Interim Results 9 Months Ended 30 September 2013
Carlsberg A/S
CEO Jorgen Buhl Rasmussen
CFO Jørn P Jensen
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Operator: *Welcome to the Interim Results Conference Call Covering January 1st till September 30th, 2013. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session. Please note that this conference is being recorded.*

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

Jørgen B. Rasmussen: Thank you very much and good morning to everybody and welcome to our Nine months 2013 Results Conference Call. As was just said, my name is Jørgen Buhl Rasmussen, and I have with me our CFO Jørn Jensen and Vice President of Investor Relations Peter Kondrup.

The headlines for the first nine months are: We delivered solid performance Western Europe and Asia, while Eastern European markets remains difficult. And driven by our increasingly stronger commercial execution, we continued to increase price and mix and strengthened market shares, and we continued to increase efficiencies across all markets and functions and then we keep 2013 earnings outlook unchanged.

After a summary of our performance for the first nine months, I will go through the regions and thereafter, Jørn will walk you through the numbers and outlook and then we're happy to take your questions.

Please turn to slide three. Total market development differed in our three regions. Western Europe benefited from good weather in Q3; Russia remains difficult due to macroeconomic slowdown and outlet restrictions, while Asia continues to grow. We delivered solid market share performance across regions for the nine months cycling strong performance last year when EURO 2012 activations impacted positively. The positive volume and value market share performance is supported by our continued focus commercial efforts where we consistently aim at driving value in the beer category through maintaining a high level of commercial activities, including line extensions of existing brands, ongoing rollout and deployment of best practice sales and customer tools, and launch of innovations. To achieve that, our international premium brand portfolio is a very important asset. The Carlsberg brand grew 5% in premium markets in Q3, but declined year-to-date cycling last year's strong performance driven by the EURO 2012 activations. The Tuborg brand grew strongly by 12%, with very good performance in China and in India. The Somersby brand continues its strong momentum and delivered 80% volume growth due to the increased geographical foot print, line extensions, and continued activations.

And now slide four please. Beer volumes for the nine months were flat. Organic growth was minus 2%, with growth in Asia and volume decline in Eastern and

Western Europe. In Q3, our volumes declined organically by 5% as a result of weak volume development in Eastern Europe due to a difficult market environment and de-stocking in Q3 in Russia and despite growth in Western Europe and Asia in Q3.

And slide five. Organic net revenue growth was plus 1%, supported by 2% positive price/mix. All three regions delivered organic operating profit growth, with particularly strong performance in Asia and Western Europe. In total, operating profit grew organically by 2%. This was achieved despite the 290 million BSP1 implementation costs. Excluding these BSP1 related costs, operating profit grew organically by 6%. The negative currency impact accelerated during the year with an operating profit impact of minus 4% or 270 million for the nine months.

And now slide seven please and a few comments on our regions. The Western European beer markets declined by an estimated 2% for the first nine months; however, with solid recovery in Q3 when the markets grew by an estimated 1%. Q3 was mainly driven by favourable weather conditions across most markets in the region. Underlying market environment remains challenging as consumer spending in most markets remains relatively weak. Under such conditions, our Western European business delivered a very solid performance. We grew our market share despite that we're cycling the strong performance in first half last year due to the successful EURO 2012 activations. Our beer volumes declined organically by 3% as a result of the challenging markets and de-stocking in France in Q1. We grew volumes by 2% in Q3 ahead of the market. We're very satisfied that in spite of the volume development for the nine months, net revenue grew organically by 1%, driven by a positive 2% price/mix because of successful implementation of value management and price increases as well as innovation and strong execution. Across the region, our focus on driving value in the category is clearly paying off. Our non-beer volumes grew organically by 2%, primarily due to a strong performance by Somersby. In Poland, our volumes grew by 4% in a declining market, cycling last year's strong market growth. The Polish price/mix continued to improve and we strengthened both volume and value share. Somersby is growing very well in Poland, and Poland has become our largest Somersby market. The French market improved considerably in Q3 and declined 3% year-to-date. Adjusted for the de-stocking in Q1, our volumes declined by around 4%. Driven by very satisfactory performance of our premium brand portfolio, our market share grew in Q3 for the first time in a long period. The U.K. market declined by approximately 1%. We continued to gain market share in the on-trade, while our off-trade market share declined mainly due to last year's very good Q2 performance related to the EURO 2012 activations. Despite lower Danish volumes, our Nordic volumes were flat. We're very pleased with our Nordic performance that has been achieved at the same time as implementing BSP1 in Sweden and Norway.
Operating profit grew organically by 3%, with a 12% growth in Q3. This was achieved through market share growth, a tight cost control, the positive price/mix, and supply chain savings which more than offset the negative impact from the BSP1 related costs and the impact from the French de-stocking. Adjusting for BSP1 and the French de-stocking, organic operating profit would have increased by high single digit percentages in Western Europe.

