**Carlsberg Investor Conference Call**
**Carlsberg A/S**
**CEO Nils S. Andersen, CFO Jørn P. Jensen & Exec. VP Jørgen Buhl Rasmussen**
**May 9, 2007**
**09:30 am CET**

*Operator:* ***Good morning ladies and gentlemen and welcome to the Carlsberg Investor Conference Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session. I would now like to turn the call to your host, CEO Nils Andersen.***

Nils S. Andersen: So ladies and gentlemen good morning and welcome to this Q1 presentation from Carlsberg. With me here today I have Jørn P. Jensen and Jørgen Buhl Rasmussen who will take each part of the presentations.

So just let me start by putting, you can say, the overall perspective on things and, of course, underline what we always say, that Q1 is small and a very volatile quarter both in terms of percentages and sometimes even colours of the result lines as we operate very near break-even in this quarter and, of course, have influences from a lot of external things like, for instance, the Easter sales timing. Nevertheless, we feel that the results are very strong in absolute numbers and that they give us a very good start to the year. So we've decided to upgrade our earnings expectations by DKK 200 million. This is something we would normally not do this early in the year with the main selling season ahead of us but even the absolute numbers, we feel, are supporting that decision.

Also, please allow me a comment on the initiative to change the statutes of the Carlsberg Foundation. We said in the press release, very clearly, that we did not change the statutes because of existing plans; and I would like to repeat that here. But, we have by the change, of course, created room for manoeuvring if the right value-creating opportunity should present itself sometimes in the future. But, let me be quite clear about the fact that our focus is on developing our existing businesses according to our existing strategy, which we feel is a very exciting and rewarding way to create value for our shareholders. We feel that the, all the speculations that has been in the press in the past is something that we should not feel obliged to comment on in anymore than we've done in the press release a few days ago, that we do not have and did not have existing plans for any major moves. The change we made is creating an opportunity; it's not creating an obligation.

And by those words, I'd like to go over to the presentation and suggest we start on page three with the headline that our strong performance from 2006 continues into Q1. You can say, we feel that the Q1 is sufficiently strong and the underlining trends are sufficiently good to give us the reason to upgrade our earnings expectation. The positive performance is driven mainly by Western Europe, which is doing very well and a very strong growth in the Russian market. Also, our main international brands are up significantly. Carlsberg is up 7% and Tuborg is up 25%, very strong driven by a tremendous development in the Eastern European markets in particular. We have sales growth in all regions and total net sales is up by 14%. We feel that the better results are based on underlying fundamentals, fundamental improvement in the Western European business both in terms of stable pricing environment. We have slight increases in prices, but, of course, driven mainly by our continued effort on the cost side. I have commented already on the new guidance. The new guidance for the full year is DKK 4.7 billion, of which DKK 4.5 billion is coming from the brewing business.

So turning to slide four, commenting on the volume dynamics. We have a good volume growth in all regions. Our pro rata sales are up by approximately 2.5 million hectolitre's. But if we look at the gross sales of gross volumes, which are all the volumes where we are involved with significant shareholdings, including the minority holdings, actually we have a gross growth of 4 million hectolitre's in this quarter, which is tremendous for us. Going to the right side of this slide, we have positive growth in all regions, as I said before. Of course, the 5% Western European growth is extraordinary. Unfortunately, we do not expect this to continue for the year. We had 2% last year, which we already felt was a very strong performance and this 5% is, of course, unusual. Also, the sales growth in BBH is staggering, 41% up. We should not forget that comparative to last year is relatively easy in this first quarter. We had very, very cold weather last year and a very mild winter this year so the markets are up, as we'll come back to in a minute, significantly. But we have taken significant market share in the Russian market, so we're very pleased with that development. Eastern Europe is up 16%, again, a good comparative because of the weather but anyway a satisfactory performance. Asia is up by 33%. The majority is acquisitions. We'll comment on that a little later and we're running presently a fee stocking program in Malaysia to make sure that we don't have too many stocks in the distributors to secure quality going forward.

Going to slide five, we've increased our sales with slightly more than Euro 100 million in the first quarter of 14% and it's essentially organic. There's a small negative effect from FX and a slight positive effect from acquisition, but we have an organic growth of 14%. Operating profit up with DKK 300 million to, as we're talking of a small and volatile quarter, I will not speak of percentages. They're really easy to calculate as they would be approximately the same. It's a very good start to the year.

