Carlsberg Q1 Results 2013
Carlsberg A/S
CEO Jørgen Buhl Rasmussen
CFO Jørn P Jensen
May 7, 2013
9:00 am Greenwich Mean Time

Operator: *Welcome to the Carlsberg Q1 Result 2013 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'll 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 Q1 Conference Call. As just said, my name is Jørgen Buhl Rasmussen, and I have with me our CFO Jørn P. Jensen and Vice President of Relations Peter Kondrup.

Due to the seasonality of our business, Q1 is a small quarter for Carlsberg, accounting for only around 6% of our annual operating profits; therefore, we'll not provide a presentation for this call. I will make a short summary of our Q1 performance and afterwards Jørn will comment on the supply chain integration and business standardisation project, or the BSP1 Project, and then we will open up for Q&A.

The key highlights for the quarter are: our performance was in line with our expectations. The Group delivered 4% organic volume growth, and organic net revenue growth was 3% with flat price mix. Organic operating profit grew 22%, despite the impact from the French destocking and cost for BSP1. Adjusted net profit grew to 104 million from minus 33 million last year.

In Western Europe, the beer market development was largely in line with our expectations going into the year. Beer volumes declined organically by 3%. But adjusted for the French destocking in Q1, our Western Europe volumes were flat. The flat volumes compares to an estimated 2% overall market decline, and consequently we once again outperformed the markets. We saw a particular strong market share performance in all four Nordic markets - the U.K., Poland, Portugal, and Greece. We continue to push price increases through, but due to negative country mix, price mix was flat. Underlying operating profit in Western Europe grew by double digit percentages. But including the French destocking impact and BSP implementation costs, operating profit for the region declined by approximately 50 million.

In Eastern Europe, the Russian market declined by mid single digit percentages. The market decline can be explained by last year's strong market performance in the first six months as a result of the pre election spending, the disruption from outlet closures following the regulation coming into effect in January 2013, and slightly lower macroeconomic growth. Our regional volumes grew 6%, mainly due to less destocking among distributors in Russia than in Q1 last year. We continue the positive market share trend in Russia and grew our market share to 38.4% compared to 37.6% in Q1 last year. Revenue per hectolitre for the region declined, being affected by primarily the RUB 3 tax increase that was not fully passed on to sales prices in Q1 and stocking movements among distributors, which impacted our product mix. Operating profit, operating profit per hectolitre and operating margin improved for the region.

Our Asian business continued to perform strongly. Beer volumes grew organically by 14%; and our business in Vietnam, Cambodia, and India did particularly well with more than 20% growth. Our Chinese volumes grew organically by 9% and including acquisitions 18%. The growth in Asia was mainly driven by our strong local brands and supported by growth of our international premium portfolio, with Tuborg being a main contributor growing 80% across the region. Price mix continued its very positive development. Operating profit grew organically by 19% and operating profit margin improved by 10 basis points in spite of higher sales and marketing investment in the region.

The overall 2013 agenda for the Carlsberg Group has not changed since we reported full year results in February. We continue to drive efficiencies across all areas of the Group. This is done through larger group projects, regional projects, and a vast number of local projects. These efforts will remain a major driver for the longer-term profit improvement of Carlsberg. In addition we have a very busy commercial agenda which includes development and deployment of sales and marketing tools, further strengthening of local power brands, and rollout and a further push behind the international premium brands. Finally, based on market development and our Q1 performance, we keep our assumptions and earnings outlook for the year unchanged.

With this, I will hand over to Jørn, who will give you a few comments related to supply chain integration and business standardisation project, BSP1.

Jørn P. Jensen: Thank you, Jørgen. BSP1 represents a significant change in the way we operate our Western European business. It's a major investment and change project, and we're focused on implementing the project as smoothly as possible to ensure that we will achieve all the benefits.

As we announced in February, we planned for the Swedish business to be the first market to adopt the IT platform during Easter. In the days up to Easter, we closed down all processes and activities in the Swedish business, i.e., production, warehouse systems, order taking, distribution, and so on. We pushed the button and went live on April 2nd and then, in a very controlled way, started up all activities in the following weeks. As a result of very detailed planning, lots of training, and a significant effort by everybody involved, we are very pleased that the implementation went well without business disruption. Bottom line is that the system is implemented in Sweden, as well as at the Shared Service Centre in Poland, and with the supply chain organisation in Switzerland, and we are well into preparing the next wave of implementations.

