

**Carlsberg Conference Call**  
**Carlsberg A/S**  
**CEO Jørgen Buhl Rasmussen**  
**CFO Jørn P Jensen**  
**May 9, 2012**  
**9:00 am CET**

*Operator: 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. Please note that this conference is being recorded.*

*I'll now turn the call over to your host, CEO Jørgen Buhl Rasmussen. Sir, you may begin.*

Jørgen B. Rasmussen: Good morning, everybody, and welcome to our Q1 Conference Call. As you just heard, my name is Jørgen Buhl Rasmussen; and I have with me our CFO Jørn P. Jensen and also Vice President of Investor Relations Peter Kondrup.

As Q1 is a small quarter for Carlsberg due to the seasonality of our business, accounting for only approximately 6% of our annual operating profit, we have decided not to do a presentation for this call. I will therefore make a short summary of our Q1 performance and then open up for Q&A.

The key highlights are: The first quarter was in line with our expectations, and the Group delivered 2% volume growth adjusted for Russian destocking in the quarter. Net revenue grew to 12.9 billion; and operating profit was 574 million, impacted by the Russian destocking and different phasing of sales and marketing investments than last year.

In Northern and Western Europe, overall beer markets were flat with slightly stronger markets in the northern part of the region. Our business delivered solid performance with 5% organic beer volume growth, 8% organic EBIT growth, and continued operating margin improvements, driven by growth and the continued efficiency agenda.

In Eastern Europe, market development was mixed with a flattish Russian market and a slight declining market in Ukraine. Our Russian market share in Q1 was 37%, an improvement compared to the 36.8% in Q4 and the trend was exactly the same in the old urban Nielsen universe. Our shipments were impacted by the destocking, which was completed in the quarter. Eastern European profits declined due to the destocking and different phasing of sales and marketing investments compared to last year.

Our Asian business continued to perform strongly across all markets in the region. Beer volumes grew organically by 14%, and most Asian markets grew by double digit percentages with particular strong growth in markets such as Cambodia, Laos, and India. Including acquisitions, net revenue grew strongly by 40% and EBIT even faster by 44%.

In April, the Copenhagen Brewery site was sold to a consortium of Danish investors with Carlsberg having a 25% stake.

The agenda for the year has not changed since we reported full year in February. Focus and prioritisation remain key in everything we do. We continue to drive efficiencies across all areas of the Group and at the same time, we have a very full commercial agenda with a couple of important events this year, like the sponsorship of EURO 2012 and the rejuvenation of the Tuborg brand.

Finally, we keep our assumptions and earnings outlook for the year unchanged at a flat EBIT compared to last year and a slightly growing adjusted net result.

And with this, we're happy to take your questions.

*Operator: Thank you. If you have a question, please press star then one on your touchtone phone.*

*Michael Rasmussen from ABG Sundal Collier is online with a question.*

Michael Rasmussen: **Yes, good morning, gentlemen. I'll start off with a few questions on Russia and on Europe. If we start off with Russia, Jørgen, you just mentioned that the market share went slightly up on a sequential basis, do you think this is the turning point in terms of the market share? I mean, i.e., do you see data suggesting that the market share should continue to improve on a sequential basis in the next couple of quarters of 2012? And in connection with that, in which segments are you seeing you increase your market share in the first quarter? Is it basically after - - what you said after Q3 and Q4 that you're now participating a little bit more in some of the let's say pricing issues that some of the other players in Russia are doing in the lower segments? Secondly, I'd like to hear a little bit of an update on France. It is a rather important market for you in Western Europe and I haven't seen any comments in the report. So if there's anything new, if you just give an update on France. And then just a final question being a little bit more on the technical side, I know that you write that you do not include any impacts from the Baltika buyout in your guidance, but could you just kind of explain to us the dynamics when all this goes through what will happen to the P&L, what will happen to the cash flow, et cetera, et cetera? Thank you very much.**

Jørgen B. Rasmussen: Thanks, Michael. To your first question about market share in Russia and if we see this slight improvement in market share in quarter one as a turning point, I think in fairness it's too early to say. Quarter one, it is a relatively small quarter. It's one quarter only, so I wouldn't talk about this now, confirm we are on a kind of growing trend again. At the same, as I said, in February, I would be very surprised and very disappointed if we don't end 2012 at a higher share point than we ended 2011. So that's still what I stand by. But to read this into a trend already, I think it's too early.

The performance, again, it's a small quarter and to compare our share by segment versus Q4, one has to be a little careful. You would normally see if you go back in time, our value share tend to be higher in quarter four than in quarter one, so you also have to take into account historical trends between quarters. We tend to have better value mix coming into Christmas time than we do in the first quarter. That also influenced development volume versus value. So we're really doing quite okay in all segments. I would say we have not been extremely aggressive at all on price in the quarter one. At the same time, we have also

done pretty well in super premium in quarter one. But again, one should be very careful about interpreting at quarter one into something being a long-term trend already.