Going to Western Europe, we had volumes up 5%. Net sales is up in line with volume development but it's a, there's some underlying factors that are a little bit different. We have a slight price increase in the area of 1%, on average, over the markets and we have a negative channel development. This is mainly the usual pattern from the UK where we have growth in take-home and decline in the free on trade just in line with the market. Market share gains in Nordic and UK. We don't know all the details of our situation in Western Europe, but we definitely do not feel that the Western European market is up 5% in the first quarter based on what we've heard from various analysts and seen in market stats. So we do feel we've gained some market share, but it's a small quarter and I think we should not overestimate the changes here. We've signed a new contract with Punch Taverns both in terms, both regarding distribution that we've published already last time, but now also on brands securing continued presence in the Punch state going forward after our legacy agreements expire at the end of 2007. This does not mean that we will not have a drop in profitability with this customer because, needless to say, the new prices are not as attractive as the old legacy terms. But this is exactly in line with our speculation or expectations, as we've said earlier, and if anything, maybe a little bit better than the worst case scenario we have operated with. So we are pleased with this, but it does not change the fact that we will see a drop in profitability from this customer, which we will have to compensate by other measures in UK and elsewhere for the remaining of the year and, of course, for 2008.

In, on slide seven, we repeat the, what we've already said in a press release, that we are going to concentrate production in Italy in one plant. We are running a major investment program now in Northern Italy, which will enable us to concentrate production there and also modernize the whole brewery at the same time. So we will at the beginning of next year operate only one brewing facility in Italy and we'll see whether the Ceccano brewery is sold or whether we'll have to close it. Also, progress is being made on our efforts to concentrate back office activities in lower cost area of Poznań. We've transferred, now, all the German back office operations successfully to Poznań and we'll progress with the planned other markets during the remainder of the year. It seems to be quite a very good service we're getting out of the service centre. So we're satisfied with this next step we're taking. In general, you can say in Europe, also partly driven by good weather in volumes and the volume influence of that, combined with continued effort to reduce cost means that we've had a very good development in all markets except in Italy where we'll still fighting to restructure the company.

Summarising the high figures on slide eight, nothing really to add, 5% net sales and operating increase and operating profit up with DKK 181 million. With that, I'll pass the word over to Jørn who'll inform us on the development in BBH in Eastern Europe.

Jørgen B. Rasmussen: Good morning everyone and, as referred to by Nils earlier, we saw exceptional strong market growth across all BBH markets in Q1 and in particular in Russia. In all markets the growth rate was very much positively impacted by warm weather versus a cold start to Q1 last year. In Russia, total market growth seems to also benefit from some behavioural consumption changes following last year's wine and spirit situation. However, looking ahead we must all remember that the year-on-year comparison in relation to market growth become a lot more challenging for the second half of 2007 due to the unique wine and spirit situation last year. BBH beer volume increased by a strong 38% and ahead of market growth in all markets in Q1 and earnings more than doubled despite increased product cost driven by top-line growth and operational leverage. Earnings improvement was delivered across all markets in BBH. Our volume growth in Russia was close to 42% and well ahead of total market growth, resulting in a share growth of 2.6 share points to 37.5% of share versus Q1 2006, but all-in-all are more or less in line with our market share levels in the second half of 2006. Strong performance continues to be driven by innovations and strong brands like Baltika, which were up 54% year-on-year, Tuborg by 125% year-on-year, and Carlsberg close to 90% year-on-year, and also our new PET brand, Bolshay Kruzka, delivered good performance in Q1. Our strategy across BBH continues to be growth-driven and apart from increasing our capacity in our Samara brewery by 2 million hectolitre's, we have decided to now increase the plant capacity in Novosibirsk by another 2 million hectolitre's, to a total of 4.5 million hectolitre's. That would be operational from 2008.

