Carlsberg Conference Call
Carlsberg A/S
Jørgen Buhl Rasmussen
Jørn P Jensen
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J. Buhl Rasmussen: Good morning everybody. Welcome to our 2008 full-year conference call. My name is Jørgen Buhl Rasmussen and I have together with me our CFO Jørn P. Jensen and Anton Artemiev, SVP of our Eastern European region.

2008 was a year of substantial changes at the group. Carlsberg was transformed by the S&N transaction. As you know, it was also a challenging year as the economic environment deteriorated substantially in the second half. However, Carlsberg delivered solid performance in 2008. We have done very detailed planning and have already started executing those plans as we move into 2009, thus doing everything possible to meet our targets for the year.

Today I will start by giving you a summary of 2008 and then I will briefly discuss the headlines for 2009. Thereafter I will go through the regions followed by Jørn who will walk you through the numbers and also give you a detailed outlook for 2009.

After that we will be happy to take your questions. Please turn to slide 3.

I would like to start by emphasizing that beer as a category is one of the less affected consumer categories in economic recessions. It is clearly not a category immune to weaker economies, but overall it is holding up well.

In Russia premiumisation continued throughout 2008 compared to 2007 and consumers traded up to more premium products such as Baltika and Tuborg. Baltika increased its market share to 38.3% vs. 37.6% in 2007.

Although, volume growth slowed at end of the year, we managed to deliver 3% organic volume growth for 2008 with the Asian and Eastern European businesses being main contributors. Northern & Western Europe declined slightly in volume with Carlsberg maintaining its market share in the region.

Organic revenue growth was 8% well ahead of the volume growth reflecting the positive impact of our clear focus on building value. Net sales per hl beer increased by 5%, which is a reflection of price increases, mix changes and trading up.

Net revenue totaled just below DKK 60bn and we made operating profit of DKK 8bn with organic growth accounting for 9%. This was mainly driven by Eastern Europe and very strong growth in Asia. Northern and Western Europe was affected by specific factors in the UK, the Baltics and Denmark as well as overall reduction in consumer spending in second half of the year.

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Even though second half of the year became increasingly challenging the brewing business delivered 5% organic revenue growth and 5% organic EBIT growth in Q4 which equals 1% and 2% respectively in DKK.

On to slide 4.
One thing I want to stress today is that Carlsberg is well prepared for 2009. We know there are challenges, but we are going to meet them and as a result Carlsberg will come out stronger.
What we see today is uncertainty, volatility and low visibility. We are facing significant exchange rate volatility, not only the Rouble but also other important currencies have fluctuated substantially in recent months.
So what are our top priorities? First of all, we are going to accelerate our cash flow generation, protect our profits and reduce debt.
To deliver on this and at the same time recognizing the macro economic challenges, we have made very detailed plans moving into 2009. In other words, the external uncertainty is balanced with more internal certainty. You have already seen some of the plans which we announced in January in Denmark, Norway and the Baltics and others are being executed across the group.
On top of the plans already being implemented we have put in place additional contingency plans in all functions and regions.
We know 2009 is going to be tough. We are prepared for it and let me reiterate: we intend to emerge from 2009 as a stronger business.

Moving on to slide 5 and how we are addressing some of the key challenges for 2009.
Firstly, on cash flow and debt. We are well-invested in all parts of the group. In other words, we do not need any major investments in 2009. Capex will be cut from DKK 5.3bn to below DKK 3.75bn.
With our expected profit growth this year, tight management of working capital and lower capex requirements, we expect to deliver a significant debt reduction during the year. Net debt/EBITDA will come around 3x versus 3.8x for 2008. Jørn will address this later, but let me make it clear that this reduction will give substantial headroom to covenants.
Bear in mind that this does not include any disposals of assets. Any disposals, including the Valby site, will come on top of a more than DKK 6bn free cash flow.
On the Rouble: the Rouble has affected us negatively since last autumn. We are basing our 2009 outlook on an average Euro-Rouble exchange rate of 47.
We have contingency plans in place that will be implemented to mitigate as much as possible any change to our assumptions.
In 2009 we expect EBIT of more than DKK 9bn and a free cash flow of more than DKK 6bn. Although the macro environment is volatile and visibility is low, we are well-prepared for the challenges in 2009 and expect Carlsberg to deliver strong profits and cash flow.

Moving on to slide 6. We believe Baltika is extremely well-equipped to cope with the economic turmoil. The S&N acquisition gave us 100% control of BBH and consequently control of Baltika.
Based upon the unique strengths of the Baltika business, it is well positioned to accelerate its market share growth in times of economic weakness.
Baltika is twice the size of number two in the market, has the strongest brand portfolio, has an efficient production platform, and is supported by top-tier distributors that provide a wide-ranging distribution network in conjunction with good visibility on product flow. We see limited credit risk and have had close to no losses in 2008.
A proof of the strength of the business is Baltika's ability to consistently gain market share over the recent years and at the same time improve the mix and

pricing. In Q4 Baltika significantly outperformed the market and achieved flat volumes despite a drop in total market volumes of 5.4%.
Bottom-line is therefore, that we expect to gain market share in Russia during 2009, and we expect to improve margins and deliver another set of strong results, based on focused and responsible management in a tougher environment.
Although we expect a slightly declining market in Russia in 2009, our expectation is still that medium term growth in the Russian beer market will be 3-5% per year reflecting attractive fundamentals including substitution from other categories.

