Carlsberg Conference Call
Jørgen Buhl Rasmussen, CEO
Jørn P. Jensen, CFO
Anton Artemiev, SVP Eastern Europe
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Operator: *Good morning, ladies and gentlemen, and welcome to the Carlsberg Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. I would now like to turn the call over to your host, President and CEO Jørgen Buhl Rasmussen.*

J. Buhl Rasmussen: Good morning everybody. Welcome to the conference call for our half year results.

My name is Jørgen Buhl Rasmussen and as usual I have together with me our CFO Jørn P. Jensen. We are also today joined by Anton Artemiev, SVP Eastern Europe.

In many ways this has been an extraordinary half year for Carlsberg and a lot of changes have taken place. But we have remained totally focused on the day-to-day running of our business, executing our strategy and hitting our targets.

We have made excellent progress on the integration of the assets that we acquired from Scottish & Newcastle, and in the second quarter we successfully completed the capital increase which injected net 30bn DKK into our busines – providing a firm capital base to drive the business forward.

Today's call is about how our business performed in the first six months, and I will begin by outlining the operational progress we have made. Jørn will walk us through the financials including the 2008 outlook as well as our new financial targets for the next couple of years.

After that Jorn, Anton and I will be happy to take your questions.

So if you turn to Slide 3, I would like to begin by spending a few minutes on our overall strategic development. Three months ago we suspended guidance and therefore it is extremely important for me to stress that the set of results we are presenting today, and the guidance that we are stating for the full year demonstrate that we are performing in line with the previous guidance presented back in February in connection with the full year results. – We are not changing that full year guidance at all. The business is performing well and according to plan, not least due to continued strong pricing and mix improvement and volume growth.

The assets that we acquired from Scottish & Newcastle are now being integrated into the Carlsberg Group and the process is progressing well. An important part of the integration is to ensure that the hard synergies will be realized. These are still early days, but we have already started implementing some of the Excellence initiatives in the Baltics.

The acquisition of the S&N assets has transformed the Carlsberg Group. Given the larger size and changing characteristics of the new portfolio we have created a new reporting format consisting of the regions Northern and Western Europe, Eastern Europe and Asia. For the two of these segments we will today present

medium term margin targets which demonstrate an ambitious growth agenda for the years to come and support our continued view that Carlsberg is the world's fastest growing global brewer.

A lot of this growth will be driven by our own internal programmemes. Successfully implemented Excellence programmemes will be rolled out into Eastern Europe and the newly acquired businesses in Western Europe. The next generation of Excellence programmemes, including business standardisation, procurement and the further optimisation of our production network, will be applied across the whole business. We are excited about the opportunities and the up-side that we see in our business.

Please turn to Slide 4. In terms of total market trends both Eastern Europe and Asia continued to grow, reinforcing the positive trend over the last few years. Northern and Western Europe was stable, but vary from market to market. Adding it all together, Carlsberg achieved a good performance in the first half: organic beer volume growth of 6%, organic sales growth of 7% - and operating profit increasing organically by 22% for the Group and even more in local currencies.

In Q2 alone, we saw strong organic sales growth across all regions driven by strong organic volume growth overall of 6% and organic operating profit was up 16% for the brewing activities and 28% for the total Group.

This performance was achieved through an intense focus on execution. The key drivers behind the results have been our strong brands and on-going ability to increase prices to offset input cost inflation. Despite the increased prices,

Carlsberg is increasing volumes and winning market share in most of our markets.

Much of this is due to the strength of our brand portfolio. All our international brands, Carlsberg, Tuborg and Baltika, as well as the local power brands have been well-invested, positioning the brands attractively to the consumers.

It is also important to highlight the continuous positive mix trend and consumer demand for our premium products continues to rise, in particular in Russia.

Slide 5, and a bit more about our brands. Our focus on building our brands and the amount of investments in marketing and innovations is delivering value. Our three international brands Carlsberg, Tuborg and Baltika all had a very strong first half of the year. Carlsberg volumes increased by 5% due to more sales in especially Eastern Europe and in Malaysia, but also with positive contribution from the EURO 2008 in Switzerland. Tuborg volumes increased by 11% primarily due to strong growth in Eastern Europe, and likewise for the Baltika brand which jumped 25% due to continued strong sales in Russia, and growing exports throughout the region.

Then Slide 6 and 2008 expectations. Based upon what we have seen and what we know, we expect full year net sales of 62-63bn – approximately 40% up vs last year of which 10% is organic.

Operating profit is expected to come in above 8.1bn DKK, of which 5.9bn is from the old business and more than 2.2bn is from the acquired assets.

And finally, the market development in the first half of the year in Russia makes us believe that the market is on track to meet a growth rate around 5% for the full year.

So, based on our performance to date and our knowledge and plans going forward, we have not changed the guidance we provided back in February.

Please turn to Slide 7. Beer volumes (on a pro rata basis) increased 24% to 49.5m hl in the first half of the year, driven by the acquired assets. Organic growth accounted for 6% - with flat volumes across Northern & Western Europe, solid growth of 12% in Eastern Europe and 13% in Asia. Bearing in mind the exceptional growth Russia had in the first half of 2007, this is a very strong number in light of the comparative.

Slide 8 and a look at net sales and operating profits. Net sales totalled 27 billion DKK with organic growth of 10% and a further 18% being added by the acquired assets. Adverse foreign exchange development reduced growth by 3%; this is mainly due to a weaker Pound Sterling and Russian Rouble.

Operating profit is up 47%, of which 16% organic growth driven by strong performance in Eastern Europe and Asia.

Pricing has fully compensated for increasing input costs and is, together with positive mix development, driving strong value growth in the business

Looking just at the second quarter performance we have achieved organic growth in sales of 10% and in operating profit of 19%.

Now to the regions, and let's first take a look at the Northern and Western Europe, so please turn to Slide 10. Net sales increased by 14% in local currencies. Foreign exchange movements, primarily Pound Sterling, reduced growth by 2% so that reported net sales came in 12% higher at 17,409m. Organic sales growth of 4% was driven by the Nordic countries, Switzerland, Germany, Poland and the Balkan countries.

Operating profit amounted to 1,705m vs 1,473m a year ago. Reported organic profit is down 2%. However, adjusting primarily for the discontinued legacy contract in the UK and profits from sale of real estate in Poland both of which boosted income last year, the region saw operating profit increase by a healthy 8-9%.

