Financial Statement as at 31 December 2013
Carlsberg A/S
CEO Jorgen Buhl Rasmussen
CFO Jørn P Jensen
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Operator: *Welcome to the Carlsberg 2013 results conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. Please note that this conference is being recorded. I will now turn the call over to your host, CEO Jørgen Buhl Rasmussen. Sir, you may begin.*

Jørgen B. Rasmussen: Good morning everybody and welcome to our 2013 results conference call. My name is Jørgen Buhl Rasmussen and I have with me our CFO Jørn P Jensen and Vice President of Investor Relations Peter Kondrup.

Slide 2, please, where we have the headlines for 2013. We grew ahead of the overall market and strengthened our market share across all three regions. We delivered solid earnings growth in spite of the challenging European macro environment, and not least the negative market development in Russia from outlet closures. Driven by our increasingly stronger commercial execution, we continued to increase price and mix and we continued to increase the efficiencies across all markets and functions. We invested in Western Europe to establish a future more efficient business model and organisation and we continued to invest in growth opportunities in our fast growing Asian business that now accounts for 24% of Group volumes. Adjusted net profit grew by 5% and we suggest to increase dividends by 33%.

After a summary of our performance for the year, I will go through the regions and thereafter Jørn will walk you through the numbers and the 2014 outlook. Thereafter we will be happy to take your questions.

Now to slide 4, please. For the year we delivered solid volume and value market share performance across our regions in spite of tough comparables with last year when our market shares were positively impacted by EURO 2012 activations. The continued positive momentum in market shares was supported by our ambitious commercial agenda. We consistently aim at driving value in the beer category by maintaining a high level of commercial activities, including innovations, premiumisation efforts and line extensions of existing brands and ongoing rollout and deployment of best practice and customer tools. Our commercial activities are always balanced between our international premium brands and our very strong portfolio of local power brands.
The Carlsberg brand grew 7% in premium markets in Q4 but declined 2% for the year as the brand was cycling last year's strong Euro 2012 performance. The Tuborg brand grew strongly by 10% with very good performance in Asia, in particular in China and India. Kronenbourg 1664 grew 6%, excluding France where the brand was impacted by the destocking in Q1. The rollout of Grimbergen continued and the brand is now available in 33 markets. Our Somersby brand delivered a very impressive volume growth of 78% as a result of

the increased geographical footprint, line extensions and continued activations. The brand is now available in 40 markets globally.

Slide 5, please. Beer volumes for the year declined by 1%. Organically, volumes declined by 2% with growth in Asia and volume decline in Eastern and Western Europe driven by total market development, especially in Eastern Europe.

Slide 6. Net revenue grew organically 1%, supported by a 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 5% but, adjusting for the approximately 350 million BSP1-related costs and the impact from the French stocking movements, operating profit grew organically by 11%. Q4 operating profit growth was even stronger at 17%, driven by all regions, phasing within 2013, and efficiency deliveries within supply chain functions. The negative currency impact accelerated during the year, resulting in a full year operating profit impact of minus 4%. In Q4, the currency impact was minus 9%.

Now to slide 8, please, and a few comments on our regions. Our Western European business delivered a very solid performance. We continued to strengthen our overall market share for the third consecutive year and in 2013, we even managed to do so in spite of cycling the strong EURO 2012 performance in the first half last year. The Western European beer markets declined by an estimated 2% for the year. In general, the market environment remained challenging as consumer spending in most markets continued to be relatively weak despite signs of slightly improved macroeconomy during the year. Our beer volumes declined organically by 3% as a result of the challenging markets and the French destocking in Q1. Adjusting for the latter, our volumes declined by an estimated 2% for the year and were flat for Q4. Net revenue grew organically by 1%. This was driven by a positive 3% price/mix. We successfully utilised our value management tools and carried out price increases in addition to bringing innovations to the market and delivering 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 of Somersby.
Operating profit grew organically by 4% with a 9% growth in Q4. This was achieved through several factors, including continued improvement in service levels and cost benefits from the centralised supply chain organisation, growing market shares, a tight cost control and the positive price/mix. This more than offset the negative impact from the BSP1-related cost and the French stocking movements. Adjusting for these, organic operating profit would have increased by double-digit percentages. We managed to keep margins flat despite the BSP1 cost and the French stocking movements.

Now slide 9 and a few market-specific comments. The beer markets grew slightly in the Nordics, helped by good weather in Q3. We continued to gain market share in Norway, Sweden and Finland, driven by strong commercial execution. In Denmark, we lost overall share due to a temporary delisting at one off-trade customer. Excluding this customer, we also gained market share in Denmark, driven by strong portfolio management and optimisations. Norway and Sweden implemented BSP1 with no major business disruptions.

We continued our very strong performance in Poland and grew volumes by 5% in spite of a slightly declining market. Through a balanced approach to how we support our brands in our portfolio and combined with our value management efforts, we managed to strengthen our volume as well as our value market share. The strong performance was driven by our local power brands as the Carlsberg brand faced tough comps with last year's EURO 2012. Somersby also continued its successful performance in Poland.

The French market declined by an estimated 3% to 4%. Adjusting for the destocking in Q1, our volumes declined by around 4%. Driven by a very satisfactory performance of our premium brand portfolio, our market share grew in the second half in both volume and value terms for the first time in a long period. The launch of Tuborg Skøll, good Grimbergen performance and 1664 line extensions were all important contributors.

