Q1 Investor Conference Call
Carlsberg A/S
CEO Jørgen Buhl Rasmussen
CFO Jørn P. Jensen
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Jørgen B. Rasmussen: Good morning everybody. Welcome to the conference call for our first quarter results. My name is Jørgen Buhl Rasmussen and I have together with me our CFO Jørn P. Jensen. We are also today joined by Sr Vice President Eastern Europe, Anton Artemiev.

As we said in the beginning of the year, 2009 will be a year of uncertainty. In late 2008 we planned on this basis and have executed numerous initiatives in late 2008 and early 2009 on the back of these plans. We believe that our Q1 results demonstrate that we are on-track to mitigate the impact of the weaker economy and still deliver on our ambition for the year of protecting earnings and improving cash flow.

Today I will start by giving you a summary of our first quarter results and then go through the regions. Jørn will walk you through the numbers and confirm the outlook for 2009.

After that we will be happy to take your questions.

Please turn to slide 3.

To set the scene I would like to start by saying that Q1 is a small quarter due to the seasonal pattern of the industry and also to point out that the timing of Easter has a material year-on-year impact in some Northern European markets.

Overall, Carlsberg's Q1 performance was in line with our expectations. We believe that we are on track to deliver the guidance for 2009 as set of out at the Q4 2008 release.

In the quarter Carlsberg has gained market shares across Eastern Europe and Asia. At the same time, we kept market shares flat in Northern & Western Europe.

Our beer volumes declined by 5% organically for the quarter. Net revenue increased by 25% to DKK 11.8bn with organic sales growth of 1%. We improved the price per hl of beer considerably with 8% year-over-year which was driven by price increases implemented in 2008 and early 2009 combined with intensified efforts on value management.

Whilst continuing a focused marketing spend behind key brands and key activities, we saw a strong operating profit growth in Q1. Organic operating profit grew by 23% for the group and including acquisitions we managed to improve operating profit to DKK 788m. For the beverages activities the organic growth was even stronger at 34%.

As well as protecting our earnings this year, we have also intensified the focus on cash flow generation. For Q1 we delivered a DKK 1.7bn free cash flow improvement which was driven by higher profits, lower investments and improved working capital efficiency.

And now to slide 4

We believe we are well-prepared for 2009. Our planning in 2008 was for a challenging and uncertain market environment. The Q1 results demonstrate that we are on-track to protect earnings, improve cash flow and reduce debt.

To mitigate the negative impact from the challenging environment we have implemented numerous initiatives across the whole of Carlsberg. We have

accelerated projects aiming at improving efficiency, intensified focus on working capital management and reduced capital expenditure. We have in Q1 already seen a strong impact in Eastern Europe whereas the effects in Northern and Western Europe will show through in the coming quarters.
Our integration plans are on track, we are very confident of taking out hard synergies from the S&N transaction of DKK 1.3bn and up until the end of Q1 2009 we have delivered DKK 250m in synergies.
Although Q1 is a small quarter, our performance has been in line with what we anticipated at the end of 2008. If the market environment were to weaken further or other external factors change, we have contingency plans in place with the aim of reducing costs further to ensure that we deliver on our promises for the year. Therefore, we confirm our full-year outlook.

Slide 5 shows that beer volumes on a pro rata basis increased by 34% to 22.6m hl for the quarter. Organic beer volume development was -5% while acquisitions contributed by 39%.
We gained market shares in Eastern Europe and in our Asian markets whilst keeping market shares in NW Europe flat.
The year-on-year organic beer volume development is somewhat affected negatively by Easter falling in Q2 this year compared to Q1 last year. This has had a noticeable impact in several Northern European markets.

Next slide
Net revenue totalled DKK 11.8bn with organic growth of 1% and a further 30% being added by the acquired businesses. Adverse foreign exchange developments reduced growth by 6%, primarily consisting of Eastern European currency movements.
Organic operating profit growth for the brewing activities grew by 34%. Acquired businesses added an additional 93% and adverse currency impact had a -12% impact.
The main driver of the organic operating profit growth was the Eastern European business as acquisition synergies and the planned accelerated efficiency improvements to counteract the more negative macro environment, fed rapidly into the results.

And now let us turn to the regions and start out with Northern & Western Europe on slide 8

Reported net revenue increased by 9% for Q1. Organic sales declined by 3% while acquisitions accounted for +17%. An adverse 5% currency impact was driven by the British Pound and Swedish, Norwegian and Polish currencies.
Operating profit increased marginally by DKK 5m driven by the acquisitions. Reported organic development is minus DKK 66m where the timing of Easter in Q2 is a main explanation for the negative organic profit growth.

Slide 9 please
We estimate that the Northern & Western European markets have declined by approx. 8% for Q1, but we believe the underlying market decline was around 3 to 4% due to the timing of Easter.
However, it is important to notice that we did see high volatility and large differences between markets. For instance the Finnish market declined by modest 3% while the Baltics declined by 12% due to the severe economic crisis in these countries.

