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Speakers: Jørgen Buhl Rasmussen, CEO
Jørn P. Jensen, CFO

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SPEAKER: Welcome to the Carlsberg Q1 Report for 2015 conference. At this time all participants are in the listen-only mode and later we'll conduct a question and answer session. Please note that this conference is being recorded.

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

J. B. RASMUSSEN: Thanks a lot and good morning everybody and welcome to our Q1 2015 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 Investor Relations, Peter Kondrup.

Due to the seasonality of our business, Q1 traditionally only accounts for 5-10% of annual operating profits and therefore we do not provide a presentation for this call. But I will make a short summary of our Q1 performance and afterwards, Jørn will comment on the outlook for 2015.

The key highlights for the quarter are:

We delivered strong market share growth in all three regions. Our organic performance was in line with our expectations. The Group delivered 4% organic revenue growth driven by a solid price/mix of 3% and flat total volumes.

Operating profit grew organically by 8% driven by strong performance in Western Europe and Asia. Return on invested capital improved by 40 basis points to 8.4%.

In Western Europe, the beer markets were flat. Our beer volumes grew by 5%. This was supported by earlier sell-in to Easter than last year and stocking-up in the four markets that went live with BSP1 in early April.

And we delivered strong market-share performance with particular good performance in markets such as France, Poland, the Nordic markets and the Balkans.

Price/mix in Western Europe for beer was -2%, mainly driven by phasing in a small quarter, negative channel and customer mix and a more challenging pricing environment.

Organic operating profit grew significantly by 41% due to the aforementioned volume growth and on-going efficiency improvements.

In Eastern Europe, the Russian and Ukrainian markets declined by 9-10% as a result of the changing macro-environment. Our Eastern European volumes declined by 16% due to the market decline and inventory reductions at Russian distributors.

The inventory reductions were driven by the very visible channel-shift from traditional trade to modern trade. Our Russian value market share grew around 50 basis points while our volume share was flat at 38.4%, negatively impacted by last year's introduction of smaller pack sizes.

Revenue per hectolitre in Eastern Europe grew strongly by 15% driven by price increases. Despite higher cost goods sold due to currency impact, the strong price/mix led to organic growth profit per hectolitre growing by low teens.

Operating profit declined due to negative operational leverage in our fixed cost base in the seasonally very small Q1 and higher sales and marketing expenses.

And going to Asia: our markets there continued to grow and our Asian beer volumes grew organically by 4%. The growth was mainly driven by India, Cambodia and Nepal. But also our Chinese business returned to growth and grew volumes by 1%.

Volume growth and a positive price/mix of 2% meant that organic net revenue grew by 7%.

In reported terms net revenue increased by 29% positively impacted by currencies and the Chonqing Eastern Assets acquisition.

Asian operating profit grew strongly by 14% organically and reported 26%, driven by volume growth, price/mix and overall cost consciousness.

Operating profit margin grew organically by more than 100 basis points.

The reported operating margin decline was as expected and due to the Eastern Assets consolidation.

The Group's overall agenda for 2015 has not changed since we reported our full year results. We are making good progress on the implementation of a Group-wide initiative to further improve organisational efficiencies by simplifying, stream-lining and removing duplication in processes and functions as well as the implementation of operating cost management model which includes zero-based budgeting.

The benefits from this activity will not impact our communicated target for 2015 but will be reflected in our targets for 2016.

With this I will hand over to Jørn who will provide a few comments related to our 2015 outlook.

J. JENSEN: Thank you, Jørgen. As just explained, our organic Q1 results were in line with our expectations and consequently we maintain our outlook of a mid-to-high-single-digit percentage growth in organic operating profit.

All major assumptions with the exceptions of FX are unchanged compared to what we said in February.

With respect to FX the negative currency impact based on current rates will be less than previously expected as a result of the recent strengthening of the Russian Rouble as well as several Asian currencies.

The negative translation impact on operating profit will be around 400 million contrary to the previous expectation of around 900 million.

Lastly, a few comments on phasing this year, especially concerning Q2.

Please remember that a large proportion of the Western European volume growth will be reversed in Q2, as Q1 benefitted from Easter and the BSP1 stocking.

