Carlsberg A/S Conference Call
CEO Jørgen Buhl Rasmussen
CFO Jørn P. Jensen
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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, CEO Jørgen Buhl Rasmussen.*

J. Buhl Rasmussen: Good morning, everybody. I'm very pleased to welcome you to this conference call on our full year results. I should warn you, this is slightly longer than normal, not because we have a good story only, but because we really want to recap the whole year and also a bit about the S&N story. Today, apart from myself, I have, as always, Jørn P. Jensen with me; and this time also Alex Myers, our SVP for Western Europe; and Kasper Madsen, our SVP for Group Supply Chain. Both are part of our recently established Executive Committee and here also to take questions as well.

Let me start by saying that I'm extremely happy about the set of results that we have announced today. It is a set of very strong results and once again proves that the business is in great shape. As part of my introduction, I also want to say, as Carlsberg is in the process of acquiring S&N together with Heineken, and that's because of the U.K. takeover codes, we have to observe certain rules for what we can comment on and what we cannot comment on."

Like always, the agenda for today's call is divided into a couple of different topics. Firstly, I will walk you through our 2007 highlights of the operations; then, secondly, I will hand over to Jørn who will discuss the financials; and lastly, I will give you a brief update on strategy seen in the light recent developments.

If you all turn to Slide 3: 2007 was a very successful year, both on the operational agenda and on the strategic agenda. Our market share positions have strengthened in all key markets across the regions, and we have achieved a strong 10% organic growth in net sales to DKK 44.8 billion. Growth has been particularly strong in the key developing markets in Eastern Europe and emerging markets in Asia, but also in Western Europe sales increased. Earnings climbed to a record high of DKK 5.262 million, up 30% compared to last year. It is probably worth pointing out that only three years ago, Carlsberg made DKK 3 billion a year in profit and today this is now DKK 5 billion. Significant improvements have taken place over this period, and not least driven by a continuous focus on improved efficiency to a number of successful excellent programs in primarily Europe combined with focus on value growth and growing faster than markets in high growth regions like BBH and South Eastern Europe. Carlsberg is today one of the fastest growing global breweries, their growth profile that will be substantially enhanced after closure of the S&N deal.

Now if you go to Slide 4: Beer volumes grew organically by an impressive 11% to 82 million hectolitres; and with those growth numbers, our top two international brands, Carlsberg and Tuborg, grew by 5% and 18% respectively. This strong growth trend can only be strengthened by the proposed S&N transaction. If you take our Baltika brand of beer, this however troubles all other performances by adding another one-third to its volume, and that was clearly strongly supported by high demand for the new sub-brand Baltika Cooler. Our business also saw a number of innovations in the beer category as well as in the malt-based drinks and water. Carlsberg successfully taped into the health trend by introducing LITE version of beer in some of our Nordic markets, as well as rolling out new water and soft drink products. Part of our success is based on our continued investment in building our brands. This has allowed us to raise prices in most markets with growing our market shares. More premium products account for part of the positive development but also higher price per SKU has been important. We all know input cost inflation has been rising throughout the year and has hit not only Carlsberg and the beer industry, but many other industries as well. Significant for our business is however the rising prices in our key inputs like barley, aluminium and energy. Short-term in 2007, it has not been possible to fully recover the increases in input costs through pricing; and that's really due to timing restrictions on when pricing can be increased in the trade, and it is relevant that more price increases on beer will be due in 2008. Strong increase in our overall margin from 9.8% in 2006 to 11.8% in 2007 is clearly driven by a combination of mixed pricing and then continued significant deficiency gains.

To Slide 5, a slide looking at our Excellence programs: Many of you know that they have been running since August 2003 and they have fundamentally changed the way we conduct our business. This has not just been an exercise to reduce costs. It has also been a cultural change for the people working at Carlsberg and today the Excellence programs are an integrated part of the way we do business in Carlsberg. Western Europe has done the full program and Eastern Europe is almost done. But still there's a lot more to do in terms of training, fine-tuning the business day-by-day. We're already planning the next wave of Excellence, and instead of doing what we did with Excellence programs where we optimized country-by-country, function-by-function, our ambition now is to optimize on a higher level that is cross-function and also cross-country. Some of our learnings have been transferred also to Asia and BBH, but the full studies in those regions are still to be done. BBH is by all standards a very well managed and highly successful business. There is however a huge potential from having one owner only of the company by introducing a new set of learnings and to include BBH in the group procurement process, learnings that will further improve efficiency and also we believe upgrade skills and thereby competitive strengths of the business.

Now to Slide 6: With 2007 behind us, I look at 2008 with a lot of optimism. I fully appreciate that the trading environment will be tough and that input cost pressure will be challenging for everybody. But Carlsberg is up to this and will react to meet these challenges. Just to give you some examples: Price increases have already been announced; and in Germany and Finland, we have announced and implemented price increases of more than 5% on beer. Our focus on operations will remain strong. We are determined to outperform for yet another year and at the same time transform Carlsberg into a new stronger and more profitable Carlsberg. Carlsberg is absolutely ready to capitalize on new opportunities and also tackle challenges. My belief is that we are, as I said in London, creating the fastest growing global brewer.

So after this overall summary, I'll now turn on to the operational performance; and as I normally do, I will start with a small overview and thereafter then comment on each geography.

So to Slide 8: On Slide 8, you can see on the left-hand side that our total beer volume grew by 13% to a total of 82 million hectolitres. 11% was organic growth and only 2 percentage points are from acquisitions. If I take quarter four, volumes grew by a respectable 9%, and I say respectable not least when compared to total market trends and the positive development in all regions. If you take a look at the right-hand side, you will see that growth has been equally strong in BBH and Asia with 24% and 25% respectively, but with BBH being almost all organic and Asia being divided into half organic and half from acquisitions. However, also observe that volume growth in Western Europe has been 1% and therefore outperforming the total market which is estimated to have seen on average a decline of 2% to 3% in the markets where we operate. Countries like Norway, Sweden and Switzerland all have very strong volume developments. Also Eastern Europe had a strong year with growth of 12% with strong contributions from Poland, Bulgaria and Serbia.