Our organic beer volumes in the region declined by 8% and like the total market we were affected by the timing of Easter. We kept market shares flat on average across the region and we increased net revenue pr hl by 5% as a result of price increases from 2008 and in the beginning of 2009 as well as strong focus on value management.
As we have stated earlier, the Northern & Western European business is affected by higher input costs compared to 2008. The increased net revenue per hl was able to offset the higher input costs.
The product mix for the quarter was flat vs. Q1 2008 and we did not see any material trading down across the region with the Baltics being an exception. We still see, however, a change in channel mix as consumers in some markets move away from on-trade in to off-trade.
We continue to launch new products with the most significant being the relaunch of Kronenbourg and 1664 in France. We have also launched the Somersby cider in Sweden and Norway and Okocim was relaunched in Poland.
Carlsberg has accelerated the efficiency improvements in the region and several initiatives have been taken in all markets. However, as many of the changes include employees there is a time lag from decision to implementation. Hence, the impact will be more visible in the reported figures in the coming quarters.

And now to Eastern Europe. Please turn to slide 11.

Organic net revenue growth was 7% for the quarter with a 5% beer volume decline being more than offset by higher net revenue per hl thanks to our pricing and value management efforts. The acquisitions added 89% and adverse currency movements minus 20%. In total, net revenue grew by 76%.
The organic operating profit growth was very strong at +66%, or +40% in DKK, which was driven by synergies, slightly lower input costs and the accelerated efficiency improvements.
The slightly lower input costs for E. Europe and better pricing also drove gross margins markedly upwards for the quarter. The Russian business is a key driver behind the earnings improvement.
Q1 operating margin improved from 14.4% to 20.1% for the quarter. Adjusting for amortizations on PPA the operating margins would have expanded even further to 21.9%.

Now to slide 12.
In Russia and the Ukraine, our shipments declined by 5% but in all other markets we delivered organic volume growth. We increased market shares in each and every market in the region.
We have increased prices across most Eastern European markets in Q1 to mitigate, amongst other things, currency fluctuations. Apart from pricing we have been successful with several of our value management tools and actions. In addition to innovations this includes for example, thorough planning on how best to optimize the sales split and promotional split between brands and packaging types. Everything is done with great attention to details and with differentiation by region, city and rural districts.
Also for the Eastern European business the intensified focus on costs and cash flow had a substantial positive impact.
The integration of the acquired businesses is running according to plan and synergies are being realised. At the same time we are maintaining a focus on strong execution in the market place.

And now slide 13.
The Russian market declined by 7% for the quarter. Baltika managed to gain market reaching 39.9% market share in Q1 compared to 38.4% in Q1 last year for 2008 as a whole.
Although the total market decline was marginally more than expected we continue to expect a total market decline of around 2% for the full-year. This is driven by much tougher comparisons in the early part of the year versus the latter part which was influenced by poor weather and the onset of the financial crisis. For Baltika, we still expect flat volumes for the year.
Net revenue in the Russian business was positively impacted by a pricing effect of +11%. This was driven by price increases done in 2008 and in early 2009 and better portfolio management.
Baltika managed to deliver strong gross and operating margin improvement thanks to slightly lower input costs, synergies and the accelerated efficiency improvements.
The excellent performance of our Russian business continues to be driven by extremely strong brand portfolio, the strongest route-to-market with an integrated production, logistics and distribution set-up and by a strong business- and management-model with systematic attention to details. This should continue to support our outperformance in this period of more challenging market environment.

Slide 14, please.
Q1 Russian market figures do not show any pronounced trading-up or trading-down between beer segments as shown on the bars to the left on the slide.
There was a slightly negative mix of 2% in Baltika's shipments which was mainly due to changes in packaging mix within brands.
In general, the segment shares within Baltika's portfolio are very similar to Q4 of last year and we continue to see strong brand loyalty.
Baltika's remains the number one in each and every beer segment in Russia.

Please turn to slide 16 for a few comments on the Asian region.

The Asian business continued its strong performance and is steadily becoming a more significant part of the Carlsberg group.
Reported net revenue increased by 32% to DKK 1.1bn with organic net revenue growth of 18%. Both net revenue and operating profits were positively affected by currency movements notably the Chinese renminbi and currencies in Indochina.
Operating profit growth was 25% with 9% organic growth. Operating margin for the region contracted by 90bp in the quarter driven by higher growth in markets with below-regional-average margins.

Slide 17 please.
Beer volumes increased by 9% for the region. We gained market shares across most markets in the region. The main contributors to the volume growth were China and Indochina, both delivering double-digit organic volume growth. In the Western Chinese provinces the market growth was around 9% compared to around 5% for the whole Chinese market.
The Malaysian business suffered from a tough comparison due to an earlier Chinese New Year in 2009 compared to 2008. The Malaysian business continues to build on the re-established and stronger business platform with focus on execution, portfolio and wholesale optimization.