In Q2 alone, organic net sales grew by 3% and organic operating profit by 7% before adjusting for UK legacy contract and phasing. Organic operating margin for the first six months amounted to 9.8% vs 9.5% a year ago.

Slide 11: Individual markets have seen very different developments in the first half of the year, driven by market specific factors such as the smoking ban negatively affecting the UK on-trade, higher retail prices on Carlsberg beer on promotions reducing volumes in Denmark, EURO 2008 activities adding sales everywhere and especially in Switzerland. Across the region markets are estimated to have been stable in the first half of the year.

In first half of the year we increased our net sales price for beer by an average of 5% in local currencies. By doing this we more than offset the increase in input cost.

Input cost inflation is expected to remain an issue for the whole industry and at Carlsberg we have addressed this by effectively hedging our key inputs for the rest of the year and for some inputs well into the next year. We therefore have pretty good visibility on the costs, enabling us to incorporate this information when we do our portfolio planning and pricing plans.

We strongly believe that by continuously investing in innovation and new products we build the brand equity – and this, combined with flawless in-store execution is probably the best guarantee that our consumers continue to prefer our brands – even at slightly higher price points.

It is probably worth reiterating that underlying operating profit is up a respectable 8-9% in Northern and Western Europe.

Slide 12: We have a focused and ambitious agenda for the Northern and Western European business.

For the French business in particular this means that we are now moving ahead on our action plans to revitalize and reengineer the business to reverse the share decline seen for some years in the French business. Like the UK, the French market is challenging but we are still confident in the mid to long term opportunities in the Kronenbourg business. The higher than expected total

market decline of 6% in the first half of the year in France is not anticipated to continue and even in the first half, we saw big variations by month.

Realising the planned synergies is crucial. We are already working full speed to integrate the acquired assets and we would expect full integration to be finalized within the next six months. The Excellence programmemes will also be implemented in both of these countries to improve operational performance.

The Commercial Excellence programmeme has already been implemented in the Baltics and we are preparing and benchmarking per market before rolling out Logistic Excellence.

As covered earlier, we have a series of next generation excellence programmemes including Business Standardisation that are already in progress or about to be rolled out across the region.

Now to Eastern Europe and please turn to Slide 14. Again a strong set of numbers with net sales amounting to 7,860m. Organic growth in local currencies was 28%for the first half year driven by strong pricing and continued premiumisation as consumers trade up to higher quality and more premium products.

Operating profit amounted to 1,673 m following organic growth of 22% and acquisition-led growth of 55%. The development is driven by the continued success of the Russian business as well as improved results in Ukraine following the turn-around plan put in place more than a year ago.

For Q2 alone, organic volume grew by 13% and once again, based on strong pricing and mix, this delivered a very strong 30% organic net sales growth and 28% organic operating profit growth.

Operating margin for the first half was 21.3% vs 21.7% last year. However, operating margin before purchase price allocation was 22.2% - and Jorn will come back to this in his part of the presentation.

Now turn to Slide 15. Despite tough comparatives for Russia, beer volumes grew by 12% organically in the region – with market share gains in each and every market.

The first half of 2008 also saw increased value share across the region. This strong trend was supported by both local powerbrands and the unparallelled success of Tuborg. In Russia Tuborg grew by 33% in first half of the year and Baltika grew by 25%.

In local currencies net sales pr hl increased by 16% - prices increasing by an average of 10% and mix improving by 6% reflecting the on-going premiumisation in the market, therefore more than offsetting the impact from input cost inflation.

Based on the market data from first half of the year we feel confident that the forecast we made back in February remains valid: that the Russian market is expected to grow around 5% this year. And with the capacity expansion projects made earlier this year including the Novosibirsk plant in Russia as well as expansion projects in Ukraine and Kazakhstan – we have a strong platform in place to capture our fair share of this growth.

Operating expenses including marketing are up by 13% reflecting our enlarged operational setup as well as cost inflation.

Finally I would also reiterate that we will move quickly to drive the synergies from integration of the acquired Eastern European assets.

Slide 16 and a few words about Russia. Our performance in Russia should be no surprise to anybody: The Russian market growth moderated to 2.4% in the first half of the year after enjoying 23% in first half of 2007. You may also recall second half 2007 market growth moderating to 9% so with everything else being equal, the market will face significantly easier comparisons during the next two quarters.

Baltika again outperformed the market by increasing volumes by 5% vs a total market growth of 2.4% therefore reaching a market share of 38.1%, up 50 basis points. In Q2 Baltika's volumes increased 6.5%.

The Russian consumers again demonstrated their appetite for higher quality – and higher priced – products. Besides Tuborg and Baltika as mentioned before, the Kronenbourg 1664 brand grew by an impressive 55%.

Baltika proves that the attraction and the strength of this Russian business is unique. Driven by strong brands, a strong focus on execution and a desire to win in the market, this business offers huge upside in terms of sales and profit.

A few more words about premiumisation in the market and go to Slide 17 please. On this slide, you see the trends by segment for the total Russian market and for our Baltika business.

Overall demand in Russia for premium beer is robust and increasing well ahead of general total market growth. The combined license and premium segment accounts for 31.4% in volume, up 2.1 %-points versus first half 2007. In value, the same two segments account for around 55% of total market, and all in all we are seeing a significant premiumisation in the market, where lower mainstream and economy as a segment is at the same time declining.

As a company, Baltika is over-performing in the premium end of the market and lower mainstream and economy are reduced as share of business driven by a very balanced value and volume strategy combined with a unique, strong brand portfolio.

Slide 18 and some of the other Eastern European markets. For a number of quarters we have seen sustained improvement in the business in Ukraine. And this continues to be the case. Performance is very strong driven by a successful relaunch of the local mainstream Slavutich brand last year, and with volumes on this brand doubling, overall volumes increased by 39%, therefore adding 440 basis point to market share which then amounted to 23.5% versus 19% in the same period last year.

The other businesses in Eastern Europe are also doing well, with Belarus and Uzbekistan enjoying strong volume growth, but with a slowdown in Kazakhstan due to short term economic climate.

However, I want to reiterate that in the first half of 2008, Carlsberg took share in each and every market in Eastern Europe.