And with this, we're happy to take 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 are 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 on your touchtone phone.*

Trevor Stirling from Sanford C. Bernstein is online with a question.

Trevor Stirling: Three questions from my side, gentlemen. **First thing is: Concerning Russia and the negative price mix in Russia, how much of that drag from negative price mix do you expect to continue into Q2, and is there an element of product and channel mix in there as well? Because with the decline of kiosks being replaced by lower-priced modern retail with Baltika suffering a little bit, does that act as a bit of a drag into Q2 as well? Second one is concerning BSP. I noticed you're - - it's now named BSP1. It may sound trivial, but does it imply there's BSP2 to come? And the third question, concerning non-BSP savings, you announced over the course of the last 12 months projected closures of packaging jobs or rather lay-offs in Denmark, Norway, and Sweden and, at the time, those are forecasted I think for mid-2014. I know that that's subject to negotiation with unions. I'm just wondering if there's any update on the status of the negotiations with the unions.**

Jørgen B. Rasmussen: Trevor, to your first question about price mix in Russia, as we said in the announcement, what's impacting quarter one, again being a pretty small quarter, is the fact we have not covered the duty increase to pricing in Q1 because some of the price increase took effect late Q1. That's one key factor. And then also when distributors built inventory at end of last year, sometimes the mix is not right and in this case has been a negative impact for Q1 this year compared to Q1 the year before. We do expect this to change going forwards. So from quarter two and onwards, we will see a very different pricing picture and we still assume a positive pricing picture or price mix picture for the full year.

Jørn P. Jensen: Then, Trevor, to the second question on the project name. Basically, no, it does not indicate anything apart from that is now a consolidated project, so to speak, so the business standardisation was the old BSP. The supply chain integration was called Project 1, so now it's just BSP1 indicating that is an integrated project.

When it comes to the other projects - Denmark, Norway, and so on and so forth - they in principle have nothing to do with BSP, so they are unrelated. It is ongoing efficiency improvements in Norway, for instance, due to that we're now going one way on packaging and so on, and there's no news in the sense that everything is in line with plan on those other projects.

Trevor Stirling: Thank you very much, gentlemen.

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

Casper Blom: Thank you. A couple of questions, please**. First of all, I note that you are doing - - or you comment that you're doing rather well in the Nordics. Could you please comment on what is happening in those markets? Any new initiatives from your side? Secondly, regarding Russia, I suppose that you are maintaining your assumption of flat volumes, flat underlying consumption volumes in Russia for the full year. The year's been off to a slightly slower start. Could you maybe explain a little why you think volumes should pick up in the second half of the year? And then just**

finally, if you could give an update on the situation in Uzbekistan. Thank you.

Jørgen B. Rasmussen: On Nordics, I think in general you can say it's linked to what we have talked about a lot in the last couple of years, the many tools we're developing, so value management tools and also how we work with our portfolio, both local power brands and premium brands where we do more testing to make sure our brands are competitive in every aspect. So I would say, in a few words, it's really linked to being better and better at executing out in the outlets in on-trade and off-trade and then also working more and more professionally with all our brands, whether that's international brands or local power brands, but I think execution is the key word. We are getting better and stronger on execution in general, and that's why we've been able to increase share for quite some time in a number of markets.

To your second point about Russia, we don't see a reason for us really changing the assumption for the full year being similar to last year in terms of trend for the markets and also based on what we've seen so far in April doesn't kind of give a reason to change the full year assumption. Also, bear in mind, if you look at '12 first half, we have tough comparisons versus '11 because of you had the pre-election spend by the government in the first half last year, so first half of ‘12 was much better than the second half of '12.

Jørn P. Jensen: And the final one, Casper, there's not a lot news around Uzbekistan. We have been able to do a little production, a very, very little production. In principle, that could stop again tomorrow. So these issues that we have talked about before on conversion is not solved as such, so let's see. For the moment, there's not a lot of news around Uzbekistan.