Slide 8 shows that beer volumes on a pro rata basis increased 33% to 109.3m hl in 2008. Most of the volume growth is driven by the acquisition of the S&N business, but organic growth also contributes with a healthy 3% - with organic volumes across Northern and Western Europe slightly down, a very respectable but lower-than-expected organic growth in Eastern Europe of 6%, and solid organic growth of 13% in Asia.
Q4 organic volume development has seen a decline of 2% partly due to weaker global economies and driven by Northern & Western Europe.

Next slide
Net revenue totaled DKK 60bn with organic growth of 8% and a further 29% being added by the acquired businesses. Adverse foreign exchange developments – that is mainly RUB and GBP - reduced growth by 3%.
Likewise, operating profit from the brewing activities grew by 52% to DKK 7.6bn – with organic growth accounting for 7%.
Looking just at Q4 performance, organic net revenue increased by a respectable 5% and operating profit also by 5% due to solid performance in Eastern Europe and Asia.

And now let’s turn to the regions. I will start with Northern and Western Europe on slide 11.

Net revenue increased by 18% in local currencies. Adverse foreign exchange movements, primarily the Sterling, have reduced growth by 2% so that reported net revenue is up 16% to DKK 37.1bn. Organic sales growth of 3% was driven by the Nordics, Switzerland, Germany, Poland and South East Europe.
Operating profit climbed 17% to DKK 4bn driven by the acquired businesses. Organic development is -4%. However, adjusting for one-offs the organic development would have been approximately minus 2% instead.
A very high level of input cost in 2008 had significant negative impact on earnings.
Full year reported EBIT-margin increased marginally by 10bp to 10.6%.

The mature markets in Northern and Western Europe were down 2% for the full year, but in the fourth quarter markets contracted by 4% as concern about global economic development lead to declines in consumer spending. Against this background Carlsberg did well. Market shares remained stable following strong execution and a successful pricing strategy throughout the year. Strong and well-invested brands supported by innovation and focused pack strategy have enabled a 5% increase of average sales prices and a 1% mix improvement, thus offsetting cost inflation on key inputs like malt and cans.

The Northern & Western European markets were affected by country specific factors and the on-trade sector continued its decline in several markets – most notably in the UK and France.
The Italian business has seen a successful turnaround in 2008 through strong focus on commercial initiatives including exiting non-profitable segment as well as cost reduction including closing the brewery in Southern Italy.
In France, market development has been lower than our expectations, driven by a sharp decline of 11% in on-trade. However, the turnaround is progressing in line with plan.
In addition to strong top line focus in Northern and Western Europe, we are extremely focused on cost efficiency and reduced operational expenses.

During 2008 numerous actions have been taken to improve competitiveness across the region. In 2009 we want to fast track restructuring programmes to protect our earnings. The initiatives that we have already taken include step-change restructuring programmes in the Nordics, in the UK and in the Baltics – and the programmes address the whole business and all functions.
Closing down breweries is part of our restructuring efforts and optimising the brewery footprint will continue to be a focus going forward. Efficiency gains through a series of next generation excellence programmes including Business Standardisation will also boost profitability in the future.
The acquired businesses have now been fully integrated into the Carlsberg Group. In France we have now announced our plan for turning around Kronenbourg including new management and a completely new business model to be driven by external consumer and customer focus. As a part of this we are relaunching the brand portfolio to ensure significant improvement in the positioning of our brands in the market place.
Cost control is paramount in the current business environment, but that alone will not build the business. In order to win in the long run, we will continuously invest behind our brands, we will drive best practice in portfolio and value management and importantly also in shopper understanding and category management.

And now to Eastern Europe. Please turn to slide 15.

Although volume developments across markets in Eastern Europe weakened significantly in the second half of 2008, Carlsberg Eastern European region had a strong organic development of 20% in net revenue to DKK 19bn. Growth was driven by strong pricing and continued premiumisation throughout the year.
Operating profit came in at DKK 4.1bn with organic growth accounting for 18% and contribution from acquisitions adding 80%. Adverse foreign exchange movements, that is primarily the weaker RUB, reduced growth by 5%.
For Q4 alone, organic net revenue grew by 13%. This combined with lower operating expenses has lead to organic operating profit growth of 18% - which is in line with full year performance.
Operating margin was 21.5% vs. 22.1% last year. However, operating margin excluding purchase price allocation of DKK 246m was 22.8% and therefore an increase of 70bp vs. last year. In Q4 comparable operating margin increased by 60bp to 17.3%.

Now to slide 16.
The region had modest total market growth for the full year. After a first half year with relatively low growth in the Russian market, growth was expected to pick up in the second half of the year. But in the third quarter market dynamics were

negatively affected by unseasonably cold and rainy weather. Weaker economies in the fourth quarter affected overall market.

Notwithstanding this our Eastern European business achieved strong organic development driven by increased volumes in Russia and Ukraine as well as high growth from Uzbekistan and Belarus. As always innovation, strong execution and new product launches are key to our success – these include strong growth of Baltika Cooler, introduction of Baltika Lite and continued market share growth for Tuborg. Mix and pricing have remained strong throughout the year.

Whilst maintaining a sharp focus on execution in the markets and thus achieving strong results, we are also progressing on the integration of the former BBH into the Carlsberg Group. All projects are on track – and some of them are even being brought forward.