On France, same picture as before. We're losing a little market share in France in quarter one versus same quarter last year. But by segment, so if you go through it by segment, we keep our segment share. In fact, in the premium segments, we grow market share; and in the mainstream where we have Kronenberg brands, we maintain market share. But because mainstream segment is declining in size, our overall market share is down because we have the highest share in mainstream segments. Apart from that, I would say the whole French agenda continue with a pretty good success. It's still the market share we need to crack in totality.

Jørn P. Jensen: And, Michael, the last question on minorities in Baltika, then this intended voluntary offer, everything - - I guess you can say everything is on plan. It's true that nothing is included in our estimate or our outlook for this year, and that we will take as we go. So subject to if we launch a voluntary offer, there could be some technical impacts which are not included. But as we have not decided that we will do it, it's obvious not included in anything. So I think the market should, at this moment, just assume that it will not have any impact for this year, and then we'll take the technical impacts kind of as we go, subject to that we actually launch a voluntary offer.

Michael Rasmussen: Okay. Thank you very much, gentlemen.

Jørgen B. Rasmussen: Can I just add one point to the market share comments because I'm sure it will come up later? So I take it up front about the universe. We changed universe from urban before and now to urban plus rural. First of all, the trend is exactly the same in the two universes. We're up by the same whether it's urban or it's urban plus rural. Why did we change? We wanted a better coverage and we now feel comfortable about Nielsen. The reliability on the rural universe has gone up dramatically over last couple of years because we have been buying rural data for some years, but we were not convinced about reliability. Now we are, and we move the coverage from around 60% of the total category in urban Nielsen to now urban plus rural to about 80% of total category coverage.

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

Trevor Stirling: Morning, gentlemen. Three questions please. **The first one, I know it's very difficult to give an exact answer on this, but if you stripped out the impact of the phasing of A&P and the destocking in Russia, what would you say is the trend on underlying margins in Eastern Europe in quarter one? Second question is: I was slightly surprised that given that operating profits fell significantly in Eastern Europe, but the minority interest charge when up in the quarter. And the third thing, maybe you can comment a little bit on the negative price in Western Europe in the quarter.**

Jørn P. Jensen: Right. Trevor, the first one on Eastern Europe. Yes, so the EBIT difference quarter-over-quarter in Eastern Europe, it is three things. It is of course the destocking, which you all know about. It is the very different sales and marketing phasing this year, which has less to do about the marketing ban coming in July, far more to do about the phasing of sales and marketing investments up to the

EURO. That goes to all regions, but definitely also for Eastern Europe. And then the third one, the third impact is of course the quite substantial negative leverage from significantly lower volumes, which again is back to the destocking so to speak. But of course in any Q1, which always has a relatively high negative leverage but in a year where you have significant volume declines for good reasons, then of course the negative operational leverage is even higher so to speak. So that is the three things, and there's not really anything else in it.

Minority interests is due to Asia, especially due to Laos where we are now in control and, i.e., there's now a minority interest position in Laos and then some smaller movements in other Asian countries. So of course you have minority interest coming down due to Russia and then you increase minority interest from structural changes in Asia.

Jørgen B. Rasmussen: And, Trevor, to your last question about mix in Northern/Western Europe, we don't have negative price mix, we have flat price mix. And if you kind of look into it, you can say again we have a very small benefit from pricing. We have a negative impact from country mix and channel mix and then the mix let's say within each country, that does vary. As an example, I can say for example in Finland, we have negative mix in quarter one, but that's simply based on last year we more or less withdrew from all the promotions on multi-packs, which we didn't do again this year. But price/mix is flat for Northern/Western Europe.

Trevor Stirling: Okay. Maybe I can just ask one follow-up then. **The price mix, underlying price mix in Russia was very strong at 5% and obviously then you've got the full impact of the March increase to come and more from May. With a roughly flat market, stable market share, so therefore no negative leverage, the outlook looks pretty positive I would guess for Q2, 3, and 4.**

Jørgen B. Rasmussen: What we're concerned would be the outlook the year and of course pricing. We benefit from some of the pricing from last year as well in quarter one, but so far what we have done in pricing has been explained. We have covered the duty increase. We have taken a little more in May. Yes, consumer dynamics are positive overall in Russia, so the underlying markets seems - - I wouldn't say buoyant, but value positive. But again, this is quarter one only and, yes, we are still let's say confident about our full-year outlook.

Trevor Stirling: Very good. Thank you, gentlemen.