And now slide eight, and Eastern Europe. The Eastern European beer markets remains difficult. Our beer volumes declined 4% organically. Our Q3 volumes declined by 15%, mainly due to Russia, which I will address shortly. We strengthened our Russian market shares, while our market share in Ukraine declined marginally due to tough comparables and new entrants into the market. In Ukraine, Baltika Razlivnoe as well as Slavutich delivered very good results. Organic net revenue declined by 5%, with a reported decline of 9% due to negative currency impacts, and price/mix was flat for the nine months and plus 1% in Q3. Despite the negative volume development, we delivered satisfactory plus 1% organic operating profit growth and a 90 basis point operating profit margin improvement. The earnings and margin improvement was mainly driven by an overall tight cost control, including lower cost of goods sold, lower marketing expenses due to last year's EURO 2012, and the Russian marketing restrictions, and also significant efficiency improvements as we continuously adapt the cost structure to the market development.

Slide nine and Russia. The Russian market continues to be very challenging and declined by an estimated 7% for the nine months and an estimated 9% for Q3. The market declined due to the outlet restrictions, which was further compounded by a slowdown in the Russian economic growth and consumer sentiment. In addition, a very wet month of September impacted the market negatively. Driven by well executed commercial strategy, our Russian market share improved by approximately 40 basis points to 38.7%, with a similar improvement in value share. We improved in both the modern trade and the traditional trade channels, and we saw particularly strong growth in the super premium and mainstream categories. This was driven by innovations such as Baltika Praha and Baltika Munich and good performance by brands such as Holsten, Baltika 0, and Zatecky Gus. For Q3, our volume market year was flat, while our value share grew. Our Russian shipments declined by 5% year-to-date and 17% in Q3. In addition to the market decline, our Q3 volumes were impacted negatively by the stocking at distributors in Q2 and the subsequent de-stocking at the distributor level that happened in Q3. Driven by the price increases in March, May, June, and September, our price/ mix grew by 1% in Q3, while being minus 1% year-to-date.

And now slide 10 please, and Asia. We continued to see market growth across the Asian region, although the region was affected by slightly slower economic growth and bad weather in some markets. We improved our regional market share, which was driven by a continued high level of commercial activities. That included the ongoing rollout of our international premium portfolio, premiumisation efforts of local brands, and a further strengthening of sales capabilities. The Carlsberg and Tuborg brands continued to perform very well in Asia. The Carlsberg brand grew 7% in premium markets, mainly driven by China and India, and Tuborg grew 65% and now exceeded the one million hectolitre mark in the region. The Tuborg growth was mainly driven by China and India.
We achieved a 5% organic beer volume growth and 10% growth, including acquisitions. The volume growth was particularly strong in Cambodia, India, and Laos, driven by market growth and market share gains. Our Chinese business delivered 3% organic volume growth in line with the market and 11%, including acquisitions, and Indochina grew 8% and India 19%. Regional volume growth slowed to 1% in Q3, mainly due to overall slowdown in economic growth and unfavourable weather in some markets. Organic revenue growth was 14%, driven by the volume growth and very favourable price/mix. The latter was due to good performance of our premium brands, price increases, and value management efforts. Organic operating profit grew by 14% and operating margin improved by 10 basis points. This was achieved with the important contributors

being China, Indochina, and Nepal, and despite higher sales and marketing investments, especially in China related to the Tuborg expansion.

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

Jørn P. Jensen: Thank you, Jørgen, and please turn to slide 12. As already explained, market conditions were challenging in Eastern and Western Europe. The weather had a positive impact in Western Europe in Q3. We delivered adjusted net profit growth of 5% driven by positive price/mix, growth in gross profit per hectolitre, and the lower net financial costs. For the first nine months, free operating cash flow was on par with last year. Lower EBITDA was offset by improved working capital versus last year. BSP1 went live in Norway in the beginning of this month and its transition has gone well. In the preparation for go-live in Norway, we took full advantage of the learning's from Sweden. We're now in preparation mode for the next market to go live, which will be the U.K. The BSP1 project is very important and represents a step change in the way we operate our business in Western Europe. As has been true for many years now, we have a strong focus on earnings and cash flow across all business units. The challenging conditions in our important markets only further emphasise the importance of our Group-wide efficiency agenda, but we must not and will not underestimate the necessity of continued investments in our brands and the future growth of our business.

And slide 13 please. Organic net revenue increased by 1%, or 561 million. Acquisitions were 888 million and were mainly related to the Nordic Getränke in Germany. The largest contributors to the negative currency impact were the Russian, Malawian, and U.K. currencies. COGS per hectolitre were up organically by 1%. However, due to a positive price/mix, gross profit per hectolitre was up 4% in organic terms. Reported gross profit margin was slightly up, while the organic growth profit margin improved 70 basis points. In Q3, gross profit per hectolitre was up 6% organically. Total OpEx grew 1%. BSP1 related cost were approximately 290 million, in line with our plans. Excluding these costs, operating expenses would have declined by 1%. All-in-all, organic operating profit growth was 152 million, or 2%, driven by strong results in Asia and Western Europe and with Eastern Europe contributing positively despite harsh market conditions. Excluding BSP1 costs, organic operating profit growth was 6%. Reported operating profit was down 2% because of a negative currency impact, in particular from Russia and Malawi and the BSP1 related costs.