The 9% organic operating profit was largely thanks to the Chinese business that improved profits markedly in the quarter.
And with this I would like to hand over to Jørn who will walk us through the financials.

Jørn P. Jensen: Turn to slide 19 please.
As Jørgen said in his opening remark, the development in Carlsberg's markets was generally in line with our expectations. Markets have been challenging but we began to react in late 2008 and have therefore been well prepared – which our Q1 results also demonstrate.
Our clear strategy continues to be to mitigate the higher level of external uncertainty with internal measures that **we** can control.
Before I go into the numbers, keep in mind that Q1 is a very small quarter, accounting for less than 10% of yearly EBIT. In other words it is as always difficult to predict any trends from Q1.
Despite challenging conditions we increased underlying profitability significantly reflecting on the one hand the value of our brands and on the other hand an overriding focus on cost reduction.
We have also been able to continue our ability from last year to cover the increases in raw materials through higher prices.
Our focus remains on execution on our daily business operations and delivery on the targets we have put forward.

On slide 20, you see the development from Q1 of last year to this year split on organic development, acquisition and FX. My comments will primarily be to the organic development.
Organic net sales were up 1%. In DKK sales declined by 6%. The main negative foreign exchange variances – of approx DKK 600m - are primarily due to Pounds Sterling and the Russian Rouble. Pounds Sterling was 17% lower than last year and the Russian Rouble was 18% lower.
Organic gross profit was flat compared to last year. Reported gross profit margin was 45.9%, a decline of 90bp. This margin is of course negatively impacted by the higher prices on raw materials and positively impacted by higher sales prices, the latter more than compensating for the higher input costs, in absolute terms.
Organic total Opex including brands marketing was down DKK 134m and shows clearly that we are being very, very focused on reducing the cost base across the group. In Eastern Europe, the initiatives that we have implemented are showing up in the numbers now, whereas the effects of the initiatives in Northern & Western Europe will be more visible in the coming quarters. For the quarter the reduction were to a certain extent also driven by lower media costs and EURO 2008 spends last year.
Other income, net was down as expected DKK 37m primarily due to lower real estate gains in the segment "other activities" this quarter.
All in all operating profit was DKK 788m of which approx DKK 479m was the organic amount. In the Brewing activities the organic growth was 34% or +23% in DKK.

Special items were DKK 107m, up DKK70m from Q1 last year. The increase is explained by the large number of restructuring initiatives across the group.
Financial costs, net were up with DKK 434m compared to last year. The main reason was higher net debt following the S&N transaction. Interest costs were DKK 595m in the quarter. Other financial costs of roughly DKK 300m is due to currency losses in some of our Eastern Europe companies on debt denominated

in foreign currencies – it is basically the devaluation effect from the beginning of the year to end of Q1 that is reflected here.
All in all, net profit was DKK -212m. The loss reflects my beginning remark about Q1 being a small quarter and the net profit is therefore of course impacted – or driven - by operational and financial leverage.

And now cash flow on slide 22.
In the cash flow statement, comparisons are of course still impacted by the S&N acquisition.
The sum of the first three lines (EBITDA including other non-cash items) adds up to an improvement of DKK 771m driven by the good organic development in the business and the contribution from the acquired assets.
Change in working capital was minus DKK 1.3bn. However, if excluding the higher level of activity due to the S&N transaction, the change in working capital was actually better than last year. We have a very strong focus on working capital and are running a number of initiatives to reduce it. The working capital program is working with specific targets for each assets class in each and every market and especially accounts payables are currently being targeted.
Paid interest net is of course also up and the variance to last year is primarily related to interests on new debt in connection to the S&N acquisition.
All in all cash flow from operations was up DKK 455m.

Reduction of CAPEX is very high on the agenda this year which you can already see from the Q1 numbers. Capex amounted to DKK 758m in the period, which is a reduction of DKK 550m compared to same period last year.
The variance in Northern and Western Europe and in Eastern Europe relating to brewery closures or new capacity last year equates to a reduction of 171m. In other words the main reduction of 379m is spread across the Group and is the truly recurring like-for-like comparison.
In the next lines we last year had the first cash effects of the S&N transaction, and finally a negative net cash flow from real estate activities.
All in all free cash flow was more than 1.7bn better than last year.

On this slide you see the usual reconciliation of our debt divided into short term, i.e. less than 1 year, and long term debt. End March we had net financial debt of 47.3bn. In order to get to the net interest bearing debt of 45.8bn you then subtract so called other interest bearing assets, i.e. interest bearing trade loans and the like.
As you can see, some 90% of the net financial debt is long term.
We have committed long term credit facilities in place amounting to some 52bn which again means that we have undrawn, committed credit facilities of approx 7bn. You will of course notice that this is less than reported at the full-year. However, remember that we consume cash in the beginning of the year while produce cash in the latter part of the year due to the seasonality in the business.
You also see that our funding surplus, i.e. the undrawn long term credit facilities minus the short term net financial debt, amounts to some 5bn.
From this you can see that we have significant and sufficient financial resources.