Slide 9: Net sales totalled DKK 44.8 billion. Growth amounted to 10% organic, but after exchange 9%. Net sales growth is however a little less than the volume growth development primarily due to fast growth in countries the lower average selling price compared to Carlsberg group average. Our operating profit is up by 25% or 27% organic, this substantial improvement in Western Europe, Eastern Europe and BBH driven by a combination of volume growth, value growth and Excellence programs.

Now let’s turn to Western Europe; and if you go straight to Slide 11, where you see net sales increased by 1% for the full year, which include a hit of 1% due to foreign exchange movements and that is primarily based on the drop in U.K. pound sterling in quarter four. Operating profits on the other hand increased 13%

to 2.7 billion, leading to an EBIT margin of 10% for the full year. This is up 110 base points versus a year ago and 230 base points versus 2005. So we have now reached the low end of the sales target of 10% to 12%. The improvement run rate has been strong over the last two years with the effect of Excellence programs kicking in. We still have plans to continue the important efficiency journey, and we'll expect to continue to grow the margin year-on-year to come.

Slide 12: Overall markets were flat or slightly declining in 2007, so, as I said earlier, down by 2% to 3% in the markets we operate in in Western Europe. The rainy weather during the summer months in Northern Europe had a negative impact on the overall total market development but also country-specific issues like the introduction of a smoking ban in the U.K. reduced demand. However, as referred to earlier, we have been able to strengthen our market share position in forward key markets and grown beer volume by 1%, therefore well ahead of total market trends. Innovations like new LITE product in Norway we have talked about in the past, Cardinal Eve in Switzerland and DraughtMaster, as well as successful activation of local power brands have been key drivers in achieving these results. Add this systematic category management backed up by commercial excellence and a strong focus on in-store execution, all have been key drivers of market share growth in all markets except for Portugal and Italy. Nordic performance too continued to be strong and performance in Denmark in fact very strong, and it's a reflection of mix and ongoing efficiency improvements. If I take the U.K., volumes increased slightly as estimated or slightly in terms of market share in the off-trade, which mean our market share in off-trade increased to 16.5% from 15.2% versus last year and therefore offsetting lower volumes in the on-trades. In most countries, prices were increased by an average of 2%, except for the U.K.; and that's due to a change in channel mix where an accelerated substitution of on-trade with off-trade volumes where prices per hectolitre was lower and therefore reducing the average for the Western European region to a price increase of around 1% in local currencies. In Italy, the capacity expansion project in Varese is on track for early 2008, which will be one important part of turning the business around. There's still a lot to do in terms of both reducing complexity within the business and not least in distribution and taking out costs. Then just a word on the Shared Service Centre in Poland: Since it started back in 2006, we have the back offices functions from Poland, Germany and Switzerland and the U.K. into one office and next to come will be Denmark, Sweden and Norway.

Then Slide 13: Input costs inflation has been a challenge throughout the year. The increase in prices on malt, aluminium and packaging has been sharp and price increases on beer in the short-term have not been enough to compensate for this, the main reason being timing for when one can increase prices in the trades. As a consequence, growth margin has been reduced by 120 base points to 48.3 percentage points. A strong focus on operating expenses and the ongoing process of optimization and taking out costs has continued to deliver good results and therefore enabling us to grow operating profit by 13%. But again, and, as I said earlier, more work to be done and as we are closing breweries in both Portugal and Italy is some of that work. Looking ahead, we continue to look and plan for further improvement in the years to come. We fit only in the low end of our target zone. We are very pleased about having now entered the bottom end of our target range by achieving a 10% operating profit in Western Europe. After completion of the acquisition of S&N assets, we will look at our segmentation in terms of geographies and we will make changes and we will communicate new external financial targets for our business thereafter.

Now to BBH, and if you please turn to Slide 15: Once again, very strong numbers with net sales up 31% to more than DKK 10 billion and operating profit growing in line with this to 2.3 billion. Although growth in quarter four were below the full year trend, volumes did grow by a strong 17% pro rata, net sales by 25% and EBIT by 18%; this is all in Q4. EBIT growth in Q4 were impacted clearly by higher input costs and also distribution costs in particular.

If you turn to Slide 16: Behind the numbers is a very, a story of continued success in all parts of BBH. Beer volumes for the year increased by 25% pro rata, net sales by 31% and EBIT by 30% with solid contribution from all countries and followed by strong market growth, innovations including new product launches. We grew our market share in all markets and this due to both strong local brands as well as our international brands. As you know, Tuborg has been the number one international beer brand in some of these markets for some time now; and with a jump in volume in 2007, Russia has now overtaken the position as number one market globally for Tuborg in terms of volume. Operating margin was marginally down as higher costs on raw materials and distribution offset the increased operational leverage. We invested a further 1.7 billion in Capex, that's our 50% share for joint venture, and that was primarily in production and sales to meet demands and the businesses today both are well positioned and well invested for further development.

Now some comments on Russia specifically on Slide 17: Our Russian volumes grew by 19% and therefore again outperforming the market growth of 16%. Many of you will remember a very strong first half of the year, the market growth of 23% which moderated to 9% in Q3 and then 10% in Q4. We still see clear signs of a positive development in consumer spending leading to demand for premium beer to rise, and we believe we have the right portfolio of brands to meet this demand. Baltika ended the year with 37.6% market share compared to 36.4% a year ago and outperforming the markets each quarter in the year and therefore adding on 1.2 share points. Reflecting on the year, I truly believe that were we all surprised by the strength of the market. Nobody would have made a forecast of the Russian beer market growing at this speed. But our business proved that it was more than capable of adjusting to this very positive environment and we were able to bring forward our plans for capacity increases. The attraction of the market is still unique and I believe that this will be an exciting market for the year to come. Last, it is important to mention that we successfully also completed the Baltika share buyback.