In Eastern Europe, we have also in Q1 worked hard to bring down inventories and will continue to do so. And this means that our shipments in Q2 will more closely reflect consumer off-take.

Also in spite of continued very strong price/mix in Eastern Europe, higher input costs will put a pressure on margin percentages in Q2 in the region. And with this we are happy to take questions.

SPEAKER: Thank you. We will now begin the question and answer sessions. So if you have a question please press star then 1 on your touch-tone 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 1.

The first question comes from Ian Shackleton from Nomura. Please go ahead.

I. SHACKLETON: Yes, good morning gentlemen. And look, before I ask my first question could I just address a few remarks to Jørgen because I realise this is his last quarterly call. And perhaps on behalf of all the investors and analysts on the call, I can thank him very much for all the time he's spent with us over the eight years he's been CEO.

I think we very much appreciate the open dialogue he's had with investors' analysts and we've had some very tough conversations I think over that period, particularly around regulations in Russia.

So Jørgen, I think we wish you all the best. I hope you can have a lot more time to watch Manchester United from here on. And I do say that with slightly gritted teeth having watched you snatch a victory from Crystal Palace on Saturday.

J. B. RASMUSSEN: Thanks for that, Ian.

IAN SHACKLETON: Perhaps just turning to my question. Turning to Western Europe, you talk about the markets being flat volume; your volume's at five. I mean if you talk out the selling ahead of Easter and BSP1 what would your volumes have gone up versus the market flat?

J. B. RASMUSSEN: Because we have very strong market performance it would have been marginally up. So better than chosen markets but a big part of the volume growth would be Easter and BSP1 stocking up.

I. SHACKLETON: And just a quick follow-up. You talk about price/mix of 15% in Eastern Europe. Could you just tell us a bit more about pricing in Russia? Because I think you did have a price increase in November. Has there been much else come through?

J. B. RASMUSSEN: Yes, we had a price increase twice so far this year. We had a price increase in January and one in March, both being around the 3-4%. And I would say in general if I look across the markets the markets more or less follow the kind of level price increase we have been taking.

I. SHACKLETON: Very good. Thank you.

SPEAKER: Our next question comes from Trevor Stirling from Bernstein. Please go ahead.

T. STIRLING: Good morning, Jørgen and Jørn. And Jørgen, just to reiterate Ian's sentiments entirely; thank you very much for all your patience at all the questions over the years.

Two questions from my side, first one Jørgen, you talked about you've updated the guidance on the translation effect on profits but there's also a transactional effect on raw materials in Russia particularly on PET and aluminium.

Does that mean that there was a little bit less margin pressure in Russia this year than you were expecting maybe three months ago?

J. JENSEN: Yes, so to speak. Of course, the appreciation in relative terms at least to February on the Rouble of course means that the transaction effect everything else being equal in Baltika will be slightly less than what we expected in February.

T. STIRLING: Okay, thank you. And then second thing is I notice central costs are slightly lower. Does that partly reflect maybe lower levels of BSP project costs?

J. JENSEN: No, it's all phasing.

T. STIRLING: It's phasing. Okay. All right. Thanks very much.

J. B. RASMUSSEN: Thanks.

SPEAKER: Our next question comes from Søren Samsøe from SEB. Please go ahead.

S. SAMSØE: Yes. Good morning and also thank you to Jørgen. First a question regarding the mix in Eastern Europe; if you could split up how much you've had in product mix and how the channel mix has been.

That was the first question. The second question is regarding pricing in Russia. It seems very strong. Given it's a special year in terms of pricing will you tend to be doing more sort of frequent price increases than previous years?

Thank you.

J. B. RASMUSSEN: Thanks. Again we won't split let's say our price/mix number into elements but if we talk about mix between segments to brand mix, you could say it's slightly positive in terms of brand mix, customer mix, channel mix clearly is negative, particularly driven by the growth of modern trade versus traditional trade.

On the pricing in Russia we will never talk about our plans going forward in Russia on pricing. The two price increases we have taken so far in January and March is not too different than what we would normally do in a year before the season. But I guess I can say assume there is more to come. But I don't really want to be more specific than that.

S. SAMSØE: Okay and then just a second question regarding your return on invested capital that you have started to report. Could you just mention the main drivers of the increase in that both before and after goodwill. Thank you.