Casper Blom: Okey-dokey. Thank you.

Operator: Ian Shackleton from Nomura is online with a question.

Ian Shackleton: Yeah, good morning, gentlemen. **Couple of questions on Russia. Could you give us some indication of how much pricing you've now taken in the last few months in Russia and where you see that going to for the full year? And then normally we get the quarterly sort of market share chart. You're not giving us that today, but could you just talk a little bit about how shares have shifted in the quarter amongst the major players?**

Jørgen B. Rasmussen: Yes, Ian. To your first question, Russia pricing, we took pricing in the late part of Q1 and on average you can say 2.5/3% in our portfolio and then we have also announced a price increase here in the early part of quarter two of around 4% for the portfolio. And I would say in general, if I talk to the pricing picture in Russia, it looked like most of us are kind of pricing up at similar speed; and secondly, I would say we see more of what we saw in '12, a fairly rational but still very competitive marketplace in terms of pricing and promotions.

To your second point about market share, as we say, we are slightly up in market share versus quarter four and up versus quarter one last year. If you look at our competitors, it's Heineken also gaining a little and still Efes/SABMiller losing and also ABI losing and then we still see others going up slightly.

Ian Shackleton: Okay. Thanks very much.

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

Nik Oliver: Hi. Morning, guys. **Just one quick follow-up on the market share comments. In the past, I think you've said that you were confident that market share was still on an upward trajectory. Does that guidance still hold as we think about 2013 as a whole and into 2014?**

Jørgen B. Rasmussen: It does and, bear in mind, which I keep repeating every time, I'm talking about trend line and that's really important that we look at the trend line. You will have some quarters where we are up more and some quarters where we're a little down. But I believe we can with our portfolio, with what we have in Russia, we can stay on a positive trend line after we came out of what was a tough time and we had to take prices up significantly and often ahead of competition in Russia. So, yes, I believe we can stay on a positive trend line. It does not mean every month, every quarter we'll be up but trend line yes.

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

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

Hans Gregersen: Good morning. A couple of questions. **BSP cost, are they all booked on a central cost or how is that distributed between Western Europe and Central? In terms of Russia, could you just clarify? You made a comment about selling lower priced beers in quarter one. Is that a general mix effect we see from the destocking going forward, and can you also elaborate on why you chose a pricing strategy not to recover the duty increase instantly? Finally, in terms of acquisitions, what is the status on Chongqing and Habeco in Vietnam?** Thank you.

Jørn P. Jensen: The first one, the first question, Hans, BSP costs will be more and more market/regional-based as we move along. So you can say in the beginning, and now I'm talking about previous years, of course it was either capitalised or it was central costs. But then of course as you are implementing, then you get local / in this context regional costs, so it'll be more and more market-by-market and less and less central costs.

Hans Gregersen: **But it was… Sorry, Jørn, it was specifically here in quarter one?**

Jørn P. Jensen: I don't have the split here. Peter come back to you on that one, Hans.

Hans Gregersen: Thank you.

Jørgen B. Rasmussen: And on Russia, back to what I said earlier about price mix for quarter one and what I indicated for the full year, no, we're not expecting to see what we saw in quarter one for the full year because we expect to see from Q2 onwards a different picture on net sales and mix per hectolitre being positive. It's linked to not having recovered, as you refer to yourself, Hans, the duty increase in quarter one through pricing, and we took a price increase at the end of the quarter. We did the same last year. But last year in quarter one, we benefited more from the price increases in the second half of '11 where we had more because we had to cover some of the COGS' increases, but also the duty increase in '13 is higher than the duty increase we had in '12. So again, we have to cover more in quarter one, and that's why we're behind this year compared to the year before, and we don't think it would've been wise to take more aggressive pricing early in the quarter after we took pricing also in quarter four last year. So it's all about phasing of price increases and the full year outlook remains what we have said before - positive price mix for Russia.

