

Results and expectations

For Carlsberg, 2007 was a year of significant progress and strong results, both in terms of operations and strategy.

The many initiatives launched in recent years under the Operational Excellence programme have created a more professional organisation and more effective working processes within areas such as sales, production, distribution and administration. This has strengthened Carlsberg's business model and equipped the company for the challenges it faces on the market.

Carlsberg made progress in 2007, winning market shares both on growth markets and on markets experiencing stagnation and decline.

Western Europe experienced a slowdown in total market development in comparison with the positive trend in 2006. This applied in particular to key markets such as the United Kingdom, Germany and Denmark, which all recorded a general decline, partly as a result of poor summer weather.

In the meantime, the positive trend on the growth markets in Eastern Europe and Asia continued unabated, not least on the important Russian market. On several of the other growth markets too, Carlsberg was able to outperform its competitors.

Carlsberg sold a total of 82.0m hl of beer (calculated pro rata), an increase of 13% (72.6m hl in 2006). Organic growth accounted for 11% of this growth, and acquisitions for 2%. All regions contributed to the higher sales figure. Sales of other beverages grew by 2% to 17.8m hl (17.5m hl in 2006).

The international brands Carlsberg and Tuborg both continued to develop well, achieving volume increases of 5% and 18% respectively. The positive trend for

the Carlsberg brand can be attributed to higher sales, primarily in the United Kingdom, Poland and Russia, while the continued high rate of growth for the Tuborg brand was driven by BBH.

Net revenue climbed 9% to DKK 44.8bn (DKK 41.1bn in 2006). All regions contributed to the increase in revenue, although BBH and the rest of Eastern Europe accounted for more than 90% of the increase.

The change in relative distribution among the individual geographical regions resulted in a lower average selling price per litre of beer.

Operating profit before special items climbed 30% to DKK 5,262m (DKK 4,046m in 2006), of which beverage activities generated DKK 5,001m (DKK 3,997m in 2006), an increase of 25%. Western Europe accounted for approx. 30% of the increase, with the high-growth segments Eastern Europe and BBH accounting for the remainder of the positive contribution, as Asia posted earnings on a par with 2006. The higher level of earnings was due partly to the volume increase in growth markets and partly to the positive results which continue to be generated through the Excellence programmes. Other activities, including the sale of real estate, contributed DKK 261m against DKK 49m in 2006.

As a result of the positive earnings performance, the return on invested capital (ROIC) for beverage activities was 15.2% against 12.4% in 2006.

Net profit grew by 22% to DKK 2,297m (DKK 1,884m in 2006) and earnings per share also grew by 22% to DKK 30.1 (DKK 24.7 in 2006).



In recent years a number of European countries have introduced smoking bans in restaurants, bars, cafés, etc. This tends to dampen demand for beer in the short term, but experience shows that it picks up again after a while.

Earnings for the year were therefore better than anticipated at the beginning of the year, cf. financial statement for 2006, and better than anticipated in the updated outlooks during 2007, cf. quarterly financial statements, most recently the financial statement published on 7 November 2007.

Investments to increase efficiency in Western Europe continued during the year, including capacity efficiency projects in Denmark, Finland, and Italy as a result of brewery closures, plus the construction of a new high-bay warehouse in Denmark.

In the growth markets, BBH made substantial investments in new production capacity in Russia (Novosibirsk and Samara), Ukraine (Zaporizhje) and Uzbekistan (Tashkent).

There was sustained development of activities in Asia through the year, and in continuation of the investments made in recent years – primarily in China – Carlsberg invested in India, with the purchase of a brewery in Himachal Pradesh, north of New Delhi. Furthermore, Carlsberg invested in Vietnam, with the construction of a new brewery in Phu Bai, and established a joint venture with Hanoi Beer & Beverage Corp. in the southern province of Vung Tau. Finally, Carlsberg has strengthened its position in Laos with the acquisition of a majority interest in Lao Soft Drink Co. Ltd.

Work to optimise production capacity on the mature markets continued. As part of this process a decision was taken to consolidate Italian production at the Varese brewery north of Milan, and thus decommission the brewery in Ceccano. It was also decided to close the brewery in Loulé in southern Portugal.

The initiatives launched under the Excellence programmes continue to forge ahead, and will strengthen Carlsberg's competitiveness on an ongoing basis. However, increases in raw material prices are necessitating price increases for beer in all markets.

Central expenses (not allocated)

Carlsberg incurs a number of expenses for ongoing support of the Group's overall operations and development. In particular these expenses include the costs of running the head office, costs incurred in connection with business development

projects for the Carlsberg Group, and costs for central marketing, including sponsorships. Central expenses totalled DKK 882m in 2007 against DKK 699m in 2006. The increase can be attributed among other things to costs in connection with projects concerning the early initiation of standardisation of processes, business procedures, IT systems etc.

Scottish & Newcastle plc ("S&N")

On 25 January 2008 Carlsberg and Heineken N.V. (together "The consortium") announced that they were submitting a joint cash offer of GBP 8 per share in S&N and that the Board of S&N was recommending that its shareholders should accept the offer.

If the transaction goes ahead, Carlsberg will subsequently acquire the remaining 50% of BBH together with the French brewery Brasseries Kronenbourg, the Greek brewery Mythos and investments in Chongqing in China and Vinatab in Vietnam.