The UK market was marginally down. Our market share declined slightly as we continued to gain market share in the on-trade but saw our off-trade market share decline. However, this was as expected due to last year's very good Q2 performance related to the EURO 2012 activations. We continued to strengthen our portfolio and the launch of Carlsberg Citrus and Somersby were two important launches. The UK business is going live with BSP1 in March.

Now slide 10 and Eastern Europe. The Eastern European beer markets were difficult in 2013 due to not least the Russian outlet closures and a general macroeconomic slowdown across several markets in the region. Our beer volumes declined 5%. In Q4, our volumes declined by 9%, mainly due to Russia which I will address shortly. Net revenue declined organically by 4%. Price mix grew by 1% for the year and plus 6% in Q4. As expected, price/mix improved throughout the year. Driven by a very focused agenda in our Eastern European organisation, we delivered a very satisfactory plus 2% organic operating profit growth and a strong 120 basis point operating profit margin improvement. This was achieved despite the substantial headwind from the negative volume development. The earnings and margin improvement were mainly a result of a continuous tight cost control, slightly lower marketing expenses due to last year's EURO 2012, and also significant efficiency improvements as we continuously adapt the cost structure to the market environment.

Now slide 11 and Russia. The Russian market has, over the last couple of years, been impacted by the significant changes in the retail landscape. The underlying trend in the market is a continual shift from the typical Eastern European traditional trade into modern trade as the larger supermarket chains are expanding and constantly opening new stores. However, traditional trade still accounts for around two-thirds of the total market. The trend was further accelerated in 2012 and 2013 due to the changed regulation that so-called non-stationary outlets from 1 January 2013 no longer were allowed to sell beer and consequently many of them closed. That impacted consumer off-take more than expected in 2013 and was the main reason behind the estimated 8% market decline. Nearly all outlets that were supposed to close had closed down by the end of 2012 and therefore the impact of outlet restrictions should not really influence market development in 2014. Therefore, we should be back to the more normal underlying long-term trend that consumers move from the traditional trade into modern trade.

Slide 12. In this difficult market environment, our Russian business in fact performed very well. We kept executing on a very busy commercial agenda in Russia, including a high level of innovations, strong focus on in-store activations

and implementation of value management tools. As a result of these efforts, we strengthened our Russian market share by approximately 30 basis points to 38.6% market share. Our value market share improved even more. In Q4, our volume market share was largely flat while our value market share grew by approximately 50 basis points. We strengthened our share in both the modern and the traditional trade and achieved particularly strong growth in the super premium and mainstream segments. Innovations such as Baltika Praha and Munich and brands such as Baltika Zero, Zatecky Gus and Holstein attained very good results. We activated our sponsorship of the Sochi Olympic Games as well as the Russian National Hockey League throughout most of the year, promoting the sponsorships in-store and on our packaging materials.
The Russian market continued to be very challenging and declined by an estimated 8% for the year and an estimated 7% for Q4. The decline was mainly due to the aforementioned outlet restrictions which were further compounded by a slowdown in the Russian economic growth and consumer sentiment in the second half of the year. 2013 turned out to be the weakest year-on-year development for the Russian economy since 2009. Our Russian shipments declined by 7%. The impact from stocking movements at distributors was limited. Our price/mix grew by 6% in Q4 and plus 1% for the full year, driven by the price increases in March, May, June and September.
A brief comment on Ukraine where the market declined 7-8% due to the economic slowdown and bad weather. Our market share was flat despite tough comparables and new entrants to the market. During the year, also in Ukraine, we launched a number of innovations.

Now to slide 13 and Asia, please. We continued to see market growth across the Asian region. We improved our regional market share which was a result of a continued high level of commercial activities and investments, including the ongoing rollout of our international premium portfolio, premiumisation efforts of local power brands and a further strengthening of our sales capabilities. The Carlsberg and Tuborg brands continued to perform very well in Asia. The Carlsberg brand grew 12% in the premium markets, mainly driven by China and India. Tuborg grew 66% and exceeded the 2 million hectolitre mark in the region. The Tuborg growth was driven by China and India.
We achieved a 6% organic beer volume growth and 12% growth including acquisitions. Organic volume growth picked up in Q4 and was 10%, mainly due to a strong Tuborg performance in India and China, strong growth in Laos, phasing in Malaysia due to financial budget discussions and an earlier sell into the Chinese New Year versus last year. Organic revenue growth was up 14% driven by the volume growth and a very favourable price/mix. The latter was due to good performance of our premium brands, premiumisation of local power brands, price increases and value management efforts. Organic operating profit grew by 21% and reported operating margin improved by 100 basis points in spite of higher sales and marketing investments, especially in China, related to the Tuborg expansion. China, Indochina and Nepal were significant contributors to the strong growth.