J. JENSEN: It is as simple as you have seen, a slightly higher EBIT, and then a lower invested capital which is also explained in one of the notes to the release this morning on page 22.

S. SAMSØE: Okay, so it's mainly Western Europe and Asia that is driving it, I guess.

J. JENSEN: That you as again can see on page 22, so yes it is.

S. SAMSØE: Okay, thank you.

SPEAKER: Our next question comes from Simon Hales from Barclays. Please go ahead.

S. HALES: Thank you, gentlemen. A couple of questions from my side, please.

I wonder if you could just talk a little bit more about the pricing environment more generally in Western Europe. Obviously we know it's challenging. I'm just wondering if you can maybe flash out some comments around some of the individual markets, what you're seeing on the ground.

I appreciate it's a low quarter for you in that part of the world.

And secondly, just going back to the FX guidance for the year, what Rouble Euro rate are you using to set that four million headwind, Jørn? Is it the current spot rate which is kind of 57, 58 or is it above that?

J. B. RASMUSSEN: Simon, to the pricing environment in Western Europe where we had -2% as we say on beer in price/mix; clearly it is a small quarter and therefore there can be a lot of phasing when we talk about price and price development year on year.

Secondly there is a negative impact from channel mix so we are seeing some of the lower price channels growing faster than convenience as an example across markets.

And then I would say it is definitely a pretty challenging pricing environment. There's a lot of desire for more promotions and deeper cut promotions which kind of altogether add up to a -2%

for the quarter. We do not expect the full year to be -2%. It should be slightly better.

J. JENSEN: And on the second question; as you know we are not this year being specific on our FX assumptions. But as I guess you would imagine then we are normally trying to be relatively cautious, conservative, in our outlook on FX.

S. HALES: Perfect. And can I just follow up, just going back to Western Europe and Ian's earlier question around the benefit of the phasing in the first quarter.

When I think about how the stock load and the early Easter will have benefitted the EBIT delivery in the quarter, particularly the margin expansion should I assume that the majority of the margin expansion you've seen in Q1 is really the benefit of that volume leverage or is a significant chunk of the 190 bips margin expansion coming through those efficiency delivery as well?

J. B. RASMUSSEN: It is both so it is of course, of course there's no doubt that the +5% volume has had very positive impact on operation leverage. But in general we are seeing that the efficiency programmes that we have been implementing over the last many years in Western Europe are still delivering in line with expectations.

S. HALES: Perfect. Thank you ever so much.

SPEAKER: Next question comes from Michael Rasmussen from ABG. Please go ahead.

M. RASMUSSEN: Thank you, good morning. And two questions please. First, if you could talk a little bit about the French market; both how you see the market developing right now. And also add a few more comments on your market here again and maybe a little bit on the pricing environment in France more specifically.

And secondly in Western Europe if you could talk a little bit about how we should expect the timing from the four markets that you've recently put on the platform. Are we going to see a lift already in 2015 or do we have to wait until 2016 to really see these benefitting markets?

Thank you

J. B. RASMUSSEN: Thanks Michael and if I take France; the French market quarter 1, it's a bit flattish in terms of market development. But as you know France has been fairly positive, certainly if you look at 2014 at the market developments and flattish we see being pretty good for quarter 1.

It's still premiumising so we are not seeing any trading down. It's still trading up on average in France. Many if not all of our premium brands are doing very well so you all know that Tuborg Skøll we launched is doing very well.

In quarter 1 we launched a new non-alcoholic brand called Tourtel and also doing extremely well, getting quite a lot market share in the first quarter.

And our overall market share is also performing very strongly in quarter 1 against last year. So the trend we've seen now for little more than a year is continuing in France with us gaining market share in the market being pretty positive, still trading up.

So that's probably the overall situation.

J. JENSEN: And when it comes to the BSP1 benefits it is like it has been for all the other markets that it's not a lot you get in the first quarter and the first year. So by far most of the benefits will be from 2016 and onwards.

M. RASMUSSEN: So would it be a right assumption to make that the margin lift in 2016 even should be somewhat higher than the margin lift we're looking for in 2015?