If you turn to slide 10, the volume growth in beer in Ukraine was slightly ahead of market with strong growth in licensed and premium, in particular Tuborg growing by 125% versus last year and Carlsberg more than six times the volume we sold last year and the Baltika volume more than doubled. In quarter one, we also prepared for the re-launch of our mainstream brand Slavutich. The execution starts in Q2 and nearly every aspect of Slavutich has been improved and changed significantly. In Ukraine, like in Russia, increases of capacity are ongoing with planned growth in beer and soft drink volumes. In Baltic's, we added close to one share point over parts in all markets and mix continues to be very positive-driven by innovations in its broadest sense. In Kazakhstan, we grew volume and value well ahead of market with 52% volume growth and 69% net sales growth versus a market growth of 20% in volume. New distribution and not least, improved in-store presence and better pricing are all key factors behind this improved performance.

If you turn to slide 11 and we take a, I'll do the outlook for 2007. We have increased the expected market growth for Russia from earlier 3%-5% to now 5%-8% in market growth. It is really based on the exceptional strong performance of growth in Q1 and the driving factors behind this growth, but also realizing that the second half growth will be much more challenging due to the wine and spirits situation last year. We still expect pricing, on average, to increase just below food and beverage inflation. We'll continue having focus on rebuilding the business in Ukraine and the re-launch of the Slavutich brand in Q2. That is really one of many important milestones in Ukraine going forward. We saw very strong EBIT margin in Q1, up by 6.2 percentage points driven by excellent growth, positive pricing, and mix, and not least, operational leverage and all off-setting the increase in food prices. Based on this positive development in Q1 and increased outlook for market growth, we now expect operating margins in 2007 to be between 22% and 23%. Cap ex is still expected to be around Euros 400 million to Euros 500 million reflecting our readiness to invest in this part of the world.

On slide 12, I said earlier volume grew by 39% across BBH in Q1 and you can see that turned into 44% growth in net sales after 3 percentage point negative foreign exchange impact. EBIT, as discussed, more than doubled to a total of DKK 333 million.

Now to slide 13 and Eastern Europe. Their volume grew by 16% on average and in most markets partly driven by favourable weather conditions versus a cold start to Q1 last year. Total market has double-digit growth in Q1 in all markets in Eastern Europe except in Turkey where it declined slightly. We continue to deliver strong performance in Southeast Europe with market share up in all markets and quite significantly in Bulgaria and Croatia. Mix and pricing, in this region, also had a positive impact in Q1 and all core brands are strengthening across Southeast Europe, all-in-all, very satisfactory performance. Volume performance in Poland was slightly ahead of total market growth whereas market share in Turkey is rather flat. Earnings increased in all markets except Turkey and were further boosted by the sale of the Piast brewery in Poland, which gained DKK 58 million. Earnings in Turkey were down year-on-year driven by negative market growth and also the fact we are preparing for and investing in the launch of our new beer brand, Vole, in Turkey.

Then to slide 14, where I can see that revenue growth of 15% is in line with the volume growth and operating profits is up from minus DKK 75 million last year to plus DKK 5 million this year, which is a combination of 28% organic profit growth and an income of DKK 58 million from the brewery sale in Poland. So in Eastern Europe, all-in-all, much better results. Back to Nils again.

Nils S. Andersen: I'll just, very shortly, before we go to Jørgen and the figures, to comment on Asia. We have, as was the case in last year, we have very strong volume growth in Asia. The volumes were up 33%. They were negatively impacted by the de-stocking in Malaysia where we bought back all stocks from the market and decided to reduce stocks at distributors to improve the quality, quite in line with what we did last year in Poland, but still, very strong growth and driven by the new acquisitions in China and Cambodia, and of course, still in spite of the Malaysian activities, continued good organic growth.

Carlsberg Chill, which is a brand we've invested in, as most of you will recall, over the last years, continue to do well in China. We more than doubled volumes in the first quarter and even if this in a global context is still small business it gives us good hopes that we are on the way to position Carlsberg Chill as a relevant brand in China. We saw positive, continued positive sales and EBIT trends in our developing markets. As we still very much focus on building platforms for the future in Asia, this is very much in line with our strategy and we're very satisfied with the overall development. A very small point, but still, of course, important for the future is that we were officially approved as the official partner of Hanoi Brewery Company by the Vietnamese Minister of Industry. We don't know exactly when privatisation will start, but we do expect things to happen within this year. Needless to say, we do, we will then become a shareholder in this company.