Jørn P. Jensen: On acquisitions, there's no new news on Chongqing in the sense that we are, as we talked about also three months ago, we will now be in the process of getting approvals. There's different authorities that need to approve a PTO like the one that we have now – that we talked about in February – so we're well into that process. And in that sense, no news. And we also, when it comes to Habeco, as you know, discussing with them how to increase our shareholding there, but thre's nothing that is not kind of publicly known already.

Hans Gregersen: Okay. **Just finally, could you tell us what the market share trend has been or what the market share is in the U.K.?** Thank you.

Jørgen B. Rasmussen: Yeah, I can say our market share is slightly up, a little more driven by on-trade than off-trade, but in total slightly up.

Hans Gregersen: Thank you.

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

Samar Chand: Morning, gentlemen. **You just alluded to earlier regarding April trading in Russia being similar to what you delivered in Q1. Can we just have some comments around how April trading has gone in Western Europe? And then secondly, can you confirm that the destock in France has now completed as we trade into Q2?** Thank you.

Jørgen B. Rasmussen: What I said relating to Russia, I said there is no reason... Based on what we have seen in April, there's no reason to change our assumption on the market development, for Russia being thereby in line or similar to last year for the full year. That's what I said. It was not comparing April as such to Q1. But based on what we've seen in April and we've seen in Q1, we see no reason to change our assumption for the full year outlook for market development Russia.

Samar Chand: Okay, that's clear.

Jørgen B. Rasmussen: And Western Europe, we don't want to go into, let's say, a discussion about now about market development what we saw in April.

Samar Chand: Okay. **And then just a comment around France and if the destock is finished?**

Jørgen B. Rasmussen: Yes, the destocking is basically completed by end of quarter one.

Samar Chand: Okay. Thank you. **And sorry, just one more follow-up question I had just on your Asian division. I noticed that your margin was up 10 basis points this quarter, which is the first time you've had margin growth since 2011. Is this something that we should expect now going into the future that you expect to now be able to generate top-line leverage through to your margins or are**

	we still going to have the issue of negative country mix hurting your margin development in Asia?
Jørgen B. Rasmussen:	You will always see our margin in Asia can be up and down in different quarters, and it's very much linked to what we decide to do in terms of investment into the business. Because it's a growth region, we want to invest and really take our more than fair share of the growth out there, so you will see ups and downs depending on what we do on brands and what we do on capability building out there. So don't read too much into a quarter where you see things slightly up or slightly down.
Jørn P. Jensen:	But structurally, you are of course right in the sense that we want to grow more in say China, India, and so on and so forth, then we will grow in some of the other markets. In that sense, the margin will structurally be under pressure, i.e., for us, it's not really about the margin as such at the moment in Asia, it's far more about growth.
Samar Chand:	Right. Thank you very much. Very clear.
Operator:	*Michael Rasmussen from ABG Collier is online with a question.*
Michael Rasmussen:	**Yes, I wanted to come back a little bit on the pricing issue in Russia. First of all, am I right in assuming that the RUB 3 extra duty this year corresponds to about 4% of the retail price, whereas the RUB 2 duty increase last year represented about 3% to the retail price? Am I right in that assumption? And then as a follow-up to some of the other questions on this matter, the reason for you not to price up, let's say, at the end of Q4 or in the beginning of Q1 this year, can part of that also be explained by the increased importance of modern trade versus traditional trade in the past? And then secondly, if you could comment a little bit more on France, on what is the market reaction, not talking about destocking, but what is the underlying market doing here year-to-date?** Thank you very much.
Jørgen B. Rasmussen:	Yes, Michael, on the pricing, I think you're a little low on your assumption in terms of how much we need do on pricing to cover the impact of the duty increase. It's above 5% on average we will have to take to cover the duty increase, so 5-to-6% to cover the duty increase, which is higher than the year before. And again, what you see coming too in quarter one in terms of the negative price mix is all linked to the fact we did not find it right to take all the pricing upfront in quarter one, would not have been good we believe for the category development and category dynamics. That's why we're doing pricing the way we're doing it. And also remember in quarter one, we took a price increase in October. We don't think it would been right to take another price increase end of that quarter last year, so we think we have chosen the right strategy in terms of also taking into account what we would like to see in terms of category and market development. Mix channel shift, as I said, there's some product mix change and primarily linked to how distributors stock up in terms of mix in quarter four last year and if they don't get the mix exactly right, that can have an impact and in this case a negative impact for quarter one for us. Another point on pricing, as I said also when we had the earlier question on pricing, we are pricing up again in early quarter two, in April. We're close to 4%,

so soon we will have recovered, and more than recovered, the impact of the duty increase.