On this slide we have illustrated how the net financial debt is split by currency and if the interest is fixed or variable.
The majority of the debt is denominated in EUR or DKK, and when it comes to interest rates some 45% of the debt is on floating rates.

The all-in average interest rate is still a little less than 6%.

This slide you probably remember from our FY presentation back in February. I will just repeat that focus across the group this year is to increase cash flow, protect earnings and accelerate debt repayment.

We believe the Q1 result demonstrate that Carlsberg is on-track to deliver as promised. The key assumptions behind the outlook are unchanged and we have made no changes to our expectations for the year and hence confirm the full-year guidance.

We expect EBIT of more than DKK 9bn and net profit of more than DKK 3.5bn. With capex of less than DKK 3.75bn and better working capital management that will bring our free cash flow to more than DKK 6bn.

Back to Jørgen for a brief comment.

Jørgen B. Rasmussen: Thanks Jørn. This was the last slide for today.
I will just sum up with a few key statements from us on back of the Q1 result:

- Firstly, Carlsberg's Q1 performance was in line with expectations.
- Secondly, our priorities for 2009 are very clear – focus on earnings and cash flow and strong execution across markets
- Thirdly, continued and focused brand support combined with strong sales execution will continue to drive the value of our products and our business

And with this we are happy to take questions, and this of course includes Anton Artemiev, our Senior VP from Eastern Europe.

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

Michael Rasmussen from SEB Enskilda is online with a question.

Michael Rasmussen: Yes, hi. Good morning. Well done on fuelling these quite good margins in Q1 guys. **Three questions, if I may. First of all, looking on the capex that you've spent in first quarter, it's approximately 20% of the 3.75 billion that you stated for the full year; and I know that usually in the brewing businesses, we do see that most of capex is actually spent in Q1 ahead of the high season. Does this mean that we would actually come somewhat below the 3.75 billion for the full year? Second question. On the special items line, it was a little bit higher than I had expected. Is this due to the restructuring at the beginning of the year and then we the effects in the later quarters, or should we expect this to be the run rate for the full year? Just finally regarding the real estate sales in the Valby area. I know that you initiated the process approximately two months ago. Can you give us any kind of update in this horrible property market that we have here in Copenhagen.** Thanks.

Jørn P. Jensen: So, Michael, if we start with the first one on capex, then we have - - we reconfirmed that they're less than DKK 3.75bn; and you're correct that of course

most of the capex is spent in the beginning of the year, which also means that of course you will see significant capex being spent in Q2 as well. So for now, no, we don't find any reason to change what we have guided on.

When it comes to special items, you're absolutely right that it is higher in the beginning of the year. This year, the many restructurings and all that that we have been doing late '8 and the beginning of '9 will have a big impact in Northern and Western Europe, in coming quarters. So this is definitely not the run rate.

And when it comes to real estate, then, as you know, we have a usual process going on and when that has been finalised one way or another, then of course we will come back. But for now, the only thing to say is that we have a normal sales process running.

Michael Rasmussen: Thanks. **Does that mean that the special items will stay below 300 million for the full year?**

Jørn P. Jensen: Yes.

Michael Rasmussen: Thanks.

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

Matthew Webb: Yeah, hello. **Three questions, please. Firstly, I wonder what gives you the confidence that the margins in Western Europe are going to improve during the rest of the year. Is that you very recently made cost cuts that will only come through from Q2 onwards, or is it that those cost reductions have been in place for a while, but the top line has been so horrible in Q1 that it's masked them? That's the first question. The second question. Could you just clarify, when you say that 250 million of the 1.3 billion synergies have been achieved, is that an annualised figure, or do you mean by that that there are 250 million of benefits actually in these Q1 numbers? Then the final question. I see that the value segments in the Russian beer market actually seems to be losing share and therefore with the market falling down very sharply. I just wonder where those consumers are going. Are they… Do you think that you're losing them to - - going back to cheap vodka?** Thanks.

Jørgen B. Rasmussen: Matthew, first of all on your margin improvement question for Western Europe, it's really both - - it's a combination of what you can see from quarter one, that we are getting positive impact from pricing and with no negative impact from mix so far, that's one element, and then of course we have done a lot and will keep on doing a lot on efficiency and, if anything, accelerate the efficiency agenda which will help the overall margin development for Europe. And as we have also said in our release, it takes time. There is a time lag from when you make decisions in Europe, especially when it's linked to people and organisation, and until you see the actual benefit in the P&L.

Your second question about 250 million out of the 1.3 billion synergies. Yes, we annualise the number (11 months), not a Q1 number.

And, Anton, on Russia.

Anton Artemiev: The data that you have seen is the data provided by retail checks. We will of course follow-up clearly our own shipment data as well and try to see some various sources to information. Our impression is that there is no pronounced trading down or trading up. So in that sense, the lower end of the spectrum is relatively stable; and if we see that volume declines, we see them as we said. The market is now estimated at minus 7%. That happens in all the segments.

