

Northern & Western Europe

REGIONAL OBJECTIVE	Improve competitiveness and earnings
REGIONAL MID-TERM TARGET	Operating margin 14-16%
REGIONAL STRATEGIES	<p>Increase efficiency</p> <ul style="list-style-type: none"> • Excellence programmes • Network optimisation • Business standardisation <p>Value creation</p> <ul style="list-style-type: none"> • Strengthen local power brands and develop international brands • Premiumise portfolio • Innovate • Expand portfolio • Improve category and value management

COUNTRIES AND SELECTED BRANDS

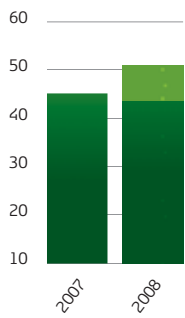
Denmark	Carlsberg, Tuborg, Jacobsen
Norway	Tuborg, Ringnes, Lysholmer
Sweden	Pripps, Falcon
Finland	Koff, Karhu
Baltic States	Svyturus, Utenos, Aldaris, Saku
United Kingdom	Carlsberg, Tetley's
Germany	Holsten, Lübzer, Duckstein
Switzerland	Feldschlösschen, Cardinal
France	Kronenbourg, 1664
Italy	Splügen, Bock 1977
Greece	Mythos
Poland	Okocim, Harnas
South East Europe	Tuborg, LAV, Shumensko, Pan

PORTFOLIO

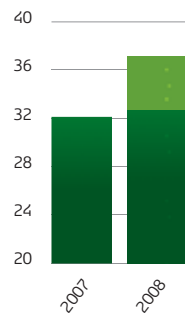


The brands shown are only a small selection of the Northern & Western European beer brand portfolio.

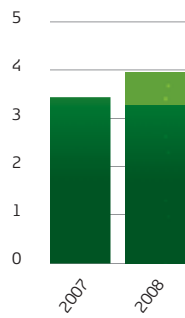
Beer volume
(Million hl)



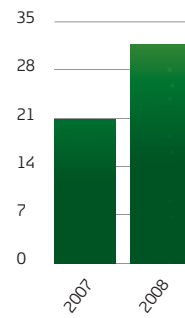
Net revenue
(DKKbn)



Operating profit
(DKKbn)



Invested capital
(DKKbn)



■ Organic development ■ Full bar shows Group total



Besides efficiency and cost savings, a key priority is to focus on value management

NORTHERN & WESTERN EUROPE

Carlsberg has improved its competitiveness and earnings in its mature European markets over recent years, and the Northern & Western European region plays an important role in Carlsberg's portfolio of businesses accounting for approximately 62% of Group revenue and approximately 46% of Group operating profit (before not allocated expenses and other activities).

Strategic objective

The overall strategic objective for Northern & Western Europe is to increase profitability and generate free cash flow, which is to be achieved through continued streamlining and cost reduction programmes together with increased focus on revenue growth through value management, premiumisation, innovation and improved commercial execution.

Efficiency and cost savings

Efficiency and cost savings have been Carlsberg's strategy in Northern & Western Europe for a number of years. The Operational Excellence programme incorporated a series of initiatives spanning production, administration, procurement and logistics. Next-generation Excellence programmes will include significant initiatives to further improve efficiency on a country-by-country basis and across the region. These initiatives most notably focus on establishing world-class procurement capabilities as well as standardising and reducing overall complexity in the business.

Optimisation of the brewery structure in Northern & Western Europe remains on the agenda. The closure of the Valby brewery in Copenhagen has now been completed along with closures of plants in Ceccano, Italy, and Pori, Finland (partial closure). In November 2008, Carlsberg also announced the proposed closure of the brewery in Leeds, United

Kingdom, by 2011. Changes in the brewery structure, including closures, are based on a comprehensive business review which takes account of savings, subsequent use of the land and buildings released, possible spare brewing capacity available internally or externally, and investments in replacement capacity if necessary.

There have also been extensive efficiency initiatives in administration, including the creation of an Accounting Shared Service Centre in Poznan, Poland. The centre now supplies services to Poland, Germany, Switzerland, the United Kingdom, Denmark, Sweden and Norway.