J. JENSEN: That we will get back to when we guide on 2016 in February.

M. RASMUSSEN: Thank you very much.

SPEAKER: Our next question comes from Jonas Hansen from Carnegie. Please go ahead.

J. HANSEN: Yes, good morning. Two questions also from me. First, with regards to Russia; should we expect further inventory reductions or is the channel shift now worked into the supply chain, so to speak?

And then if you could just remind me of the negative impact expected from the Eastern Assets in Asia from Chonqing acquisition full year? Thank you.

J. B. RASMUSSEN: On average, Jonas, you should not expect further reduction in Russia in terms of asset inventory levels. But of course it does depend on the trend in traditional trade versus modern trade and our assumptions. But I would say we are close to the kind of inventory level we would expect going out on at the year-end.

J. JENSEN: And to the second question it's in kind of ball-park numbers around -100m-ish on EBIT for the full year.

J. HANSEN: Okay, thank you.

SPEAKER: Our next question comes from Andrew Holland from Societe Generale. Please go ahead.

A. HOLLAND: Yeah, hi. Just a couple on pricing if I may. Firstly, to press you a bit where you refer to slightly better pricing that you expect for the year as a whole in Western Europe versus the -2% in Q1. My interpretation is slightly better and would leave me with -1% in Western Europe. Would you agree with that or do you think it would be positive? And in Russia, can you just say what inflation is running at? Your price increase is running at 15%, what is that by comparison by sort of food and beverage inflation?

J. B. RASMUSSEN: Andrew, to the pricing I think your interpretation is not far away. I would say it won't be positive, probably, and I think we also said going into the year, it would be about flattish. So assume flat is -1% is probably a good assumption.

J. JENSEN: And Andrew, inflation in Russia is around 16% in the first quarter, expected to be around 15% on a full year basis.

A. HOLLAND: Thanks, and just as a follow up. You referred to volumes being down in Vietnam –but can you tell us what's going on in Vietnam and is that all of your business, does it include your investment in HABECO or is it just a consolidated bit of the business?

J. B. RASMUSSEN: Vietnam is not a big thing and in fact if you look at our market share overall in Vietnam, we are basically flattish or slightly up on markets share. So it's really mainly due to there was in quarter 1 some bad weather, quite rainy weather in the northern part and central part of Vietnam. Less in the south. So markets did not show a very healthy development in the first quarter in the north and central part. Not necessarily the case in the southern part.

A. HOLLAND: Okay, thank you.

SPEAKER: Our next question comes from Sanjit Aujla from Credit Suisse. Please go ahead.

S. AUJLA: Hi there, just on Russia pricing this year. As you've seen, the Rouble appreciate since you set guidance in February. Would you look to ease some of the price increases that you've got planned for this year?

And then secondly on Asia, I'm just wondering why price/mix is much softer in that market. Is there some country-mix dynamics there? Thanks.

J. B. RASMUSSEN: On Russia pricing we are not really, I mean pricing of course is influenced by also what's happening to FX. But as you know we have seen a lot of pricing in the beer category in recent years. So a lot of the planning we do on pricing would really be based on what we think would be right for the category locally to balance volume and value development again. So I would say not really influenced by what has been happening to the Rouble lately.

Second question was on Asia and pricing developments where we have a +2%. It's not really … again, if you look at it market by market we don't see a significant change to what we have seen in the past in terms of the pricing/mix benefit we get by market.

It's slightly lower in China than what we would normally see but it's very much in line so it's more country mix.

S. AUJLA: All right, thanks.

SPEAKER: The next question comes from Hans Gregersen from Nordea Please go ahead.

H. GREGERSEN: Good morning, three questions please. You have in connection with Q4 also today given various comments regarding the three regions. Could you just overall update on your margin outlook assumptions for the three divisions, that's the first one.

Second, you have been quoted on the wires, I don't know if it's correct, you are about shortly to internally launch, you have announced new cost cutting programmes. Can you update in terms of what that would imply in terms of cost and phasing overall? If there is anything new regarding what you stated in your annual report for 2014.

And then finally, in terms of the strengthened Rouble which over time should improve on inflation outlook and so on; do you see that will have any impact on the market outlook for 2015 at all? Thank you.