So once again, in our own data, we see more of a natural picture as far as the changes between the different segments in the market. We have no whatsoever any evidence suggesting that our customers moving to cheap vodka. What we did see of course what we have actually predicted is that consumers stay with a brand they are loyal to, the brands they like, and even more they prefer them in a time of a crisis. Of course, they may change their package preferences. I'll give you an example of our mainstream brand, which is a Baltika Mainstream No. 3. We see a certain shift from sales in glass bottles to PET bottle. If you take the total packaging development, we would rather see some more beers moving to PET which we don't see as a negative trend just now because at the moment the marginal profitability of our PET beers is roughly the same or better than the one in the glass. So all-in-all, I would say with some shift in packaging, picture as far as the segment is concerned is quite stable.

Matthew Webb: That was really helpful. Thanks very much.

Operator: *Ian Shackleton with Nomura is online with a question.*

Ian Shackleton: Yes, good morning, gentlemen. **Three questions on Russia. You talk about the Russian market being down 7%, which I assume is sort of a shipment type number. I wonder if you've got any sense of what the underlying consumer uptake looks like in the market. Secondly, you've introduced the kvass product in April. I just wonder how material that could be for volumes if we look at the rest of the year. The third question was about the Russian market share data that you've given us on Page 35. You've seen to change a little bit the definition of your defining that. I wonder if you just comment on why the change there in the definitions that you're using.**

Anton Artemiev: Thank you for question. The first one is regarding the market development. This estimate, which is our own estimate, this is a measure based on a number of inputs including shipment data available to us, but of course the shipment data we have on our own and what is available on competition. Of course, we have as well data from statistics, production, and many other sources and where available the data on the uptake, so it's a complex measure we have used and we think that to the best of our knowledge this is an adequate estimate of the market. With our own shipments developing at the rate of minus 5% for the quarter and knowing there has been no material or very substantial changes in the stocks, we see this is as actually quite correlating to the fact that we have gained market share from the one mentioned from 38.4 to 39.9, which is measured by retail check.

Now to your question, why did we move to a retail check? It is important to say that the retail check by Business Analytica in our estimate has been improving over the last years. We're now more and more relying on that data and what we see for the last years is that the trend, which is most important, shown by Business Analytica practically totally corresponds to the trends by our own

estimates. So we felt it is now the best moment to switch to estimates which creates less of questions. So this is the estimates which can be used by also competition and so we don't show different market share data. So once again, we still believe that our estimates of the market development is somewhat more accurate; but on the market share, we believe that the shares provided by retail check done by Business Analytica are actually very well adequate.

Regarding the kvass. Kvass is a new product. We have been historically involved in a smaller project regarding non-beer development. We decided for this year that we go for so-called "safe bets," which means that we're doing only the launches which will certainly pay roughly within a year and will influence positively the cash flow of the year, and we saw that as one of the possibilities on the market while some of the competitors producing this product are kind of - - they're strained by the crisis and there is kind of an empty space on the market and there is actually quite nicely growing demand for the product of this type. This is a special product which is a natural product with a fermentation nature and very easy for brewers to produce with no extra investment, so therefore we believe it is a very nice addition to our portfolio, and I would not speculate. We just started it and first updates are very, very positive, but I would not speculate about volume for the year.

Ian Shackleton: **Is it the type of product - - will it have the margin as normal beer, or we should think about being a lower margin type product?**

Anton Artemiev: No, it is certainly not a lower margin product. The margins will be similar or higher.

Ian Shackleton: Thank you.

Operator: Christopher Wickham from MainFirst Bank is online with a question.

Christopher Wickham: Thank you. **Just two. I was wondering if you could just explain what happened in Asia please where you have the organic volume going up 9% and the - - sorry, the revenue going up 9, 18% on the revenue and not so much on the profits. I just wondered what happened to unit costs in Asia. Then second, I was wondering if you could just talk a bit about the margin implications of shifts in channel mix in particular in France please.**

Jørgen B. Rasmussen: In Asia, the very simple answer is it's country mix. Because we have higher growth in lower price and lower margin markets, like Western China, that's really the explanation in Asia. But still across our markets in Asia, I would say we see very strong positive trends. They're probably a couple of exceptions being Singapore and Hong Kong where the market conditions are slightly tougher. But apart from that, and then this change in Chinese New Year in Malaysia, it's really good performance across the board. So it's country mix, market mix being the key explanation.

Christopher Wickham: **Across the year, you wouldn't expect revenue to grow twice as fast as operating profit in Asia then?**

Jørgen B. Rasmussen: Not quite.

Christopher Wickham: Thanks.

Jørgen B. Rasmussen: Then your question about France, market and also...