We are also looking for new territories for expansion. After exporting to Azerbaijan since 2000, Baltika has now acquired the market leading Baku-Castel brewery in this country, which is a clear market leader in Azerbaijan, a market currently growing 12-14% a year.

Slide 19: The importance of delivering on the hard synergies is clear to everybody, and especially within this region they are set to deliver a significant part of the Group synergies.

I personally feel very comfortable that we have the right teams in place to take this business further. The implementation of the Excellence programmemes is in progress and I am confident that we can deliver on this whilst maintaining our strong focus on execution and the day-to-day running of the business.

Now to Asia and Slide 21: Asian net sales increased by 15% to 1,639m after taking into account a material FX hit, with positive contribution from China as well as the mature markets Malaysia and Singapore. Strong pricing and positive mix in this region compensate for the input cost inflation. In this region this is even more remarkable as rapid growth of volumes and sales in low-priced countries reduces the average sales price in the region.

Operating profit in the Asian business increased by a healthy 31% or DKK 58m as a result of positive developments across the region. Operating margin was 14.7% vs 12.8% last year.

Growth in Q2 was very much in line with the strong growth trend for the first half year.

Now to Slide 22: Beer volumes grew by 13% organically – in line with the strong development in 2007. And growth would have been even higher were it not for the very cold weather in Vietnam in the start of the year.

We saw strong growth in volumes in Western China, Cambodia and Laos. The Malaysian turn-around programmeme that we put in place early 2007 has restored profitability, thus adding significantly to regional earnings. For Carlsberg Chill in China the strong growth trend continues.

Input cost inflation in this region is significant. In line with the trends seen in Q1 we are getting price increases through and they are sticking. We are also achieving strong growth in countries with low prices on beer, for example China. This drives down the average sales prices pr. hl across the region, but the price increases are doing their job and compensating for the impact.

Now slide 23: The relative importance of this region compared to the total business is still small, but this is a key region where we are building a platform for future growth, which requires investments.

Further to the investments we have made in China and Indochina over the last couple of years we have now also turned our attention to India. This is still a very small operation and the development will take years, but it is important in terms of securing a presence and building a platform.

Also both the Habeco stake and the assets from S&N will add further to our platform, and also on this region we are excited about the up-side over the coming years.

Now I'll hand over to Jørn who will cover the financials.

Jørn P. Jensen: Thank you. So if you please turn to Slide 25. The second quarter has clearly been an important period in the ongoing development of Carlsberg. Apart from finalising the S&N transaction and the associated financing we had good organic progress in the business across all regions.

The positive developments were seen in terms of organic volume, sales and earnings growth and we continue to deliver upon our stated goals, notwithstanding the market backdrop of continued input cost pressures.

We continued the successful policy from Q1 of covering the increases in raw materials through higher prices. Furthermore we increased underlying profitability in each of our regions – reflecting the value of our brands, and the consumers' willingness to pay a little more for them.

In general with the major transactional issues associated with S&N now behind us, we are very focussed upon the pretty long list of operational issues and

themes to be executed on now and in the coming periods. Internally in Carlsberg there is a very strong focus on traditional execution and on delivering on our ambitious plans and targets.

Slide 26: Before I comment on the actual numbers as such a few words on Purchase Price Allocation or "PPA" following the S&N transaction.

This is all required by IFRS. That means that we have to split the difference between the purchase price and the book values on the acquired assets in the B/S on 28 April on all relevant assets and liabilities; the residual of this exercise will be the goodwill amount. This work is ongoing but not finalised yet but will be completed prior to the year end.

It is important to stress that this whole exercise has no cash impact. The increased amortisation and depreciation associated with the PPA going forwards will be reversed in the Cash Flow Statements.

For the first two month with the acquired assets in the books we have expensed approx 80m as PPA. Some 69m of these is included in the Eastern Europe EBIT and approx 11m are in the North and Western Europe segment.

So Slide 27: The accounts are obviously this time heavily impacted by the S&N transaction. We have made a split of the first part of the P&L so that you can follow the organic development and the impact from the acquired businesses. My comments here will primarily be to the organic development of the Group. Organic sales were up 7%. In local currencies, the organic development was plus 10%. The main negative foreign exchange variances of approximately 700

million are due to the pound sterling and the Russian ruble. Organic growth in gross profit was increased by almost 500 million or 5%. In percentage terms, as this was less than the growth in net sales, the gross profit margin of 49% was down 1.3 percentage points. This margin is of course negatively impacted by the higher prices on raw materials and positively impacted by the sales prices and a positive product mix development that in absolute terms more than compensate for the price increases in raw materials. Organic growth in total opex including brands marketing was 240 million or 2.8% and driven by the growth markets and primarily by Eastern Europe. The operational leverage is also increasing as the business is growing and we're adding capacity and with that fixed costs. Other income net was up 240 million primarily due to the real estate gains in the segment of activities in the first half, i.e., from the old Tuborg area in Denmark. So all in all, operating profit was 3.5 billion of which approximately 2.8 billion was the organic amount which equals an organic growth of some 500 million or 22%. In the brewing activities, the organic growth was 259 million or 12% in reported terms.

Slide 28: The accounts are obviously this time heavily impacted by the S&N transaction.

We have made a split of the first part of the P/L so that you can follow the organic development and the impact from the acquired businesses. My comments here will primarily be to the organic development of the group.

Organic net sales were up 7%. In local currencies the organic development was +10%. The main negative foreign exchange variances – of approx 700m - are primarily due to Pounds Sterling and the Russian Rouble.

Organic growth in gross profit was increased by almost DKK500m or 5%. In percentage terms as this was less than the growth in net sales, the gross profit margin of 49% was down 1.3%-point. This margin is of course negatively impacted by the higher prices on raw materials and positively impacted by sales prices and a positive product mix development that in absolute terms more than compensates for the price increases in raw materials.

Organic growth on total OPEX including brands marketing was 240m or 2,8% and driven by the growth markets, and primarily by Eastern Europe. The operational leverage is also increasing as the business is growing and we are adding capacity and with that fixed costs.

Other income, net was up 240m primarily due to the real estate gains in the segment "other activities" in H1, i.e. from the old Tuborg area in Denmark.

All in all operating profit was 3.5bn of which approx 2.8bn was the organic amount which equals an organic growth of some 500m or 22%. In the Brewing activities the organic growth was 259m or 12% in reported terms.