Now slide 14 and China. During 2013 we took several steps in China to enable us to capture the long-term value growth opportunities of this market. In December, we concluded the partial takeover of our Chongqing Brewery Company and now hold 60% of the company. We increased our ownership in the Lanzhou, Qinghai and Tibet joint ventures and also in December, we announced the acquisition of Chongqing Brewery Group Assets Management,

the so-called Eastern Assets, which will strengthen our position in eastern China. Following these transactions and assuming approval of the Eastern Assets purchase, we will be operating 47 breweries in China, have a staff of more than 13,000 employees and an annual beer volume of approximately 30 million hectolitres. The process of integrating Chongqing Brewery Company into the Carlsberg Group has begun and is on track.
In addition to these structural changes, we continued to develop our business organically, both in terms of improving efficiencies and in strengthening the business commercially. As a result, we closed two breweries in the Xinjang province, we put significant resource behind the Carlsberg and Tuborg brands, we invested in our strong local power brands and continued to roll out our capability building programmes. For 2013, our Chinese business delivered 4% organic volume growth. Including acquisitions, the volume growth was 14%. Profitability strengthened due to the positive leverage impact, price/mix and efficiency improvements.

Slide 15 and the other Asian markets. Our beer volumes in Indochina grew organically by 8% due to strong performance in Laos and Cambodia, driven by continued market growth and strong performance of our local brands BeerLao and Angkor. In Vietnam, the rejuvenation of the Huda brand was successfully executed. Our volume growth in India was a strong 18%, driven by continued growth of the Carlsberg and Tuborg brands. Our market share is now 8% and we have a number 2 position in seven Indian states and in six states, our market share is 20% or above. In Malaysia and Singapore, we continue to drive the premiumisation of our portfolio which included a further emphasis on our international premium brands. In Myanmar we began the construction of a greenfield brewery as the first international brewer. The building is progressing according to schedule and the brewery will be operational in the second half of 2014.

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

Jørn P. Jensen: Thank you, Jørgen. Please turn to slide 17. Market conditions were challenging across Eastern and Western Europe but all three regions contributed to organic operating profit growth of 5% or 11% adjusted for BSP1 costs and French stocking movements. Adjusted net profit grew by 5% and was driven by a positive price/mix, growth in gross profit per hectolitre and lower net financial costs. In 2013, BSP1 went live in Sweden and Norway and we are now in the final preparation stage for the UK. We are very pleased with the implementation process so far which has had no major disruption on the daily business operations. The BSP1 project is a very important step in our transformation of the Western European business setup and a key enabler for growth and profitability in the coming years.
As always, we have a very busy agenda ahead of us in the years to come. As already mentioned, there is the change of the Western European business model and organisation. In Russia we have a very strong business that delivers excellent performance despite market headwinds. We will continue to strengthen this business to drive further value. In Asia we develop and invest in our business in order to capture the growth potential which we see in the region. Finally, our relentless pursuit of efficiency improvements across the Group and execution of our ambitious commercial agenda continue.

Now slide 18 and the income statements. Organic net revenue increased by 1% or 846 million, with particularly strong contribution from Asia. Acquisitions were 1.3 billion and primarily related to Nordic Getränke in Germany. The largest contributors to the negative currency impact were the Russian, UK and Malawi currencies. COGS per hectolitre were up organically by less than 1%, i.e. gross profit per hectolitre was up 5% in organic terms. Organic gross profit margin improved by 100 basis points and reported gross profit margin increased by 40 basis points. Organic Opex grew by 2%. BSP1-related costs in 2013 were approximately 350 million, which was in line with our plans. Excluding these costs, organic operating expenses would in total have been flat, with Western and Eastern Europe down, driven by efficiency improvements, and Asia up, driven by growth in investments and future growth.
All in all, organic operating profit growth was 509 million or 5%. Asia accounted for approximately half of the profit growth. Eastern Europe contributed positively despite declining volumes due to the difficult market conditions and Western Europe due to positive price/mix and efficiency improvements. Reported operating profit was up 1% due to the negative currency impact.

Now to slide 19. Net interest costs were down 141 million compared to last year while other financial items were down 98 million. In total, net financials were impacted by lower average funding costs. Non-controlling interests declined by 158 million due to the buyout of the Baltika minorities in 2012. Tax rate was around 24%. So all in all, reported net profit was 5.5 billion. Adjusting for special items after tax, net profit was 5.8 billion, up 5%.

Now to cash flow on slide 20. The sum of the first three lines, EBITDA including other non-cash items, adds up to 14.4 billion, which is a little higher than last year. The change in trade working capital was plus 627 million. For the past several years we have continuously reduced the average trade working capital during the year and at the end of 2013, it was down to 0.2% of net revenue compared to 1% end last year. Other working capital was minus 884 million and was primarily impacted by an extraordinary increase in prepayments and a decrease in debt to public authorities. Paid net interests were 2.1 billion, which was a little higher than last year and higher than expected interest due to the phasing of interest payments. All in all, cash flow from operations was 9.1 billion where most of the decrease to last year were either one-offs or phasing.

Slide 21, please. Net Capex was 6.1 billion. As stated on the slide, Capex were allocated to capacity expansion in Asia and Poland, greenfield constructions in Asia, different projects in Western Europe to improve structure and efficiency, and sales investments. Net acquisitions amounted to minus 2.7 billion and were mainly related to the acquisition of 30.3% of the shares in Chongqing Brewery and prepayments related to the acquisition of the Eastern Assets in China. All in all, free cash flow was 200 million. The significant difference versus last year was due to the China acquisitions, the proceeds from the divesture of the Copenhagen brewery in 2012, higher Capex and the lower operating cash flow. Net interest-bearing debt was 34.6 billion, based on restated numbers.