Then to other BBH markets on Slide 18: Strong growth in Ukraine, up 39% versus market growth of 19%. This has been driven by primarily mainstream and premium segments and not least by our very successful re-launch of Slavutich from early Q2 in 2007. Our market share in Ukraine is now 20.4 share points versus 17.8 share point last year. Our turnaround plan continues to deliver and progress according to plan including improvement to profitability. Then Baltics, the Baltic market shares increased slightly to 45.2% in volume and we had volume growth share, we had share growth in volume in Latvia and Lithuania and value share growth in all markets including Estonia. The beer category continues to grow, although at a low rate as the markets gets closer to maturity, but strong growth is seen in all of beverages such as water and soft drinks. In Kazakhstan, we saw another year with strong market growth of 15% and our volumes up 45% partly due to Baltika imports. Tuborg was launched with a big success in Q1 2007 and has together with the local premium brand, Irbis, driven a positive development in mix. We estimate our market share to be around 44%, which is up an amazing 5% versus last year.

Then to Slide 19 and let me summarize on BBH and look back a little. We have done the reorganization of distribution a couple of years ago. We have successfully integrated the Russian breweries into Baltika. We have changed the governance model to improve on speed and action, and we are well ahead of competition. Still we are excited about the further potential that lies in applying group-wide best practices across Carlsberg and BBH and not least in procurement after closing the S&N deal. The market in which BBH operates will continue to develop for years. More premium products, changes from off-trade to on-trade, further development of retail sectors, all this we'll need to address and all this we will address. We have the right people in place for the job, and I'm sure we will continue our success in BBH.

The next slide, Slide 20, is really to emphasize that in BBH we had by far the largest fast moving consumer good business in the former CIS. The strong market leadership position in nearly every market and after the closure of the S&N deal, one could state that if you want Russian growth exposure with Western European corporate governance, this is the ultimate and probably the best beer business in the world. Carlsberg, and particularly the Tuborg brand, is already very important to the overall BBH business and, again, can only get stronger going forward. After closure of the S&N deal: The first ever single ownership of the group and opportunities from the integration into a global brewing business can only offer overall great opportunities for even stronger value growth.

Now to Eastern Europe on Slide 22: The strong improvement trends from pervious quarters continue in quarter four with sales up 16% and earnings going from minus DKK 44 million in 2006 to a positive DKK 52 million, so a swing of almost DKK 100 million. For the full year, net sales is up by an impressive 22% and operating profit is up threefold to DKK 477 million of which 63 million relates to gain on sale on assets in Poland, an achievement delivered by strong performance across all markets with one exception, Turkey.

Slide 23: Eastern Europe is overall a fantastic growth and turnaround story. A strong focus on in-store execution in rapidly growing markets has done the job. Poland has had a very strong year demonstrating its back on track growing share and improving profitability. Winning in the markets with both local brands and Tuborg has led to market share gains; there you will see in fact significant market share gains in Croatia, Serbia, Bulgaria. Performance and earnings trend in Eastern Europe continue to be very encouraging and group Excellence projects is now under implementation in several of the Eastern European markets.

Now to Asia on Slide 25: It's up or strong into the year relatively to last year with volumes up 20% in quarter four and earnings tripling in quarter four from last year's low levels. For the full year, as you can see on the slide, net sales are up in Asia by 10% and operating profit is flat. Importantly, and as we keep emphasizing, this is a key region in building a platform for future growth which does require investments.

Slide 26: Volumes are up by a strong 24% in Asia driven by China, or primarily China. Net sales is up 10% which means that net sales per hectolitre is down and clearly the reason being that we are growing our business faster in low priced countries like in China. The Malaysian business has now been restructured and many of you will remember that earnings struck in first half of 2007. Earnings have now been restored to growth in second half and we should further benefit from the change to the business model in 2008 in Malaysia. Although still very much an emerging market and still in an investment phase, we now see positive earnings coming from China. The Western provinces are generating good results and the Carlsberg Chill brand, which is a special Carlsberg to suit Chinese taste, continues to improve. Today, the Carlsberg brand is the number two international premium brand in China.

Now to Slide 27: With the rapid growth in our business, organic growth in China up 13% and Indo-China up 19% we are investing in new capacity. There's been a number of expansion projects in the region in 2007, including production expansion in Xinjiang and Greenfields* in both China and Vietnam. In Laos we bought a soft drink business; and in India, we brought a brewery north of Delhi, these together with three Greenfield breweries will form the first platform for us in this interesting future market. We are excited about possible future acquisitions, and we have today the right platform for further expansion into this region.

Now I will hand over to Jørn who will guide you through our financials.

Jørn P. Jensen: Thank you. So if you turn to Slide 29 and the income statement I will take that more or less line-by-line. As you see, net sales up organic 9% and up 10% in local currencies. Gross profit increased by 7%, i.e., less than the increase in revenue and the gross profit margin of 50% was thereby down 1%, 1 percentage point, and I will talk more about this on the next slide. Total opex including brands marketing increased 413 million driven only by the growth markets and especially by BBH whereas we have seen a decrease in costs in Western Europe of 5%. This together with an improvement in other income net of 234 million driven by higher gains on real estate as planned led to an improvement in operating profit of 1.2 billion or an increase of 30% compared to last year. The vast majority of the improvement comes from the brewing activities with an increase of just above 1 billion or 25%. Special items showed 267 million higher expenses net compared to last year, which was caused by last year's gain on sale of Hite shares contributing with approximately plus 600 million in Q2 '07. Excluding the effect from the sale of Hite shares, special items in 2007 shows lower costs of approximately 335 million. You see a specification of this P&L line in our press release from this morning. Financial costs were up 344 million compared to last year, minus 47 million on interest due to a higher interest level and the remaining minus 297 million on other financial gains and losses including FX, i.e., net gains in 2006 and net losses in 2007, as also previously expected. Tax amounted to a little more than 1 billion, which equals a tax percentage of 28.7, a little higher than previously expected which primarily is due to a little higher number of non-deductible items. Minorities went up a bit due to the growth in BBH, so all-in-all, a net profit of $2.3 billion which equals an increase of 22% to last year.