And now to slide 14. Net interest costs were down 61 million compared to last year, while other financial items were down 190 million. In total, net financials were impacted by lower average funding costs. Tax rate was still 25%. So all-in-all, reported net profit was 4.3 billion. Adjusting for special items after tax, net profit was 4.5, up 5%.

And now to cash flow on slide 15. The sum of the first three lines, EBITDA including other non-cash items, adds up to 10.9 billion, which is on par with last year. The change in trade working capital was 16 million. Trade working capital was impacted by higher trade receivables at the end of September versus last year, mainly due to higher sales in Western Europe. Other working capital was minus 293 million and was positively impacted by higher duties and VAT payables, also due to the higher sales. Our focus on reducing the average trade working capital during the year continues to deliver. And at the end of Q3, the 12-

month average trade working capital to net revenue was 0.3% compared to 1% end last year. Paid net interests were 1.7 billion, which was little higher than last year due to phasing of interest payments. All-in-all, cash flow operations were 6.75 billion, slightly better than last year.

And slide 16. CapEx was 3.7 billion and was primarily driven by investments in sales equipment to generate top line growth, different projects in Western Europe to improve structure and efficiency, as well as capacity expansion in Asia to drive the future growth of the Group. Net acquisitions amounted to minus 555 and were mainly related to prepayments in Q2 regarding the acquisition of shares in Chongqing. All-in-all, free cash flow was 2.5 billion. The difference of 2.6 billion versus last year was driven by the cash flow from investments and here in particular the proceeds from the divestiture of the Copenhagen brewery site last year.

And finally from me on slide 18 and the outlook for the year. Based on our nine months performance and our performance at the beginning of Q4, we keep our earnings outlook unchanged for the year. This includes larger drag from currencies than previously expected and a more negative view on the Russian market development for the year. Based on the Russian market development seen so far this year, we now assume a high single-digit market decline for 2013. We are, however, able to mitigate the currency and the impact from the volume loss through a tight cost control; a better cost development and good execution in supply chain functions; slightly higher market share in Russia than anticipated; and lower financial costs. All in all, our earnings outlook for 2013 is unchanged and we expect an operating profit at around 10 billion and a mid-single digit percentage increase in adjusted net profit, or clean EPS.

Jørgen B. Rasmussen: Thank you, Jørn, and that was all for today, but let me summarise in line with my introduction. We delivered solid performance across Western Europe and Asia, while Eastern Europe remains difficult. Driven by our increasingly stronger commercial execution, we continued to increase price and mix and strengthened market shares. We also continued to increase efficiencies across all markets and functions, and then we keep our 2013 earnings outlook unchanged. And now, we are happy to take your questions.

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

We have Ian Shackleton from Nomura on the line with a question.

Ian Shackleton: Hey, good morning, gentlemen. **Going back to the Russian price, or your Eastern Europe price/mix of plus one, I was interested if you could split that out into price where you clearly had a number of price increase in the year and mix, if you could split that out. Second question was where you thought the stock levels in the Russian beer market were at the end of September. And the third question, you're probably aware one of your competitors yesterday painted quite a bleak picture of Russia in 2014, still talking about regulation impacting. I just wondered if you have any thoughts on that at this stage.**

Jørgen B. Rasmussen: Thanks, Ian. If we start with the price/mix, first of all as we started 2013, we said price/mix would improve during the year, so it was quite negative in the first quarter. But because of the pricing we've had, it became better into the year. A lot of the pricing of course had to be done to cover the excise duty increases, but also to a certain extent inflation. And then kiosk closure, as we've said many times too, because of Baltika 7 being a strong SKU in there or brand in there, the kiosk closure has had a negative impact and has a negative impact overall throughout the year on our price/mix. The price/mix lately, and I would say probably from mid this year, has also been negatively impacted from the macro economy and the consumer sentiment being more negative, so we are seeing a slight trading down between brands. And also if we analyse within segments, mainstream or premium or low mainstream, we see a slight trading down in terms of average price points within the segments and that really explains our price/mix situation year-to-date and also what you're seeing in quarter three. I'm not going to split out price and mix, but I mean what I can say: We've had four price increases, as I think we also put in the release, this year, with the first one in about February/March and one in May and one in June and now in September, and of course the one September with very little impact for quarter three.

On stock levels at our distributors, we have de-stocked in Q3, and the stock level is just slightly higher coming out of Q3 than what it was last year or what would be normal kind of stock level.