Operator: *Matthew Webb from J.P. Morgan is online with a question.*

Matthew Webb: Yeah, three questions please. **Firstly, I wonder if you'd be able to estimate what the Easter timing effect was in Western Europe in Q1. Clearly the 5% volume growth is a very strong figure, I just wonder what that would've been at Easter. Second, I don't know whether you're willing to comment on April trading in Eastern Europe at all. I've heard some reports of some quite good weather in the region. I just wonder whether you agree with that and whether you've had any benefit from that. And then thirdly, just sort of generally on the pricing environments in Russia, clearly you and ABI are trying to put your prices up, I just wondered whether your competitors have all followed or not.** Thanks.

Jørn P. Jensen: Matthew, to the first one, the Easter impact, we don't talk about it in volume terms, but best estimate for the whole region versus last year in EBIT terms is around slightly less probably than DKK 50 million, so it's not a big number.

Jørgen, April.

Jørgen B. Rasmussen: April, Russia, don't really want to be specific about April. I think we come back to that when we report on quarter two, but weather-wise was not very different to a normal kind of April you would see in a normal year when we look at temperatures and rainfall across Russia, vary by region again.

On pricing, ABI, Carlsberg, and the competition, we have all, I think, more or less covered, with two price increases - as far as we can see - the duty impact. When we talk about list price increases, the underlying pricing environment has been a little better in quarter one compared to what we saw most of 2011 as far as we can see. But then again, this is a very small quarter. It's very early in the year. I think we can say a lot more after Q2 when we get into the much bigger months in terms of pricing environment.

Matthew Webb: Great. Thanks very much.

Operator: *Søren Samsøe from SEB Enskilda is online with a question.*

Søren Samsøe: Yes, good morning. **Just a follow-up on the pricing. Your positive market share development in Q1, I know it's a small quarter, but do you see this as more a result of the slightly better pricing environment or is it more result of that you have boosted your marketing cost in Q1, and do you have any sense of what competitors have done in terms of marketing compared with what you guys have done in Q1?**

Jørgen B. Rasmussen: To the first part of your question, I think that we start seeing some benefit from, but again it's too early to read this into or translate this into a trend. But all the work we started in the first half of '11 - changing structure, changing processes, changing what we do in channel marketing, optimising our go-to-market, changing incentive structure, all those kind of things we've been working on, the Newport project in a Russian kind of version, we have been doing a lot of things, and then the new leadership, I think we start seeing the benefit from all that work coming through in Q1. It's not just about pricing on certain brands or some extra spend on marketing, it's a lot of work and a lot of change and a lot of improvement.

If I look at competition in quarter one on market share, ABI - - if you compare to last year, ABI and us, we're down; Heineken is a little up, and then the rest would be basically flat, apart from the other category being up also in quarter one versus quarter one last year. Competition, certainly if you take one of them is probably more to pricing than anything else when they gain share.

Søren Samsøe: **But can you see if you - - I mean one of the reasons you've gained share, is that for example I know you've for example done the launch of the new Tuborg in Russia and those kind of initiatives up in the more premium segment. Is that the reason for the share gain or is it more broad-based also in lower mainstream and mainstream?**

Jørgen B. Rasmussen: It's really... It's not in one segment, Søren, it's across. You can say, it's better sales compared to market development as a simple answer. But, yes, of course Tuborg re-launch does help us, and I said earlier to Michael's question that we are doing quite well in super premium in quarter one. But it's across segments, but it's not like one segment explained it all. It's across segments, which also tie into what I said earlier, this is really linked to a lot of the work we've been doing across processes, across channels, across everything because it's not due to one specific activity only.

Søren Samsøe: **So should we think about marketing costs, so for phasing that, you will continue this level in Q2 and then will come down in Q3 or Q4 in Russia?**

Jørn P. Jensen: Yes, more or less, but of course the impact will look significantly lower in Q2 simply because Q2 is a much, much bigger quarter. So this is about phasing, it's of course far more an issue so to speak in a very small quarter like Q1.

Søren Samsøe: Yes, I got that. **Then regarding more broadly on Russia. Now you talk about Nielsen data include rural areas, et cetera, et cetera. Just thought about looking forward in more sort of next three years if you think about that maybe there's more growth in the rural areas in Russia compared with urban areas, how do you see yourself positioned for this compared with the competitors? Are you more ready for this growth in the rural areas compared with the urban areas in Russia?**

Jørgen B. Rasmussen: I think we are, first of all, well positioned to grow both in urban and rural, but yet because of our scale and our size, we have the biggest sales force. We have most breweries. We have very strong distributors across Russia. We should be and we are better positioned in rural areas than competition where they have strength in certain pockets, certain areas, certain regions. We are really truly national in Russia, but it does not mean we are not strong in urban areas because we are very strong urban areas too. Moscow, as an example, we are not losing share in Moscow. We've gained slightly in quarter one.