On Slide 30, we had tried to illustrate the development in EBIT or in EBIT margin taking into account the increased input costs and the relative decrease in operating, operational expenses. In general, we aim for also in 2008 and future years to offset the increases in input costs with increases in sales prices. We didn't quite make that happen in 2008 primarily due to timing restrictions, but we do see very good sales price increases going into 2008. As mentioned earlier, a few examples, and it is only a few examples, we have already this year increased prices in Germany and Finland with more than 5%. In general, we feel that we are very well positioned to compensate for the increases in input costs that we will see also in 2008 through higher sales prices. On the left-hand side of this slide, you see the development in gross profit in 2007, higher absolute profit and lower margin and this of course due to higher sales prices and higher input costs. On the right-hand side, you see that operation expenses are growing less than volume, i.e., we are really becoming more and more efficient and lean in our cost base. That doesn't mean that there are not far more to be done, but it proves that what we are working on gives good results. As you can see, the EBIT margin, once again, showed very good progress.

On Slide 31: This slide is showing the development in return on invested capital in the brewing activities over the last nine quarters. Our very clear focus on increasing earnings and at the same work on our invested capital clearly shows a positive trend that indicated here by the green bars. ROIC in the brewing activities has this year improved from 12.3% to 15.2% or plus 290 basis points, this driven by BBH, Western Europe and Eastern Europe. Comparing the regions, BBH shows an impressive ROIC of 29%, Western Europe delivers 16% and Eastern Europe and Asia delivers ROIC just above 11%.

On Slide 32 and Capex: As shown here, 2007 was an extraordinary year on operating investments. In Western Europe, we had to add capacity in three markets due to the decision to close three breweries. This is of course one-off investments and with very solid operational business cases as background, basically it is all about getting more efficient capacity in the market. In the BBH markets, we have seen good growth which led to a need for more capacity. Following our release of the current three-year plan of BBH, you can see that we expect investments to go down significantly from 2008 to 2010. Also in Eastern Europe and Asia, the high investments were driven by growth. In Asia, we started new Greenfield projects in India, China and Vietnam. Finally, on real estate or the so called other activities, we had investments at the expected high level which leads to significant proceeds in the coming years. So all in all, it was a year on Capex with extraordinary high operation investments, this in short due to high growth restructuring and brewery closures and planned sales up real estate. This investment level we will see going down, 2008 will still be at a high level for the same reasons as in 2007 while 2009 and 2010 will be back at a more normal investment cycle.

On 33, Cash Flow: Cash from operating activities were net up 367 million and amounted to 4.8 billion. The increase from the operating result before depreciations was 1.1 billion. Adjustments for non-cash items increases with minus 230 million and is primarily reclassification of real estate gains from operating activities to investing activities, i.e., plus 869 million before other adjustments compared to growth in EBITDA in the brewing activities of 908 million or more or less the same amount. Working capital was a minus of 230 million with the biggest negative contributor being BBH due to a very high activity level in Q4. We continue to have a very clear focus on working capital and will initiate further programs to reduce working capital. Paid restructuring, interest and tax contributed all together with plus 117 million versus 2006. Cash flow from investments were minus 4.9 billion compared to a cash inflow last year of approximately 100 million. The large variance is explained by proceeds from sale of Hite shares last year of 3.3 billion and an increase in operating investments in 2007 by 1.6 billion as explained on the previous slide.

On Slide 34, Financial Ratios: The net debt ended at 19.7 billion, more or less at the level of 2006. As EBITDA grew, our present metrics developed positively; and, as illustrated, you can see that we continue to increase our financial flexibility. Our commitment to remain investment grade is very important to us and we do not see any scenario in front of us where we would be willing to change that position.

35: Real estate is about maximizing the value to our shareholders on redundant assets. This non-core activity continued to deliver good value and in 2008 the proceeds are expected to be around 1 billion with gains of approximately 425 million. The planning around the Valby site, which is a brewery in Copenhagen, are on track and we expect to have zoning and so on in place this year.

36, BBH Outlook: In connection with a formal offer to acquire S&N announced on the 25th of January, key figures from the current three-year plan for BBH were released. Accordingly we expect the Russian beer market to grow with approximately 5% in 2008. This is less than in recent years, but our best current estimate based on general price increases to offset increases in input costs as well as extraordinary warm weather in the first five months of 2007. EBIT is expected to grow to approximately EUR 740 million on an 100% basis, while Capex is expected to be at approximately EUR 460 million or more or less in line with 2007.

Finally from me on 37, Financial Outlook for the Full year: Net sales are expected to grow with around 10% and EBIT in the brewing activities are expected to increase with around 12% and amount to approximately 5.6 billion for the full year. In other activities, we expect EBIT to amount to around 300 million. Special items, we expect to amount to some minus 200 million, financial expenses to increase and the tax rate to amount to approximately 27%. Net profit is therefore expected to increase with approximately 20% in 2008. It is important to keep in mind that the facing of the earnings in 2008 will be different from 2007. This as we have tough comparisons in BBH in H1 and especially in Q1 where cycle comparisons in the rest of Europe are somewhat softer for the summer peak period. Finally, I would like to mention that if the S&N transaction closes successfully to us, we will change the segmentation currently used for reporting and in connection with that update our outlook including our earnings targets.