The Russian beer market was flat for the year, but with Baltika increasing domestic volumes by 1.4%. In Q4 consumer spending declined due to a general concern about macro economic development. The beer category saw a decline of 5.4% - but again with Baltika doing better than market and thus achieving flat volumes in the quarter.
For the full year Baltika significantly outperformed the market increasing its market share to 38.3% vs. 37.6% in 2007.
This growth in market share was achieved alongside significant increases in price and mix. Both during full year and during the fourth quarter our consumers continued to trade up to higher quality and more premium products like Baltika and Tuborg. Full year price increases were 11% and mix improvement added another 4% to this.
Baltika works with the highest quality distributors and we have not had any unusual bad debts in 2008, not even in Q4. Inventory levels are closely monitored and Baltika's distribution model focuses on high consistency and visibility. Our days of inventory at year end 2008 were therefore at the same level as end of 2007. New production capacity was added in spring 2008 meaning that we have enough capacity to meet market demand in 2009. Therefore capex will come down and free cash flow generation will increase.

Please turn to slide 18.

On this important slide you see the development of the Russian beer market and our Baltika business by segment. This confirms that the premiumisation trend has continued throughout 2008 when compared to the year before.
For the total market there has been an increased demand for licensed and premium – not only for the full year, but also in the last quarter of the year compared to the same period the year before. Mainstream is flat and discount has lost 3 share points from 48% down to 45%.
For Baltika the picture is even more positive with more trading up. For the full year the relative size of the low-priced segment has been reduced sharply from 44% to 40% so down 4 share points which have then been added to licensed, premium and mainstream. And this trend is similar for both the full year and the fourth quarter.

And now please turn to slide 19.
In the other Eastern European markets we have done well relative to competition, taking share in each and every market.

The Ukrainian market had strong growth in the first half of the year, but was then affected first by poor weather including extensive flooding and then by the very much weaker economy. Overall the beer market was flat in 2008. Our market share now stands at 23.7% - up 3.1%-point vs. last year lead by the successful relaunch of the Slavutich brand back in 2007.
Uzbekistan and Belarus are also doing well and enjoying healthy volume growth – and Uzbekistan is now no. 1 in the market after only a little more than one year of operation. In Kazakhstan we are also taking market share despite challenges arising from the general economic recession.

And now to Asia. Please turn to slide 21.
The Asian region results were impressive.
Net revenue increased by a total 23% to DKK 3.6bn, with significant positive contribution from China and the region's other emerging markets.
Net sales per hl was up 7% due to strong pricing and improved mix. As in other regions and in absolute terms, sales price increases compensated for the increases in input costs. This is worth noting, as rapid growth in volumes and sales in the low-priced markets has had the opposite effect, namely reducing the average sales price in the region.
Operating profit increased by 40% as a result of positive developments across the region. Operating margin was 14.4% vs. 12.7% last year driven by high volume as well as positive price/mix.
Despite the fact that also Asia was impacted by the global economic slowdown, Q4 growth numbers were strong and in line with previous quarters.

The very strong set of numbers for Asia was based on progress throughout the region. Beer volumes grew in all markets except Vietnam which was hit by exceptionally cold weather early in the year, affecting sales during the festive season.
The Carlsberg brand performed well, growing regional volumes by 9%, driven by China of 12% and Malaysia of 6%.
Volumes in Western China saw double-digit growth rates throughout the year and despite significant marketing investments in the Carlsberg Chill brand, profits from our Chinese operations almost doubled in 2008.
The turn-around in Malaysia focused on developing a strong portfolio of brands with the Carlsberg brand as a key driver, leading sales execution excellence and wholesale optimization. The plan is well on –track and has more to deliver in 2009.
The positive development in net revenue/hl was driven by general sales price increases and improved product mix based on very focused efforts in this area.
The strong growth in operating profit was mainly driven by higher volumes as well as positive price/mix.
Finally, I want to mention that two large capacity expansion projects in Laos and Vietnam were completed in 2008 and we have sufficient capacity in place to meet our forecasted volumes the next couple of years.
And with this I would like to hand over to Jørn who will take us through the financials.

Jørn P. Jensen: On this slide, you can follow the organic development, the impact from changed exchange rates and the impact from acquired/divested businesses. My comments will primarily be to the organic development.

Organic net revenue was up 8%. In DKK, the growth was +5%. The main negative foreign exchange variances – of DKK 1.35bn – were due to the Russian Rouble and the Pound Sterling.
Organic gross profit was up by DKK 1bn or 5%. As this was less - in percentage terms - than the growth in net sales, the organic gross profit margin of 48.3% was lower than last year. The margin is of course negatively impacted by the much higher costs on raw materials in 2008 compared to 2007. But - in absolute terms - higher sales prices and a positive product mix development more than compensated for the cost increases in raw materials.
Organic operating expenses, including brands marketing, was up 5% or DKK 811m and driven by the growth markets, Eastern Europe and Asia. The operational leverage was also increasing as we have added capacity and with that fixed costs.
Other income, net was up DKK 233m primarily due to the real estate gains in the segment "other activities", i.e. from the old Tuborg area in Denmark.
All in all operating profit of DKK 8bn of which approx. DKK 5.7bn was the organic amount. This equals an organic growth of 9%. In the Brewing activities, the organic growth was DKK 368m or 7%. In the operating profit is included PPA of DKK -277m.