'14 we don't want to make any comments on market development If it's regulation, we don't see any new news on regulation. There's been no kind of development on the whole PET discussion. I think all of you on this call probably would be aware of the industry proposals where we have said we will voluntary stop selling beer in more than 2 litre PET if it's 6% alcohol or above. Or the same on beer in general, we have said we will voluntary stop selling beer in sizes higher than 2.5 litre, but there's nothing, no new developments. Kiosks – because they all came out this year, so by end this year, we see the impact of kiosk and pavilion closure should be behind us so should not have a negative impact from next year because they all disappeared by end of 2012 basically.

Ian Shackleton: Okay, thank you.

Operator: Søren Samsøe from SEB Equities is on the line with a question.

Søren Samsøe: Yes, good morning, gentlemen. First a question: **If you could go into more detail with the cost cuts you have been doing, you say you've done it all over, but I mean you have been cutting costs for the last four years and looking into that. Now you're cutting significantly in Q3. Would be nice to just get more detail what kind of cost you have been cutting. That's the first question. Second question is on Asia where you're seeing a significant increase in price/mix. First of all is the competitors doing the same and is increasing price the reason for the sort of lower volume or flat volumes or is it a more the Chinese economy or what's the reason?** Thank you.

Jørn P. Jensen: Søren, to answer the first question on costs, then, as you know, to increase efficiency in general in the Group, of course in particular in Western Europe, is not new on the agenda at all. We still see a lot of potential to become more efficient. We have BSP1 or the benefits on efficiency that would come out of that and so on and so forth. So of course we are cutting costs as much as we can and as fast as we can. And it's not so that suddenly in Q3 is suddenly in a new area, a new function, or in a new market, it is across the business as such for all regions, all functions, and all markets. So there's nothing really new apart from that we still have a lot to do on efficiencies in the Group.

Jørgen B. Rasmussen: On Asia, Søren, on price/mix. If you look at year-to-date versus Q3, there's not really a significant difference on price/mix benefits. I think price/mix is about plus 6/7% total for year-to-date and also quarter three; and the benefit we achieved on price/mix in Asia, as has been also been the case in the past, is based on price increases, but also very much premiumisation, so premiumisation on local power brands, but also the fact international brands grow faster than local power brands.

Søren Samsøe: **Is competition doing the same?**

Jørgen B. Rasmussen: In Asia?

Søren Samsøe: Yeah.

Jørgen B. Rasmussen: It varies. I mean market situations are very different. If you take Cambodia/Laos versus China, it's different. But I would say, yes, probably most certainly of the bigger international companies do try to premiumise also local power brands. It may be different if you talk about local competitors how they operate and their approach so can differ and depending on the market we're talking about.

Søren Samsøe: **And is this impacting your volumes negatively or can we expect you to continue to raise price/mix like this?**

Jørgen B. Rasmussen: I don't think so. You have seen this trend for the last two or three years. So if you go back in time, it has often been between 5 and 10% price/mix in Asia, and I think the strategy has worked. We have been able to gain volume market share. We have increased volume despite working I would say professionally on value management and improving the average value of the volume we're selling in Asia, so it doesn't have any negative impact on our volume, and we are still gaining share in most of the markets in Asia.

Søren Samsøe: Okay, thank you.

Operator: Trevor Stirling from Sanford C. Bernstein is on the line with a question.

Trevor Stirling: Good morning, gentlemen. Two questions please. **Jørgen, you talked about the negative channel mix in Russia. I wonder if you could remind me, I think you talked about if there is a movement from traditional trade to modern trade in Russia, it's negative on price/mix. It's neutral and maybe even slightly positive on operating profit. Is that correct?**

Jørgen B. Rasmussen: First of all, I didn't really talk a lot about channel mix. The biggest impact when we talk about the mix development was slightly negative or slight trading down between brands. We have seen lately certainly from mid this year because of the economic situation and then I talked about within segments, and here I am talking about category segments - mainstream, premium, low mainstream. We also see a slight trading down in terms of average price point, which mean they're trading down slightly within the segments, so channel mix is not a major factor in quarter three. In general, if you look at let's say the situation for us at the bottom line, so in terms of profits, it's more or less the same per hectolitre if you compare traditional trade versus modern trade.

Trevor Stirling: Thanks for the clarification; and second question, maybe one for Jørn: **I appreciate it's too early to talk about concentration next year and that will come in February, but I wonder if you make some comment on the Russian barley harvest. Do you think broadly you'll be importing similar amounts of malt and barley next year compared to this year?**

Jørn P. Jensen: Well, Trevor, we will not even implicitly or indirectly talk about COGS for next year until we get to February. Of course we have quite good visibility on all that and that we will be far more firm and specific on when you get to February and not before.

Trevor Stirling: Okay, Jørn, thank you very much.

Operator: *We have Casper Blom from Handelsbanken Capital on the line with a question.*

Casper Blom: Thank you. A couple of questions please. **First of all, I was wondering if it's possible if you can strip out the positive weather effect from your performance in Western Europe. Secondly, if you could give an update on the Chongqing process and maybe also on your very long-term memorandum of understanding in Vietnam. And then finally I realise it about 2014, but could you give any flavour on how the Winter Olympics in Russia might affect your business next year?** Thank you.