Now to slide 22. For 2013 we are proposing a 33% increase in dividend to DKK 8 per share. That means that since 2009 we will have increased dividends by an average 18% per year. With a 5% adjusted EPS increase, the pay-out ratio is then increasing from 16% to 21%. With our recently implemented dividend policy of a pay-out ratio of at least 25% within two years, we expect another sizeable increase in dividends for next year.

Now to slide 24 and the outlook. Please note that the outlook was based on the restated 2013 P&L that you can find in the appendix to the announcement and to this presentation. The restated P&L includes the accounting changes related to the pro-rata consolidated companies which reduce operating profit by 121 million but have no impact on net profit. Please also remember that the consolidation of Chongqing and Eastern Assets in China will lead to higher volumes, revenue and EBIT but dilute average revenue per hectolitre and operating margin in Asia. In that sense, the negative country mix from a relative margin perspective only will be more material in 2014.
For 2014 we assume a slightly declining Western European market, a Russian market that will decline low-single-digit and that growth in Asia will continue in line with 2013. COGS per hectolitre is assumed to decline slightly, mainly due to currency impacts. In organic terms, COGS is assumed to be flatish. BSP1-related costs are expected to be 450-500 million. All-in coupon, tax rate and Capex are expected to be quite similar to 2013. Based on these assumptions, we expect a high-single-digit percentage growth in organic operating profit in 2014. Including the acquisition impact from Chongqing and the assumed significant currency headwind, reported operating profit is expected to grow by a mid-single-digit percentage. As always, we are basing our EUR/RUB currency assumption on average Bloomberg forward rates. Adjusted net profit or clean EPS is expected to grow by mid-single-digit percentages.

Jørgen B. Rasmussen: Thank you, Jørn. That was basically all for today. To summarise, we grew ahead of the overall markets and strengthened our market share across all three regions. We delivered solid earnings growth in spite of the challenging European macro environment and not least the negative market development in Russia from outlet closures. Driven by our increasingly stronger commercial execution, we continued to increase price and mix and we continued to increase the businesses across all markets and functions. We invested in Western Europe to establish a future more efficient business model and organisation and we continued to invest in growth opportunities in our fast growing Asian business that now accounts for 24% of Group volumes. Adjusted net profit grew by 5% and we suggest to increase dividends by 33%. Now we are happy to take your questions.

Operator: *Thank you. We will now begin the question and answer session. If you have a question, please press star then 1 on your touchphone 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 1 on your touchphone phone.*

Ian Shackleton from Nomura is on line with a question.

Ian Shackleton: Good morning, gentlemen. Three questions around Russia. How do you see price increases coming through in Russia this year? It is a similar duty increase. Should we think about it being similar to 2013 in terms of the phasing? Secondly, it was held share in Q4 rather than gained share. How is the competitive position shaping up? Is there more competitive activity? The final question was really around regulation. It has all gone very quiet. If anything, there was some commentary about possibly allowing beer into the stadiums for the World Cup in 2018. How do you see the regulatory situation at the moment?

Jørgen Buhl Rasmussen: Thanks, Ian. The first question about price increase. The impact of the duty increase is slightly lower than what we saw in 2013. It is about a 20% increase on the duty. Last year it was 25%. So we probably have to take about a 5% price increase on average to cover the duty increase. We will take something on top of that, but don't really want to make more comments on our pricing plans for 2014 apart from that.

Our share development was up for the year and, yes, our share was flat for Q4. As I have said again and again, don't look at market share by month or by quarter; look at trend lines. So, don't read into it, let's say, that the competitive scene has changed in Q4 versus average for the full year. I think it is just about sometimes what we have in terms of activities, phasing activities between us and competition. I would say, in general, it is still a competitive market but I don't see a change in the level of competition or the level of price aggressiveness in Q4 versus earlier in the year.

On regulation, all the regulation that has been implemented in the last few years was something that was discussed two, three years ago and that is what is being implemented or has been implemented. We don't see any signs of new regulation. The only topic still being still discussed would be PET and you saw the industry came forward with a proposal not to have the very big sizes in strong beer to begin with and that is still under discussion, but I would say no new news on regulation.

There have been some positive steps as you referred to, Ian, on the World Cup and maybe allowing beer to be sold in stadiums in preparation up to the World Cup. That is, of course, a positive move. I think, in general, we can say the dialogue has improved between the industry and government on regulation and we haven't really seen new ideas coming up in the last few years in the beer category.

Ian Shackleton: Just to go back on the prices, I think you had a price increase in September and that obviously helped the Q4 price/mix. Have you had any more this year so far?

Jørgen Buhl Rasmussen: We had one very late in December on some products, but in general you can say if you look at Nielsen consumer price, our price year-on-year would be up by about 10-11% consumer price-wise and that is more or less in line with the average for markets, with some differences between the different players.

Ian Shackleton: Very good. Thank you.

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

Trevor Stirling: Two questions from my side, gentlemen. The first one is, Q4 in Russia the market was down I think 7%, you estimated, and your shipments were down 13% and your share was broadly flat year-on-year. Does that imply a little bit less stocking up towards the end of the year than there was in the prior year? The second question is I think in the special items there is a DKK 200 million impairment charge on trademarks. I know it is not a huge amount of money but I wonder if you could just give a little bit of colour on that.

Jørn P Jensen: Trevor, to the first question the answer is yes. So in absolute volume terms of course it is slightly lower stocking because the market is lower now than it was a year ago. In forward looking days, it is the same as it was going out of 2012.