In general you find some major movements in the lines below EBIT compared to Q3 and last year. Many of these movements are cash neutral while others are cash positive for the coming years. I'll talk you through the most significant changes before we turn to the numbers as such in the rest of the P/L.
Special items were DKK -1.6bn, up DKK 1.2bn compared to last year. In the stock exchange release from this morning you find a detailed specification. The restructuring charge was approx DKK 500m higher than last year, primarily due to France and S&N integration. That we will obviously benefit from in the coming years. We have also made impairments of two breweries, one being Leeds, UK and the other being Braunschweig in Germany. This adds up to DKK 332m and has of course reduced the balance sheet with the same amount. The loss on sale of our Turkish business was around DKK 200m – no news here - and finally we made a provision for onerous contracts on malt of DKK 245m, i.e. contracts on volumes made early 2008 for 2009 that we no longer expect to need or fulfil. The alternative to expense these costs now was to expense it in 2009.
Other financial items, i.e. the non-interest part of financial items, amount to a net loss of DKK 1.1bn or DKK 945m more than last year. Included in this amount are one off costs associated with the S&N acquisition of approx DKK 425m. Also included are net FX losses of DKK 692m on USD and EUR denominated loans in Eastern Europe in the fourth quarter. Finally financial gains of net DKK 126m primarily relate to the disposal of shares in Israel Beer Breweries.
Tax is a positive amount of DKK 324 against DKK -1,038m last year. The negative effective tax rate is due to a decrease in the Russian corporate tax rate per 1 January 2009 – from 24% to 20% - resulting in a significant release of deferred tax end 2008 of DKK +1.5bn which is recognized as an income in the P/L. This doesn't have any cash flow effect in 2008 but will of course reduce tax payable in Russia from now on.

Now please turn to the next slide.

I have already commented on special items and other financial items, so I will go directly to interests. These were up DKK 1.3bn compared to last year and some DKK 1.2bn of these can be classified as interest costs related to the financing of

the S&N acquisition. The remaining increase of around DKK 100m in interest costs reflects a slightly higher average debt in 2008 driven by the increased activity level and a higher average interest rate.
Minorities were up DKK 276m to last year. This is again driven by the S&N transaction and the inclusion of all of the minorities in the old BBH as of May 1st.
So all in all the net profit amounted to approx DKK 2.6bn; an increase of DKK 334m on 2007 and this is after all special items, PPA and the Russian corporate tax rate being reduced.
When it comes to dividend the Board of Directors propose a DKK 3.50 per share corresponding to a 20% pay-ratio in line with that of 2007.

The Balance Sheet obviously reflects the transformed Carlsberg.
Total assets were up DKK 82bn since end last year. This of course based on exchange rates end of the year, and actually 83bn of these 82bn is due to the acquisition of S&N assets. In other words: Excluding the S&N transaction total assets were reduced with approx 1bn.
In general the acquired assets consist of goodwill, acquired net assets at market value and the revaluation on the previously owned 50% of BBH. Goodwill from the S&N acquisition amounts to 31.3bn. Goodwill in the balance sheet only relates to the acquired 50% of BBH. In other words: We hold all of the cash flow but have only 50% goodwill on the balance sheet. That should also imply that the impairment test on goodwill was quite straight forward.
All in all total assets increased by 48.4bn from S&N acquired assets and by 14.6bn from the revaluation of the existing ownership in BBH.
Total equity was DKK 60.8bn and hereby up by 40.8bn. The major changes relate to the proceeds from the capital increase of DKK 30bn and the net equity, post tax effect of the IFRS revaluation of the original 50% shareholding in BBH of some 13bn. We also have a reduction of 7.4bn due to exchange rate movements.
Net interest bearing debt amounted to approx DKK 44.2bn. Included in this is the approx DKK 27bn in new debt in connection with S&N.
As I also did after the third quarter, I will come back in more details on financing in general in later slides.

And now cash flow.
In the cash flow statement, comparisons are of course impacted by the S&N acquisition.
The sum of the first three lines adds up to an improvement of DKK 3.3bn driven by the good organic development in the business and the contribution from the acquired assets.
Change in working capital was a positive DKK 1.6bn although this included a benefit of c. 1bn from soft drinks and water agreements with The Coca-Cola Company. We have a very strong focus on working capital and are running a number of initiatives to reduce it and deliver upon our internal working capital targets in 2009 and beyond. The working capital program has specific targets for each assets class in each and every market.
Paid interest net is of course also up and the variance to last year is primarily related to interests and fees on new debt in connection to the S&N acquisition.
All in all cash flow from operations was up DKK 3bn.

CAPEX was DKK 487m higher than last year with the biggest variances being in Eastern Europe due to the new brewery in Novosibirsk.

Capex were also at a high level in Northern and Western Europe in 2008 and related amongst other to capacity expansion projects in Denmark and Italy due to closure of breweries in both countries. After a 2008 with capex to depreciations on index 130, Northern & Western Europe is well invested. Also Eastern Europe is well invested for now.
Then, in the next line, we have primarily the cash effect of the S&N transaction and finally positive net cash flow from real estate sales.

On the next three slides I will focus on our debt exposure, our credit facilities, interest rate exposure, covenants, etc.
On this slide you see a reconciliation of our debt divided into short term, i.e. less than 1 year, and long term debt. End December we had net financial debt of 45.7bn. In order to get to the net interest bearing debt of 44.2bn you then subtract so called other interest bearing assets, i.e. interest bearing trade loans and the alike.
As you can see some 95% of the net financial debt is long term.
We have committed long term credit facilities in place amounting to some 52bn which again means that we have undrawn, committed credit facilities of approx 8.9bn.
You also see that our funding surplus, i.e. the undrawn long term credit facilities minus the short term net financial debt, amounts to some 6.4bn.
Basically you can add all this up to, that we have significant and sufficient financial resources.