To your last question about France, what we're seeing in France, we have been through, as you said and refer to, the destocking. From a consumer point of view, we more or less see the market developing in line with expectation. For quarter one, we estimate the market to be down by close to 5% in volume, and that's not far from what we expected. The impact of the duty increase has been priced through to the consumer, so I would say as planned and as expected in France so far.

Michael Rasmussen: Great. Thank you very much.

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

Søren Samsøe: Okay. Three questions from my side, please. **First of all a question regarding Russia. If you could just tell us how big a share of the non-permanent outlets has now been converted during Q1. Secondly, we heard ABI in their statement talk about the marketing ban now having a negative impact to the market. Is this something you've also seen or do you think that's company-specific for them? And thirdly, just a follow-up question on France. You said that market was down 5% and the excise duty had been priced on fully to the consumer. But as I understand it, the brewers have passed it on to the distributors and retailers, but the retailers have not passed it on fully. So should we expect when they pass it on fully that we'll see a further decline from the 5% we saw in Q1 in France?** Thank you.

Jørgen B. Rasmussen: Søren, to your first question about kiosk and pavilion closure, we said going into the year or mid last year, we would expect... If you take the total universe of kiosks and pavilions, we said probably one-third will stay because they will be either permanent or turn themselves into permanent outlets, two-thirds will close over time was our estimate. What we're seeing now after end of quarter one, of the two-thirds, close to 80% of those have now gone in terms of not selling beer any more. So not a lot left if our assumptions two-third being correct to begin with.

On the marketing ban, we don't really see a significant impact from the marketing ban. We have a broad portfolio. We are competing in every segment and tend to be number one in every segment. We could not sit here and claim that marketing ban has had a significant role in terms of category development or in terms of market share movement at this point in time. What has had an impact is some of the short-term disruption from the kiosk closure.

And then your last question was about France, excise duty, no, it has been passed on, so retailers have been passing on to the consumer the impact of the duty increase. There was only a very, very short period of time in January where it was not happening. But since February, it has been passed on to the consumer as well.

Søren Samsøe: Okay, thank you. That's very clear.

Operator: *Adam Spielman from Citigroup is online with a question.*

Adam Spielman: All right, thank you for taking my question. **Many of my questions have been asked, but I noticed in Western Europe, you've had very good volume growth in non-beer volumes, and I was wondering if you could explain why that was and whether cider, in particular, is included in that figure.** Thank you.

Jørgen B. Rasmussen: I think the most important reason here would be last year in quarter one, we had low volumes, very low volumes in other beverages in soft drink, in particular, driven by duty increase, sugar tax in a couple of our key markets last year, so we had lower volumes last year.

Adam Spielman: Thank you. **So there's nothing particularly unusual this year?**

Jørgen B. Rasmussen: No. No.

Adam Spielman: Thank you.

Operator: Philip Morrisey from Berenberg is online with a question.

Philip Morrisey : Good morning. Thank you. **Could I ask regarding BSP1, you've obviously give us cost restructuring in relation to that programme, but could you remind us, please, whether you expect to accrue any material revenue benefits as that programme is progressively rolled out? And then secondly, in Central and Eastern Europe, but thinking about that region excluding Russia, Heineken has alluded to signs that they think they're seeing in terms of an improved industry pricing environment, and I wonder whether Carlsberg saw similar signs perhaps towards the back end of the first quarter or the beginning of the second quarter.** Thanks very much.

Jørn P. Jensen: On BSP1, no, we have not included revenue synergies in all of this. It's based on cost savings versus the investment in restructuring the whole thing. So i.e., what you're seeing now is the investment of the costs and then of course as more and more countries come onto the platform, then you'll start to all these costs savings coming through, but no revenue savings included in the business plan for the project so to speak.