Carlsberg has secured new binding borrowing facilities to finance the offer, including interim financing to cover the period until implementation of a capital increase of up to DKK 31.5bn with pre-emption rights for existing shareholders. The financing has been structured so as to allow Carlsberg to retain its investment grade rating.

The consortium's offer is set out in detail in the company announcement of 25 January 2008.

As of December 31, 2007, a total of DKK 104m has been capitalised in the balance sheet as transaction costs in relation to the offer.

Annual general meeting

The Annual General Meeting will take place on Monday 10 March 2008 at the Radisson SAS Falconer Hotel, Copenhagen.

Board resolutions and proposals to the annual general meeting

The Parent Company recorded a profit of DKK 410m for 2007. The Board of Directors will recommend to the Annual General Meeting that a dividend be paid of DKK 6.00 per share or a total of DKK 458m. It is proposed that the difference of DKK -48m be drawn on the company's reserves.

As to the Articles of Association, the Board of Directors furthermore will propose that Article 8 (widening the Board of Directors' authorisation to increase the share capital) and Articles 15, 18, and 20 (procedure as to notice of meeting) be changed and that Article 30 (guidelines regarding incentive plan for the Executive Board) be amended.

Earnings expectations

It is important to bear in mind that compared to 2007, earnings in 2008 will be phased differently over the year. This is mainly due to the exceptionally warm weather in the BBH countries during the beginning of 2007 and to the poor summer weather in Western Europe in 2007, both of which will result in higher comparative figures in the first six months of 2008.

Based on the current business, Carlsberg anticipates growth of approx. 10% in net revenue for 2008, driven by continuing strong growth in BBH, Eastern Europe and Asia.

Operating profit is expected to increase to approx. DKK 5.9bn, whereof approx. DKK 300m stem from other activities (including gains on sale of real estate).

Beverage activities are expected to show organic growth of approx. 12% compared with the figure of DKK 5,001m for 2007. Progress is expected in all geographic segments. As before, the earnings expectations include significant central expenses (in the segment "Not allocated") for marketing, for standardisation of processes, procedures, IT systems etc. and for other Group-related costs.

Agreements concerning delivery of properties/flats at Tuborg Syd have been made. The current estimate is that this will mean investments of approx. DKK 475m and DKK 300m and sales proceeds of approx. DKK 1bn and DKK 850m in 2008 and 2009 respectively. Selling profits or new rental income in 2008 and 2009 are expected to be approx. DKK 425m and DKK 250m respectively. Based on the current area plan, approx. 60,000 m² of housing, and approximately 10,000 m² of public buildings remain to be constructed and sold on the Tuborg site.

Special items are expected to be approx. DKK -200m, including most significantly redundancy payments etc. in connection with restructuring projects.

Financial expenses are expected to be higher than in 2007.

The overall effective tax rate for 2008 is expected at present to be around 27%.

The minority interests' share is expected to rise, primarily as a result of the expected positive development in BBH's activities in Russia.

Net profit in 2008 is now expected to increase by approx. 20% (DKK 2,297m in 2007).

In addition to the above, the announcement of the offer for S&N brings with it particular expectations for the development of BBH.

The Russian market has experienced significant growth in recent years but, in the light of increases in excise duty, general price increases, continued restrictions on advertising as well as exceptionally warm weather in the beginning of 2007, the market is expected to see a more moderate increase of approx. 5% in 2008.

BBH's beer volume (100%) in 2008 is expected to increase to approx. DKK 60.4m hl (approx. +12% compared with 2007). Operating profit before special items (100%) is expected to be approx. EUR 740m, including the effects of rising raw material prices and distribution costs.

Financial targets concerning earnings in Western Europe were communicated previously, and these will be maintained at present. A continuous annual improvement in the operating margin of 10-12% is thus expected in Western Europe for the period 2008-09.

The above forward-looking statements and expectations will be updated if and when acquisition of S&N's activities goes ahead. Similarly, the current geographical segmentation of Carlsberg's activities will be adjusted if appropriate.

The forward-looking statements contained herein, including forecasts on sales and earnings performance, reflect management's current expectations based on information available at the date of this document and are subject to risks and uncertainty. Such statements are made on the basis of assumptions and expectations which the Company believes to be reasonable at this time, but may prove to be erroneous. Many factors, some of which will be beyond management's control, may cause actual developments to differ materially from the expectations expressed. Such factors include, but are not limited to, economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, competition from other breweries, the availability and pricing of raw materials and packaging materials, production and distribution related problems, breach or unexpected termination of contracts, price reductions resulting from market driven price reductions, market acceptance of new products, launches of rival products and other unforeseen factors. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

Carlsberg assumes no obligation to update such forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in such forward-looking statements.

Expectations and results

DKK million		Net revenue	Operating profit	Carlsberg's share of net profit
20 February 2007	Actual (financial statements for 2006)	41,083	4,046	1,884
20 February 2007	Financial statement for 2006	~+5%	~4,500	A touch higher
9 May 2007	Q1 financial statement 2007	~+7%	~4,700	> 2,000
8 August 2007	Q2 financial statement 2007	~+10%	~5,000	> 2,200
7 November 2007	Q3 financial statement 2007	~+10%	~5,000	> 2,200
19 February 2008	Actual (financial statements for 2007)	44,750	5,262	2,297