On slide 16, just coming back to the numbers, for Asia, they are still very small, so the net sales growth of 23% is actually not much more than DKK 100 million, but it still shows that we are on the right track. Operating profit down 35% driven, as I said, above by developments in Malaysia where we're de-stocking and we've also spent quite a lot of money on the Chinese New Year activities. So with that, I'll pass the word over to Jørgen who will take us through the

Jørn P. Jensen: Thank you Nils. So if you turn to slide 18, as you see here and as we have actually just been through, we truly have had a good start to the year with progress in the brewing activities of DKK 299 million or more or less tripled last year's earnings, whereas the difference in the other activities or real estate amounts to plus DKK 20 million, so all-in-all plus DKK 319 million. In the brewing activities, we have seen significant progress in Western Europe and BBH, smaller positive earnings in Eastern Europe, and a smaller negative earnings in Asia, as Nils just explained. Negative earnings in the not-allocated segment are as expected and primarily due to the higher central project costs in 2007.

On the next slide, you see how the operating margins have developed over the last 12 months. In total breweries, the margin is up 50 basis points to now 10.2% driven by the progress in Western Europe, BBH, and Eastern Europe. Quite importantly here, in Western Europe the margin is now at 9.4% rolling 12 month.

On the next slide, slide 20, part one of the income statement, net sales organically up 14%. Main drivers for the good performance in Western Europe were the organic volume growth of 5%. In BBH, the revenue growths were driven by both significant volume growth and better pricing and mix. In Eastern Europe, the revenue growths were driven by higher volumes. Gross profit margin is on par with last year. Sales and distribution costs, including branch marketing, up DKK 173 million or 6% and the increases are in the growth regions, i.e. in BBH, Eastern Europe, and Asia. Administration costs up DKK 53 million or 7%. The trend is more or less the same, as mentioned, regarding sales and distribution costs; the increases are in the growth regions, BBH, Eastern Europe, and Asia. For this you can here add reductions in Western Europe and increases essentially this year in this so forth not allocated segment due to the higher central project costs this year. Other operating income, DKK 42 million higher than last year, of which the plus DKK 58 million is due to the gain of sale on this Piast brewery in Poland. Profit from associates, in line with last year, which means that all-in-all the EBIT was DKK 402 million versus DKK 83 million last year or plus DKK 390 million with more or less all of the improvement coming from the brewing activities.

On slide 21, special items amounts to minus DKK 31 million versus minus DKK 105 million last year, not a lot to add to that. Financial costs were up DKK 25 million compared to last year, minus DKK 11 million on interest due to a slightly higher interest level while the remaining minus DKK 14 million on all of financial gains and losses as expected. Tax amounted to DKK 32 million and equalled a tax rate of approximately 27%. Minorities, in short, in line with last year, a little higher in BBH, a little lower in Malaysia. So all-in-all costs per share of the profit ends at plus DKK 45 million versus minus DKK 219 million for last year.

Slide 22, cash flow part one:  Cash from operating activities up DKK 530 million versus last year. You see improvements from the operating result on the first lines. The change in working capital, always negative in the first quarter, has developed better than last year. Paid restructuring was down and so was paid interests. Paid taxes were higher; that’s mostly a facing issue.

Slide 23, cash flow from investments, all-in-all minus DDK790 million. In the first line you see cap ex was up DKK 203 million and that is due to the much higher investments in capacity expansion in BBH. So far this year, it is actually only so far this year lower investments in Western Europe. In the second line, what you see here is that we last year had the sale of the Hite shares included here. Line three, investments net in real estate so far this year a little higher than last year. So all-in-all, free cash flow up minus DKK 1.2 billion.

On the next slide, that’s slide 24, you see some important financial ratios primarily from a credit quality perspective. As you can see, we have had progress on all three ratios shown here.

Next slide, 25, return on invested capital is, as always, calculated on rolling 12-month and shows an increase in the brewing activities from 10.5% to now 13.3% or plus 280 basis points shared by Western Europe and BBH. On group level, the returns are up 190 basis points.

On the next slide, 26, you here see the development in return on investor capital in the brewing activities over the last nine quarters. In our case it's fair to say that our clear focus to increase earnings and at the same time work on our investor capital clearly shows a positive trend. That's here indicated by the green bars.