Jørgen B. Rasmussen: Okay, if I start with the weather effect, I cannot go in and kind of analyse what would be weather or not weather in our own performance. But I think when you look at total market development, as we refer to, you can clearly see the market is growing in Q3 and up to Q3 was in decline, and we are saying still underline probably if it wasn't for weather would be in slight decline. So that's all I can give you on the weather side.

I know Jørn will talk Chongqing in a moment. There's no news on Vietnam in terms of MOU. We'll come back when we have new news. We're still working on it.

And then the Winter Olympics, of course will be positive. I mean it has been, also as of this year, we are using it in the way we market Baltika to the consumer and to the trade and we'll continue to do so, and of course there will be peak next year so should be positive. But to quantify on that, I'm not going to do.

Jørn P. Jensen: And on Chongqing, there's not much to add because this process of course is being managed in accordance with Chinese stock exchange rule, so everything that is supposed to be public is public. So we have all the approvals and we are in the so called PTO process.

Casper Blom: Okay, thank you, guys.

Operator: *Nik Oliver from Merrill Lynch is on the line with a question.*

Nik Oliver: Hey, morning, guys. I've got three questions please. **Firstly on price/mix in Western Europe, clearly very good in the quarter. One of your main competitors has talked about the need to go promotional on price to help volumes in Europe. Do you think pricing can keep running at similar levels, 2% going forward, or will you also look to be more promotional to get some volume growth back into Europe? Secondly, on Russia, you flagged the bad weather in September. Could you just give any comment on trading in October? Did that get better? And finally on the Eastern European margin, clearly strong up 60 bps despite the negative volumes. Could you try and strip out how much of that was just timing on marketing expenses and how much was cost cutting? I'm trying to get sense of what's recurring and what's not.** Thank you.

Jørgen B. Rasmussen: Nik, to the question on price/mix in Western Europe, I think what we're seeing in our numbers and it is strong performance, but we've seen that kind of the 1/2% benefit in Western Europe again for some time, and value management is a big factor here, how we work with our portfolio. So it's a lot about how we drive portfolio management in the organisation and then between different SKUs, multipacks/single packs. That's driving a lot of the benefit we get from price/mix. We still participate in promotions as required. I don't see necessarily a significant increase in promotion or promotion activity, mainly only in a few markets where we see a slight increase in that. But on average, we think we can continue this kind of trend where we get a small benefit on price/mix. It won't always be 2%, but we have said always a slight benefit from price/mix, and I think we can continue doing that in Western Europe because we are in general, I believe, getting pretty good at execution.

On Russia bad weather, September was bad. I know certainly it was extremely bad in Ukraine. I cannot make comments on October, but clearly the statement we make now is also based on we have full visibility to October.

Jørn P. Jensen: And on the Eastern European margins, there was nothing that was kind of, if you look ahead not nonrecurring so to speak. Of course we have lower brand marketing costs, which is due to the restrictions or the regulations in Russia, and that as we don't expect those to be lifted. That will continue, so there was nothing nonrecurring structurally kind of in our margins or in our performance in general in Eastern Europe apart from the de-stocking we talked about earlier in the third quarter.

Nik Oliver: Okay, that's very clear. Thanks, guys.

Operator: *Hans Gregersen from Nordea is on the line with a question.*

Hans Gregersen: Good morning. Three questions. **If you look on your unchanged EBIT guidance around 10 billion, could you clarify in some let's say some semantics how big a change in terms of profitability would have to occur before you were to change? Is it quarter billion, half a billion, and what sort of changes has been in the drivers between the unchanged guidance, i.e., Eastern Europe has been weak and Western Europe has been quite strong? The first question. Second question, in terms of Russia and the outlook for 2014, your local CEO recently at a conference according to various media signalled a stable outlook for 2014. Would you care to comment on why and how those statements were made? And finally, the**

September price increase in Russia, could you use specify how much that is? Thank you.

Jørn P. Jensen: Hans, the first question, as I understood it, was basically what it will take for us to come out with a profit warming.

Hans Gregersen: **No, a general statement, is it quarter billion or half billion the other way?**

Jørn P. Jensen: That is not really how it works. So I think I'll just refrain from answering the question. We believe in what we are now guiding at and if that changes, then we will come back. But what we said this morning is what we believe in will be the numbers for the year.

Jørgen B. Rasmussen: And to your second question, Hans, on Russia outlook and what you quoted our local CEO to have said, I cannot recall the interview. But let me say if I had to double guess, I'm sure he would maybe be thinking about the kiosk closures. That’s kind of behind us now. So that all kind of had some impact in '13, but then there should be no additional impact in 2014, I would imagine that was what he maybe refered to, but again I would have to see the interview before I can give you a complete answer, but I think that would be probably what he would refer to.

And September, you asked about...