Christopher Wickham: **It's really channel mixing.**

Jørgen B. Rasmussen: So the market, we expect to be down by mid single digit percent in the first quarter compared to same quarter last year. As you know, we're still losing a little market share, but that's still in line with plan since we did the big re-launch of our portfolio in this quarter, so we don't expect to see the impact until well into the year. We are still seeing more decline in on-trade than we're seeing in off-trade as a trend for the French market.

Christopher Wickham: **What implications does that have for margins do you?**

Jørgen B. Rasmussen: Not a significant difference overall. Slightly lower margin in off-trade than in on-trade. But you have to remember that when you look at the channel mix, one thing would be gross profit margin, another thing would be the bottom line margin or channel contribution. There are more costs to service the on-trade than what you have to service off-trade.

Christopher Wickham: **But at a pre interest level, I mean what sort of implications would you see?**

Jørgen B. Rasmussen: Minor.

Jørn P. Jensen: Which of course also are being helped by the synergies or the cost restructuring that we're doing currently in France on the back of the S&N transaction.

Christopher Wickham: Good. Thank you. Thanks and congratulations. Good quarter.

Operator: Kitty Grøn with Handelsbanken Capital Markets is online with a question.

Kitty Grøn: Yes please. **Just on Western Europe, I would like to know where you see the weakest performance within this region in terms of volumes and in terms of sales - - oh sorry, channel mix.**

Jørgen B. Rasmussen: It's very hard to say where we see the weakest performance. As we've said always, we have a couple of markets being quite challenging. First of all, Baltics, we have referred to now the last three/four quarters, it's a very tough environment because all three countries are in deep crisis. So within the bigger picture here, the Baltics would be by far the most severely hit markets. If you move to all the other markets, I think it's ups and downs and very hard to talk about one market being a lot more challenging than others. Again, we have to keep in mind everyone that it's a quarter one. It's a small quarter, and we shouldn't read too much into trends. We have the Easter impact also playing significant role in some markets when you compare any of the comparisons.

Kitty Grøn: **When you say in some markets, which do you expect that Easter impact will have the biggest impact to?**

Jørgen B. Rasmussen: It's mainly in Northern Europe, in a place like Denmark. But in most of Northern European markets, you have a big impact from Easter, including UK.

Kitty Grøn: All right, thank you.

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

Melissa Earlam: Good morning. **Three questions please. Firstly on Russia, you mentioned that you had 11% pricing for the first quarter. Can you give an indication of what you would expect for the full year? Would something around the 8% be a realistic target? Secondly, you don't mention the dynamics in the Ukraine beer market anywhere in the release. Could you comment a little bit about what you're seeing there? Thirdly, on the other financial items that was DKK 309 million for the first quarter, based on current exchange rates, can you give us an idea how much that could be for the full year?** Thanks.

Anton Artemiev: Yes, thank you for the question. Pricing, we don't see any substantial changes in our pricing for the rest of the year, so we think that the pricing from the base of the last year would be around or just under 10%. We still have strong potential in improving our pricing and value management by developing further our portfolio. Of course the impact of the mix remains to be seen. But as we said, we don't see a major trading-down or trading-up in the first quarter so most probably the mix impact for the year will be kind of a neutral or not really significant. Therefore once again, we more or less keep our guidance on pricing.

The second question. Ukraine is of course one of the countries which are most uncertain as far as the economic development following some political instability in the country. But as far as the strength of our business, we have no major concerns. We're gaining market share, gaining strongly. We're entering the second consecutive year strongly gaining market share; and we think we also have all the programs in place on the operational and commercial excellence and the synergy, so we think our position will strengthen in Ukraine through the whole year.

Melissa Earlam: **Anton, could you give us an indication what you think the market volumes were down in the first quarter in Ukraine?**

Anton Artemiev: We think that the market volumes in Ukraine were down roughly higher single digit.

Jørn P. Jensen: Then finally the question to other financial items, as this is primarily this devaluation effect on loans denominated in the hard currencies in Eastern Europe and of course it depends only more or less on how big, if any, devaluation you will see from now on. So basically if you do not expect any devaluation, then there will not be any other financial items basically for the rest of the year. We of course are expecting some as we are assuming a euro/rouble rate of 47, but that is all included to the full extent in our net profit guidance for the full year.

Melissa Earlam: Thank you.

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

Michael Rasmussen: **Yes, guys, I would like to have a follow-up on the synergies and the 250 million that you stated just before was an annualised number. But I think that Jørn during the presentation said that was what you had actually**

achieved up until Q1 2009. So if I see it, that is what you have achieved in 11 months time and if I use the official run rate of 15 and 70%, I add up - - I end up having a synergy target of 390 million for the first 11 months. So are you actually running a little bit behind schedule here, or what is the cause for this?

Jørn P. Jensen: Actually what we said last year in January when we announced the S&N transaction was that we in the first 12 months would effectively get 15% of the one 1.3 billion. If I take 15% of 1.3, that's just below 200 million. What we're saying now at 11 months is that we're running at 250. So if anything, then we are slightly ahead of what we said a year ago when we announced the S&N transaction when it comes to synergies.