Slide 28: Special items were more or less in line with last year.

Financial costs were up with 786m compared to last year. -460m on higher interest costs which is mainly due to the financing of the S&N acquisition. The increase in H1 covers both the new long term debt facilities, as well as the now repaid equity bridge. A rough reconsolidation here would be to take May and June with the new long term facilities and May with the Equity bridge. That gives you an average debt in 3 months of some 28bn. If you then use 6% interests on

that amount you get to additional interests in Q2 of 420m. The remaining increase in interest costs to last year reflects the slightly higher average debt in the period driven by the increased activity level and a higher interest level as such.

The line "other financial items" is a net loss of approx 300m vs a small net income last year. This relates to one off costs associated with the S&N acquisition of approx 300m, and consists of approx 200m on upfront financing fees and approx 100m on hedging arrangements which were expensed in Q1 as part of securing the British Pound to the Euro.

In the first half of 2008 the tax percentage was 29%, impacted by the withholding taxes on dividends received in H1 relating to the earnings of all of 2007.

Minorities were up 83m to last year. This is again driven by the S&N transaction and the inclusion for the last two months of H1 of 100% of the minorities in the old BBH.

And all in all the net profit amounted to approx 1.3bn

Slide 29: The Balance Sheet has changed a lot due to the S&N transaction.

Total assets are up some 92bn since end last year. Approx 85bn of the 92bn is due to the S&N transaction and can be divided into three groups: Goodwill, acquired net assets at market value and the gross up on the previously owned 50% of BBH. Goodwill and acquired net assets at market value each amounts to – in big numbers - 35bn while the gross up on the old 50% of BBH amounts to

some 15bn. It's amortisations and depreciations on all this that we refer to as PPA related in the P/L.

The amount of goodwill and net assets at market value are detailed in note 6 in the stock exchange release.

Total Equity is now 63bn and the largest changes relate to the proceeds from the capital increase of 30bn and the net equity, post tax effect of the IFRS revaluation of the original 50% shareholding in BBH.

Net bearing interest debt amount to approx 47bn. Included in here the approx 27bn in new debt in connection with S&N. 85% of the debt is long term and some 47% of the debt with fixed interest rates.

Cash flow on Slide 30: As with other parts of the financial statements, comparisons for the Cash Flow Statement for Q2 are complicated by the S&N transaction.

The sum of the first three lines adds up to an improvement of 1.45bn driven by the good organic development in the business and the contribution from the acquired assets.

Working capital is on par with last year. However included here are the proceeds from the new Coca-Cola deal in Denmark and Finland, i.e. the underlying working capital has increased by approx 1bn versus last year. That is again driven by the growth in the business, but is also too high. We have started a

number of initiatives to reduce working capital and deliver upon our internal working capital targets this year - and coming years.

Paid interest net is significantly up. The variance to last year primarily consists of two elements: Interests on the new debt and currency swaps. Interests on the new debt we talked about under the P/L. Currency swaps on foreign currency loans are shown in the Cash Flow statement with the effect on the swaps under "cash flow from operations", i.e. on this slide with -260m, whereas the opposite effect on the loans are shown under "cash flow from financing", i.e. not included in Free Cash Flow.

All in all cash flow from operations up 440m.

Slide 31 please: CAPEX was higher than last year and with the biggest variances in Northern and Western Europe and in Eastern Europe – as we have discussed previously this year.

Main variance in Northern and Western Europe in H1 2008 relates to the capital required in Denmark and Italy ahead of the closure of the breweries in both countries. In Eastern Europe the increase is driven by the capacity expansions, including the new brewery in Novosibirsk in Russia. As we also previously have stated 2008 is a year with extraordinary high capex numbers.

Then we have primarily the cash effect of the S&N transaction in the next line and finally positive net cash flow from real estate sales.

On Slide 32, And not to spend a lot of time on the capital increase: The rights issue was completed very successfully.

We increased the number of shareholders dramatically and the Foundation rights were oversubscribed. We are grateful that so many existing and new shareholders - like us -believe in the value creation potential from the S&N transaction – we will for sure continue to work hard to prove that.

Our business continues to perform, we have a lot of internal opportunities ahead of us to continue to reach new and ambitious targets and we have the security of leading brands and market positions to move us forwards as the fastest growing global brewer.

Slide 33: Enhancing cash flow and deleveraging the business is a key focus now for the whole business. Just as we did when we bought back the Orkla shareholding in 2004, now having unified the ownership of BBH we are looking to delever the company.

Over the last few months we have sold soft drink and water trademarks in Denmark and Finland to TCCC and lately we have sold our loss making Turkish operation – subject to regulatory approvals. Both of these transactions have produced cash and are in line with how we enhance the profitability and long term cash flows from our group. Similarly in other business areas, such as working capital, detailed workstreams are underway to further enhance our capital management and delever.

On the property side – clearly non-core assets – the planning process for Valby is well under way and from the former Tuborg site we will have sale proceeds of more than 1bn and a gain on sales of some 450m in 2008.

Now on financial outlook for this year on Slide 35: Based upon our performance to date, and notwithstanding the increased consumer uncertainty in a few of our markets, we have not changed the guidance that we provided in February as you can see in what we have called "2008 Organic" above.

As a result we expect – organically – EBIT in the brewing activities to increase to around 5.6bn – up about +12% on 2007. As guided previously in "other activities" we still expect the result to be some 300m. On top of this we have assessed the impact of the S&N acquisition leading to additional EBIT for the 8 month period of ownership in 2008 of more than 2.2bn including the PPA costs. All in all more than 8.1bn in EBIT is estimated.

Our guidance on Net Profit is "more than 3bn". Included in this assessment are all one-off P/L items from the S&N transaction, PPA adjustments and special items.

My last slide is Slide 36 and that will be on our new medium-term targets. In Northern and Western Europe we aim for a EBIT margin of 14-16%. At the Capital Markets Day in June in Switzerland we talked about many of the building blocks that will help us achieving this target.

In Eastern Europe we aim for an EBIT margin of 23-25% including the effect of the synergies related to the S&N transaction.

As also indicated earlier, internally we are – obviously - working on many other key targets as well – amongst them you will find enhancing the balance sheet and increasing cash flow generation.

With this, we are now ready to take questions.