Jørn P. Jensen: Price increase.

Jørgen B. Rasmussen: ...price increase in Eastern Europe and Russia, and it's about 4%. Again varies as always a lot between regions and the brands.

Hans Gregersen: **But would that imply that giving the massive price increase you've seen in quarter two that we should see let’s say an acceleration of that impact in quarter four or will we not see it in the numbers.**

Jørgen B. Rasmussen: Yes, you should see better price/mix in quarter four than quarter three.

Hans Gregersen: Thank you.

Operator: Andrew Holland from Société Générale is on the line with a question.

Andrew Holland: Yes, thanks. **A couple just in relation to Russia. I don’t know whether you saw that the Russian government has downgraded their long term GDP forecast from 4.3% growth to 2.5%, and some commentators were thinking that was quite a big deal. I just wonder how you or how your view of the development of the Russian market would change in the light of a halving or near halving of long-term GDP growth. You have in the past talked about the sort of normal rate of growth for the Russian beer market being 2 to 5%. Would you still talk in those terms? That’s question one. Question two relates to France. If I got my numbers right, you're saying the market year-to-date is down 3% and you're down 11%, but you've only slightly lost market share. Can you put some figures on what is a slight loss of market share?**

Jørgen B. Rasmussen: Yes, if I start with Russia, the kind of macroeconomic outlook is not as positive as it was. At the same time, it's still predicted to be a growing economy, and that’s always positive. Secondly, I think most would also expect a kind of real income growth per year also when you look forward and that's also positive. And then we don’t see significant change to consumption habits around beer apart from what has been taking the category down has been specific factors like big price increases driven by duty or by big cost increase and this year by change to the retail landscape, so we still believe at some point in time this category will get back to some growth. What percent? I don’t know if it's two to five still or three to five still. But as long as the category get back to growth, that would be a significant improvement certainly for the total Carlsberg business as well.

On France and de-stocking, the numbers you compare, they're true when you look at shipments, but you have to include the de-stocking impact. And if you include de-stocking impact, you're looking at a number being minus four for us and minus three for the market. So as we're saying, we are losing slightly full year. But for the first time in many, many quarters, we are gaining share in quarter three, and close to one share point we're gaining in quarter three.

Andrew Holland Okay. **It just looked as though the comparison was the 3% and the 11% rather than three and the four.**

Jørgen B. Rasmussen: The 11 is including de-stocking. So if you eliminate the impact of de-stocking and you kind of do it consumer off-take, it's minus four versus minus three.

Andrew Holland Okay. **That's not how reads in the statement. You're saying the market decline year-to-date was an estimated 3%.**

Jørn P. Jensen: Then the following sentence says, "Adjusting for de-stocking, our volumes declined by an estimate 4% (11% including de-stocking)."

Andrew Holland: **Yes, but the minus 3% for the market surely is on the same basis... Oh never mind.**

Jørn P. Jensen: No. That’s consumer off-take. Market is always consumer off-take.

Andrew Holland: Right, okay. Thank you.

Operator: James Edwardes Jones from RBC in on the line with a question.

James E. Jones: Yes, good morning, team. **Could you give a bit more detail on how you manage to get margins up in Eastern Europe despite the 15% volume decline? I had expected the negative operational gearing to be massive and specifically to what extent is underlying marketing going down because of all the marketing restrictions?**

Jørn P. Jensen: It is due to efficiencies I guess, if you want to just call it one thing, so it is cost reductions in general in the business, including of course brand marketing, as we talked about before. When it comes to Russia, most of that has either been then just translated into further trade marketing expenses. But it is very good execution, very good work on all cost elements in the P&L in general from procurement, production, logistics, sales, admin, and so on so forth.

James E. Jones: Okay. **So the marketing element is a relatively small part of the whole?**

Jørn P. Jensen: Well, if you take sales and marketing costs in a broader perspective, that is not what is really driving it.

James E. Jones: Got it. Thank you.

Operator: Michael Vitfell-Rasmussen from ABG Sundal Collier is on the line with a question.

Michael V. Rasmussen: Yes, hello, everybody. A few questions. **First of all, you do mention that implementation cost, the BSP1 programme, is now going to be close to 400 million compared to 300 to 400 million. Is this due to the projects costing more than you initially expected or is it simply the fact that you've been able to implement these programs faster than expected, hence the implementation costs you've talked about for 2014 could be slightly lower now? Staying with costs, second question being on change of costs of goods sold per hectolitre, if I recall it, you used to talk about cost being up slightly low single digit in organic terms and now you just mentioned reported terms where there will be flat. Is this due to Eastern Europe cost coming slightly down, as you also mentioned in the report here? And then the final question, did you talk about a new market participant, Jørn, when you went through Eastern Europe? Can you please say a little bit more about that?** Thank you.

Jørn P. Jensen: Michael, to the first one on the BSP, it was to 300 to 400 and now it's closer to 400 million is what we're saying. As we have it, no, it's not a huge change in outlook. It is more facing, and I would not for now assume that the number for next year would be different from what we have said all along for next year.