Revenue growth

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

In addition to Commercial Excellence, the Group portfolio strategy plays an important role in Northern & Western Europe, focusing on the following key areas:

- Developing the super-premium segment (1664, Jacobsen, Grimbergen and other speciality beers)
- Generating growth in the premium segment, primarily through the Carlsberg brand and the premiumisation of local brands
- Driving growth in leading local power brands
- Expanding the range of other beverages through innovation and partnering

Development in 2008

Total beer markets in the region declined by around 2% on average compared to full-year 2007. The market contracted as weaker economies affected consumer sentiment, especially in the fourth quarter with a decline of 4.1%, primarily driven by the on-trade. Although the deteriorating business environment affected overall beer market growth in late 2008, specific factors impacted individual markets during the year. These factors include smoking bans in the United Kingdom, France and Germany, a decline in Denmark due to the reduction of promotional price support by retailers on beer and the severe economic crisis in the Baltics affecting consumer spending. Some of Carlsberg's markets declined by 4-6%, while other markets continued to grow, with increases of 1-2% for the full year.

Total beer volumes were 51.0m hl against 44.4m hl in 2007. This includes a total of net 7.7m hl from the activities acquired in France, Greece and the Baltics. Organic beer volumes were down 1.6% in line with overall market development, resulting in average market shares at the same level as last year. Volume market shares were flat or growing in more than half the markets in Northern & Western Europe. Other beverages achieved a total volume of 16.5m hl, which organically was on par with last year.

Net revenue climbed 16% to DKK 37,128m (DKK 32,087m in 2007) with organic growth amounting to 3% (+1% in DKK). Organic growth has been driven by higher sales in Switzerland, Poland, South East

Europe and the Nordics, but offset by the negative impact from the United Kingdom due mainly to the effects from the loss of legacy contracts end 2007 and decline in the Baltics driven by the economic crisis.

Throughout the year one of the key priorities has been to excel in execution. Part of this has involved applying a strong focus on value management initiatives and increasing beer prices to offset cost inflation in key inputs such as malt, hops, cans and bottles. Average sales prices on beer have increased by approximately 5% compared to last year. Combined with a volume effect of -2% and a mix effect of +1%, these price increases have led to an increase in organic beer net revenue of +4%. The positive mix effect has been partly offset by negative channel mix as consumers have reduced spending in pubs and restaurants as a consequence of the toughening economic environment. Based on verified data from a number of key markets, there has been no significant change in mix between the segments in the off-trade for both the full year and by quarter in 2008 when compared to the same periods of 2007. Although Carlsberg's commodity hedging policy allows for some flexibility in hedging arrangements, the Group will benefit from declining spot prices on inputs with a time lag.

Internal efficiency remains high on Carlsberg's agenda and the roll-out of Excellence programmes targeting both top and bottom line improvements to newly acquired assets began shortly after the acquisition. Significant restructuring projects have also been rolled out in the United Kingdom and the Baltics to protect future earnings.

Organic net revenue in the fourth quarter increased by 2% with slightly declining average market share driven by primarily the Baltic markets and other Northern European markets. Price increases compared to the same period last year combined with operational savings were achieved in a significant part of the region in the fourth quarter, thus protecting earnings.

In 2008, operating profit was up 17% to DKK 3,953m (DKK 3,383m in 2007) with organic development accounting for -4% (-5% in DKK) and growth from acquisitions adding 22%. If adjusting for one-offs (sale of local brands in 2008, the discontinued legacy payments on the former Punch Taverns contract in the United Kingdom and the gain from sale of real estate in Poland in 2007) the organic development would have been c. -2%. Reported operating profit margin increased marginally by 10bp to 10.6%.

The integration of the French business and realisation of synergies are on track and the relaunch of the Kronenbourg brand is progressing and is now at the early stage. In Italy, the turnaround of the business has included exiting non-profitable segments and significant reductions in the cost structure. South East Europe has increased earnings through volume growth and market share increases.

Significant restructuring projects have been announced in many markets

3%

Organic net revenue increased by 3% despite tough market conditions.