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Carlsberg Sees Beer Market Resurgence

By The Moscow Times

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The head of Carlsberg's Russian subsidiary, Baltika, said a decline in the local market has ended. **Sergei Porter**

Danish brewer Carlsberg confirmed that a slide in its biggest market has ended, helped by Russian customers prepared to dig deep into their pockets to overcome rising prices.

The world's fourth-biggest brewer told investors Thursday its share of the Russian beer market rose in the second quarter to 37.9 percent, slightly higher than earlier estimated, from 36.7 percent in the first quarter.

The company has seen two to three years of shrinkage in the market, hit partly by beer tax hikes meant to curb alcoholism.

The new second-quarter market share estimate, based on recalibrated data from market research firm Nielsen, was bumped up from a previous estimate of 37.3 percent given in Carlsberg's half-year report last month.

But the company's first-quarter market share was revised down by 0.3 point percentage points from 37.0 percent, a senior Carlsberg executive said.

The head of Carlsberg's Russian subsidiary, Baltika, confirmed that a decline in the local market had come to an end, as the company said last month.

"We believe that the Russian market will be flattish or show a little growth this year," Baltika's chief, Isaac Sheps, told investors gathered for daylong presentations in St. Petersburg. "It will not fall. The trend has changed, and that is the most important thing."

Although the Russian market has shrunk since 2008 in terms of volume, customers have spent more money on beer, though the increase has gone to taxes.

"They are willing to spend more money on beer," he said. "Otherwise, the market would have fallen even more."

Chief executive Jorgen Buhl Rasmussen told the meeting that Carlsberg stood by its medium-term target for an operating profit margin of 26 to 29 percent for its eastern European markets. The target has been steady since it was set in February 2010.

Rasmussen also said 2013 would be a challenging year in the western European beer markets, but not tougher than 2012.

In the first six months of this year, Carlsberg's northern and western Europe markets declined by an estimated 3 to 4 percent, with beer demand hit by bad weather, the company said in its second-quarter report last month.

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