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Carlsberg Rescued From Russian Sanctions Dip by Asian Growth

By The Moscow Times

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Carlsberg's revenue in Russia fell 15 percent.

Danish brewer Carlsberg A/S said earnings had held steady in the third quarter, as Asian growth offset the Russian downturn which prompted it to lower profit forecasts twice earlier this year.

Its shares jumped 4 percent at the open to a six-week high and were up 2.7 percent at 523 Danish crowns by 0946 GMT, still down 12 percent this year as Russia's deteriorating relations with the West hit earnings in one of its biggest markets.

Operating profit reached 3.39 billion crowns ($569 million), little changed on the year before and in line with expectations, on revenue up 4 percent to 18.1 billion against a forecast 17.8 billion.

Last year, Carlsberg derived over a third of operating profit from its eastern Europe segment,

including Russia, where it has a leading position thanks to its Baltika beer, and Ukraine, where it is number two.

Ukraine is in a deep recession as it fights a rebellion in the east, while earnings in Russia have been hit by a falling ruble as well as economic factors such as the sharp fall in the oil price and Western sanctions.

Carlsberg's revenue in Russia fell 15 percent to 3.9 billion crowns but it attributed the fall to currency effects and said underlying growth was flat. The ruble shed almost 7 percent versus the euro during the quarter.

"As currencies look right now, the growth expected in earnings next year from efficiency savings in Russia and in Europe is more or less wiped out due to the depreciation of the ruble," Alm. Brand analyst Michael Friis Jorgensen said.

But soaring revenue in Asia has offset the Russian downturn and Carlsberg maintained its full-year forecast of low- to mid-single-digit percentage growth in organic operating profit, having downgraded its expectations twice this year.

Most recently, in August, it said it expected a low- to mid-single decline in reported yearly operating profit, having previously expected low-single digit growth, and said its Russian beer sales tumbled by a fifth in the second quarter.

With a 61 percent rise in revenue in Asia to 3.58 billion Danish crowns, the region is close to overtaking Russia as the group's second-most important area.

Beer volume grew 35 percent in Asia thanks in part to the acquisition of China's Chongqing Brewery Group, which is to produce Carlsberg's Kronenbourg 1664 Blanc brand.

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