Søren Samsøe: Okay. Then finally a question. **Input cost, you've not talked too much about that yet in Eastern Europe by the fact that it's coming down this year. What have you actually assumed in your guidance for input cost in Eastern Europe for 2012?**

Jørn P. Jensen: Exactly what we said, no changes to what we said in February, which is that for the Group, it's low single digit increase in COGS in general and with relatively small variances from region-to-region. Of course when it comes to Russia, that's back to operational leverage, of course there's a significant difference in COGS so raw materials, packaging materials and non-material costs from quarter-to-quarter due to the operational leverage. But there's no change in our outlook on input costs or COGS as such for the year.

Søren Samsøe: **But is it fair to assume that, for example, North/Western Europe where you are hedged for the full year and you have certainty that the input cost will come up around 5/10% or what level?**

Jørn P. Jensen: Let's assume that on Group level, the COGS will be up low single digits.

Søren Samsøe: Okay, thanks.

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

Ian Shackleton: Yeah, morning, gentlemen. **I wonder if you could just give us a little bit of an update on the some of the regulatory things in Russia, particularly if there's been any movement on the proposed PET ban on beer and also there's been quite a lot of noise about increased alcohol and tobacco taxes in the last few weeks. Does that have any impact at all on beer as far as your concerned?**

Jørgen B. Rasmussen: On the regulatory side, EMV PET for the whole technical draft, the technical regulation draft, the kind of aimed deadline was postponed from April to now early as July, so I don't think we should expect to see any draft before July. It could still be a lot later. There's still a lot of discussion and not at all alignment on some elements in the draft regulation. The big one, as we've talked about before, is PET for the beer industry. We will still be very surprised if it goes through. And as we have said many times, a lot of stakeholders, and I think you can all see that coming out, saying it does not make any sense and they're not only talking about the consequence for the beer industry, but this would be on a broader scale for the food industry in Russia and that include also EU and organisations like WTO where they're trying to now be finally a full member of WTO. So more or less the same assessment as before.

On the second part to your question...

Jørn P. Jensen: Tax.

Jørgen B. Rasmussen: Tax, as we have it, the next three years seems to be - - so '12/13/14 there's a plan. We don't see any signs of any change to that plan. We have seen the deputy financing minister being out saying "No intention to change the plan for the tax increases for the coming three years," and then there's been some late discussion about 2015. I mean that's three/four years out and what they're talking about is a level being not too far off what could be regarded as a fairly normal inflation the past in Russia. But I think it's too early to talk about 2015 at this point.

Ian Shackleton: **And has there been any further movement on the minimum retail selling price of vodka? It's gotten rather quiet there.**

Jørgen B. Rasmussen: Not more than you probably know. It's still out there. It's a topic. It was planned probably for early part of this year but then got delayed. Let's see. It's certainly still in there as a topic.

Ian Shackleton: Okay, thanks very much.

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

Jon Fell: Hi there. Most of my questions have been answered, but a couple of quick small things. **First of all, is there anything unusual going on with the other beverage volumes in Northern and Western Europe? I noticed you were down about 5% there organically. And then secondly, just in terms of overall marketing spend in Eastern Europe for the year, you're talking**

**about them being sales and marketing investments approximately as last year's level, is that an absolute figure or as a proportion of sales?** Thanks.

Jørgen B. Rasmussen: Your first question about other beverages, so primarily soft drink and water in Northern and Western Europe, the main explanation for the decrease in quarter one versus last year being a different trend than beer is because of the tax increase in some of our key markets like Denmark. We have this funny sugar tax and that impacted soft drink, and that was put on here by January, early January. So there was stocking up before January in the fourth quarter last year, and you see the impact in quarter one this year. So that's the main reason for all other beverages in Northern/Western Europe.

Jon Fell: Okay, thanks.

Jørgen B. Rasmussen: Sales marketing spent in Eastern Europe or in Russia, what we said was as a percent of net sales will not be far off, it'll be quite similar to what you saw last year.

Jon Fell: Okay, thank you.

*Operator: Adam Spielman from Citi is online with a question.*

Adam Spielman: Thank you very much. There are a couple of questions please. **First of all, I'm a little bit confused because you say your consumer off-take in Russia is down 1% in a market which is flat, and yet when I look at the year-on-year market share, you've moved from 39.1% to 37%, and that movement in market share I would have thought would imply maybe a 5% decline in volumes in Russia, and I was wondering if you could explain that apparent discrepancy. Secondly, on price/mix. Again, the positive price/mix in Russia surprised me because my understanding was you were seeking to grow more at the lower end of the spectrum, so I would expect some negative mix. And also my understanding was that you hadn't actually fully recovered the tax increase until the end of the quarter, maybe into April. So I was a little bit surprised about having positive price/mix in Russia, and I was wondering whether you could explain where I was wrong I guess with that. And then my third question is your major competitor in Finland stopped supplying some low-end volumes, and I was wondering to what extent that affected you and whether you were the big gainer in Finland and, if so, if you could quantify that at all?** Thank you very much.