Philip Morrisey: **Sorry, but just to confirm, is that because they don't exist or because you're just being conservative and not modelling them?**

Jørn P. Jensen: But we are normally only including hard synergies in those type of business cases.

Philip Morrisey: **I'm sorry, not to press you, but do you expect actually to accrue revenue benefits with the sort of behavioural changes the way that country managers run their business or is that not likely?**

Jørn P. Jensen: Hopefully, but we have not included anything. You can say there's two purposes of BSP. One is actually to provide even better customer service in all markets and the second element is the cost savings as such, so it's the cost savings we have included in the business case. The better customer service that will come gradually will of course also give benefits, but it's not included in the business case.

Philip Morrisey: That's great. Thank you.

Jørgen B. Rasmussen: Your question about Central/Eastern Europe, I would not say we have noticed a big difference in terms of pricing environment. At the same time, I know Poland has been discussed a lot in the past. Also in '12, we were able to get some pricing too in Poland, so we see more of the same, not a change as such.

Philip Morrisey: That's great. Thank you very much.

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

Melissa Earlam: Good morning. I've got three questions, please. **Firstly on your sales and distribution costs, they seem to be down 100 basis points year-on-year to 32.5%. Is that all attributable to the advertising ban in Russia? Then the second question is: Can you give us an idea of how strong your volume growth in Poland was in the first quarter? And the third question is: We've seen now for five consecutive quarters the other category in Russia taking volume share year on year. And I'm just wondering if you can shed any further details on why you think that is happening or whether it's just a continuation of some of the strong regional players, especially in Moscow, still having good traction?** Thank you.

Jørn P. Jensen: Melissa, the first one, you do see - - well you can call it either advertising ban in Russia or you can call it phasing of sales marketing in general. That is slightly different this year to last year, and that's of course due to that last year was a EURO year where most of the sales and marketing investments were in the first half. In absolute terms, it's not a lot of money in the first quarter, it'll be more in the second quarter, so it is basically different sales and marketing, including the marketing ban in Russia.

Melissa Earlam: **And just to follow up on that, your guidance for the full year is for it to be broadly flat as a percentage, right?**

Jørn P. Jensen: Exactly. Exactly, so it's phasing, exactly.

Jørgen B. Rasmussen: To your question about Poland, we see the market in Poland being about flattish and remember last year, it was very strong because of the build up to the European championship in football. We had very strong market growth in Poland, so it's quite positive it's flat year-on-year as a market in quarter one. And our volume, we're slightly better than market, but not a lot, so not far from total market development.

To your last question about other categories, so smaller brands, smaller players in Russia and they keep growing in terms of market share. It's not Mospivo as such, it's also a lot of very small regional local players. As again we have said several times, we see this being a more short-term trend, and it's kind of building on coming out of the crisis that consumers connected a lot more with local brands, local communities, et cetera. We don't expect this to be a trend to continue for the long term. They're not all sold on price and low price only, many of them would be more a mainstream or lower mainstream products, but we don't see this being a long term trend. Exactly when it will stop, time will show.

Melissa Earlam: **But you see it as a cyclical trend driven by some of the macro headwinds is what you're saying.**

Jørgen B. Rasmussen: Yes.

Melissa Earlam: Okay, thank you.

Operator: Andrew Holland from Société Générale is online with a question.

Andrew Holland: Yeah, hi. **Can we just come back to pricing in Russia? You've said that you've put through another price increase in April, and that by the look of it is enough now to cover the duty increase. When do you expect to take a further price increase to give you your own price increase, and what do you think the annualised impact of that will be?** That's my first question, and I've got a couple of others, but let's have that one first please.

Jørgen B. Rasmussen: Andrew, the first price increase, the 4%, I said as an average, I said it will more than cover the duty increase. After what we did end last year and also what we did in March, so after that one, it will more than cover. And as you would expect, I don't want to make specific comments on our pricing plans for the remainder of the year.

Andrew Holland: **Okay, but you referred to the fact that last year you took your price up in October. Is that the sort of time lag between April and October that you might think reasonable?**

Jørgen B. Rasmussen: Let's see. Time will show.