Finally, on the outlook for all of 2007 on slide 27, net sales is now expected to grow at approximately 7%. EBIT in the brewing activities is now expected to grow to approximately DKK 4.5 billion or approximately 13% and with earnings increases coming from all four regions but also with higher central costs for marketing, for standardizing business processes, work flows, IT systems, and so on, in order to support and fuel the on-going cost reduction programs in all parts and functions of the business. EBIT in the other activities is unchanged; expected to amount to approximately DKK 200 million, so all-in-all EBIT is now expected to grow to approximately DKK 4.7 billion. Special items are now expected be approximately minus DKK 250 million due to higher redundancy costs now than previously expected or planned. Financial costs unchanged, expected to increase. First of all, we don't expect to see a positive figure on the so-called other financial gains/losses rather it's more loss. In interest, I also expect it to increase a bit driven by the very high investment program this year. Tax rate unchanged, expected to be around 26% for the full year. All-in-all that means that the net profit is now expected to be at least DKK 2 billion for the full year.

A final comment on the significant investment program this year, which is important to remember, it compromises real estate in Denmark, the significant capacity expansion programmes in BBH, new production structures in Western Europe and, for instance, Denmark, Finland, and Italy, apart from all the normal maintenance investments. This very high investment level is a 2007 issue and will, of course, contribute negatively to the free cash flow for the full year. With that, that's you Nils.

Nils S. Andersen: Just as a closing remark, even if it is a very small quarter and it's in many respects too early to talk about trends, we do feel that it has been a very, very good start to the year as you could clearly hear from all of us during the presentation. That means that we are optimistic and expect 2007 to be a good year even if we acknowledge that we have unpredictable European summer ahead of us, which may, of course, influence things positively or negatively beyond our control. But a very good start and with those words, I'd like to open for questions. Operator, would you open for questions please?

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

*Olivier Lebrun from Natexis is online with a question.*

Olivier Lebrun: Good morning. Olivier Lebrun from Natexis Bleichroeder in Paris. **I have two questions if I might. The first one is about saving. Is it possible to quantify the impact of saving in the light of Q1 operating results in Europe? And my second question is about the price mix impact. Could you explain the negative impact in the 14% organic sales growth globally? I guess, China apply a whole, but are there other factors?** Thank you.

Nils S. Andersen: Yes, in terms of the quantifiable cost savings, I think it's getting a little bit difficult, but we think there is a price increase effect of approximately 1%, which is compensated by a negative channel mix in particularly in the UK. So we come out, you can say, in Western Europe on flat turnover per hectolitre. So the progress is really, is driven by savings. What it, we have underlying inflation in our operational cost numbers so it's really very hard to separate what is savings and what is cost increases in input prices. But you can say, overall, the result in Western Europe is driven by a better cost precision. In terms of the price mix effect on a global level, it is true that the growth in China is the strongest impact on this negative per hectolitre sales globally. But also, the prices in the growth markets in Eastern Europe are significantly lower than in Western Europe. So it is Eastern Europe, BBH, and China that is driving these, you can say, the lower turnover per hectolitre.

Olivier Lebrun: Thank you.

Jørn P. Jensen: Next question please.

*Operator:* *Javier Gonzalez Lasp from Exane BNP Paribas is on the line with the question.*

Javier Gonzalez Lasp: Yeah, good morning gentlemen. **I have two questions if I may. The first one relates to your shared service centre in Poznań and I just wonder whether you could be a little bit more specific and remind us in terms of what countries, apart from Germany, you're expecting to rollout the coverage of the back office operations there? Also, whether any savings were included already in the first quarter or we should see the savings from including the back office operations in Germany in the following quarters? And the second question is with regards to the Punch Taverns contract in the UK. Again, I just wonder whether you could be a little bit more specific there. You mentioned that you expect a loss in profitability. I sort of calculate, and I'm, I would be glad if you'd put me in the right direction, that probably the higher prices in the previous contract could amount to as much as DKK 100 million on an annual basis. In terms of the timing I would like to know, because I understand that the contract was coming to an end for renewal at the end of 2007. Are we going to see the impact already in 2007 of the loss in profitability or are we going to see it in 2008?** Thank you.