Michael Rasmussen: **That's great news and even despite the fact that the rouble has appreciated so much so the gain in local currencies is much better isn't it?**

Jørn P. Jensen: Yes, exactly.

Michael Rasmussen: Thank you.

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

Søren Samsøe: Yes, good morning, guys. **Just three quick questions. First of all, if you could try to isolate the positive margin impact in Eastern Europe from the lower material prices in Q1 and maybe also for the rest of the year. Secondly, if you could comment on where you believe the inventory levels are now in your businesses - - or sorry, at your customers, at your distributors and wholesalers, are they lower than they are usually at this time of the year? Then finally, if you could just again on the net profit guidance, you said you included the 47 rate on the euro/ruble in your net profit guidance. So if it stays at this level, you would have actually you can say a positive bias on your net financials.**

Jørgen B. Rasmussen: I can give you a quick answer on the first one on the input cost of raw material Eastern Europe. You can say it's slightly down as a trend in terms of cost.

Then, Anton, on inventory distributors.

Anton Artemiev: We're getting inventory levels with our distributors so they are quite normal. They are roughly on the same level as they used to be last year this time of the year. What has happened last year, there was some stock building towards closer to a summer season and then there was a visible destocking as soon as the crisis started. What we see now is that there have been no significant trends in the Q1 it has become business as usual.

Jørn P. Jensen: To the third question, I guess you can say, in principle of course that's - - it's correct what you said. However, we definitely do not want to now guide at anything apart from the 3.5 or more than 3.5 that we guided on also a few hours ago. But in principle, of course the logic works, as you just suggested.

Søren Samsøe: **Then just a fourth question regarding pricing in Western Europe for the rest of the year, if you can just comment on that.**

Jørgen B. Rasmussen: Yes, this year because our input cost is up less than last year, slightly less than last year, we don't need the same pricing to offset input costs, so we're planning lower pricing compared to last year to the consumer. We have done price increases in most of our markets in Q1, and I think that's probably all I can give you here.

Søren Samsøe: Thank you.

Operator: Javier Gonzales Lastra from Goldman Sachs is online with a question.

Javier Gonzales Lastra: Yeah, good morning, gentlemen. **Three questions, if I may. Firstly on the impact of Easter, especially in Northern/Western European division, I just wonder whether you could quantify how much that factor has impacted within the 8% volume declines that you've reported. Also in terms, I'm going back on pricing, you've given us guidance for pricing in Russia and you said that the 5% pricing that you've put through in North - - or you've reported in Northern/Western European division was a combination of the price increases in '08 and the price increases in '09. I just wonder whether you could break that down into the two components. Thirdly, just a very quick question on capex. How sustainable do you think this new low level of capex can be maintained for, one year/two years, or any guidance there would be very useful.** Thanks.

Jørgen B. Rasmussen: On your question regarding the impact of Easter in our region Northern/Western Europe, I said also when we went through the presentation, if you take the total markets we are looking at numbers down by 8%. We believe the underlying decline is 3-to-4% if we eliminate the difference in terms of timing of Easter. Of course, if you take that down to the EBIT line, it has significant impact to the region.

Jørn P. Jensen: On pricing or price increases in Northern/Western Europe, then of course what you have seen in Q1 is very much driven by '08 price increases flowing into Q1. The effect of the price increases that we have done throughout Q1 in Northern/Western Europe of course will add more in the coming quarters as they were done throughout the quarter. So in Q1, it's significantly more driven by the '08 price increases.

On capex, we can definitely maintain a lower level than what you have seen, especially in Northern/Western Europe for a while. For how long, we'll come back on later. But we are very well invested in Northern and Western Europe. Looking at the total capex that of course depends on a lot of other things as well, especially the future growth in Eastern Europe. In principle, I guess you can say that hopefully we're going to spend more on capex in the coming years driven by growth in Eastern Europe and in Asia.

Javier Gonzales Lastra: **On the pricing question, should we be expecting for the Q2/Q3 similar or in the order of the price increases we've seen flowing through in Q1 from '08, or were those price increases primarily driven by input cost pressures which are now let's say reducing or receding?**

Jørn P. Jensen: As we have said also earlier, we definitely still see input cost pressure in Northern and Western Europe also this year. So in order to compensate for that, we will have to and we will increase prices in Northern/Western Europe.

Jørgen B. Rasmussen: But also to keep in mind the different environment compared to last year, our pricing strategy is different this year. It's going to be a little more by SKU, less aggressive on some, more aggressive on others, and there's no simple answer to your question because also timing of price increases differ a lot by market and by channel and this year certainly also by SKU, so not a very simple answer to your question.

Javier Gonzales Lastra: Thank you.