Operator: *Thank you. We will now begin the question-and-answer session. If you have a question, please press star/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: Yeah, hi. **Three questions please: Firstly, could you tell us what the time scale is on the medium-term margin targets please? Secondly, have you seen any trading down at all in Western Europe in any of your markets? I know some of your competitors and some of the retailers have certainly been citing this is an issue. It doesn't seem to be hurting your results. But in France, for example, have you seen any trading down to private label? Then thirdly, you seem to be continuing to generate very strong proceeds from property sales at a time when my understanding was that most European property markets were in a pretty terrible state. Could you sort of tell us how you're achieving that? Are you happening to cut your prices, for example?** Thanks very much.

J. Buhl Rasmussen: I can kick off with your second question about Western Europe and if we see any trading down in any of the Western European markets. As you can see from the

presentation and as we have stated in our release, we're starting to see a very strong trend in Eastern Europe towards premiumization and trading up. Within Western Europe, we don't see a kind of general theme across all the Western European markets. We see each market have their own opportunities and own issues. If I took France, for example in particular, in France, we don't see a trend towards trading down, in fact, if anything, slightly the opposite in terms of total market. There's another issue in France then about the total market development for the first six months being down more than certainly we and probably many others anticipated for the first six months. So I would say there's no simple answer to your question. It always differs by market, but we don't see a general trend across Western European markets in terms of trading down and we also believe when we look at our business, it links to our brand portfolio. We do tend to have strong brands where we compete and it does help not having too much trading down within our portfolio. But even at total market level, yes, it happened in some markets, but it's not a general theme.

Jørn P. Jensen: Matthew, the first question timing, the way we normally define medium-term here is more than three less than five.

Matthew Webb: Right.

Jørn P. Jensen: For real estate proceeds, remember that when we are guiding on and talking about future real estate gains or proceeds, it's always on a contracted basis, i.e., the proceeds that you see now and the gains you see now is not on contracts that we have sold last month but maybe something we sold a year ago.

Matthew Webb: Right.

Jørn P. Jensen: So it's totally in line with what we have said previously and it's based on previous, I guess you could say previous contracts as such.

Matthew Webb: Right, right. **So realistically over the next couple years given the state of the real estate market, presumably you'd be a bit more cautious on proceeds there; is that fair to say?**

Jørn P. Jensen: Again, depending upon what we ultimately will do with the real estate portfolio.

Matthew Webb: Right. Got it. Okay, thank you very much indeed.

Operator: Peter Kondrup from Kauphting is online with a question.

Peter Kondrup: Yes, thank you. **Just three questions please: First regarding the Danish market, it seems as if you have struggled a bit there with probably a bit too high prices in the retail sector. Are consumers byuing down in Denmark and buying less expensive products, or is it simply the markets that as a whole has had a tough time in the second quarter? Then secondly regarding net debt, could you give us an indication on the level of net debt at the end of 2008 or alternatively some of the cash impact or net debt impact from the disposal of Turkey, some of the Coke business, the real estate, and also the capex in the second half of the year? Lastly on France, you seem pretty comfortable about France in the second half despite of the weak performance in the first half. Could you please elaborate a bit on your optimism regarding France in the second half?**

J. Buhl Rasmussen: Okay. Danish markets, first of all, on the pricing so here we are referring to those who don't know the Danish market very well, I think you're referring to the promotion price on our 30 crates and retail sector has gone up in consumer price from probably in the past 80 to 100-130 which is retail driven decision, not our decision. Overall we believe it's probably good for the category instead of having a retail sector losing money on selling beer on promotion. It's right for the category, so we look at this positively, although it has negative volume impact in the short-term. But over time mid-term/long-term, this is positive for the category, even if it implies losing maybe a little market share in the short-term, I think this is good for in terms of creating more value in the category for us and retailers.

France, and then Jørn can take the question about net debt. When you say we're bullish in France in the second half, I think we're saying the decline in the total market we're seeing in the first half, we don't expect to continue. When exactly it will reverse back to more normal level being maybe a slight decline of 1% or 2%, I cannot say; but I can see the last two months in the first half, May and June, there is growth year-on-year, not decline, so I think we'll get back to normal market development. In terms of our own plans and what we have to do in France, no surprise, we are working on exactly what we identified before the acquisition. But the whole turn-around and the change of the portfolio management takes time and is not something you just put in place in August or September.

Net debt.

Jørn P. Jensen: To net debt as well to cut it short, around 45.

Peter Kondrup: That's clear. Thanks a lot.

Operator: Ian Shackleton from Lehman is online with a question.

Ian Shackleton: It's Ian Shackleton at Lehman Brothers. Congratulations on some very good figures. **I was quite keen to just get a bit more colour around Russia, and two things in particular. If my math is correct, in Q2, it looks to me that you've captured something like 80% of the market growth in Russia. I'd be quite interested to know whether Anton thought that was sustainable going forward. Secondly, I'd be interested in your views on the weather effect in Russia, particularly in Q2, and also what has happened in July as far as weather is concerned?**

Anton Artemiev: Yes, my name is Anton Artemiev, Senior Vice President Eastern Europe, Carlsberg. Thank you for your questions. Yes, it doesn't surprise many that for quite a number of years in a row Baltika has been capturing the major part of the growth in the market.

Also regarding Q2 and the weather, the weather in our opinion, though there is no scientific evidence so far, the weather has been somewhat worse this second quarter than it was last year. But then we need to remember that the quarter one last year was exceptionally good. It was almost green grass out there in Russia in winter months. So what happens next with weather, I think weather in Russia, as probably in other countries in the world, will be up and down all the time, so therefore we have no reason to change our forecast to the total market of 5% growth for the total year. So there is a very healthy market development.

Jørn P. Jensen: Maybe just add here, Ian, to the last half of your question, of course we know the weather so-to-speak for July when we are stating what we are stating today.

Ian Shackleton: **I'd be interested just as a follow-on just to ask about the competitive reaction because you have seen some of your major competitors losing share, I guess particularly in the numbers you've given us today. Is there any sign of a more competitive reaction to try and regain share at the moment?**

Anton Artemiev: I would say that the competitive scenery is quite tough for a number of years. We have all the five larger players of the world working for some time in Russia and everybody's well equipped and the shares, market shares for every player have been sometimes up/sometimes a little bit down. The only market share which has been growing comfortably was ours.

