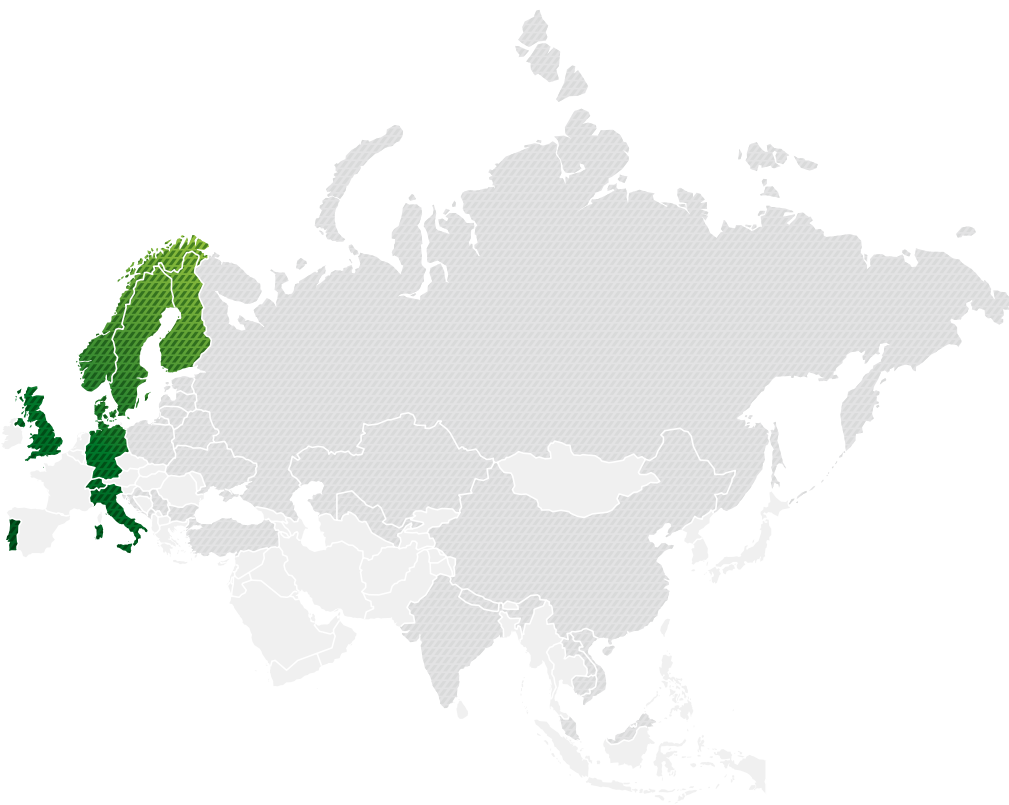


Western Europe is at the heart of Carlsberg's portfolio of businesses and accounts for 61% of its revenue



Western Europe

Denmark, Norway, Sweden, Finland, the UK, Germany, Switzerland, Italy, Portugal.

WESTERN EUROPE

Western Europe is at the heart of Carlsberg's portfolio of businesses and accounts for 61% of its revenue. Carlsberg is the market leader in the Nordic countries, northern Germany, Switzerland and Portugal, and has significant market positions in the UK and Italy.

Beer consumption per capita varies but is high throughout the region. After spending a number of years in decline, consumption seems to have stabilised in some countries, but is continuing to fall slightly in others.

The competitive landscape also varies from country to country. In the Nordic region Carlsberg competes mainly with local players and local beer brands, while in the UK, for example, Carlsberg is up against large international brewers and international brands.

The overall strategic objective for Western Europe is to increase profitability, which is to be achieved through continued streamlining and cutting of costs together with an increased focus on revenue growth through innovation and excellence in the use of sales and marketing resources.

Efficiency and cost savings have been Carlsberg's strategy in Western Europe for a number of years. The Operational Excellence programme incorporated a series of initiatives spanning production, administration, procurement and, most recently, logistics, the last of which was completed in 2007.

Besides the standardisation of working processes and methods across the organisation, the next wave of streamlining includes a Lean process which was launched in 2007. The idea is to develop working methods for production in the individual breweries which ensure ongoing efforts to improve processes in order to deliver the best quality and service at the lowest possible cost.

Optimisation of the brewery structure in Western Europe has been, and will remain, on the agenda. In 2007 Carlsberg decided to decommission the brewery in Ceccano in Italy and close the brewery in Loulé in southern Portugal. Changes in the brewery structure, including closures, are based on a comprehensive business review which takes account of savings, the subsequent use of the land and buildings released, and any investment in necessary capacity.