Operator: *Gerard Rijk with ING is online with a question.*

Gerard Rijk: Yes, good morning. **Three questions. First one is on the financial items, financial income, the minus 309 million. Related to the weakness of rouble, et cetera, versus euro on the euro denominated debt, what we see now happening in the second quarter does it mean that on the say - - let's say around 600 million real interest charges you might now have a positive on your rouble calculation here so that the financial items would be below the 600 million the second quarter? Next question is on destocking. I don't see that word in your first quarter message. Can you elaborate on that whether there has been effect in the different markets because of lack of credits at wholesalers. The third question is on your talking about the Easter effect. Well we know that it was a terrible environment with weather, Easter, et cetera, destocking, do you already see some uptick in the April month coming throughout your business?**

Jørgen B. Rasmussen: I started destocking and Easter and Jørn can take financial items.

We'll start with Easter. It's too early to give you any indication of April; but definitely, yes, I can say we see an impact from Easter having moved from last year in March to this year in April, so we do see the benefit in April without giving away numbers for April.

On the destocking, no, we're not referring to destocking, and I can let Anton also talk specifically about his region, Eastern Europe. We don't see a significant impact across the group from destocking. In some very specific markets, like in the Balkan region, we have seen some destocking at some of our distributors because of lack of liquidity, also to a little extent in Poland in the lower end of trade, but not huge impacts.

Anton, comment...

Anton Artemiev: I can only add, as I said, that most of the destocking has happened during the quarter three and quarter four last year and maybe some slight destocking in Q1, but all in all the stock levels are now is the normal usual level.

Jørn P. Jensen: To your first question on other financial items, not knowing how the euro/rouble or the U.S. dollar/rouble rate will develop in Q2, then I think it's a little too early to predict how other financial items will be for Q2. But of course, in principle, you're right that if actually those currencies are appreciating in the quarter, then of course it will be an income and not an expense, but I think it's a little too early to predict this.

Gerard Rijk: Thanks very much.

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

Chris Pitcher: Thanks very much. **There's a couple of questions. Firstly on the cash flow going of 6 billion, I was wondering if you could just give us feel for how much of that is going to be a working capital benefit and how much within that are sort of ongoing property divestments, just a reconcile from the 3.5 to net income to the free cash. Then on the debt side, can you confirm that you won't need to refinance until what looks to be about 2012; and on that basis, can you tell us what your fixed cost of debt is? Then finally on input costs, you mention that Eastern Europe input costs perhaps it was down slightly. I was wondering if you could give it a feel where you thought full year would be for Eastern Europe and in Western Europe where you thought it was in the quarter and potentially for the full year.** Thank you very much.

Jørn P. Jensen: The first one around a half billion is assumed/included.

To the second question, I don't know how you get to 2012 as we have. As we have said before, we have loans which are maturing into next year. I think it's October 2010. So it's not in 2012, but it is in principle in 2010.

The last question...

Jørgen B. Rasmussen: Was about input costs on Eastern Europe and Western Europe. So Eastern Europe slightly down, as we said, and that will also be the trend for the full year. If you take Western Europe, that's slightly up and will also be the trend for the full year, and that's, as we have said earlier, the difference is really a lot about we were more hedged in Western Europe than we have been in Eastern Europe.

Jørn P. Jensen: Sorry, I forgot one thing which was this - - about the interest rate, and there we're still saying if you're assuming an all interest charge of a little less than 6%, then that is pretty accurate.

Chris Pitcher: **Just within that, the portion of your debt that's fixed, I'm just trying to get a feel for what you fixed the interest rate at and obviously with movements in short-term rates how would that play out. Can you say what your fixed interest charge out on the fixed debt?**

Jørn P. Jensen: It's just... As far as I recall, just around - - just slightly above the 6%; and then of course with the 45% being on floating debt or floating interest, then of course we do see a small benefit from that at the moment.

Chris Pitcher: **Can I just clarify a couple of things? Because with working capital benefit of 500 million, the noncash element of interest and tax and some benefits on capex, I still get a slight shortfall between the net income and your cash flow guidance. Within that, do you have expectations not for the big property divestments but obviously ongoing.**

Jørn P. Jensen: No, no, no, the impact of the contribution from real estate this year is very - - is basically insignificant.

Chris Pitcher: Thank you very much.

Jørgen B. Rasmussen: Can I suggest we have one more question and then we probably have to close the call.

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

Trevor Stirling: Good morning. **One final question on input costs. You very kindly gave us the guidance of input costs slightly up in Europe for the full year, slightly down in Eastern Europe. If I look at current spot rates in the market both for grain and for aluminium, they're clearly a lot lower than they were this time last year and at the start of the 2007. Does this mean that if current spots stay where they are, and I'm pretty sure that's a big if, that we might actually see a significant fall in input costs in 2010?**

Jørn P. Jensen: The very simple answer to that question is yes.

Trevor Stirling: Thank you very much.

Jørgen B. Rasmussen: I would suggest we close the call now and thank you for listening in. Hope you all got the key messages that we feel the business is on track and we are therefore reconfirming our full year outlook and what cannot be predicted in terms of the external world, we believe we are prepared by having a lot of internal action plans in place. Well thanks for listening in. Thank you.

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