Now back to Jørgen.

J. Buhl Rasmussen: If you could turn to Slide 39, please. Last, I would like to just recap on indications on the possible S&N deal and a bit building on what we said in London when we announced the recommendation from the S&N Board. We are transforming Carlsberg into the fastest growing brewer in the world by further strengthening let's say what we have defined already as our strategic value drivers. We will obtain free control of the key BBH growth engine which grew operating profit by 30% in 2007. If the deal goes through, we will also strengthen our European position with the number one business which has a market share of 36% and also getting a number two position in Greece. We will also enhance our Asian position with China and Vietnam investments, and we will also have a strong synergy potential from acquisition, and we will also welcome many new people and talented people from the S&N organization which will help us to further upgrade capabilities in Carlsberg and certainly also widen Korea opportunities.

Then to Slide 40: The growth profile of Carlsberg will become even more attractive than estimated higher share volume and earnings coming from growth markets in Eastern Europe and Asia; and in the case of Eastern Europe, very profitable growth markets. We estimate that minimum two setup earnings will come from growth markets in 2010 versus close to 55% in 2007.

Then to Slide 41: Just to let you know that we already let's say far down the line in terms of a post merger plan and process has been on the development for some time in Carlsberg. We have defined a number of relevant work streams and for each of them identified and established integration teams which will include people from the S&N side whenever possible. Charters for each work stream are more or less finalized to insure we will have a disciplined approach with continuous follow-up against targets and milestones. It is clearly our plan to integrate the business into the Carlsberg umbrella as quickly as possible to also insure we take onboard learnings and best practices already established in the acquired businesses. It is also a process where people play a critical part. We want to ensure that we can enrol S&N people and talent into the Carlsberg group in a way that would benefit from past learnings by listening and hopefully we'll be able to deliver many more people even better career opportunities within the group.

Then to the last slide before we open for question, and Slide 42. So in summary, 2007 has been a very successful year. We have established and continue to strengthen our leading positions in many mature and developing markets. This is made possible by having a strong portfolio which we keep strengthening through innovation and here they're talking our global brands like Carlsberg and Tuborg but also our many strong local power brands. We also have a commitment and mindset in the organization and amongst the leadership now that will continue to improve on operational excellence and efficiency. We did it in 2007, and we'll keep it doing it going forward. We have now established a broader management team in form of an Executive Committee as referred to in the appendix and we'll increase alignment and speech, we will continue our focus on creating value for our consumers, customers, shareholders and employees.

With this, it's now time to open up for 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.*

Hans Gregersen from ABG is online with a question.

Hans Gregersen: Good morning. **A couple of short questions: You have announced that you made some price increases in 2007 was fully impacted in 2008. Can you give some indication on historical experience how much of these price increases you actually will be able to maintain? Question number two: With the increase in raw material prices in mind, could you give guidance for what sort of profit margin development you're looking at in 2008? Thirdly, in terms of real estate investments, for the sites in Valby, have you made any final plans whether you want to develop that yourself or you want to sell it off?** Thank you.

J. Buhl Rasmussen: If I take the question about price increase across the regions and maybe first of all Europe, we have, when it's talked about we have announced price increases, yes, we announced some in the latter part of last year but also in the very early part of this year. We gave examples of Finland and Germany where it's more than 5% in both cases, so we do believe we can make the pricing and the price increases stick in line with our plans and our overall plans would be to offset input cost increases, the price increases, and I think that covered your first two questions also including the profit margin question. Then Jørn on property.

Jørn P. Jensen: On the Valby side, as said before, real estate is a non-core activity; it's all about maximizing value for our shareholders and that is how we are treating that part of our business. So we'll do what is needed in order to maximize value and then let's see how that plays out.

Next question please.

Operator: *Matthew Webb from Cazenove is online with a question.*

Matthew Webb: **Yeah, three questions, please. Firstly, you'll probably hopefully given us some indication of the scale of the price increases you've put through in Germany and Finland, talking about over 5%. What it would be fair for us to assume that that's a reasonable indication of the scale of price increases you have in mind across the business in order fully to offset the input cost pressures that you're facing? That's a main question, then just two points of clarification. On the slide on Russia, you talk refer to a mild Q1. Was that actually referring to 2007 or were you also saying that the Q1 in Russia in '08 has been mild as well? Then second part of clarification, on the asset**

disposal in Poland, I think you gave the number 60-something million, but could you just confirm that and also just clarify which period that was in, please. Thank you.

J. Buhl Rasmussen: For your first question, Matthew, on pricing, we used Finland and Germany because that has been done and is already implemented. The 5% plus is probably above average what we will achieve. First of all, our assumption would be we can offset increasing input costs with pricing, but I think the average price increase will be more in the area of 3% to 4% for the group, not 5% or above.

Matthew Webb: Right. Thank you.

J. Buhl Rasmussen: Your question about Russia and Q1, when we talk about a mild Q1, that's clearly referring to Q1 in 2007. This year is not as warm as it was last year. It's still not as freezing cold as it was two years ago, but it would be a tough comparison year-on-year in BBH quarter one, no doubt about it.

Matthew Webb: Right. Thank you.

Jørn P. Jensen: Just to add to the first question before I take the third question: The 3% to 4%, Jørgen mentioned was what is needed in order to offset the input price increases. Then on the third question, that was sold and we have actually been discussing that in all quarters in '07. It was sold in Q1 last year with this gain of a little more than DKK 60 million.

Matthew Webb: Right. That was great. Thanks very much indeed.