J. JENSEN: So Hans, on the first one there is no change in anything when it comes to margin outlooks that we by the way have not been specific on region by region for this year.

So as we said, you know it is a very small quarter so let's see how everything progresses over summer. So in principle no change in our guidance for the full year, neither on margins or region by region.

And then maybe just to take the third question; no, we have not, we do not see any reason to change our outlook for the Russian market or anything else in Russia for that matter based on the recent appreciation of the Russian Rouble.

Again, very small quarter. Let's see how it plays out over the summer.

J. B. RASMUSSEN: In answer to your second question, I don't know what I'm quoted saying but it's fully in line with what we said back in February. We do have an initiative looking at how we can make the organisation more agile, less complex. And also we are starting up on the zero-based budgeting. That's what I referred to also when I spoke to Bloomberg and we are well on the way and will soon start announcing some of the outcome of this process.

But that will of course be done internally before we do anything external. And therefore no numbers; nothing on cost or anything at this point.

H. KLAGGERSEN: Thank you.

SPEAKER: Our next question comes from Richard Withagen from Kepler Chevreux. Please go ahead.

R. WITHAGEN: Good morning. I have two questions on Asia. I see your organic operating profit growth continues to accelerate, we already saw that in 2014. So my question basically is, is the cost-consciousness an increasingly important contributor to that growth number?

And secondly; is a double-digit organic growth assumption in Asia for 2015 realistic?

J. B. RASMUSSEN: I think I can confirm what you are saying in your first question, yes. We are also seeing more programmes being worked upon in Asia on cost and therefore that's also coming through in numbers.

Second question was about?

R. WITHAGEN: Yeah, on Asia again. I mean this organic operating profit growth; it was 14% in the first quarter but can we expect a double-digit organic growth in Asia for 2015?

J. B. RASMUSSEN: I mean as you know we don't really guide by region. We guide on a Group level so again no specific answer to that question.

R. WITHAGEN: Okay, thank you.

J. B. RASMUSSEN: Are we having more questions or are we getting to the end of the call?

SPEAKER: The next question comes from Chris Pitcher from Redburn. Please go ahead

C. PITCHER: Hi there. It's Chris Pitcher. Just in terms of your Russia performance could you give us a bit more detail on what drove this de-stocking by the wholesalers because the shift from the traditional to the modern trade isn't a new development. And if anything in the quarter given the no-excise duty increase I had expected perhaps a positive shipment phasing.

So can you give us a feel for really what changed in the minds of the distributors? And in that context why you're really confident that inventory levels will be fine going into the second quarter.

And then just specifically on Europe pricing; you mentioned you expect price/mix to improve for the balance of the year. Again, what is giving you confidence in that? Have you taken price increases that have stuck without having to promote back or is it a geographic mix – just to give us a bit more colour why that should go from -2 to -1.

Thanks.

J. B. RASMUSSEN: Chris, your first question on inventory levels in Russia; there are no big changes to assumptions but it's still quite dramatic what we're seeing in terms of channel-shift where we are seeing traditional trade going down by more than 10% quarter on quarter. And I don't think always distributors are taking that into account when they plan their inventory levels because it is a significant change and that's really what you're seeing coming through in the numbers.

So no surprise but sometimes you don't expect that when you're planning for the inventory levels and that's what we're seeing.

We believe the level we have now, assuming we don't see a change to the trend, is probably where we will also finish at the year-end, if you look at our total inventory levels in our distributors.

C. PITCHER: Could you give us a feel for what the Russian shipment volume was down in the context of Eastern Europe because Ukraine must have been down. I mean production data was down in the sort of mid-20s. Was the de-stocking impact two, three hundred thousand hectolitres, that sort of level?

J. B. RASMUSSEN: It was down by about -16%.

C. PITCHER: -15, okay.

J. B. RASMUSSEN: 16.

C. PITCHER: -16 as well, okay.

J. JENSEN: Maybe just to add to it, also when it comes to why we don't think inventory levels should be much lower than what we are seeing at the moment is also a pure operational thing.

So actually in order for us to basically just to manage deliveries throughout this huge country, we cannot go down much further in inventory levels. So there's also kind of an operational minimum to what these inventories should ideally be. And that's basically very close to where we are now.