On this slide we have illustrated how the net financial debt is split by currency and if the interest is fixed or variable. The majority of the debt is nominated in EUR or EUR linked currencies.
When it comes to interest rates some 43% of the debt is now on floating rates.
And as said previously assuming an all-in average interest rate of not more than 6% for 2009 is reasonable.

To sum up on financing:

We have significant and sufficient financial resources left under our current facilities.
We are now working with a higher percentage as floating interests which is reducing the overall, all-in interest charge.
We are end 2009 targeting a net interest bearing debt to EBITDA of around 3
And finally we have now disclosed our bank covenant on adjusted net interest bearing debt to EBITDA before special items as being not more than 4 end 2009 – and not more than 4,25 end June 2009.
Finally let's take a look at our expectations for 2009.

As said more than once today, 2009 will demonstrate a sharp focus on increasing cash flow and protecting earnings, cost control, significantly reduced capex, and accelerated debt repayment.
The developments in especially the Russian Rouble (RUB) are important to the results being reported in Danish Kroner (DKK). The RUB has devalued significantly since mid 2008. The guidance and expectations provided now are based on an assumption of an average EUR/RUB rate of 47.
The expectations are also based on an assumption of contraction of the beer markets in Northern & Western Europe and largely flat beer markets in Eastern Europe, even slightly declining in Russia. Based on this and other factors we

expect net revenue to amount to around DKK 63bn. In DKK and excluding effects from acquisitions/divestments this means that net revenue is not assumed to grow.
Operating profit is expected to grow to more than DKK 9bn, an increase of more than c. 12%.
Net profit is expected to grow to more than DKK 3.5bn.
Initiatives to strengthen and improve working capital have been implemented, and in general we are very cautious on new investments in the short term. Operating capex are expected to be less than DKK 3.75bn.
Earnings, working capital, capital expenditure expectations lead to an expectation of free cash flow of more than DKK 6bn.
Any disposal of any non-core assets or businesses is not included in these expectations.
The Group is to de-lever significantly leading to a net interest bearing debt to EBITDA ratio end 2009 of around 3.

Thank you Jorn. – this was our last slide.
What I really want you to take away from this presentation is the following:
Our performance in 2008 was solid and we are well prepared for 2009:
Our priorities are clear: cash flow and earnings.
We have contingency plans in place for whatever lies ahead
We will still be focused on efficient brand support and superior execution.
And last but not least, we have the right management in place to lead: We have recently welcomed Khalil Younes and Nils Østbirk to our Executive Management team and we have just announced today that two new members – Richard Burrows who until a few years ago was co-chief executive of Pernod Richard and Kees van der Graaf who is a former member of the board of Unilever - are recommended for election to the Carlsberg Board at the upcoming Annual shareholders meeting. These executives bring strong international experience within FMCG companies and a deep knowledge of working with brands.
We have the best exposure to what over time will be the fastest growing markets and the right strategy in place to address both short, medium and long term targets.
AND with this we are ready to take questions…

Operator: *Thank you. We will now begin the question-and-answer session. If you have a question, please press star and one on your touchtone phone. If you wish to be removed from the queue, please press the hash key. Your questions will be queued in the order that they are received.*

Matthew Webb from Cazenove is online with a question.

Matthew Webb: Oh hi. It's Matthew Webb. **A couple of questions please. Firstly, I see on Page 38 of the presentation that you've reiterated your medium-term targets in terms of the margins, Northern and Western Europe and Eastern Europe, and I was just wondering whether you think you'll be able to make progress towards those target this year. I'm thinking particularly with reference to Russia where I gather you're now expecting no volume growth and perhaps still some cost of goods sold pressure. Do you think you'll actually be able to see a better margin this year? Then the second question is on the malt contracts that you've taken an exceptional charge**

	against. Is that a case of them having been at the wrong rates and you having taken a penalty for walking away from them, or is it a case of you not needing the volume that you'd signed up to? Thanks.
J. Buhl Rasmussen:	If we start margin, I take kind of the Northern & Western European question and then I give to Anton to ask for Eastern Europe. Yes, we do believe we can make progress also in 2009 on margin improvements. As we have said all along, Western Europe is well at work and we have a lot of plans on the efficiency side to make sure we keep delivering on the margin promises. Though the curve has changed slightly and we'll do a little more in the latter end, time will show, but we'll get to the target that's outlined before. Anton, for Eastern Europe.
Anton Artemiev:	Yes, I can just confirm that not only for the whole year but also in the weakest from a market conditions point of view fourth quarter, we've actually shown probably historically the best margin in Russia; and once again, that helped to offset the development in the first half, and our margins this year are stronger in Russia than they were a year before. As far as 2009 is concerned, we see a potential for improving margins, not only in Russia but in every market in Eastern Europe where we operate. So, yes, we are quite confident that we are well on the way to those targets.
Jørn P. Jensen:	Matthew, to the second question about malt contracts, as I understood it, it was a primarily a question of if it was volumes only or if it was a mix of volume and price, and it is.
Matthew Webb:	Exactly, yeah.
Jørn P. Jensen:	Yeah, it is mostly volume, but there's also a smaller pricing element in it, which of course alternatively would have been expensed in 2009.
Matthew Webb:	Okay, that's great. Thanks very much.
Operator:	*Ian Shackleton from Nomura is online with a question.*
Ian Shackleton:	Yes, good morning, gentlemen. **Two questions. On the net profit guidance of at least 3.5 billion, could you give us the under assumptions around special items and tax that are within that? Second question was: You talk about Russian beer market being down in 2009, how much down are you forecasting?**
Jørn P. Jensen:	To the first part, around 26% and then very modest special items, and I think... If I understand market consensus now, it is around 250, and I think that's as a fine number.
Anton Artemiev:	As far as the Russian market 2009, we think it will probably stay flat or slightly decline. What does it mean slight decline? That can be something around say minus 2%. I think more importantly what we believe is that we will, as Jørgen said, we will gain market share as the strongest in the market has a better position to do that. We will improve our margins, as I said. So all in all we are very well positioned for 2009, in Russia especially.