J. Buhl Rasmussen: I think this is back, Ian, to the point we have certainly commented on many times also in the past, our position as a Company in Russia is somehow unique. It's based on the infrastructure but not least based on our brand portfolio. We have very, very strong brands and it's always harder to compete against the company that has very, very strong brands – local brands, regional brands, and also international brands.

Anton Artemiev: But add to your question, we haven't seen specifically heavy actions on the cheap beers or on trying to take price down and to compete on the price. I mean the whole market has been premiumized and Baltika was leading this process, so I think it has been and is continuing a very healthy development.

Ian Shackleton: Thank you very much indeed.

Operator: Nikolaas Faes from Exane BNP Paribas is online with a question.

Nikolaas Faes: Yes, good morning and Nikolaas Faes here from Exane BNP Paribas. **Two questions if I may: First on your net profit guidance for the full year, the 3 billion which includes you say some exceptional items. Can you quantify those exceptional items please? Then secondly on Valby, is there more detail when you expect the building permit to come through, and how quickly are you looking to divest that asset?** Thank you.

Jørn P. Jensen: Nikolaas, if you take net profit guidance, then there are several elements of course which you could classify as one-offs. First of all, which is apparent is the 300 million under financial items that I talked about in connection the first half, i.e., the 200 million in upfront financing fees and the 100 million on the hedging arrangements on the S&N transaction. Then we have, and of course it's up to you if you want to classify that as one-off, but we have the PPA adjustments for the full year included here which on a eight-month basis assuming that it'll be 500 on a full year basis is some 330 million. Then finally we have special items, which including France meaning the special items for the full year will be around 400 million. So there are definitely a lot of one-off or transactional elements included in the P&L this year.

Nikolaas Faes: **In the special items, Jørn, excuse me for interrupting, do the special items, the 400 million what's that exactly about?**

Jørn P. Jensen: Well that is as always primarily redundancies in connection with Excellence programmes as such/synergies.

Nikolaas Faes: Okay. Thank you.

Jørn P. Jensen: Sorry, and the second question was what, Nikolaas?

Nikolaas Faes: It was about Valby.

Jørn P. Jensen: Sorry, with Valby, everything is well on track, meaning that the cooperation with the City of Copenhagen is progressing well, and we still expect to have the plans and permits and so on in place around year-end this year.

Operator: Soren Samsoe from Danske Bank is online with a question.

Soren Samsoe: Yes, hello. This is Soren Samsoe from Danske Bank. **Firstly, regarding the growth in Russia, if you adjust for the comparison basis last year and look at the underlying growth in the first half of the year and then if you take the growth that is implied for the whole Russian market in the second half by this guidance that you give of 5%, do you feel that the players in the market need to run faster or slower in the second half to reach the 5%?**

Anton Artemiev: In the second half, the market should roughly grow between 7% and 8% in order to for the whole market for the whole year to be around 5%. The 7% to 8%, if we take historically and adjust organic growth in the markets, adjust for different weather variations, adjust for different intervention of the state with different regulation of alcohol and so far and so forth, that is what we think is not far away

from what will be. Going forward, of course, we probably for the next year see same figures as we mentioned like 3% to 5% and maybe start with closer to 5%, but this year we believe 5% is well achievable.

Soren Samsoe: **Okay, and then just a second question regarding the financial targets for, like you said, for both Eastern Europe and Northern Western Europe, how much… I guess all the 1.3 billion in synergies are included in this guidance as an assumption, but how much of the business standardisation programme are you including in this both in terms of the 500 million in cost, which would hit the P&L, but also on the 700 million in cost savings on EBIT?**

Jørn P. Jensen: Yes, to the first part. All synergies is included. To the second part, as you know, and as we discussed in Switzerland, the benefits of the standardisation project will be phased in as the standardisation programme as such is being implemented. So there's not that much in the beginning of the period and then we have the full effect when everything is ultimately implemented. So I'm not going to be specific on what we have included or excluded, but I guess you can imagine that it's not that much that we expect to see as benefits from that programmeme in the earlier period of the medium-term so to speak.

J. Buhl Rasmussen: I think it's worth saying on the target setting in the out years, the key drivers are very much the same and we highlight the number of Excellence programmes we are putting in place, new ones and building on the ones we have done and then value management in terms of how we manage our portfolio and pricing is another key trigger of this and of course the new segmentation also to a certain

extent change the absolute percentage margin, but these are key drivers of the improvements as we see it.

Soren Samsoe: **But just be clear on the business standardisation, I guess it's fair to assume then that you have included all of the costs I guess because they fall in the beginning and then quite little of the benefits as it looks like right now, do you all see like this?**

Jørn P. Jensen: You're right, the upfront costs are included whereas it won't be that much of the benefits that you will see in what we define as medium-term.

Soren Samsoe: Thank you.

Jørn P. Jensen: However some.

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

Melissa Earlam: Hi. Good morning. **I've got three questions please. Firstly, you helped us partly bridge to the net profit guidance this year with the exceptional guidance that you spoke about. Can you also give an indication of what you expect the tax rate to be for the full year, and what interest rate assumption you're working on? Second question is on Russia. You're obviously facing two headwinds on the cost side in Russia, firstly wage inflation and secondly PET price inflation. Can you just talk a little bit about how you're dealing with both of those headwinds? The final question also on Russia is regarding Baltika export growth, if you could talk a little**

bit about this and whether we should expect to see export growth in this brand accelerating now that BBH is under one owner? Thanks.

Jørn P. Jensen: To the first part, tax rate 28ish and the interest rate is still 6%, around 6% as an average, so no change there.

J. Buhl Rasmussen: Maybe if I key off with your third question and then hand over to Anton who can talk more about the cost side as you asked about. On the export of Baltika, it will see increase in export. Baltika has already been doing extremely well in terms of exporting the brands and are in many markets already. But yes, we do believe by being part of Carlsberg Group, we can widen distribution in some markets in certain segments; and that's what we're working on. So one of the work streams we identified as part of the S&N acquisition was the international brand portfolio, defining the exact role of each brand and where we take them and there we're working closely with Anton and the Russian team to define also in Baltika being part of our international portfolio. Anton.