Nils S. Andersen: Okay, I'll answer the Punch Tavern and then I'll pass the word over to you onto Poznań and administration savings. I think you have to respect that we do not wish to comment on individual customer relations, but it is a significant decline in profitability with this customer will have when the legacy contracts run out and it may very well be in the area you're talking about, but I will not give you any specific guidance on that. But it is exactly as we had planned all the time and we have plans to mitigate in the UK and elsewhere, which we will come back to later, some of them we've already talked about. It will not have an impact in 2007, but will come in with full impact from the 1st of January next year. And then to Poznań.

Jørn P. Jensen: Right. What we have announced around, so far around countries coming into Poznań are we have said that Poland, that's Carlsberg Polska will join the shared service centre and they have joined. Germany would be there. Switzerland will follow and UK will follow as well. That's what we have announced so far. When it comes to savings in Q1, no, there are no real savings in Q1 from this due to the fact that the savings actually to Carlsberg Polska were pretty small. These, of course, savings are much, much bigger when it is the Western European high salary countries that are joining the shared service centre.

Nils S. Andersen: Next question please. Operator, are you still there?

*Operator:* *Chris Wickham from Main First is on line with a question.*

Chris Wickham: Yeah, thank you. Congratulations on getting people to drink more beer during the winter. **I just have a quick question. Going back to Western Europe and the sort of flat pricing or the 1% price increase for the negative channel developments, could you perhaps be a bit more particular about specific markets because we're hearing elsewhere that we're getting quite good pricing in certain continental European markets and I was just wondering perhaps why, whether it was country thing or whether it was your own brand mix thing that wasn't getting you to enjoy some of what we seem to be seeing elsewhere?**

Nils S. Andersen: We feel that we have pretty good pricing. It's quite early in the year so getting into very detailed country analysis, which we anyway wouldn't do, it's definitely too early. But, we're quite comfortable with the pricing situation overall in Europe and we do expect further price increases to come through during the year. So we feel the pricing environment is acceptable.

Chris Wickham: Okay, thank you very much.

*Operator:* *Mathew Webb from Cazenove is on line with a question.*

Mathew Webb: Hi, yeah, I've got three questions please. **The first two are on the Malaysia de-stock. Firstly, has that now been completed and if not, when will that have been completed? And then secondly, would you be able to estimate what your underlying profit development in Asia would have been without the impact of the de-stock? And then my third question is on the working capital performance, obviously quite a lot better in Q1 this year than Q1 last. Are you expecting on-going improvements on that measure throughout the rest of '07?** Thanks very much.

Nils S. Andersen: Yeah, to the first question, we will see and expect to see better return on capital employed in general even if it's going to be a bit challenging because we have a heavy investment program this year. But we're very focused on improving that and, of course, all the investments we're doing this year we feel are very, very useful and will help us grow in the coming years. In particular, those in BBH are definitely required to deliver the continued volume growth here. In terms of, I'm sorry, what was the second question?

Jørn P. Jensen: Asia without Malaysia…

Nils S. Andersen: Decomposing Asia into small markets, I think, is also really a bit premature. We have progress in the earnings in all markets, I would say, excepting Malaysia. We're pleased with the development in general and the de-stocking will continue this quarter. I cannot say exactly what the effect will be but it, we started it just after the Chinese New Year. We definitely have a few more months to go but I hope it will be totally resolved by the end of Quarter 2.

Mathew Webb: Thanks.

*Operator: Ian Shackleton from Lehmen Brothers is now on line with a question.*

Ian Shakleton: Yes, two questions. **Firstly, you're raising the guidance for the special items, matter of restructuring costs in the year. You had mentioned earlier that redundancy costs would be higher. I'm just wondering, does that mean that we are doing more projects or that the average cost per employee is going up? The second question was around BBH, whether you could give us some idea of the phasing of growth throughout the first quarter and also an idea of what has happened in April?**

J. Buhl Rasmussen: To the year, to the first question, the answer is that it's more volume-driven than price-driven so to speak.

Jørn P. Jensen: Ian, your question on BBH, I didn't really get the question.

