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INDEPENDENT NEWS FROM RUSSIA

Carlsberg Forced to Close 2 Russian Breweries

By The Moscow Times

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Danish brewer Carlsberg said on Thursday that it would close two of its 10 breweries in sanctions-hit Russia as a weak market blighted by the economic downturn has dented demand there.

Carlsberg will close two of its 10 breweries in sanctions-hit Russia, the Danish brewer said on Thursday, citing the country's economic downturn and tough market regulation that have dented sales.

Carlsberg, which earns a third of its operating profit from Russia, said the closures would cut its Russian capacity by about 15 percent. The move would not affect 2014 operating profit beyond a pretax non-cash write down of about 700 million Danish crowns ($106 million).

The world's fourth-largest brewer cut its profit target twice last year, hit by a Russian beer market that has shrunk more than 30 percent since 2008 under pressure from regulations aimed at curbing alcoholism.

Among the measures taken in recent years are increased excise duties, restrictions on advertising and a ban on beer sales from kiosks. The market decline has been exacerbated by economic weakness after Western sanctions over Russia's role in the Ukraine crisis and plummeting oil prices that have dragged the ruble lower.

"In the conditions of the continuing fall in the beer market, related to the difficult macroeconomic environment and unbalanced regulation and taxation, the company has decided to terminate activity of units in Chelyabinsk and Krasnoyarsk," Carlsberg's Russian unit Baltika said in a statement.

The closure of the two breweries at the end of April will result in about 560 job losses. Carlsberg, which reports annual financial results next month, did not say how much money the move would save.

Carlsberg, along with rivals, has been forced to operate most of its Russian operations at reduced capacity for many months and began idling plants last year.

Anheuser-Busch InBev, the world's largest beer maker, has closed four plants in the country over the past two years.

Workers queued for termination notices at the Baltika brewery in Krasnoyarsk, Siberia, where flags of the Baltika brand, sold across the countries of the former Soviet Union, flew in the breeze.

"It's over, the factory has been shut down," said Konstantin Muruyev, who worked for the brewery for 12 years and was a shift manager, clutching his termination papers.

"The economic situation is difficult in our country. There are too many breweries while the beer market is falling here in the Krasnoyarsk region. There are too many breweries."

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