Trevor Stirling: Understood. Thank you.

Jørn P Jensen: On the DKK 200 million, it is a few small Eastern European trademarks and, as you were saying, it is not big money.

Trevor Stirling: Yes. Thanks very much.

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

Casper Blom: Thank you. A few questions from me also. Looking at China, it now seems that the map you are always providing is starting to be rather green and it also caught my eye that your share is now above 50% in all your companies in China. Could this mean that we are sort of getting closer to a position where you can start consolidating your Chinese business somewhat more and get the optimisation out of that? My second question relates to Russia. We have heard one of your competitors talking about profitability being slightly lower in modern trade than in traditional trade. Is this also the picture you are seeing? I know you said something else earlier. Then finally, maybe if you could give a comment on the current unrest that we are seeing in the Ukraine. Is that something that is affecting your business? Thank you.

Jørgen Buhl Rasmussen: Casper, the first one, consolidation in China, what we are working on -- well, the short answer is not really yet. What we are currently working on, as we also said, is kind of integrating now the Chongqing assets and then eventually the Eastern Assets into Carlsberg in China, which is a significant operational exercise that is going on at the moment and is going very well. So that is what is on the agenda for now. Of course, if you think a few years out, then of course there could be more consolidation as such but that is not really what is on the agenda for now.

To your question about Russia and pricing and modern trade, it is true to say that in the last year or so we have seen more pressure on pricing and terms in the growing modern trade in Russia. So, yes, that trend has started as, I would say, expected.

Regarding Ukraine, of course there was a lot of sad events during the last night in Ukraine. I would say in the early part of 2014 we couldn't really say the situation in Ukraine has impacted the beer category, but of course if it does get worse and worse who knows.

Casper Blom: Thanks a lot, guys.

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

Adam Spielman: Hello. I hope you can hear me. I have two questions and I think they are related - one backward looking and one forward looking. First of all, if you go back to this time last year you said you were going to do about DKK 10 billion of operating profit and that was based on an assumption about a fairly benign situation in Russia. That assumption turned out to be wrong and yet you still managed to deliver essentially what you said. I am wondering to what extent you really strained yourself on cost savings or whether simply your commercial agenda is now going so strongly that you would have well exceeded your initial thoughts.

I guess related to that question but looking forward, you are obviously talking about high-single-digit EBIT growth organically going forward. Bearing in mind that you have said that Russian volumes are going to be weak because the market is weak but the European market is still going to be pretty constrained, I am guessing price/mix is not going to accelerate massively. I can't see any particular reason for that. How exactly are you going to or hoping to achieve that organic EBIT growth, which sounds very impressive?

Jørgen Buhl Rasmussen: If I look back and then Jørn can look forward. If we look back on, let's say, the 10 billion and what we guided in the early part of the year, I think what we are saying in general we always look at adapting to market conditions and we believe we are good at execution. So when we see our market development in Russia this year and Eastern Europe getting worse than what we expected going into the year, we have to start changing some of our plans, in particular in the back-end of the business, take out costs, adapt to the market environment. I would say where we cut last would be on brand investments, marketing investments, so we can still support the innovations and support growth in terms of growing top line. But, yes, we do take out costs where we can take out costs if the markets go down and that is really what you see being in our numbers for the year when markets are slightly worse than what we expected.

Jørn P Jensen: You are absolutely right, they are very much related. So it is kind of the same logic looking into 2014 that, yes, of course not a lot net-net to do on the top line in Western Europe but still, as we have talked about for some time now, a lot still to be done on costs. In Eastern Europe, of course, it is a mix of the two. Where we have the opportunities on price/mix, of course it is much better than in Western Europe.

Adam Spielman: Again, just to sort of follow up on that, in some previous quarters I got the impression you have really taken all the costs out you possibly can but it sounds as if it wasn't quite as aggressive as that in Russia in 2013. I guess you are saying you can still achieve the same sort of cost-cutting programme in 2014 as well. Is that a fair summary of what you are saying?

Jørn P Jensen: It is in general that in Europe in total, there is no doubt that we think we can be more efficient, more effective in the whole business model, so to speak, than what we are at the moment. Of course, if you take costs out in one quarter then you don't get the full impact necessarily in that quarter but you will have it in the coming quarters as well. So, yes, we can definitely become more efficient or effective in all of Europe.

Adam Spielman: Thank you.

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

Søren Samsøe: Good morning. Just a question regarding France. If you could just give us the market development in Q4 and also maybe elaborate a little bit if you think that the excise duty has now been absorbed by the consumer so we can start to see some growth again in the French market. Secondly, on the cost development, you say your COGS is going to be flattish. I maybe had expected the COGS to come down, but is this due to rising packaging costs and lower malt costs? If you give more details on that, what is the explanation? Thank you.

Jørgen Buhl Rasmussen: Market development in Q4 is very similar to what you see for the full year, so the kind of 3%, 4% decline, and some of that is driven by the price increases we had to take going into the year.

Jørn P Jensen: When it comes to COGS, then it is definitely so that it differs a bit from region to region and that there is different developments in the different subcategories within COGS. So there is especially one that is coming down and there are other subcategories within COGS where you see kind of normal inflation, for instance within packaging. That is what net-net leads to this flattish COGS development in organic terms.

Søren Samsøe: Okay. Then a question regarding excise duties more in general. We just saw Vietnam coming out with a proposal to raise excise duties quite a lot. Are there any other markets where you see similar trends, except of course Russia where it is an ongoing thing?