There have also been efficiency initiatives on the administrative side, including the creation of an Accounting Shared Service Center in Poznan in Poland. By the end of 2007 the new centre was servicing Poland, Germany, Switzerland and the UK, with Denmark, Sweden and Norway due to follow in 2008.

However, increasing efficiency and reducing costs cannot create a competitive business on their own. Various other steps have therefore also been taken to ensure sustained revenue growth in the years to come.

These include an active portfolio strategy with four focus areas:

- Developing the super-premium segment (speciality beers)
- Generating growth in the premium segment, primarily through the Carlsberg brand
- Generating growth in leading local brands (the "power brands")
- Expanding the range of beverages other than beer through innovation and partnering

Carlsberg's strong local brands are important for profitability in Western Europe. The challenge has therefore been to reallocate and focus resources on the most important brands. The result has been a targeted and strategic sales and marketing drive for ten local power brands. Each country has one such brand, such as Feldschlösschen in Switzerland and Karhu in Finland. Sales of the power brands grew considerably in 2007.

When it comes to growth in the premium segment, the Carlsberg brand plays an important role in the strategy for Western Europe. The Carlsberg brand saw volume growth of 2.2% in Western Europe in 2008.

Carlsberg is making a conscious effort to develop the super-premium segment in order to increase consumers' interest in beer. This includes developing and marketing a number of new products, such as beers from the Jacobsen Brewhouse. The House of Beer concept has also been rolled out in a number of Carlsberg's markets in the region in recent years to promote interest in beer. It is against the same background that the premium brand Jacobsen has been launched in six countries in the region to date.

Carlsberg is constantly expanding and adjusting its product range to include beverages other than beer, including mineral water, cider and malt-based drinks. These beverages are aimed at different consumer segments to traditional beer drinkers. One example is the malt-based drink Eve, which was launched very successfully in Switzerland in 2007.

The Carlsberg Group's Commercial Excellence programme has turned the spotlight onto the use of sales and marketing resources. Employees have been trained to develop and organise local beer sales in conjunction with customers so that volumes and margins for both the customer and Carlsberg are reflected in decisions on the range and display at the point of sale.

The strategic objective for Western Europe is to increase profitability through continued streamlining and increased focus on innovation and excellence in the use of sales and marketing resources.

The progress made in the Western European businesses has also been achieved through a marked increase in cooperation between the different countries. This has led to more innovation in the organisation and broader interest in trying out ideas that have had good results elsewhere.

Development in 2007

In general, the mature markets of Western Europe showed a slight decline in 2007, with the beer markets in which Carlsberg operates falling by approx. 2-3%. Among other things this trend was affected by the poor weather through the summer months, and the introduction of smoking bans in pubs and restaurants in some countries.

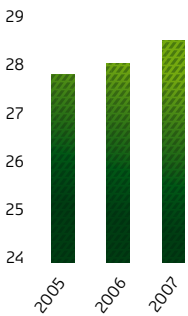
Not least in the light of this situation, total beer sales of 28.5m hl, an increase of 1% on 2006, are satisfactory.

Carlsberg gained market shares in all countries except Portugal and Italy. The initiatives under the Commercial Excellence programme have contributed to this development, in combination with innovation including the introduction of new products and additional sales of premium beers, e.g. the Draught-Master™ draught beer system and LITE versions of Tuborg and Ringnes for the Norwegian market. In addition, Carlsberg was successful in further capitalising on a number of local power brands. Outside the beer category, the malt-based Eve by Cardinal was well received in Switzerland, and finally, new variants of the energy drink Battery were launched on the Finnish market. Net revenue climbed 1% to DKK 27,499m, against DKK 27,307m in 2006.

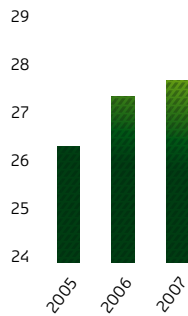
During the period, overall price increases of 2-3% in local currencies for Western Europe exclusive of the UK were realised. In the UK, however, the average selling price declined due to continued switch from on-trade sale to off-trade sale, where selling prices per hl beer are lower. There have been significant price increases within a number of key raw material categories, resulting in general pressure on the relative gross margin. Continued efficiency gains, including initiatives under Logistic Excellence, and disciplined cost control have generally ensured lower operating costs, primarily within sales and distribution (-5%) and administration (-8%).