Ian Shackleton: Thank you.

Operator: James Edwardes Jones from Execution Limited is online with a question.

J. Edwardes Jones: Yes, morning, guys. **Two questions if I may. First, you're obviously targeting a pretty big reduction in capex in 2009. Can you give us some idea of what projects you're cutting? Second, you've indicated in the past that in 2008, the free cash flow from BBH was going to be very modest. Is that actually the case, or did that happened to be the case; and are you expecting that to improve going forward, in which case will you be shifting more of your debt into roubles as the cash flow from BBH improves?**

J. Buhl Rasmussen: I start with the capex question. As we refer to also in our presentation, clearly when we look at our capacity and based on developments in the second half 2008 and what we expect for 2009 in terms of the market growth, we do have enough capacity across our different regions to cope with what we expect to be demand in 2009, so that's one key reason. But also in any other area, we have increased the hurdle rate in terms of capex projects for them to go through and be approved; so we've been a lot harsher on approving capex projects in every area - marketing, selling, production - every area.

Jørn P. Jensen: Just to build on that to the second question: Of course lower capex also in Russia or in Eastern Europe in general leads to higher free cash flow being generated in Eastern Europe and in Russia in 2009 compared to earlier. So, yes, you will see higher free cash flow from that part of the world as well. If that in itself leads us to change the composition of our debt, we have not decided upon yet. That's the thing, we're following very closely every day. So far we are still quite satisfied with the debt as it is when it comes to the currency mix in the net interest bearing debt.

J. Edwardes Jones: Thank you very much.

Operator: We have Michael Rasmussen from SEB Enskilda is online with a question.

Michael Rasmussen: Yes, good morning. **I'll start off with a question on North and Western Europe. If you could please give us some kind of indications on where you expect the price mix to go in 2009. My second question is on the goodwill related to the S&N acquisition. Now if we go and have a look at the notes at what you said in Q3 compared to the Q4, it appears that goodwill has decreased by DKK 1.5 billion. Can you please explain that adjustment why this has happened, also a little bit related to the impairment charge we saw from Heineken this morning?**

J. Buhl Rasmussen: On your first question about price and mix, we do expect our prices to also go up in 2009; and in fact in some markets, we have already increased prices in January, and it's linked to the fact we have talked about earlier. We have in some areas hedged also in 2009 some of our raw materials, in particular in Western Europe, less so in Eastern Europe. So we have to get pricing to cover some of the increasing costs, again in particular in Western Europe. So, yes, we'll price up, not to the same extent as we did in 2008 but there will be price increases. Mix will be slightly positive or close to flat for Northern/Western Europe.

Jørn P. Jensen: Goodwill: Don't forget that goodwill in general and all other assets and liabilities in the balance sheet are in local currencies before it's translated into DKK. That also means that all goodwill amounts are in local currencies. That means that when the rouble devaluates then the goodwill amount goes down. It's not just the earnings in DKK that goes down, it's also the goodwill amount in DKK that goes down automatically so to speak. Maybe just to add on goodwill, I think if you're especially interested in goodwill, it's a good idea to study Note 8 in the press release from this morning where you will notice that we from the acquisition of the last 50% of BBH have goodwill of around least DKK 31 billion at exchange rates end '08, but that we have not any goodwill on the balance sheet from the original 50% of BBH. So the balance sheet today in DKK includes 50% goodwill so to speak where we are holding 100% of the cash flow. So, as I said before, the impairment on goodwill has been very straightforward.

Michael Rasmussen: **Now, Jørn, regarding what you said on the presentation a few minutes ago, would you have to make any impairments on your goodwill if you had had 100%, i.e., if you bought 100% instead of 50% of BBH?**

Jørn P. Jensen: I don't know. We have made the impairments as we should according to IFRS and we have significant headroom when it comes to even considering doing impairments of this.

Michael Rasmussen: Excellent. That's great news. Thanks.

Operator: *Søren Samsøe from Danske Markets is online with a question.*

Søren Samsøe: Yes, hello. It's Søren here with a few questions. **First of all, regarding your margin targets as you maintain, I also assume then maintain your synergy targets for Eastern Europe. As I assume you made the original forecast in roubles and then translate it into Danish, I also assume you'll have to run a bit faster or make other projects you didn't plan for before to achieve the 1 billion in synergies. Could you go into detail with this? Second question, on the covenants, it seems like you are on the comfortable side of this now with your guidance. But if the rouble slides significantly more, is there anything else you can do because I don't assume you have done all the cost cuts and so forth you can do in terms of emergency? Then lastly on the tax rate, it's a quite significant cut in the tax which will have a positive impact, and is that impacted permanent in all years going forward, and what will the impact be on - - in 2009 in absolute DKK?** Thanks.