Andrew Holland: Okay. **And just sticking with Russia, you referred to the fact that there was less destocking in Q1 than there was last year. Does that mean there is still more to come in Q2 or is it like France, all done and dusted?**

Jørn P. Jensen: It's all done and dusted in the sense that the reason for the less destocking was the less stocking in Q4 '12 than in Q4 '11, so all of the destocking was done in the first quarter.

Andrew Holland: Okay. **And then you… Yeah, sorry. Q1 in France, your volume was enough to push Western Europe down, I think you said by 3%. Can you give us an idea of what the France volume did? By my reckoning, it must be down sort of mid teens. Is that about right?**

Jørn P. Jensen: In percentages, do you have the percentage? Okay, we don't have the percentage right here, Andrew. [around -30%]

Andrew Holland: Yeah, absolutely. **And then just finally something that just struck me in answer to an earlier question on non-beer, you referred to weakness in soft drinks in Q1 '12 and referred to the sugar tax. My memory is that that was in France. Is that the market you were referring to?**

Jørgen B. Rasmussen: Was in the Nordic markets, in Denmark.

Jørn P. Jensen: In particular in Denmark.

Andrew Holland: **So there was a sugar tax increase in Denmark as well?**

Jørn P. Jensen: Yes.

Andrew Holland: Okay. Thank you.

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

Chris Pitcher: Good morning. Two questions, please. **One in follow-up to your comment on Russian stocking levels, you mentioned there was negative mix because of the nature of the stocking Q4 on Q1. Does that imply that the wholesalers underestimated demand at the premium end and that we should see underlying sort of negative mix in the market? And then secondly, just on your cost of goods guidance, could you remind us how much of your Eastern Europe barley or malt prices are locked in for this year and how much are exposed to short-term movement in the price?** Thanks.

Jørgen B. Rasmussen: I think when distributors stock up, it's very hard for them to, despite also we try to help, it's really hard to get the mix exactly right; and this year, they had a little too much of the premium products in their inventories versus the lower priced products and gave a negative impact on product mix in quarter one, and those kind of differences you will see quite often. It's really hard to get that mix exactly right depending on which regions are doing better than others and weather impact, et cetera, et cetera, by region.

Chris Pitcher: **So following on from your comments earlier to Melissa's question about the other being at mainstream and lower mainstream, have we seen an acceleration in trading down in Russia? Can we read that into your comments today?**

Jørgen B. Rasmussen: We don't see a change in terms of premiumisation or trading down. If you look at Nielsen data, quarter one, you always have a slightly different mix than you have in the peak season, but we don't see a change in terms of consumer dynamics trading up/trading down.

Chris Pitcher: Okay. Thank you.

Jørn P. Jensen: On COGS Eastern Europe, we have good visibility for this year. As always, we are not as hedged on agriculture products in Eastern Europe as we are in Western Europe and, as always, we don't really want to give too many details on this on exactly when and how we're hedging based to avoid all the market speculations around it. But we have a good view on our COGS also in Eastern Europe for this year.

Chris Pitcher: Thank you.

Jørgen B. Rasmussen: I think that we have time for one more question, please.

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

Hans Gregersen: Yes. **In terms of the Asian market - - sorry, management situation, could you give an update on what you're looking for in terms of structure going**

forward? And just going back to France, the 5% decline, is that also a guidance or your perception on the full-year outlook? Thank you.

Jørgen B. Rasmussen: If I take the last one first and then Asia at the end, France, yes, we said also in February, we said we would expect some close to mid single digit decline for the French market for the full year, so it's kind of minus five for the first quarter. It's certainly in line with expectations, not slightly better.

On the Asia and Asia restructuring, I don't think there's a lot to add apart from what we had already communicated. We strengthened some of the management in our sub regions to really make sure we can capture as much growth as possible and then of course we are in a full search process for successor for Roy Bagattini, and I'm sure there will be news in the near future on that one.

Hans Gregersen: Thank you.

Jørgen B. Rasmussen: Thank you very much for listening in, and I'm sure we'll speak to many of you the coming days. Thanks.