Jørgen Buhl Rasmussen: I think the picture is mixed. Again bear in mind when you look back we have seen some markets going down, even like UK or Denmark going down, and a number of markets going up. So it is a mixed picture and we don't have any kind of clear signs of some markets planning a significant duty increase at the moment. So I would say it is mixed and probably business as usual you can say when we look at duty, increases in duty, increases trends.

Søren Samsøe: Okay. Thank you.

Operator: Philip Morrisey from Berenberg is on line with a question.

Philip Morrisey: Good morning. Thank you. Could I ask first on Western Europe, you have performed well in terms of price/mix this year, plus 3%, and I wonder whether you felt that was sustainable, not withstanding the rather more benign cost environment that you are clearly facing in 2014? Secondly, please, I wondered if you could remind us what percentage of your Russian volumes are sold through the modern trade and how you expect that number to evolve over the course of the next several years. Thank you.

Jørgen Buhl Rasmussen: To Western Europe, yes, we did have strong performance on price and mix and a lot of that is driven through value management, which we often refer to, and I would say in general our ability to execute where we believe we are getting better and better as an organisation. I would say if you look forward don't assume we can always get to 3% and we have said many times low-single-digit, very low-single-digit benefit from price/mix in Western Europe is probably a good average assumption in that kind of environment.

On Russia and the modern trade, you could take of the total market, so including the on-trade, about one-third would be modern trade or a little less than one-third would be modern trade. We would assume that to grow and keep growing in terms of taking a higher and higher share of total market, but remember traditional trade is still a very significant part of the total market.

Philip Morrisey: I am sorry, just to clarify. The one-third modern trade exposure, that number applies to yourself as well as to the market, because I believe you under-index modern trade?

Jørgen Buhl Rasmussen: We are more or less the same. In terms of split between traditional trade and modern trade we are not that different but, you are right, we have a slightly higher share in traditional trade than modern trade. At the same time, we do believe, being the market leader, the more modern trade kind of becomes, let's say, open to work with category management and some of those disciplines, we should definitely be able to get our fair share also in modern trade and therefore over time get a higher share in modern trade as well.

Philip Morrisey: That's great. Thanks very much.

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

Nik Oliver: Morning, guys. Just coming back to the East European price/mix, could you break out the 4Q and full year price and mix components for us and give us some thoughts on how you see mix developing into 2014? I guess the big drag that we saw in 2013 shouldn't reoccur in 2014.

Jørn P Jensen: We could but we will not break it up into price and mix, but of course channel mix is negative, and also we have not seen the same positive mix within portfolio as we have seen in the past. So it is more pricing, significantly more pricing than mix in 2013, but we won't break it up.

Nik Oliver: Okay, but I guess would it be fair to say that mix should be better year-on-year or less of a negative drag than it was in 2013?

Jørn P Jensen: You are right.

Nik Oliver: Okay. Thanks. So I guess just to follow up then, if we have got sort of a better mix, pricing looking quite solid, you have talked about annualising some of the cost saves from last year in Eastern Europe and then with input costs broadly flat, we should be able to get some decent margin expansion through Eastern Europe even with your low-single-digit volume assumption for the market. Would that be fair?

Jørn P Jensen: Be careful, first of all, mix when we are saying it would be more positive than 2013, mix was not positive in 2013 as such on average. It was more driven by pricing, so don't assume suddenly mix will be very positive for 2014. We are just saying it is better in 2014 than in 2013.

On the cost and the efficiency we take out, as Jørgen said earlier, yes, across Europe we can still be a lot more efficient. But also in Q4 or in the latter part of the year, because we saw volume development being quite negative compared to what we expected earlier, don't assume everything we take out in the second half can kind of be repeated for ever going forward. Some of it will be more like one-offs we can take out for the short-term benefit. A lot of it is kind of making the whole organisation more efficient, but I would say be careful just saying mix would be very positive and all efficiencies we took out in Q4 we can carry forward.

Nik Oliver: Okay. That is clear. Thanks for that.

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

Hans Gregersen: Good morning. Going back to COGS, there was some comment about the various components, let's say malt and packaging impact for 2014. Can you give an indication -- if we look back to 2013 we have seen quite substantial price falls in aluminium. Have the COGS for you in 2014 been broadly in line with the market development on aluminium or do you have some hedging impact that will delay the various impacts? That is the first question. Second question, if we look at Russia, you guide single digit growth. What is the assumptions behind that? Is that entirely macroeconomics or other things? Then two small household questions. Russian price increases specifically in Q4 and if you can say what the value of market share was in 2013. Thank you.

Jørn P Jensen: As always when it comes to hedging policies, so to speak, then we are trying to be cautious and prudent and hedge during the year for the following year when we think it makes sense to do so. We are well hedged, have good visibility on the different components in COGS for 2014. As I said before, we don't intend to break it down per COGS category or per region but talk about this as Group averages and, as said before, with variations between the different subcategories.

Jørgen Buhl Rasmussen: On the Russian markets, I think you said low-single-digit growth.

Hans Gregersen: Sorry, decline, yes.

Jørgen Buhl Rasmussen: Yes, decline. A lot of that, of course, would reflect what we see in general in the macroeconomy and consumer sentiment and the same if we look at 2013. More than two-thirds of the decline, according to our modelling, would be due to the outlet closures and then a small decline based on macroeconomy. So that is kind of supporting what we are saying for 2014: low-single-digit decline for total markets.