When it comes COGS, it is again COGS in general, of course it's impacted by the execution in our supply chain functions in general, not necessarily on material costs but also on nonmaterial costs, which is increasing efficiency, productivity, and so on and so forth. So this small, small, small change you have noticed on COGS in the outlook, that's not a change in reported terms, it's basically due to very good execution.

Jørgen B. Rasmussen: And you're right, Michael, on Ukraine I did refer to it and let me talk about new players and new entrance. One would be SABMiller who used to be there on their own. Now there's Efes and of course the portfolio has increased compared to how it used to look in Ukraine. And then Mospivo did not used to be in Ukraine and they are small, but they are now a new player in Ukraine as well.

Michael V. Rasmussen: Okay, great. And thanks very much, guys.

Operator: Olivier Nicolai from UBS is on the line with a question.

Olivier Nicolai: Hi. Good morning. I got three questions. **First of all, just wanted to understand a bit more about the lower marketing expenses in Eastern Europe. How much of this marketing expense saving is actually due to the saving and should we expect marketing expenses to be down in Q4? Second question is on the market here in France in Q3, which was up probably the first time since you bought Scottish & Newcastle. Is it thanks to innovation or do you still see some down trading - - oh sorry - - some trading in the market and your discount portfolio being down? So if you could give us a bit more**

colour on this. And lastly on the CapEx, CapEx guidance increased compared to your H1 results. Is that essentially due to the two new breweries that you're opening in Asia? Thank you.

Jørgen B. Rasmussen: Thanks, Olivier. If we take marketing expenses in Russia, as we have said all along, we assume our sales marketing expenses as a percent of net sales, despite the marketing restrictions, will overall be in line '13 versus last year because we're going to spend money differently than what we used to do. When we talk about a slight saving this year, that's driven by also last year we had the EURO 2012, which always drives some incremental expense. And secondly of course when you see a significant worse market development than anticipated and you put back on some of your planned spends and you really go for efficiency everywhere, yes, we take some spending out, some cost out, investment out. That's explaining what we talk about when we talk marketing expenses. But overall I would assume sales marketing spend as a per cent of net sale will not be far off what it used to be, but for this year has some unique reasons.

Market share in France, it is great to see we're up in the quarter. But as I always keep saying the same when I talk about Russia, a quarter is a quarter. We need to look at long-term trends before we can talk about we're really on a growing share trend, but is very good news.

What's driving it? It's our premium brands and I would say it's all of them and also innovation, so we launched this product called Skøll from Tuborg. That's doing extremely well and that's in a slightly different category than kind of standard beer. Also 1664 with some of the re-positioning we've done and what we have done on 1664 is working extremely well, so, yes, it's innovation. It's what we do on brands. And also Carlsberg is performing still very well, which has enabled us to grow market share for the first time in a quarter.

Jørn P. Jensen: On CapEx, yes, it is basically - - well one element is what you described yourself. Another one is basically facing, including in Western Europe between you can say this year and next year. So versus three months ago, it's not suddenly a new big project anywhere.

Olivier Nicolai: Okay, thank you very much.

Operator: *Adam Spielman from Citi is on the question - - on the line with a question.*

Adam Spielman: Hi. Thank you. I have two questions. **Can you quantify A&P as a per cent of sale in the third quarter, both in Western Europe and in Eastern Europe? When I say "quantify," can you say how many bps it's gone up or down in those two regions as compared to the last quarter? And then the second question, clearly we've had very good margin performance despite mediocre top line, and you're attributing that to better efficiencies in lots of areas. So I guess the question is: Can you continue to squeeze out these really superb efficiencies if the market remains as weak or was this a huge effort, but it's really one quarter effort and to quote you "a quarter is a quarter" or and we will return to previous trends in terms of costs going forward?** Thank you.

Jørgen B. Rasmussen: Adam, to your A&P question, there's not a significant difference on A&P versus year ago. But, yes, when you have a market like Russia going down by 7/8%, of course you also pull back a little on your planned spend and planned investments. But in Western Europe, you don't see a big change compared to last year. The same in Asia. We keep investing in growth for the future. But wherever we saw an opportunity based on some of the negative development in Russia, yes, we did pull back a little, but that's kind of more for short-term tactics, not for long-term because we will keep investing in our brands and innovation to drive top line growth and to stay on a growing market share trend. That's a very firm part of our strategy.

Jørn P. Jensen: On efficiencies, in general, as you know, we are investing a lot in kind of taking a big step change on efficiencies, especially of course in Western Europe. So there's no reason to believe or think we will not be able to continue to become more efficient. It's an integrated part of the whole strategy of the Group. So as I said before, there was nothing kind of underlying structurally in the quarter as such, which is kind of one-off on cost savings. We will continue to drive efficiencies, a very important part of the agenda for the Group, and there is still... I said many times before, there is still much more to do.