Jørn P Jensen: Adam, the first one and that reconciliation, I agree, it's not that straightforward. But first of all, don't compare the Russian data with the regional numbers that we're reporting, so actually you cannot make that direct accurate reconciliation between in-market sales in Russia and then shipments on regional level. So the main variance in that reconciliation, if that is what you're trying to do on volumes, that is volumes in Ukraine, there was also a smaller destocking in Ukraine. Another impact is from the estimated stocking/destocking of 1.3 million hectolitres. If you take the actual - - in actual terms or in absolute terms, the inventory levels and the variances to same quarter last year, then the inventories are actually down more than 1.3 million. Not a lot, but some. So it is primarily due to what is happening outside Russia, but also due to that the destocking so to speak was slightly more than in absolute terms the 1.3 million hectolitres.



Adam Spielman: But if I can just come back on that. **You say in your press release the Group's Russian in-market sales, which is off-take, declined by 1% versus the flat market. And I would have thought you can only measure that by looking at in-market off-take that basically would come from Nielsen. And yet it doesn't seem to correspond to the market share figure, which is also from Nielsen.**

Jørgen B. Rasmussen: But I think, as we have said always, you cannot do this mathematically. And also with Nielsen, and especially in a big market like Russia where it's not all based on scanning data from modern trade, remember 75% of the trade is traditional. You always have a time lag sometime between what you see in our shipment and distributor in-market sales. Because when you say, "In-market sales," that's really distributors to retail. And what Nielsen tried to measure in their data would be consumer offtake, but a lot of that is manual so you often see a delay and therefore never assume you can do these direct kind of correlation between what you see in our numbers in-market sales shipment and Nielsen off-take.

Adam Spielman: Okay, thank you.

Jørgen B. Rasmussen: On the price mix, we did, as you said, we took price up in November; we took price up in March to cover the duty increase, but then also we drew benefit from some of the pricing we took in '11 coming through in quarter one as a benefit, and that explains the plus 5% on the mix side. I said earlier, as an example, for example Tuborg doing pretty well in premiums, so we also have a small benefit on the mix, but that's not a significant change as such on the mix side. Most of it would be from pricing from last year.

And then to your question about Finland. Finland is more about we had last year - because there was a lot of aggressive price promotion in quarter one last year. If I remember correctly on multi-packs, especially 24 packs, and we decided not really to take part as much. This year, we went in with a more full promotion plan but at better price levels and therefore we benefit significantly on share this year compared to a poor performance last year in quarter one. But based on a conscious decision last year not to take part.

Adam Spielman: **Okay, can I just come back to the question about the Russian volumes? I understand it now because I didn't before, that you're comparing basically I guess sales from wholesalers to retailers, with retail share and there's a gap between the two. As we look forward, which do you think is the best underlying indicator of your future performance, the market share as carried out by Nielsen with all its inaccuracies or basically sales from wholesalers to retailers? But obviously it's going to be affected by retail inventory loading and deloading of which obviously we have no data to speak of?**

Jørgen B. Rasmussen: We think, and that's why we took a decision, I don't know if it's two or three years ago, but took a decision to move to the Nielsen universe instead of doing our own estimates based on in-market sales. We think Nielsen overall is the best tool. Yes, sometimes we'll see a delaying factor in terms of when we see the benefit of certain things, but we think it's the best tool because doing the exercise based on our shipment and in-market sales, you really have to go through a big, big exercise with adjustments for inventory estimates, et cetera. So Nielsen we believe would be the best.

Adam Spielman: Okay, that's very clear. Thank you very much.

*Operator: Casper Blom from Handelsbanken Capital is online with a question.*

Casper Blom: Thank you. Just a couple of small questions left actually. **First of all, on your Group unallocated costs or central cost, you write that these are affected by the Business Standardisation Programme. Could you perhaps tell if this is also the level we should expect in the coming three quarters? And finally, sorry if you have already said that, but just to clarify, have you increased or have you maintained your share of voice in Russia?** Thank you.

Jørn P. Jensen: Yes, to the first question around unallocated costs, no, it will not be the same quarter-over-quarter. There's no change in our kind of implicit outlook for the full year on that, but it is so that over the year 2012, the facing of the total amounts spent on Business Standardisation is in the beginning of the year more expensed as opex versus later in the year where more of the total expenditure will be capitalised. So it's only about phasing between opex and capex within in the year, there's no change to the implicit outlook for the full year.