J. Buhl Rasmussen: Start with the synergy targets: Yes, we are on track on our synergy targets. France, we are well on the way executing a lot of this. In Eastern Europe, we're also well on track. But of course, I should say in Danish kroner, the same amount in rouble is not the same in Danish kroner anymore, which implies we have to go for a little more in rouble to get to the same synergy targets. And anyway, as we have stated again and again, getting into this kind of environment we're in now, we have to look for a lot more anyway in every area to make sure we are able to deliver on our targets and to make the total structured organisation more efficient.

I don't know if you have anything to add Anton on what we're doing on synergy in general on projects?

Anton Artemiev: There is no doubt the target stated in DKK are the targets, and we are going to either deliver or over deliver on those.

Jørn P. Jensen: When it comes to the second question on covenants or on rouble devaluation, yes, then read what we're saying today about contingency plans. As plans we have ready to implement should some of the major assumptions or the more important assumptions in our current guidance suddenly change, like for instance the rouble exchange rate, so yes we have several things that we can do if that is needed in order for us to meet our current guidance.

When it comes to tax going forward, as I said before, yes, the tax rate will be reduced more or less automatically by the fact that the Russian tax rate have now been reduced from 24 to 20 and, yes, that's permanent, i.e., until somebody change the tax rate again. But so far that is - - this is all we know about tax rates in general.

Søren Samsøe: **The absolute effect of that on net profit?**

Jørn P. Jensen: That's quite positive, and that is included in our net profit guidance also for 2009.

Søren Samsøe: Okay. Excellent. Thank you, guys.

Operator: *Trevor Stirling from Stanford C. Bernstein is online with a question.*

Trevor Stirling: Good morning. **Two questions for you, gentlemen. The first one is about the outlook for commodities in '09. Here you commented on how margins were significantly affected in '08 by the increase in commodity prices. Many of the commodities have fallen at least in hard currency prices and that's going to be partly offset obviously by the devaluation of the rouble. If you try and put all that together, are you looking for the first half at a sort of flat commodity environment compared to first half '08 and then some mild benefits coming through in '09, or perhaps you could just tell us what your point of view is at the moment? The second one, a technical question on the covenants: When it comes to the June calculation, and in particular the EBITDA, will the covenant be calculated on the actual prior 12 months EBITDA or will it be adjusted for pro forma FX rates?**

J. Buhl Rasmussen: Starting with the question regarding raw material costs, first of all, if you take the Group perspective, the average increase in raw material costs in 2009 versus 2008 compared to what we saw in '08 versus '07 is clearly less. They differ quite a bit by region because we're more hedged in Northern and Western Europe then we are in Eastern Europe. So, again, in Northern/Western Europe, we do have increases because we're hedged and therefore we need price increases and we have started executing those price increases, but they're not nearly as significant as they were in 2008, so well below what we saw in 2008. Then in Eastern Europe, even more positive developments on raw material costs and in some cases also improvements on raw material costs which again also help us of course by the margin improvement.

Jørn P. Jensen: The technical question: Yes, as indicated yourself, 12-month rolling of actual exchange rates.

Trevor Stirling: **As actual, they're entered at current at the point of measurement of the covenant?**

Jørn P. Jensen: It's month-by-month, so month one at the average exchange rate for that month, plus next month at the average exchange rate for that month and so on and so forth.

Trevor Stirling: Okay, thank you very much.

Operator: Melissa Earlam from UBS is online with a question.

Melissa Earlam: **I have three questions please. Firstly just following up on the input cost inflation. Could you possibly pull together those two pieces on North-West Europe and Eastern Europe and talk about what you expect to do for 2009 if it's fair to assume low single digit inflation growth for the year. Then secondly, in terms of your 2009 guidance, implicit in that, are you still assuming the premiumisation continues within the Russian beer market? The third question is just on your dividend policy going forward. Is one of the contingencies assuming the rouble would to devalue more significantly that you could cut the dividend to zero, or is that something that you wouldn't consider?** Thank you.

J. Buhl Rasmussen: Building on again what I said earlier on input costs, I cannot give you the specific kinds of percentages increase by region by raw material costs or total cost of goods sold. But what I can say, we're talking for some of the bigger raw materials, we're talking about minor increases year-on-year as an average for the group. But then again it differs quite significantly by region so therefore it's not one common picture across markets across the regions.

Russia and premiumisation?

Anton Artemiev: Premiumisation, yes. Let's say given the uncertainty of the economic environment, we can't answer precisely. What we think of course there might be slowing down or levelling off of premiumisation on the market as a whole. Still as our business from the point of your brand portfolio and given also the trend to smaller repertoire for consumers, we believe that the consumer will turn to the popular brands among which are our Baltika and Tuborg brand and therefore we dare to say that we might well continue premiumisation even if the market doesn't.

Jørn P. Jensen: To the third question, and as said also many times earlier today, our priority number one is to increase our cash flow and it is to de-leverage the company quite rapidly. If that eventually should mean that we cannot/should not pay out dividend, that has not been discussed, and I don't have any scenarios in front of me where that is needed but... So let's see. Now we're paying out 20% as we did last year and then next year we'll decide what to pay out. But no doubt that the priority number one is to increase cash flow and to de-lever the Company rapidly.

Melissa Earlam: Thank you.

Operator: Philip Morrisey from Citi is online with a question.

