 1 million we maybe indicated earlier based on what has been happening in terms of channel shift, but I don't want to quantify exactly what that number would be.

To your second question about the CEO, it's not really for me to make comments on. I think it should be the Chairman or the Board. But take the announcement and see what it's saying in there and then, if you want more information, I think it should be the Board or the Chairman.

JØRN P JENSEN: Maybe just to add to the first part on inventories, we definitely expect somewhat lower write-offs on inventories also as the inventories are coming down in Russia in 2015 versus 2014.

JØRGEN BUHL RASMUSSEN: I don't know if there was a follow-up but, if there is a follow-up, ask. If not, one more question and then we have to close the call, so one more, please.

OPERATOR: Yes. The next question comes from Frans Høyer from Jyske Bank. Please go ahead.

FRANS HØYER: Thank you very much. I go back to Russia and what's happening there in 2015. Could you compare the scale of savings that you see from the brewery closures to the negative transaction effects from the weaker ruble and higher cost of some materials, compare the two to each other and perhaps give us an idea of the scale of the savings from the brewery closures?

JØRN P JENSEN: If it's just those two up against each other, no doubt the negative transaction effect, again built in through the organic operating profit guidance, is somewhat higher than the benefit we will get for, say, a half-a-year effect of the closure of two breweries, no doubt. So more negative from transaction than positive from the two brewery closures.

FRANS HØYER: On a full-year basis?

JØRN P JENSEN: Still the case.

FRANS HØYER: Okay. Thanks very much,

JØRGEN BUHL RASMUSSEN: With that, I will say thanks for calling in and thanks for your questions and I know we will see most of you in the coming days. Thanks a lot.