Jørgen B. Rasmussen: On share of voice in Russia, we don't have the final firm number on share of voice yet, but we would be surprised if it would be down.

Casper Blom: Okay, thank you.

*Operator: Hans Gregersen from Nordea is online with a question.*

Hans Gregersen: Good morning. **A couple of questions on Russia. Firstly, if you look to your FX assumption, you have you used around 43 roubles against the euro, how long will you continue to do that as we're seeing a quite different spot price? Secondly, the positive price/mix effect you saw in quarter one, am I right to assume that would evaporate going into quarter two from a year-over-year perspective? And then in terms of the market share development, you have lost share in quarter one and you will need to gain quite significant share in quarter two in order to maintain an unchanged level from last year. You state in connection with quarter four that you will have to draw a line if you continue market share losses throughout 2012. How far down the line would you actually accept that? And then finally, if you look at your EBIT development, if you do a breakdown, I recall I think you guided roughly 250 million from destocking, which leaves another decline around 220 million. Can you break that down in terms of how much is facing of A&P and how much is related to underlying volume decline.** Thank you.

Jørn P. Jensen: So the first on the exchange rate, then I said many, many times before, it's not really that relevant what the exchange rate is during Q1 because the quarter is so small. It's far more relevant what the exchange rate will be during the big month, i.e., over summer. So you can say that if we think that it makes sense to change anything in August, of course we'll do it in August. If we think it's better to wait until November and so forth, we'll do that. But it is, don't forget that it is not about what the current spot rate is, it is about what it will be, the actual rate over the summer.

Jørgen B. Rasmussen: On price/mix, don't assume it to be very different for the full year, may be slightly below, but it should not be very different for the full year as we have it.

Market share level, what we have said would be we would be very disappointed if we don't have a higher market share than where we came out of 2011. That's what we have said. We have not said we need to get to the same share level exactly as we had for the average of 2011. But we would assume over the year or during the year, we will see kind of sequential improvement.

Jørn P. Jensen: The earnings shortfall, so-to-speak, it is if you take around 500, then half of that being the destocking and by far most of the remaining 250 relates to a different phasing of sales and marketing in H1 versus last year.

Hans Gregersen: **But coming back to that, I mean if I look on your beer volumes, that was 9.3 million in quarter one last year. That has declined to 7.2. If we say, just to keep math simple, that the 1.3 is destocking, I know you said is a little bit more, that still leaves us let's say about 0.1 million hector organic decline. So there must also be an impact from the underlying business operations of those....**

Jørn P Jensen: Well that's back to what we talked about before, right, that if you compare market share quarter-over-quarter and not from Q4 to Q1, then of course the market share is down.

Hans Gregersen: **Yes, but I'm talking - - I'm looking at the EBIT decline of 221, which is the non-destocking effect, if we maintain that the destocking is 1.3, that implies that you had a 0.8 million organic hector decline in quarter one 2012. If you look at...**

Jørn P Jensen: In the region, Hans.

Hans Gregersen: Yes, that's what I'm talking about. **And then I'm saying if you say of the 220, the predominant part is that is due to - - the predominant part of the 220 million EBIT decline is related to A&P facing, are you then telling me that you have gained extra profitability elsewhere to compensate for the organic volume decline?**

Jørn P Jensen: No, no, we are saying that - - we're saying that it's predominately sales & marketing phasing as such, especially in Russia in the Eastern European segment. And then as we're also saying, Ukraine was weak in Q1, which of course also gives a negative impact. But it's not significant, but a negative impact from Ukraine as such. And then on top of that, the operational, very negative operational leverage in a very small quarter in Russia.

Hans Gregersen: Okay, thank you.

*Operator: Philip Morrissey from Berenberg is online with a question.*

Philip Morrissey: Good morning, thank you. **As regards to the lack of price mix in Northern/Western Europe, I wondered if that reflected a deliberate strategy this year to pursue volume or whether it was due to a tougher competitive**

environment or whether it reflected some other reason. And secondly, in terms of your decision to fully integrate the supply chain in Northern/Western Europe, I wondered if you might be able to update us please on the costs and benefits of that integration and also the timeframe over which it will take place? Thank you.

Jørgen B. Rasmussen: I can say no to your first question. No, it does not imply a change in strategy and more focus on volume. It's much more to do with country mix, and again you have some of our key markets in quarter one being down. Denmark is still quite disappointing in terms of total market trend, also driven by the fact we had a duty increase in January and therefore some movements of volume into quarter four. And the same, U.K. was in decline. So markets where we have pretty good pricing are not performing as well in terms of total market level as those with lower prices and therefore we get the negative impact on country mix because, again, each market has some benefits from pricing in Northern & Western Europe, and we still everywhere have a strategy about balancing volume and value. We do not only go for volume.