Operator: *Peter Kondrup from Kaupthing is online with a question.*

Peter Kondrup: Yes, good morning. **Actually three questions please. Firstly, on interest costs, they were more than 420 million for the fourth quarter compared to 277 in the third quarter. Can you elaborate a bit on what the reason why they suddenly jumped quite significantly for the fourth quarter? Similarly, regarding overhead costs for 2008, I think you had around 880 million for '07; is that a fair assumption to put in when we look at 2008? Then cost for the S&N transaction, is there any risk that some of these costs will be taken over the P&L or are they going to be, all of them going to be capitalized?**

Jørn P. Jensen: I think that was three questions for me. If you take the first one, then you imply that in Q4 it was all interest in the financial expenses, which is not the case. There is quite a lot of currency impact in Q4, again, back to the development in the pound sterling in particular in Q4, so it's definitely not just interests. The non-allocated, you should at least… To be more precise, we are not assuming that that number will decline in our current outlook for 2008, maybe on the contrary. Finally, when it comes to transaction costs as such, those will be recorded in accordance with IFIS which does mean that the vast majority will of course be capitalized.

Peter Kondrup: Thank you.

Operator: *Andrew Holland from Dresdner Kleinwort in online with a question.*

Andrew Holland: Yes, good morning. **Could you firstly confirm that you have seen Scott & Newcastle's year-end balance sheet during your due diligence? That's the**

first question. Secondly, could you say, you've very easily given us an idea of the price increases you need to recover cost inflation. It would be helpful if you could just put a number on what you think your cost of goods sold will be increasing by. One last one, could you just update on the level of minorities in BBH at the moment please?

J. Buhl Rasmussen: Again, I can take the price increase question and then Jørn can talk about balance sheet, and I already forgot the last question but I'm sure Jørn remembers. But on price increase, yes, the 3% to 4% would be to cover input costs, and I think all we can say at this point would be we will minimum increase and plan to increase prices to cover input costs; I can't say no more.

Jørn P. Jensen: The first question I cannot answer due to confidentiality agreement that we have signed; and thirdly on minorities, it depends a little bit on how you actually do those numbers, but it is in the range 10% to 11%.

Andrew Holland: **Has that changed since we were last updated on it?**

Jørn P. Jensen: Nope.

Andrew Holland: Thank you.

Operator: Michael Bleakley from Credit Suisse is online with a question.

Michael Bleakley: Yeah, morning, gentlemen. **It was really around pricing again, I'm afraid. If we look at the price increases you have taken so far, are there any early indications as to what has happened to volume? Can you give us maybe**

some idea of what's happened to volume historically when we've seen price increases of this magnitude? The second thing is if we look at your 10% guidance, I guess, for revenue growth, how would you split that price versus volume? Then last question is on Russia with the forecast we've got in for 2008 for Russia, it appears as if you're heading up towards the mid-90's on per cap consumption levels. Can you just give us an idea of what your view and vision is for where per capita consumption goes in Russia?

J. Buhl Rasmussen: Yeah, it was… I can just say a few things on price increase and then you have Alex Myers here from Western Europe and he can make a few comments too on how we normally make pricing stick. The price increases in general, what we have seen so far, first of all have been sticking in terms of what we've been talking about. Certainly, I think it's too early to say based on recent price increases because they happened late last year or very early January to say or talk about any impact on total markets; but we do expect the impact to be rather minimal in terms of overall volume impact from the price increases we are planning in markets like Western Europe. But, Alex, have you got anything to add?

Alex Myers: Of course, price increases are going to vary from market-to-market depending on how much beer we're selling and sort of the conditions regarding malt and barley. So there will be local variations and the amount mentioned was sort of the group average. If I look a bit at of our recent experiences, actually that price increases and improved mixed because they're different components is not just pure price increases, but we'd also be pushing more premium products and doing it in other ways. In the recent history, we actually haven't seen any declines in volume, so our assumption is a fairly stable situation. Just to give it in context, we also see this in the context where other categories and also other brewers are also facing the same issues, so I think it has to be seen as a broader context of the whole consumer industry rather than just Carlsberg putting prices up. I think that's a key component to take into account.

J. Buhl Rasmussen: If I take Russia and then Jørn can comment on the revenue growth. Russia, we're not talking about getting into the mid-90, only in the big cities you will hear those numbers. If you take Russia, you're looking at slightly above 80 liter per capita. Of course, the difference between urban and non-urban areas, so that's still if you look across BBH markets, there's still room for increase in per capita consumption and you can, in some cases, say quite significant room for improvement in capacity consumption if you compare to Western European markets.

Michael Bleakley: Sure.

Jørn P. Jensen: And the third question is easy to answer because we don't guide on volume and prices as such and, by the way, there will be big variances from region-to-region. So I actually don't think, to be honest, that the total, the split on the total is that relevant; but anyway, we don't guide on it.

Michael Bleakley: Okay, thank you very much, guys. That's very clear.

Operator: *Javier Gonzalez from Goldman Sachs is online with a question.*

Javier Gonzalez: Yes, hello, gentlemen. **Just three questions, if I may. First one with regards to the cost savings programs in Western Europe. You've mentioned in your presentation that you paid the lower end of your 10% to 12% target, and you make reference to a more ambitious target once you integrate this Scottish & Newcastle. I just wonder whether you could give us a bit more flavour what that ambitious target would be, whether you would expect yourselves to be more in line with the other brewers in Europe. Also, if I could ask whether there's been some benefit already in the '07 numbers with regards to the Shared Service Center you set up in Poland Second question is with regards to the interest charge, you mentioned that there's quite a bit of development going on there in terms of the exchange rates and the pounds, having hit that line. Can you guide us in some sense of what we should be looking for as an underlying interest charge for '08 and '09? Thirdly, if you could comment on BBH and the mix outlook of what's in the PET segment over there, basically stopping that fast growth 12 months ago, 18 months ago? So I just wonder whether that's combined with the strong pricing, should be more than enough to offset the rising input cost pressures in that business?**

Jørn P. Jensen: Okay, if I start with financial targets, then yes, we will come back with other targets when, if and when a transaction is closed. It will probably be higher targets, if that is what you're referring to, but we will not at this point in time discuss that any further. Yes, of course we have seen some gains from the Shared Service Centre in '07, but we have for sure not seen them all yet, so that will be more in '08 and probably also in future years. When it comes to interest, the interest rate, so to speak, or blended average interest rate, that is just below 6%, between 5.5% and 6%. The fourth question, Jørgen?