Anton Artemiev: Yeah, of course there is different items which sustain a high inflation in Russia. Wage is one of those, and by different testaments, wages are growing 15%/16%/18% and the difference of course which wages you are talking about. Is it the management? Is it the total on average? But take an example of our price development this year, we have been able to get the average price per litre in Russia up more than 16% and that is thanks to positive mix of 6% and 10%-plus increases in nominal value. And this is an example how we manage to offset the negative impact of different inflations. You mentioned PET, but you can also manage different raw materials, other raw materials like malt, like barley, like transportation. There is a lot of inflation items which we observe in Russia; but

thanks to a strong brand portfolio, thanks to our production and distribution platform in Russia, we can always find ways to offset this negative impact so that we keep the EBIT per liter growing even so that temporarily we get our margins somewhat down. But once again, we have now plenty of opportunities in terms of synergies and further Excellence and efficiency programmes so that we're quite confident that this trend is reversed. What we are giving as the margins in our medium-term guidance for Eastern Europe is a tough but realistic target.

As far as the export is concerned, export so far has been en important but relatively small part of our operation. It is about 5% of our sales. Margins have been slightly, slightly lower than the ones for Russia. Now the gap is closing and we're earning almost as much as we do in Russia and the share of this activity is growing. It is now already above 5%. I don't see for medium-term becoming much more important in our portfolio, so Russia will remain a priority for foreseeable future. But to me, 10% of our sales being profitable exports is not something impossible. But see how many years that will take, but our exports are indeed developing very successfully and especially in other countries of Eastern Europe but also some important Western markets as well.

Melissa Earlam: Great. Thanks so much.

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

Hans Gregersen: Sorry. **As we now pass the Capital Markets Day and you have defined the margin target for Northern and Western Europe, can you give some further insight into what's going to drive the margin expansion, i.e., are you anticipating any brewery closures and costs associated with that?**

Question number two: In terms of volume growth, it was flattish in the new Northern/Western region, can you break that down into let's say the old region and Eastern Europe? Thirdly, in terms of central overheads, can you give a cost level for that going forward? Finally to follow-up on some of the first questions on let's say trading down on price elasticity, if you could share some of your views on what's going on in the marketplace not only for your own Company but from a broader food and beverage perspective? Thank you.

Jørn P. Jensen: As I said before, we're not going to detail all the assumptions what's included/excluded in our margin targets. It's a medium-term target as we see it for our business, which includes and excludes a lot of internal assumptions on many of the things also that you discussed.

On brewery closes as such, just as a general statement, we have said that we're going to close more breweries and that definitely still stands.

Central costs, as also discussed, at the Capital Markets Day in Switzerland, they will be impacted in the very short-term by increased costs, project costs in relation to the business standardisation as we talked about before.

Price elasticity…

J. Buhl Rasmussen: Yeah. But just repeating what I said earlier about, the drivers of the improvement in underlying margin is clearly are value management of the portfolio and a continued focused cost agenda and still taking into account what we see on the

input cost side. So I think it's ambitious target but all of them also being very realistic targets.

On the volume growth, Western Europe and call it the old regions, Eastern Europe, it as you say vary a lot by market and I'm not going to give you by market the trends but some markets being just slightly down, some being slightly up and that add up to the average of flat markets, but as a trend you can say always when you move east, you tend to have slightly more growth than when you move west; and that's probably all I can give you in terms of indications.

On price elasticity, we have talked about our own performance and also let's say plans that we believe with the portfolio we have, we are able to increase the average value of our brands through pricing but also through the value management of the portfolio. You ask for a broader perspective on what's happening in total food and beverage, I really believe it does depend on your position in the market. Are you in commodity kind of no branded business, it's a lot harder and probably there will be a pressure on pricing including consumers not being prepared to pay. If you're in branded business, I think you're still able to get some pricing and still get increased uptake. It doesn't mean you're not at all impacted by what's happening in the market today. If consumers have less to spend, of course, you can get impacted and maybe the on trade business can get impacted. But I prefer to be in this kind of category, beer, versus being maybe in some kind of luxury good category or selling hardware or white goods. That's a very broad kind of perspective on how we view the situation today and also the near-term outlook.

Hans Gregersen: Thank you.

Operator: *Gerard Reijk from ING Banking is online with a question.*

Gerard Reijk: Yes, good morning. **I have three questions, if I may. First, you mentioned a goodwill amount. What's the current goodwill and I didn't saw it in the presentation. What's the goodwill amount that you could obviously use? That's the first question. Second question is on purchase price allocation, the adjustments, is that something only for 2008 or can you elaborate on that what the impact will be in the coming years? The third question: You discussed already the volume-wise environment year-on-year in second half and the factors that might have an impact on that on Eastern Europe, concerning margin-wise, we know your hedge position, but here are you probably seeing complete rollout of your price increases. What happens to the cost side year-on-year, also margin-wise, is it an improvement year-on-year versus the first half?**

Jørn P. Jensen: Well if we take the first part, which is rather technical so-to-speak, we have tried to detail it in the Note 6 of the stock exchange release, which is on Page 28, and there you can see a goodwill amount, which is a current estimate, a goodwill amount of some 36 billion. Then you see the market values at acquisition of the PPA so-to-speak also shown here. So if you add all this up, you get to this as described before, asset increase in the balance sheet of some 70 billion half goodwill/half net assets at market value. Then on top of that, we have what you cannot see here, these around 50 billion being the gross up of assets on the old 50% of BBH. So yes, it's a thing we do this year getting everything up to market value in accordance with IFRS and then we will depreciate on that depending on the lifetime of the different types of assets. It's actually described in great detail in

the prospectus. But I guess if you assume kind of average ten years period of depreciations and so on/so forth, I think that is a good estimate as of today. Remember that this is all cash flow neutral and it is just writing up assets and equity and then depreciate on those assets all on P&L over the next say ten years or so.

J. Buhl Rasmussen: Your question on margin, I wasn't sure if it was mainly on Eastern Europe or on the total business. Was it Eastern Europe mainly?

Gerard Reijk: No, it was about total global business.

J. Buhl Rasmussen: As you know, we don't guide by quarter or by half year on margin; and if you talk about this year 2008 first half/second half, I can't really give you any specific guidance on second half versus first half, but I can say as everyone in the industry is facing, we are facing increasing input costs, but we are hedged in basically every area and, as we have said, some into 2009 so we know the impact for the remainder of 2008 in basically every category/every market. Looking forward based on the Excellence initiatives, synergies, yes we expect margin to be able to grow over time. That's all I can say.