Jørn P. Jensen: And when it comes to supply chain integration, then you don't really see anything yet in the numbers. It's definitely not on the benefit side and very small numbers on the cost side. So the benefits of this will come together with the implementation of BSP, which is from a technical point of view the single most important enabler for the centralisation of the supply chain in Europe. So that will come over the next around three years gradually as we're implementing BSP. Of course you will see in the short-term slightly higher fixed costs from building up the organisation in Switzerland, but there's nothing of that in Q1.

Philip Morrissey: And if I could just ask as an extension, **you said originally that the benefits of BSP was about 700 million, of which only one third was included in your medium-term guidance, and you've noted this morning that you are redesigning at least some part of that BSP because of your decision to fully integrate with supply chain, and I just wondered in essence whether the 700 was still the right number that we should have in mind and if it was still the case for two-thirds of that lies outside the medium-term timeframe?** Thank you.

Jørn P. Jensen: So, well you can say that we have decided to postpone BSP with half a year, which is due to this that we are now building the integration of supply chain in Europe into the BSP solution. But apart from that, no changes of such. You can say that the 700 comes from a time where we had not announced, or even thought about to be honest, the integration of supply chain in Europe. So we will in due time come back on kind of what we see of potential from the integration of supply chain, but it's a little too early now.

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

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

Melissa Earlam: Good morning. I've got three questions please. **The first one is just on your Russian market share expectation for 2012, just to clarify the last comment you made. What I had heard at the beginning of the call was that you were hoping for it to be up on a year-on-year basis 2012 versus the number that you've disclosed for 2011, which was 38%, but your last comment**

**suggested that you might just be looking for sequential improvements every quarter throughout the year, so could you just clarify that? Second point is on the market share of others in Russia, that seems to be up again year-on-year quite sharply in Q1. Can you just give us an idea of the dynamics going on there? And finally on Poland, in your press release you don't actually mention that you've gained market share in Poland in the quarter, so can you just comment on the dynamic there? Thanks.**

Jørgen B. Rasmussen: On Russian market share, what I said to clarify was that we expect our market share, and that's what we also said in February, will be higher than the market share we came out of 2011 with in Russia. So what you saw as a market share in quarter four 2011 in Russia, we assume, we expect our market share for 2012 as an average to be higher and come up in quarter four with a higher market share. So it does not necessarily imply we'll be higher than the average market share for 2011, the 38% you referred to. But, yes, we do expect sequential improvement. Does that mean month after month after month we will increase share? Not necessarily because that could depend on phasing of activities. But if you take a trend line through the four quarters, yes, it should sequentially be up during the year.

Melissa Earlam: Great. **So just to clarify, you're expecting a market share number that is higher than 36.8, but not higher than 38.0, which is your full year 2011 market share on average.**

Jørgen B. Rasmussen: Correct.

Melissa Earlam: Okay, thank you.

Jørgen B. Rasmussen: And then on others, they did increase market share in quarter one, but not in a kind of material difference. We don't see any kind of significant change in the other category. It's the same dynamics. One of the key ones here would be the Mospivo brewery from Moscow, being two, three share point of it, and then the rest would be all the smaller regional players selling draft or selling some Soviet-style brands, driven in some cases by local Soviet-style brands, other cases because of pricing.

And then you had your last question on Poland. We are gaining market share in Poland again in quarter one and, from memory, it's about a half a share point we are up in quarter one versus quarter one last year in Poland.

Melissa Earlam: Thank you very much.

*Operator: Kristian Godiksen from Danske Markets is online with a question.*

Kristian Godiksen: Yes, good morning, gentleman. I have a few questions left as most of my questions have already been answered. But firstly, **you saw a strong growth in Asia as well?**

Jørgen B. Rasmussen: Yes.

Kristian Godiksen: **Did this come as a surprise to you, and should we expect this to continue the rest of the year? And then secondly, could you perhaps emphasise a**

**little on what the time lag effect is from input to spot prices when it will affect your numbers?** Thank you.

Jørgen B. Rasmussen: Asia growth, yes, we had a strong quarter. It was as more or less expected. We do very well in Asia. We have strong performance I would say across the board, and we assume similar performance to continue. So a strong performance in Asia, and it's, as I said, across markets. Our Carlsberg brand in China, it's in India, it's in Cambodia, it's in Laos, it's really across the board, so strong performance. And we have probably a broader footprint compared to many others out there in Asia.

Jørn P. Jensen: On input prices, then of course we have very good visibility for this year. Then we are following the same strategy as we've been doing for now a number of years, which is that we are continuously following prices in all these categories for the coming years. And when we find it prudent to do something, we do something. And then when eventually everything is done, then we update the market on it. But there's nothing to say to future input prices at this point in time.