Your last question on market share and volume and value. Market share, as we say in our release, we are up more in value share than we are in volume share, so again, as we have said for the last many, many years, we balance volume and value. When we look at what we do in Russia, that is also the plan going forward. We don't want to start quoting specific value share numbers as well, but value is up more than volume share and value share is getting very close to our volume share for the first time.

Hans Gregersen: And the price increase in Q4?

Jørgen Buhl Rasmussen: As I said, if you look at pricing for the year we don't want to split up again pricing by quarter and mix by quarter in terms of consumer price. If you take for the year, consumer price was up by 10%-11% for us and very much in line with the category.

Hans Gregersen: Thank you.

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

Olivier Nicolai: Good morning. I've got three questions, please. First of all, could you please comment on current trading in Russia and if you see any benefit from the Olympics? The second question is, looking at your market share and actually looking at the others, the others took quite a lot of share and if I look back over the last three or four years they probably took 500 bps of share. Do you expect this to continue and is it because they are overweight on the modern trade segment? If you could explain how you have managed out there from the other big players. Lastly, if I look at page 34 of your press release, I get the feeling that other currencies in terms of your net financial debt is around 15% of your total debt. How much of that is Russian rouble, please? Thank you.

Jørgen Buhl Rasmussen: Thanks, Olivier. As you would expect, I don't want to talk about current trading environment but what I can say about the Olympics is it did benefit, I would say, 2013 because we activated Sochi Olympics very early in the year with a lot of logos and designs on our packaging and primary packaging. So we did benefit from the Olympics, and the Olympics in Russia is less about the two weeks it is actually taking place. It is much more about how we can support the brand image and brand equity by using that franchise for a long period of time.

On the other brand category when we talk market share, as we have said several times, it is a lot of small brands, a couple of slightly bigger ones like Mospivo would be in there and Ochakova; Mospivo would have maybe 3, 3.5 share points of the 20-21% market share. But it is generally a lot of small brands being very strong in their local cities or regions and they play a lot on the kind of Soviet style and old Soviet times. We believe it is certainly peaking and can't see this just keep going up and up. Also we believe the strength in terms of trade between modern trade and traditional trade will also make it more challenging for the other category over time. Of course we are also, as Baltika, taking some initiatives where we launch some local brands being also more kind of Soviet-style-linked.

Jørn P Jensen: Olivier, the question to page 34, I understood it as a question around how much of the 36.5 billion net financial debt is in roubles. Is that correct?

Olivier Nicolai: Yes, that is correct.

Jørn P Jensen: Good, and the answer is zero.

Olivier Nicolai: Okay. Thank you very much.

Operator: Andrew Holland from Societe Generale is on line with a question.

Andrew Holland: Yes, hi. A couple of questions on your margins. Firstly, on Asia you said that the addition of Chongqing is going to dilute the Asian margin. Can you give us any kind of split between your sales in China and the rest of Asia just to give us an idea of how that splits? You may be less inclined to give an idea of the relative margins of those two areas. Then secondly, coming back to the margins in Russia, did you get much of a help from lower raw materials on the margin in 2013 in Russia and is there more to come in 2014?

Jørn P Jensen: Andrew, Asian margins, to cut it short, the impact from Chongqing and the Eastern Assets will more or less -- in itself and notwithstanding all the other things we are doing to increase it, that will reduce the Asian region margin with around 400 basis points. When it comes to Eastern Europe and Q4, no, the impact from lower COGS, so to speak, in Q4 was very minimal.

Andrew Holland: Not just for Q4. I was thinking of the whole of 2013.

Jørn P Jensen: The same answer.

Andrew Holland: Just to go back and remind myself that three years ago you had this enormous cut in your margin because of the failure of the barley crop and we have still been looking for some recovery from that. Are you saying that that is just not really happening?

Jørn P Jensen: No, that we are not saying. What we are saying is that on Group as an average COGS organically is expected to be flattish and then of course there is movement within the different subcategories. Some of the obvious ones are going down and others, for instance packaging and materials, with kind of normal global inflation are going up.

Andrew Holland: So we could assume that agricultural inputs in Russia are one element of the stuff that is going down?

Jørn P Jensen: That is one. You could say agricultural products is one of the elements that goes into the flattish guidance on total COGS organically for the year.

Andrew Holland: Okay. Thank you very much.

Operator: Chris Pitcher from Redburn is on line with a question.

Chris Pitcher: Good morning. A couple of questions. Firstly, are you able to give us the percentage of your Russian barley last year that was imported and how much of your cover for 2014 is imported barley? Secondly, have you got any view on the impact that the broader smoking ban might have in Russia if it extends to bars? Thirdly, in terms of your guidance outlook specific to currency, it looks that rouble will be accounting for about DKK 700 million impact year-on-year, assuming your 49 rate. A few other currencies are marginally weaker. Is that the right sort of 700, 800 million figure to be assuming just on the currency impact alone in 2014? Thanks.

Jørn P Jensen: The first question, we are never very explicit on how we are doing versus others when it comes to imports and those kind of things, but it is definitely fair to say that we will have less imports in 2014 than what we had in 2013. Then just to take the third question, yes, that is more or less what we are talking about, that the 49 will be the average exchange rate for 2014.