Gerard Reijk: Thank you very much.

Operator: Jonathan Fell from Deutsche Bank is online with a question.

Jonathan Fell: Good morning. **A couple things on Russia: First of all just on the volume performance in the first half, if I look at the market just under 2.5% and your growth in market share, that would seem to imply sort of 1% to 1.5%**

volume growth was well, sort of add both those together, you get 3% or 4%, a little less than the 5% you reported. Is that just the sort of difficulty of the different data sources or would be there any reason to believe, with any reason why your shipments would be running ahead of your actual consumer uptake? The second question is on margins: If I look at Baltika, the last three quarters or so EBIT margins tracked gross margin very closely and both have been down in the sort of 150 to 300 basis point range. Second quarter this time, gross margin down 300 basis points, EBIT margin only down about 20, so that implies quite a slowdown in the rate of growth of marketing and distribution expense. Is that going to come back in the second half do you think?

Anton Artemiev: Regarding the second bit, we have following the different types growth and different, and especially growth in the cost of railway transportation, we have been doing a lot of things to ease this trouble and therefore part of the explanation for that is that our cost of distribution, logistics costs are now on a better control.

Regarding your question on the market and the growth and the shares, yes, we for different testament we use different sources of information; and our understanding of the change in our market share from 37.6% to 38.1% is our best knowledge of our own sales to market of our development in stocks and our best knowledge of our understanding of competition selling to market and what kind of stocks they have. We take into account and how we do it is a very complicated process, for instance, the very fact that some of our competition has in the very last months of the last year loaded tremendously distributors. I mean

it's a complicated process, but once again, we believe in our figures and this is our best knowledge.

J. Buhl Rasmussen: I think if you look at the trend of share developments, the one we are kind of putting out every time by quarter and for every year, as a trend clearly follow what you've seen business analytika and all the rest. But if you don't make those adjustments in a place like Russia, it's very hard to get good information on market share. You indicated that we're cutting back on marketing expenditure to kind of protect the bottom line, it's not the case at all. We spend what we need to spend on the brands. Brands are key to us. That's driving our business, and we will spend whatever it takes to keep growing the market share.

Jonathan Fell: Sure. **No, I was suggesting that you were cutting back a little bit, I was just wondering if there's any sort of phasing issues there?**

Jørn P. Jensen: But I think one thing you have to remember is that the operational leverage of Baltika is increasing. For instance, in the first part of year, we added the Novosibirsk brewery, i.e., there is a lot of fixed costs without that much revenue so to speak yet included in the P&L, so that you need to take into account as well.

J. Buhl Rasmussen: I think there are time for two more questions and we probably have to stop.

Operator: *Kitty Gron from Handelsbanken is online with a question.*

Kitty Gron: Yes, good morning. **I just wanted to know in terms of your margin targets for Eastern Europe, how does the non-Russian part of that division impact**

those ambitions? Secondly, in terms of your ambitions in India, what is the timeframe for your expected scale-up of your presence in that region? Finally, could you give us a ballpark figure of your net financial items expectation for this year?

J. Buhl Rasmussen: I start with margin and then Anton can add. The trend will be growing margin over the time horizon. Of course, not everyone will be at the same margin level at exactly the same time, but all of the markets we are expecting increasing margin over the mid-term period.

India is, it's not a short-term kind of big opportunity, it's much more longer-term, so we're taking it slowly step-by-step. I wouldn't compare it to how we did BBH in the old days, but I think we're taking the same approach starting in the north building up our business base on Carlsberg and a strong beer called Okocim Palone, and we probably have another launch later this year and we'll learn from it and take the business forward step-by-step.

Do you have anything to add margin, Anton?

Anton Artemiev: It is true that margins in other countries officially in Europe others in Russia some were lower than in Russia. It is therefore what we are reporting is margins for Eastern Europe is somewhat lower than the margin we're reporting for Russia. But I see that as an opportunity because when we are formulating our medium-term targets and margins, this corresponds of two major drivers. First driver is that we have can and will improve the margin in Russia following the integration and synergy projects and Excellence projects. Then I see even more potential of

improving margins in these other countries where they are at presently for me a bit too low.

Jørn P. Jensen: Finally, on the third quarter, I guess you can say that on financials net, you know what we have today and then assuming a 6% interest rate or that ballpark at an average debt for the year, remainder of the year of somewhere more or less right between 45 being the end number and 47 being the starting number and I guess you would get to something around 2.7 billion or so.

J. Buhl Rasmussen: The last question.

Jørn P. Jensen: Yeah, let's have the last question.

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

Michael Rasmussen: Yes, good morning, guys. **I'll just finish off here with two questions. First of all regarding the property real estate development out in the Tuborg area, now there's usually suppliers with some estimations on gains for the coming couple of years and now since you're back with guidance could you supply us with these numbers or at least tell us if they have been changed since we last had the guidance? Just the second quarter is just a bit of follow-up on the interest rate questions that we've seen today, if you could please dig a bit more into what actually happens when the interest rates, for example, the one- to two-year euro interest rates go up or down, in the prospectus it seems like you had quite some variability there when the interest go up and down.**

Jørn P. Jensen: Nothing has changed on real estate. What we are saying in the presentation today is and in the press release is these 450 this year in gain and around 1 billion in proceeds. But in general, no change to what you have seen previously.

When it comes to the interest level, then as also said around 47% is on fixed interest rates, i.e., the variability is on the 53%, i.e., if the interest goes up then our interest charges goes up as well or the other way around. But I think you can say that you are, it's fine to use 6% as an average and then there is probably also a little bit of room included in that number.

J. Buhl Rasmussen: I think we have to finish here. Can I just sum up the whole discussion of our presentation with a few key words? Repeating what was in our early slides, the business is doing well and we all feel we are really on track to deliver on the synergies from S&N and we'll be applying Excellence programmes in the new markets but also in our current markets. Then when we talk consumers, we do see consumers across a lot of our markets being ready to trade up and we're certainly seeing within our own business and then we are on track to deliver our targets for this year and I hope we also have demonstrated with our targets for the mid-term that we have strong confidence in our business.

Thank you very much.