Ian Shakleton: **It was really if you could give us some idea of the phasing January, February, March, of how the volume performance panned out, particularly in Russia. Also, some indication of what happened in April?**

Jørn P. Jensen: If I take the first quarter, January, February, March, I would say kind of across all three months we saw very strong growth in total market and also our own performance, so there wasn't one month in particular. It was really throughout probably a little more January because of the more significant impact of weather in January versus a very cold January last year. All I can say about April is that it's still looking good.

Ian Shakleton: Thank you.

*Operator: Soren Samsoe from Danske Bank is on the line with a question.*

Soren Samsoe: Yes, Soren Samsoe, Danske Bank. Congrats with the good result. **First of all, a question on the investments. You talk about very high investment levels where you in the last quarters talked about fairly high investment levels. If you would give an indication on the magnitude of the increase in investment levels for '07 and also if this is due to one particular item or if it's spread out on different projects. Also, if we should expect the investment level to drop a bit next year or if it would be on the same high level. Then, regarding UK, you see decreasing volumes in UK but you are also gaining market share. If you could give us a flavour of how you see the market growth, how much is dropping right now?** Thanks.

Jørn P. Jensen: Sure, the first one, the higher cap ex now compared to mid-February is driven by further capacity expansion programs in BBH and that is about it. The decrease, with everything we know today, next year will definitely be significant. So it is truly an extraordinary year cap ex-wise.

Nils S. Andersen: We don't know the exact figures from the UK yet. We feel that the market in the first quarter is down, slightly down. We have a slight increase in our volumes in the UK, so we're pretty confident that we've gained share, but the exact figures for March are not really available on a reliable level yet.

Soren Samsoe: Okay, thanks.

*Operator: Michael Rasmussen from Gudme Rasschou is on line with a question.*

Michael Rasmussen: Yes, thank you, good morning guys. **Just first want to follow up on the last question regarding the special items where you actually mentioned that you see it more as a volume thing than actually a higher per person. Could you please elaborate a bit on this? Does this mean that you've already accounted in more brewery closures or what is the issue here? If you could also just give us a bit more insight on the outcome of the Russian beer taxes?**

Jørn P. Jensen: To the first one what it means is that we have included more redundancies and that is about it. Redundancies can come from all kinds of projects and that is actually what is now included in the estimates and in the plans here.

J. Buhl Rasmussen: And on Russian beer taxes, they still need to be signed off by Putin, so it's not a final, final kind of law yet. Probably likely to happen and our view would be it's not good news having significant increases in beer taxes. At the same time, beer taxes are a very small part of the total price for beer, so we don't think it will have significant impact on the market developments. What we're looking at the moment would be around a 50% increase over the next three years. There's a 32% increase next year from January 1, so all-in-all, not good news but not a significant impact on total market development.

Michael Rasmussen: Okay, thank you. **If I could just follow-up please. On your excellent programs, you put down that you had savings in the logistics and the administration levels. Of course, we know the administration is more or less from Poland and so on. Could you give some kind of indications on levels, like percentage savings of cost base or just put it a bit more out in words or numbers please?**

Jørn P. Jensen: As I said before, the effect from Poznań you have not seen yet so it's not driven by Poznań, the fact that our administration costs in Western Europe are going down. They're actually going up in the growth regions. So when we are talking cost reductions and it's basically talking administration, it's very much currently focused on getting our administration costs out in Western Europe. There we have different plans and one of the more important plans is, of course, to get the other countries I've mentioned before into the shared service centre in Poznań.

Michael Rasmussen: **But you won't give us any levels absolute or percentage?**

Jørn P. Jensen: No, that's true.

Michael Rasmussen: Okay.

*Operator: Kitty Groen from Handelsbanken is on line with a question.*

Kitty Groen: **Yes, just two questions, one being, the barley harvest seems to be very weak this year on account of the very warm winter. This is something that has seemed to drive prices up for that very important raw material. How do you see yourself covered for the coming years? My second question is Turkey. Is there at any point a performance level by which you will withdraw from that market?**

Nils S. Andersen: I will comment on the barley prices. It's correct that barley prices have gone up quite a bit and so have malt prices consequently done for this year because of the bad harvest in 2006. We cannot, of course, predict the 2007 harvest yet, but the price increases on barley for 2007 are known to us and included in our estimate, so I wouldn't spend too much time on changing spreadsheets or anything based on that. In terms of withdrawal from Poland…

Jørn P. Jensen: From Turkey…

Nils S. Andersen: From Turkey, sorry, we've just decided to re-launch a local brand or launch a local brand, Vole, are investing into that. We've also had some successful launches of specialty products under the Tuborg umbrella and we're actually confident that we'll see improving figures in the coming months and we're not contemplating withdrawing from the market.