Kristian Godiksen: Okay, just a quick follow-up, thank you. **But it was just regarding, as I understand it, then you are almost fully hedged for the Northern/Western European business, but for the Eastern European business you are fairly open on your hedging contracts. So just to get a more feel for if spot prices continue to decline and therefore input prices, will this have an effect already on 2012 numbers or will this be facing until 2013 numbers?**

Jørn P. Jensen: We are getting very close to the peak season now, so don't expect big changes. At least we are not expecting big changes to what we are assuming on input costs for '12.

Kristian Godiksen: Okay, thank you.

*Operator: Andrew Holland from Société Générale is online with a question.*

Andrew Holland: Yes, just a couple please because we must be running short. **Just on your price increases in Russia, you say you've achieved 8% so far with more to come following the price increases you've just got. Are those price increases that you've achieved, the 8%, is that enough to offset the duty increase precisely or is it more or less than enough? And can you say what the price increase that you've announced in early May will be please? And then a second question, getting a bit more esoteric, you mentioned that your volumes are up in Italy, which perhaps comes as a bit of a surprise given the austerity budgets going on there. Is that a result of cutting price or are you seeing a reasonably firm beer consumer in Italy?**

Jørgen B. Rasmussen: Yes, the price increase in Russia, the first two price increases where we, what we said was the one we had in November was in preparation for the duty increase on January 1<sup>st</sup> and then we took another one in March, and basically those two more or less covered the duty increase impact. And then the one we took here in May, being a little more than 2%, between 2-and-2.5%, is in addition, so on top of covering the duty increase.

On Italy, yes, our performance in Italy is pretty good, and we have talked to some of you about what we do in Italy, and part of that is we have the Ace Technology. Ace is what we describe one way - or the name we give a one way draught system, a one way PET draught system - and that's really being launched entirely in Italy with a great success, getting a lot of new customers, new outlets. It's a much more environmentally friendly system. It's easier to handle and also more cost efficient, and that's kind of driving some of our performance in Italy. But again, Italy in the bigger context is a small, small thing.

Andrew Holland: Okay. **And just perhaps finally, going all the way back to an earlier question on the Nielsen market share, you're saying that the urban measure was 60% of the market, the urban class rural is 80%. You can see where I'm going with this. What is the remaining 20% if it's not urban or rural?**

Jørgen B. Rasmussen: Well like in every market, even if you go to the most sophisticated U.S. or Denmark or U.K., Nielsen never cover 100% of the universe, so they always take samples and that sample cover a certain percent of the category. So you would find the same in very developed markets. They would never get close to 100%.

Andrew Holland: **And is there any significant category that we should know about that they're not covering?**

Jørgen B. Rasmussen: No, this 80% of what is defined as the beer category, but there would be some remote areas, some places they would never get samples from and therefore they are not in the universe. So it's not linked to categories, it's more linked to a certain part of Russia or places that they simply never get a sample from or any data from.

Andrew Holland: Okay. **So it's not like the equivalent of rural mart missing from data in the U.S. or something like that?**

Jørgen B. Rasmussen: No, no.

Andrew Holland: Okay, thank you.

Jørgen B. Rasmussen: I think we have time for just one more question.

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

Gerard Rijk: Yes, good morning. Two questions, if I may. **A first question is on Vietnam, you don't mention it in your strong Asian results. Can you elaborate how the competitive environment currently is in that area and your volume development? Second question is on A&P in Russia, the deficient between A&P is the strong increase was that mainly taking place in advertisements or was it taking place in promotions?**

Jørgen B. Rasmussen: On Vietnam, we are still having very good business in Vietnam. Vietnam has not got the same kind of very, very, high double digit percent growth as Cambodia or Laos, and that's why it's not in there. It does not mean we don't have strong performance, solid performance in Vietnam.

Gerard Rijk: **Is it single digits?**

Jørgen B. Rasmussen: It's probably around flattish, if I remember, or slightly up on...

Jørn P. Jensen: Single digits.

Gerard Rijk: Okay.

Jørgen B. Rasmussen: And then on the A&P, your question was about A&P, on it was mainly on advertising or on trade marketing sales.

Gerard Rijk: Yep.

Jørgen B. Rasmussen: I would say it's a combination. It's both brands marketing, but in particular I would say probably on the trade marketing side, so already gearing up on kind of in-store events because we know the environment will change when we get to mid this year. So it's also in preparation for that. And of course the EURO also take a lot of investment and the EURO is not about just advertising, it's much more about creating in-store theatre, getting consumers engaged and involved in the events, so therefore probably more on the in-store trade marketing side.

Gerald Rijk: Okay, thank you very much.

Jørgen B. Rasmussen: Thank you. I think we have to close the call here. Thanks for listening and thanks for the many questions, and I'm sure we will talk to you, many of you in the coming days. Thanks a lot.