J. B. RASMUSSEN: And paticularly going into the season where you never know if it's going to be a good month with nice warm weather and you have to be prepared for that so that has to be taken into account as well when you plan inventory.

C. PITCHER: Thank you.

J. B. RASMUSSEN: And now we have completely forgotten your second question.

C. PITCHER: Pricing, sorry.

J. B. RASMUSSEN: In Western Europe?

C. PITCHER: Yeah, improvement in price/mix. What is it that gives you that confidence of it getting better for the balance of the year?

J. B. RASMUSSEN: Because again quarter 1 and when we looked through quarter 1 and mix between countries and because we had de-stocking or stocking up based on PSB1, we have some variables in quarter 1 being a very small quarter. That has a negative impact on price/mix and that's why we think price/mix in quarter 1 is a little more negative than we will see for the full year. So that's the main explanation.

C. PITCHER: But there's no perceptible change in the underlying pricing environment? It's more technical?

J. B. RASMUSSEN: Right.

C. PITCHER: Thanks.

SPEAKER: Next question comes from Mr Olivier Nicolai from Morgan Stanley. Please go ahead.

O. NICOLAI: Hi, good morning. I've got three questions please. I don't know if you mentioned it but could you just quantify the volume impact from Easter and the stocking effect in Q1 in Western Europe.

Second question is on Russia. Are you concerned at all that we could see more fragmentation of the Russian beer market? I was just looking at the others, particularly them growing share. I mean I know in the past you said that at some point with the modern off-trade they should not gain so much but I'm just wondering because we've seen this trend already for the last few years.

And also are they taking share only in volumes or they also taking share in value?

And just a last question. It was regarding the announcement that you made with Brooklyn Brewery in New York. So are you just planning to roll out the brand across Europe and is it an exclusive agreement or could you sign other agreements with other craft brewer.

J. B. RASMUSSEN: First the volume effects on Easter and the stock built because of BSP1, we have not been specific but what we have said we have gained market share in Western Europe. We said it was a flat market. So some of the explanation would be market share gain. And it was a strong quarter. But most, by far most of the explanation for the volume growth, the 5% volume growth would be the stock build. And then Easter.

O. NICOLAI: Okay. So therefore the 41% organic EBIT growth we can assume that most of it was from this?

J. B. RASMUSSEN: Yes.

O. NICOLAI: Okay.

J. B. RASMUSSEN: And then on the fragmentation and this group we call "others" in Russia, still we think it's getting close to the peak for that kind of group of brands in Russia.

We are doing more and more to also address it in our portfolio.

Secondly we do see in quarter 1 as an example they are not gaining share in modern trade. In fact they're losing a little in modern trade where their gain would be in traditional trade.

They have slightly more gain on volume than value but in general I would say it's not just driven by price. It's also driven by brands, kind of local connections to local consumers.

So it's not only price but a big part of the other group is also it is PET volume. That's quite a significant part of the other volume.

But on Brooklyn I cannot be specific. We have now collaboration with Brooklyn in a number of markets and I guess it's likely to expand. But it's not exclusive. It does not mean we cannot work with other craft brands and not work with our own portfolio. But it's of course a strong addition to our portfolio working with Brooklyn.

O. NICOLAI: Okay, thank you very much and best of luck.

J. B. RASMUSSEN: Thanks.

SPEAKER: Our next question comes from Tobias Bjorklund from Danske Bank. Please go ahead.

T. BJORKLUND: Yes, good morning and first thank you, Jørgen, it's been a pleasure.
I have a question. So you keep your guidance of EBIT growth of mid-to-high-single-digit organically. And after the last three months has that composition changed based on what you've seen here, how you're going to reach that EBIT growth?
That's my first question. And then you talk about the Western Europe, you've seen some negative development in the UK, Switzerland and Easter, you talk about losing market share in Switzerland. If you could give some comments on both Switzerland and the UK and Italy. If it's general market or if it's Carlsberg-specific on the other markets as well. Thank you.

J. JENSEN: Tobias, to the first question on guidance; as you can imagine there's always smaller changes to some markets doing slightly better than you expect and other markets doing slightly worse.
So in the big scheme of things, it is pretty unchanged region by region versus what we expected in February.