Philip Morrisey: Good morning. Thank you. **The synergies that you indicated with the acquisition of assets from Scottish were obviously the 1.3. I just wondered the 9bn operating profit guidance for this current year, how much of the 1.3 please is embedded within that? Also, could you give some indication as to what the profit on other activities might be this year? Will it be a similar level to the 374 that you just reported? Secondly, could I ask whether you're prepared to give any indications as to how Baltika or indeed Russian market volumes actually performed during January, and early thoughts of course of whether you have any indications on February too? Then third and final, if I may, on Baltika, are you able to disclose to us what the percentage of Baltika's cost of sales is represented by hard currency purchases be it euros or dollars?** Thanks very much.

J. Buhl Rasmussen: On the synergies, and remember we talked year one, year two, year three, and year one is from end of April or first of May until first of May 2009 and then year two would be the next year, if I remember correctly, I think it's 600 million we have in year two, so the number should be 600 million for year two starting May 1st going up to May 1, 2010, on the synergy piece.

Philip Morrissey: **Okay, so just to confirm it, you haven't accelerated that significantly or indeed at all?**

J. Buhl Rasmussen: But there's a lot of other accelerated projects which I think you can kind of figure out when you look at your guidance for next year on efficiency and restructuring.

Philip Morrisey: Thank you.

Jørn P. Jensen: Real estate/other activities for 2009 is very close to a zero, i.e., the gains we get on real estate equals the costs in the other activity segment as such. So that is -- it is a big zero.

J. Buhl Rasmussen: Then on the January and February, I think it's a little too early for us start now commenting on January and February for Russia. But I think what we have all seen end of 2008 is not very different to what we've seen the early part of 2009. But as we also state again and again, when we start a year, January/quarter one is a very, very small part of the year so want you to never read too much into whatever is happening in the first few weeks of the year.

Jørn P. Jensen: The fourth question, around 30% of COGS.

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

Operator: Kitty Grøn from Handelsbanken is online with a question.

Kitty Grøn: Yes, good morning. **I would like to know in terms of your 2009 guidance what are you assuming in terms of product mix in Russia? Are you expecting the premiumisation to continue this year? Also in terms of your gross margin development for the Group and please also specified for Eastern Europe and Northern Europe how much do you see of impact from lower input costs to benefit gross margins in Eastern Europe already this year?**

Anton Artemiev: Yeah, regarding premiumisation, as I said, it is probably that in Russia our sales premiumisation will not be as articulated as it was in 2008. But we have as a target to even if the market doesn't premiumise to continue do so.

Kitty Grøn: **So your guidance is neutral to any product mix changes?**

J. Buhl Rasmussen: No, I think we're saying in Russia/Eastern Europe overall, we will see a slight benefit from mix improvements. So again, not as much as we saw in 2008 but probably slight improvement, maybe not the total market, but we believe with our brand portfolio because of the strength of our brands. As Anton said earlier, consumers tend to kind of look for certainty. If they're more cautious about how they're spending their money and that's going for the right brand, brands they know.

Jørn P. Jensen: When it comes to gross profit margins, we do not guide on that per region. But of course in general, that goes up for all regions. Then we will see a positive effect from the lower pressure from input prices, higher efficiency in general also driven by synergies but also by the other cost efficient programs in production. So all in all, we'll definitely see an improvement in gross profit margins in all regions.

J. Buhl Rasmussen: Any more questions?

Operator: Hans Gregersen from ABGSC is online with a question.

Hans Gregersen: Good morning, a couple of questions for Anton and one for Jørn. **Could you please comment on the price mix development, i.e., what parts of the implication has been from price and mix for both Q4 and the full year? Jørn, if we were to assume for whatever reason that covenants would be broken, what would the implications be? Then finally, if you would comment on what market share gain you're forecasting for Russia in '09.** Thank you.

Anton Artemiev: Yeah, numbers for the full year in Russia will have had a positive impact of price of 11% and mix impact of positive 4%, so all-in-all quite improvement of top line. Once again, we are planning for 2009 as well positive pricing development and slight positive mix impact.

Hans Gregersen: **Could you comment on what the mix impact was in Q4 specifically?**

J. Buhl Rasmussen: It's still positive but not as much as for the full year as you would expect. But it's very hard by quarter at this point in time to give you exact pricing and mix split, but the quarter four was less but it was still positive.

Jørn P. Jensen: Covenants, were we to break our covenants, which we definitely do not expect, then of course we would have to have, as you would expect, serious discussion with our banks on that and then refinance our debt. But as said also in the release and several times today that we definitely do not expect and we have no scenarios in front of us where we could even imagine getting close to that.

J. Buhl Rasmussen: I think we have time one for question, then we probably have to close the call.

Operator: Michael West Hybholt from Nordea Markets is online with a question.

Michael West Hybholt: Good morning. **In terms of the special items of the 250 million you mentioned early on, are any brewery closures of restructuring your cost initiatives that we not already aware of, are they included in those, and should we anticipate further brewery closures onto that during 2009 which not are included the special items currently?**

Jørn P. Jensen: The 250m are restructuring charges and efficiency programs. As said also in release this morning, we will definitely close more breweries. But as you know, we cannot discuss brewery closures until we actually do it, and we would like to inform our employees/unions about these kind of things before we discuss it in public.

Michael West Hybholt: **So basically if we see further brewery closures during 2009, we should anticipate special items to be higher than the 250?**

Jørn P. Jensen: Let's see. 250 is a good estimate for now.

Michael West Hybholt: Okay, thank you very much.

J. Buhl Rasmussen: I would like to say thank you for all of you listening in and good questions. Thank you very much.

Please Note:
* Proper names/organisations spelling not verified.
[sic] Verbatim, might need confirmation.
- - Indicates hesitation, faltering speech, or stammering.