J. Buhl Rasmussen: Yeah, on BBH, just to be clear on the pricing assumption, the 3% to 4% to cover input cost clearly will vary by market and by regions so it's an average, without getting into specific assumption by markets; but if you talk about BBH in general and the trend towards PET and premium, you can say the general trend, if you look at 2007, we have seen significant increase in the top-end of the market, in what we normally call the licensed and premium segments. If you go to the bottom-end of the market, the mainstream or discounted segment have been declining as a segment share. But you're right, within it PET is rising but overall, the mix in Russia as a total market is not worsening. It's in fact getting slightly better with more and more premium and licenses products being sold and, in general, we see more opportunity in the premium end and license end and also have gained share quite significantly in the license segment in 2007. So we don't see the PET trend being a risk to our ability to offset input cost in 2008.

Javier Gonzalez: Thank you.

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

Soren Samso: Yes, hello, Soren Samso of Danske Bank. **Three questions: First of all, if you look to your Page 5 in the presentation, what you called standardization, if you could elaborate a little bit what that includes and what year it will start and what years we can expect to see an effect of this? Then secondly, if you look to Eastern Europe, you're showing the rollout of an implementation of different Excellence programs. If you could give us an indicated EBIT margin range like you have in the 10% to 12% you have in Western Europe, give us one for Eastern Europe. Then finally, if you look**

to BBH, if you expect to increase prices above the food and beverage inflation, could you maybe elaborate a little bit if, how you want to continue to improve market share in BBH? Thanks.

Jørn P. Jensen: First of all, standardization, if you go back five years or so, it was very much a question of optimizing market-by-market. That was followed by what we are currently delivering on which are all the Excellence programs, which were then by function cross-markets. Then what we are seeing now is that the third wave, so to speak, on this efficiency journey in Carlsberg which will very much be based on cross-market and cross-function at the same time, i.e., working on all the underlying business processes that we are doing everyday throughout the group. So it is business processes as such and finding ways to do those in far more efficient ways than what we are currently doing. We have not communicated publicly any target on that, but it does look pretty promising but that is for, that's for the coming years.

Soren Samso: **Okay, but can you just say the more ambitious targets you expect in Western Europe, are they mainly coming from this standardization or are they coming from high synergies from including France, for example?**

Jørn P. Jensen: Generally what we are talking about now is based on the business as it looks today, i.e., without synergies from S&N or without the assets from S&N.

Soren Samso: Okay, thanks.

J. Buhl Rasmussen: And then to your question about Eastern Europe and Excellence projects, we are rolling out and we have been rolling out Excellence projects in Eastern Europe for some time now, but let's say, at the moment, just to give you an example, would be ComEx, Commercial Excellence is being rolled out in part of South Europe East and that's about how we go to market; should it be direct distribution? That's part of that project. Also, we're doing quite a lot in LogEx, which also combined with how we go to market. I'll hand you over to Kasper Madsen being head of Supply Chain.

Kasper Madsen: To give you an example on what's going on in South-Eastern Europe in terms of some of the Excellence projects, when we take some of the learnings from Western Europe in terms of efficiency practices and then cascade them down to the new region and on top of that, they also, I would say some of the projects in terms of distribution which can support the growth where, for example, you can look at direct distributions, these would be going through wholesaler and get some best practices which actually support in the growth agenda in the region.

J. Buhl Rasmussen: Then to your question about BBH and I think what's pricing whether you're planning to take pricing above food inflation or not, I don't really want to make specific comments on our pricing plans by markets more than we have said already on pricing.

Soren Samso: **But you expect to continue to gain market share?**

J. Buhl Rasmussen: We continue… We except to continue to gain market share and always keep in mind what we are saying again and again with respect to volume and value share, not just to go for volume if we don't get the value as well.

Soren Samso: Okay, thank you.

Operator: *Philip Moressey from City is online with a question.*

Philip Moressey: Good morning, gentlemen. **Could I ask, you'll be aware of the press speculation yesterday to the effect that you might actually come after the summer, and I just wonder if you could help shareholders at all in terms of giving an indication as to the timing? Secondly, on the Rights issue, I appreciate it's a very unlikely circumstance perhaps but were market conditions to deteriorate such that you had to postpone the Rights for several months, presumably you would still get the cash because it's underwritten; but would you incur a penalty rate of interest on that $31 billion? So two questions about the Rights issue. Secondly, on BBH, could I just confirm the '07 Capex and the closing net debt, either your share or 100%, please? Finally, on the Ukraine, you've obviously talked consistently about the turnaround program, could I just confirm where the EBIT margin in the Ukraine now stands versus the EBIT margin for the BBH group?** Thanks very much.

Jørn P. Jensen: If we just collapse, so to speak, the first two questions about Rights issue, then we will not comment at all on those kinds of things at the moment. So the Rights issue will come when the Rights issue comes and that is, that's all we have to say about that at the moment.

Philip Moressey: Thank you.

Jørn P. Jensen: Ukraine…

J. Buhl Rasmussen: Then it was Ukraine turnaround. Again, I don't want to give you numbers and EBIT in Ukraine apart from it is profitable business and, of course, based on its turnaround plan where we invest money too and quite significantly, it's sort of below the average for BBH. That's probably all I can say at this point.

Philip Moressey: Okay, thank you.

Jørn P. Jensen: Net debt BBH on 100% basis amounted to DKK 6.7 billion on a 100% basis.

Philip Moressey: Okay, thanks very much.

Jørn P. Jensen: Next question please.