J. B. RASMUSSEN: And on the markets Tobias, if you take Switzerland where we are losing a little market share it's really driven by the strong currency and therefore you see more import coming in from it, particularly from Germany, that's really driving the share decline. So it's linked to currency.
Then the UK. UK market is slightly down and that's what we're referring to down by close to 1% in the quarter 1. But we are gaining share in quarter 1 in UK. So for us a better performance than the total market.

Italy again is about market declining. Our share would be about flat and we are still seeing strong development on our draft master system in Italy in the on-trade. You know, the one way PET keg system where we started rolling it out in Italy some years ago, a couple of years ago.

T. BJORKLUND: Okay, thank you.

SPEAKER: Our next question comes from Tristan Van Strien from Deutsche Bank. Please go ahead.

T. VAN STRIEN: Good morning, gentlemen. Three quick questions if you don't mind. One on Russia, you've got higher sales and marketing investments. Can you just give a bit of colour on that? What that is into and whether that's a question of the modern trade supporting your price and will that remain for the rest of the year?

The second, on Vietnam, I've got trouble squaring the numbers because if I heard you correct you said your market share is flat. And I've got 6% volume growth in Q1 for the market according to government data.

And then Heineken said they had a brilliant tip (?) so I'm wondering how you get to flat in that market.

And then last, in Nepal, can you just give an update on the situation there in terms of your brewery? Thanks.

J. JENSEN: On the sales marketing expense: It is all about phasing, it is not … phasing within the year, there's no change to kind of total sales & marketing investments in Russia for the year versus what we planned in February.

J. B. RASMUSSEN: And on Vietnam again because we are only in, or basically, primarily only in central Vietnam and northern part of Vietnam, it's a different development. We did have negative market development in the centre of Vietnam and northern Vietnam back to what I talked about, pretty bad weather and a lot of rainfall.

It would be different in the south and south being a bigger part of the total market, that kind of explained the difference you probably hear about in Vietnam.

So we are gaining share and we are strong in northern and central Vietnam but the market was down because of bad weather.

Nepal of course is a very difficult situation right now. It's, with the earthquake we are operational and the brewery has not been damaged apart from some cracks in some walls here and there. And we did not have any of our employees being injured or harmed during the earthquake. So that's all great.

But of course the market in the short term is very much negatively impacted in Nepal.

T. VAN STRIEN: Thank you, Jørgen, and good luck.

SPEAKER: Can I remind you if you have a question please press star then 1. The next question comes from Andrea Pistacchi. Please go ahead.

A. PISTACCHI: Yes, good morning. Thank you. I have three questions please. The first one I just wanted to press you slightly on Russian market volumes. If you could maybe give a sense of how it feels on the ground. Does it feel that Q1 was a trough, is there any sense that the situation is getting a bit less bad maybe?

The second question; whether the modern off-trade, whether you've seen an acceleration in share gains of the modern off-trade in the current environment.

And thirdly, the Myanmar Brewery that you've just commissioned and opened, could you give us the capacity for that brewery please?

J. B. RASMUSSEN: Yes. On the Russian market and on the ground and the consumer, it's not really… I would say we are not seeing change entrenched. It is still a pretty challenging environment for many consumers. So I would say at this point in time no change, no sign of any significant improvement versus what we've seen in Q1.

And I'm talking here more general, not only the beer category.

Modern off-trade is clearly growing and growing significantly versus traditional trade. And modern trade would be getting close to 40% of the beer market now. So it is in strong growth and we see that trend continuing.

On Myanmar, you're right. We just had the official opening of the brewery. We are now in the market with our local brand and also with Tuborg and soon Carlsberg. And the capacity of the brewery would be a little more than half a million hectolitre.

A. PISTACCHI: Thanks.

SPEAKER: We have no further questions on the phone so back to you, speakers.

J. B. RASMUSSEN: Okay, then I think it's time to close the call and I would say as it's my last conference call today as President and CEO of Carlsberg, I would like to thank you all for the many, many interesting and also, as some of you said, challenging discussions we have had in the past eight years.

I have truly enjoyed it and I would also like to say thank you for some of the many positive comments being made on this call. And I know I will see many of you later on today in the afternoon and look forward to having a beer with you and see you later, many of you.

Thanks a lot.