Adam Spielman: **And if I come back to that because my understanding is that BSP1 efficiencies really didn't affect this quarter at all. But I suppose to be absolutely crystal clear, if we continue to have in Western Europe the same sort of organic sales growth that you achieved in Q3, it is reasonable to suppose that you can get the same margin expansion? In other words, should I be putting in or should we all be thinking about 12% organic growth because that seems quite high to me? It's certainly higher than we were expecting it is well above your trend?**

Jørn P. Jensen: What you should assume on Western Europe and margins is this that we have talked about before that we will deliver at least 50 bps average, yearly average improvement for at least the next five years.

Adam Spielman: **And my understanding was that was all very much backend loaded. Is that still the case?**

Jørn P. Jensen: Yes, it's more backend loaded, and kind of a normal average for the period for sure because, as you know, most of the BSP1 benefits will be at backend loaded without any doubt.

Adam Spielman: Yep, excellent. Thank you very much.

Jørgen B. Rasmussen: But, Adam, also in a place like Eastern Europe, versus what we said going into the year when we said flat market and now it's minus 7/8%, of course we go more aggressively into all kind of places to see where we can take cost out, including if we can take cost out in the sales force because market is now smaller and less and kiosks disappear. So it is also reflection of what's happening in total market, so we adjust our business model to what's happening to total market developments.

Adam Spielman: Okay, thank you very much.

Operator: *Pablo Zuanic from Liberum Capital is on the line with a question.*

Pablo Zuanic: **(Inaudible) quantify, but at the start of year you had given guidance for the flat Russian beer market, so what changed since then? I mean you had some visibility and understanding on the regulatory changes. Was it just bad weather or was it that you really misjudged the impact of all the regulatory change? The first question. The second question, in terms of the timing of the kiosk shutdown, is that pretty much happening in January or has that been happening throughout the year? And then three, and last, just remind us at the consumer level year-on-year what was the price increase they saw in terms of change and maybe just put it in context of where the prices head on average compared to five years ago after all the price increase.** Thanks.

Jørgen B. Rasmussen: Yes, the flat Russian market we guided on and now we are looking at a high single digit in our guidance for the Russian market, the difference is really two let's say significant factors. One would be the kiosk closure. We did not anticipate it will take so long for the consumers to get used to going elsewhere to do their shopping and to buy their beer and therefore we have certainly lost impulse buying. So using your words, yes, we probably misjudged the impact of the kiosk closure. It takes longer for consumers to get used to a new retail landscape. And then secondly from mid this year, also a slowdown in the Russian economy and consumer sentiment is also having a negative impact, so they are the two significant factors as we have it.

Timing of kiosk closure, you can say they basically all disappeared by end 2012. If you take the combined kiosk universe and pavilion universe, about 50 to 60% of kiosk who used to sell beer or pavilions, they're no longer selling beer. So as we see it, end 2012, the kiosk universe had disappeared and therefore was a negative impact for 2013, but should not be a negative impact in 2014 versus 2013.

To your question about year-on-year price increase, the consumer is really faced with around a 10% price increase on average in the category compared to the year before. If you look over the last four to five years, I cannot give you an exact number here, but the consumer has probably been faced price increase of 40/50% in the category compared to the pricing back in 2008-2009.

Pablo Zuanic: Thank you. And can I just do a quick follow up. **At your Investor Day in Russia more than a year ago, you had given guidance going back to high 20s in terms of EBIT margins, 28/30% range. I know the guidance has been changed since then, but just can you remind us for the recent provide guidance or in reality has not been changed? I mean you're still guiding long-term for a return to high 20s in margins in Eastern Europe?** Thanks.

Jørgen B. Rasmussen: I didn’t get the first part of your question. Could you just repeat it again? Sorry.

Pablo Zuanic: No, I'm trying to - - if I am not wrong, in your Russian Investor Seminar more than a year ago when we were talking about Eastern European margins, the idea was that EBIT margins there would return to high 20s, the 28/30% level over time. I don’t think the timing was provided, but the idea was that they would return. But now when I look at your latest guidance as per the press releases and your website in terms of medium-term guidance, I believe there's no specific guidance for Eastern European margins. So can you just remind us in terms of what is your thinking about the direction of Eastern European margins over time? And if you can give some guidance long-term.

Jørn P. Jensen: So, yeah, it is true that we awhile ago removed our mid-term target guidance on margins in general for all three regions, which was due to that actually it were numbers that were, as we have it, not really telling the underlying story of the earnings outlook for the three regions as we saw it, and those relative numbers were not something we used to for anything internally. Of course, the focus at the end of the day is far more on the absolute margins, for instance like EBIT per hectolitre and not on the relative margins, so those we removed awhile ago.

Jørgen B. Rasmussen: And I can see we are really running out of time, so I probably have to say that was the last question. But again thanks for participating and attending, and I'm sure we'll talk to many of you in the coming days. Thanks a lot.

Operator: *Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.*