Chris Pitcher: So rouble about 700 million plus another 100 for other currencies?

Jørn P Jensen: Give or take. Now I think you are a little conservative but in ballpark that is what we are talking about.

Jørgen Buhl Rasmussen: To your smoking ban question, it will have very limited impact. I think as you know, on-trade is very small in Russia, just below 10%, so we don't see that having significant impact.

Chris Pitcher: Thank you. Sorry, one final question. Maybe I missed it earlier in the call but you said cost of debt will be flat year-on-year but I haven't picked up what the percentage, the average was for the full year. I might have missed that. Sorry.

Jørn P Jensen: That is because we haven't said it, so you didn't miss anything. We are saying all-in coupon on average debt for 2013 is what it will be prudent to assume for 2014.

Chris Pitcher: Okey-doke. Thanks.

Operator: Frans Hoyer from Jyske Bank is on line with a question.

Frans Hoyer: Good morning. I just wanted to be 100% clear, as the volumes migrate in Russia from traditional to modern trade, as you take 100 litres and move from one channel to the next, what does that do to your EBIT per hectolitre in Russia? Is it a positive factor or a negative factor for you?

Jørgen Buhl Rasmussen: Frans, I cannot give you specific numbers. That is talking about customer terms if we start talking about being very specific here but, as I said earlier, we see more pressure in modern trade on pricing than what we saw a year ago. So you can assume it is not positive, it is negative if it moves into modern trade, but then we would also say modern trade has many other pluses in terms of ability to really market the category . As a market leader you can start doing all the exciting stuff, category management , value management in a very different way. So modern trade should be good for the beer category over time, but I can't give you any percent on difference.

Frans Hoyer: I understand the point about the pressure that they are putting on you but you also presumably have lower costs in servicing them, easier to service them with regard to fewer drop-off points and so on.

Jørgen Buhl Rasmussen: There are lots of factors playing a role here and you are right, but that would be again -- can’t start talking about customer terms by customer. You can make too many specific comments here.

Frans Hoyer: Okay. We were talking about pricing and mix. In terms of promotional activity in the Russian market, what is happening? Where do you see that going in the year 2014?

Jørgen Buhl Rasmussen: I would say more of the same as in 2013. We only had one year where it was really aggressive on price and promotion and that was in 2011. Since, I would say it is competitive but it is what we should expect and, as we have seen in 2013, we expect more of the same in 2014.

Frans Hoyer: Thank you very much.

Jørgen Buhl Rasmussen: One last question and I think then we have to close the call.

Operator: Michael Vitfell from ABG Sundal Collier is on line with today’s last question.

Michael Vitfell: First, can you talk a little bit about -- put a few comments on seasonality in terms of the Russian market decline that you are expecting for this year? Talking about the limited stocking up you saw ahead of 1 January, are we going to see -- we are seeing clumps(?) in the first couple of months so if you talk a bit about seasonality. My second question goes to Western Europe and the BSP1 cost savings. Am I right in thinking that you have just increased implementation costs by 50 million for 2014? Why is this? Then secondly, are you putting any other markets than the UK on the platform in 2014 and when is that? Thank you.

Jørgen Buhl Rasmussen: On your question about seasonality, I am not sure exactly what you are looking for here, Michael. First of all, I don’t know if you’ve got that right. In terms of forward number of days inventory, we have the same stocking end of 2013 as we had end of 2012 but because of market decline, as Jørn explained earlier, the actual number is lower.

On seasonality I don’t know what you are after, let’s say, apart from Q1 of course being a very small quarter and then the big quarters are quarter 2 and quarter 3. Was it anything you wanted about seasonality?

Michael Vitfell: You mentioned most of the decline being due to the weaker macro environment, so that was mainly a second half of 2013 thing. Then I am saying is it a first half 2014 thing that we will see more declines in the Russian market and then perhaps a little bit of relief in the second half as you get easier comps on the macro side of things?

Jørgen Buhl Rasmussen: I think what we are saying here would be if you look at the macroeconomy and also consumer sentiment, that was slightly weaker coming into the second half in 2013 than the first half. That is when it started weakening. We would say on 2014 - and that is also what we kind of see from experts - it is probably going to be slightly better in 2014 than 2013 but still not very positive when we look at macroeconomic indicators and consumer sentiment, but it is still a growing economy. It is still a growing GDP, it is still a growing economy, but still explaining why we see a low-single-digit decline, which is not far from what we saw in 2013 but you can say maybe slightly, slightly better.

Jørn P Jensen: Just to finalise that, Michael, don't forget that when we are talking about market we talk about consumer off-take which has nothing to with stocking or no stocking, those kind of things. Be careful not to mix up the two things.

On Western Europe, no, we have not increased our BSP1 costs. We have narrowed the gap or the guidance a little bit because, of course, we are now one year further into the programme. Yes, the intention is for more markets to join BSP1 in 2014. For several reasons we are not allowed to be very specific on that so that we will not be until it is being announced, but the plan is definitely to get a significant number of more markets on to BSP1 in 2014.

Michael Vitfell: Could we expect any of these already before the high season or after?

Jørn P Jensen: After.

Michael Vitfell: Great. Thank you very much.

Jørgen Buhl Rasmussen: We have to close the call now. Thanks for dialling in and listening and we will see many of you in the coming days. Thanks a lot.