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

Kitty Gron: **Yes, I would like to ask a bit more into the central costs in 2008. You say that they would be approximately in the level of 2007, if not even higher. Could you explain whether this is an inflated level compared to sort of normal situations or is this sort of a normalized level for the years to come? I have a few more questions after that.**

Jørn P. Jensen: It's definitely an inflated level, no doubt about that; and it is very much due to these special projects that we are currently running, one of them, the more significant one of them being this whole standardization.

J. Buhl Rasmussen: But I think we should also say as a philosophy, if we have a project we believe that makes sense and will make the group more efficient over time, we will do it even if it increase central costs.

Kitty Gron: **When you say "significantly inflated", do you talk about a couple of hundred million kroner or is it half-billion kroner too high or…**

Jørn P. Jensen: It's somewhere in-between.

Kitty Gron: All right. **Then my second is guidance for Capex in 2008.**

Jørn P. Jensen: Which we have not done directly but as said when we did the presentation, 2008 will also be high whereas 2009 and 2010 will be significantly lower; and in '08, again, will more or less be for the same reasons as in '07. It is that it will be us finalizing the investments, especially in the other Danish brewery, which will be finalized end of '08, i.e., we will close the Copenhagen site end of '08 as well. Then we also have high, quite high, Capex numbers in BBH due to growth in '08. Again, that will go down significantly in 2009 and 2010, as also stated before.

Kitty Gron: All right, thank you.

Operator: Gerald Rajk from ING is online with a question.

Gerald Rajk: Yes, good morning. **Three questions: first, about your intention to increase price by 5% or did you say we need 3% to 4% to offset input price increase? Is it that you're also in this circumstance to try to take**

additional margin? That was my first question. Second question is about the U.K. margin and price increase in on-trade, is there taking place a delay in the possibility to increase prices in that on-trade segment? My third question is in fact on the start in BBH, can you give an indication of the January shipments versus last year?

J. Buhl Rasmussen: If I take the first question on pricing again and I think it's very much in line with what I've said before, pricing as a minimum, we will offset the increasing input cost; and that's all I can say, and I cannot comment on any specific plans by region or by markets. It's a minimum we will try to put through in terms of price increases to cover input cost. On your question January, clearly I cannot comment on January. It has to wait until Q1.

Alex Myers: Again, I would say if I would comment the UK, it's a highly competitive market and what we're doing there of course is we're looking at the product mix where we're pushing a lot of our premium like Carlsberg Export, for example; and another thing we're doing on the on-trade is we're also introducing a fee charge system to our customers regarding emergency deliveries. So there'll be a multiple portfolio of ways where we need, let's say, to get compensation for our services. So I don't want to make any more specific comments on the UK.

J. Buhl Rasmussen: I think we have time for two more questions now and then we'll probably have to finish.

Operator: Chris Pitcher from Redburn Partners is online with a question.

Chris Pitcher: Good morning, gentlemen**. Just a couple of quick questions: On the gross profit, can I just confirm that you said the Western European gross profit margin fell by, I think it was 140 basis points to 48.3 because on that basis, it would seem that all the group gross profit squeeze would have come from that region. Is it fair to assume that the other segments will have protected their gross margin? Then secondly, you mentioned working capital as another area of savings, could you give us a feel for where within working capital you see most opportunity? Then finally, I know you've said you're not going to comment on it, but just for clarification, on the pending Rights issue, how long do you have to refinance the equity bridge facility and how long would be you prepared to run at a non-investment level of funding?**

Jørn P. Jensen: If you take the Rights issue again, then we will not make comments at all on that, as expected I guess.

Chris Pitcher: Okay, yep.

Jørn P. Jensen: When it comes to gross profit margin, then it's not so that that is only a Western European issue, so to speak, in relative terms; and I think it's very important, by the way, to distinguish between relative margins and actual margins here because as you… If we can compensate all the input cost increases through higher sale prices, i.e., leaving the absolute margin unchanged, that will of course in itself lead to lower relative margins. So like we said, actually this year's a bit dangerous just to focus on relative margins; but apart from that, in answering your question then it is for the same reason not just so that the gross profit margin in relative terms went down in Western Europe; it also went down in BBH and so on, for the same reasons.

Chris Pitcher: **And could I just to clarify, you said 140 basis points to 48.3; is that right, in Western Europe?**

Jørn P. Jensen: Do we have that here?

J. Buhl Rasmussen: Just say that again, 140 base points in…

Jørn P. Jensen: It's… That's not correct. It's less.

Chris Pitcher: **Less, but you're saying that gross margin across all areas, fair enough, thank you.**

J. Buhl Rasmussen: Then one last question.

Operator: Casper Blom from Carnegie is online with a question.

Casper Blom: Thank you. **Just two quick questions here: First of all, if you could comment on your coverage for raw materials in 2008, just the main things. Secondly, when looking at the EBIT margin guidance in your new guidance this year, it stands out at 11.8%, which is equal to what we saw in 2007. I know that you're expecting to increase the EBIT margin in Western Europe, so where do you expect it to be lower?** Thank you.

J. Buhl Rasmussen: If we talk about let's say input cost, input material and coverage, we are pretty well covered for the whole of 2008 for basically all the key input materials. I guess that answered your first question. On the EBIT margin, again bear in mind what Jørn just said about when we put two price increases and if and when we cover the increasing input cost by this omission, if that's all you do, your margin percent will come slightly down. If you look to the East, we could maybe see a small decline in BBH in margin, but in actual terms, certainly would not be the case.

Casper Blom: Thank you.

Jørn P. Jensen: And then finally, also remember the non-allocated costs which are currently assumed in our guidance.

Casper Blom: Of course, thanks.

J. Buhl Rasmussen: I think we should say "thank you" now and I'm sure we'll hear from you and see many of you in the coming days so thanks a lot for attending.