Operating profit was DKK 2,738m, against DKK 2,425m in 2006, an increase of 13%. Earnings in 2006 included DKK 92m, against DKK 94m in 2007, in gains on sales of assets and other non-recurring income. Profits in 2006 were also negatively affected by write-downs for bad debts totalling DKK 105m in Sweden and the United Kingdom. Taking this into account, the underlying profit improvement is DKK 206m (+8%). The operating margin rose by 1.1 percentage points to 10.0%.

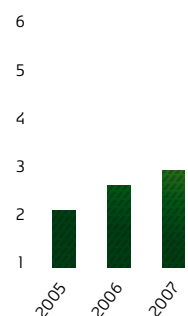
Beer sales (pro rata)
(Million hl)



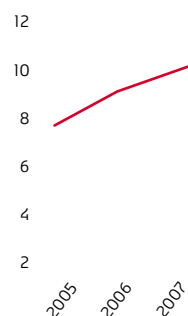
Revenue
(DKKbn)



Operating profit
before special items
(DKKbn)



Operating margin
(%)



Innovations – an important contributor to growth



DraughtMaster™

DraughtMaster™ was developed by Carlsberg's innovation centre in Copenhagen. The system was launched in 2006 and has revolutionised and expanded the market for draught beer. The system consists of a plastic keg which is squeezed in a pressure tank as the keg is being emptied. The unique thing about DraughtMaster™ is that it is a completely sealed system, which gives the beer a long shelf-life. While a traditional keg can be open for no more than five to six days, the beer from a DraughtMaster™ will easily stay fresh for three weeks after opening.

DraughtMaster™ comes in a 20-litre professional version and a 5-litre version for home use. The system is currently on sale in 14 countries in Western and Eastern Europe and Asia, with more to follow in 2008.

Battery

Battery is an energy drink developed by Carlsberg's Finnish brewery Sinebrychoff, which has extensive experience of developing popular beverages other than beer. Battery contains caffeine and guarana.

Battery was launched in Finland in 1997 and was an immediate success within its segment. Two years later it was being sold in six countries, and by 2007, a decade after its launch, Battery was being sold in 30 countries worldwide. Battery is a useful and profitable complement to the product portfolio in several Carlsberg markets.

Eve by Cardinal

The idea for Eve by Cardinal arose at Carlsberg's Swiss brewery, Feldschlösschen. Eve by Cardinal is a light and refreshing malt-based drink with a moderate alcohol content of 3.1%. The target group is women, and Eve by Cardinal was also devised and developed by a project team consisting exclusively of women. It is brewed using only natural ingredients such as rice, malt and fruit juice, and comes in a range of flavours, including lychee and grapefruit. Eve by Cardinal is served in bars and cafés either in a champagne glass or with ice in a long drink glass.

House of Beer

House of Beer was established as an independent company in 2002 with Carlsberg Danmark as its sole shareholder. The focus from the outset was on quality beers, beer-related expertise and good business acumen. House of Beer was set up to meet the growing interest in speciality and foreign beers and has played a key role in developing the super-premium segment. Beers in this segment carry higher margins than mainstream beers and therefore contribute positively to earnings for both customers and Carlsberg.

Since its establishment in Denmark, the House of Beer concept has been launched in Switzerland, Finland, Sweden and, most recently, Norway.



See also: www.carlsberggroup.com/ar

Nordic countries

Carlsberg gained market shares in all the Nordic markets, and there was a generally positive trend with respect to total market development except in Denmark. However, the Danish business has experienced a very satisfactory and profitable development, generally strengthening its competitive position on the market. A number of new product launches in the Nordic countries helped to underpin the positive development. There was an overall positive earnings trend as a result of price increases, a better mix and a continued ongoing focus on cost development.

United Kingdom

Carlsberg made good progress in the off-trade, with significant increases in market shares, both in terms of volume and value, more than compensating for lower sales to the on-trade, resulting among other things from the poor summer weather and introduction of the smoking ban. The Carlsberg brand continued to gain market share, and the Tuborg brand, introduced in the spring, also contributed to growth. Adjusted for a large bad debt from one customer in 2006, profit in 2007 was on a par with 2006.

Germany, Switzerland, Italy and Portugal

Earnings in Switzerland and Portugal increased compared with 2006. Germany achieved a slightly lower result than in 2006, partly as a result of lower sales during the summer months, which in 2006 included sales during the Football World Cup. The strong local brands Feldschlösschen and Cardinal (both Switzerland), Super Bock (Portugal) and Holsten (Germany) all achieved higher sales.

The situation in Italy remained challenging, with falling revenues and further write-downs of receivables. Measures were taken late in the year to strengthen the management, and targeted work is now under way to optimise the product portfolio and reduce the complexity and cost base of the business, particularly within the important distribution business.