*Operator:* *Andrew Holland from Dresdner Kleinwort is on line with a question.*

Andrew Holland: Yes, hi. **Can I just go back to the Russian excise duty? I don't think I heard correctly. Can you say what the proposed excise duty increase and what that, what excise duty is as a proportion of the resale price, first question. Second one, you've talked a bit about barley prices. Are there any other input costs that are notable for either going up or down? Thirdly, just coming back to the Punch contract, can you explain why that has no impact on your '07 numbers? We understand from Punch that their tenants are being offered your beers at lower prices already, so can you just explain the mechanics of that contract please?**

J. Buhl Rasmussen: If I start with the duty increase in Russia, what we are looking at would be a 50% increase over the next three years, in year one, and that's from January 2008 will be a 32% increase and then about 7% each of the following two years. I think you asked about the kind of impact on price. It's probably today would be around a 10% of total retail price. With the kind of proposed increase you're looking at the duty would go up to maybe 12%/13% of total retail price.

Andrew Holland: Thank you.

Nils S. Andersen: And then on the input prices, of course, aluminium prices are very high, have been high over the last couple of years, but that's something we will have to live with and that will also impact our pricing decisions going forward. That's also included in our estimate for 2007. The reason why I say that Punch contract has no impact on our 2007 result is simply that we will not change the pricing or volume on the taking for 2007. I could imagine that Punch following the fact that they've now gotten certainty for the next three years going forward on pricing and on delivery terms would be interested in pushing the volumes and that's, of course, good for us. We hope they should do that but for 2007 there will be no negative impact from the new Punch contract.

Andrew Holland: Okay, thank you.

*Operator:* *Gerad Rijk from ING is on line with a question.*

Gerad Rijk: Yes, good morning. **Two questions: One question is on the cap ex level 2007. Last time you said between 4,500 and 5,000. Maybe you can elaborate on that for the 2007 level and did I hear that it will go down substantially in 2008? Second question is on the year-on-year comparisons. You're continuously talking about second half; it will become more difficult and challenging especially in BBH. Can you also elaborate on the second quarter because second quarter last year was a World Cup quarter and there was a lot of filling of the pipeline in several European areas?** That's it.

Jørn P. Jensen: The cap ex thing I guess you can say is, it's now when we mentioning it again it's probably around 10% or so.

Gerad Rijk: **A 10% increase?**

Jørn P. Jensen: Yep.

Nils S. Andersen: And in terms of commenting on future quarters, the first quarter last year was a weak quarter because of very cold weather, especially in Eastern Europe, but also in parts of Western Europe. So that's why we mention that the rest of the year will not be as easy and I think it's fair to say that we did see extremely good sales results in the second half in most markets. As to comments on the second quarter, it's correct that last year was very good in volume terms because of the World Cup in Germany. We will not see this year, but apart from Jørn having let out that April looks pretty good in BBH, we have really no further comments. But needless to say, we would not have upgraded our estimate for the year if we had had unsatisfactory developments in April.

Gerad Rijk: Okay, thank you.

*Operator:* *Carl Short from Standard and Poors is on line with a question.*

Carl Short: Morning gentlemen and very well done on the results this morning, I think a surprisingly strong set of results. **I just wonder if I could ask a question about the timing of Easter sales, which I think you referred to at the beginning of the conference call and just wonder if you could elaborate a little bit more on the impact that that might have had on your Western European volume performance in it's first quarter?**

Nils S. Andersen: I hoped this question would not pop up because it's really hard to quantify, but Easter, of course, was placed just at the beginning of April this year so that means that we did have sales in March, at the end of March running up to Easter. I'm sure that will have had a positive impact. How big it is, I don't know but we've tried to analyse it in previous years. I think at one time we said the Western European business would swing with something like DKK 50 million as a consequence of where Easter is placed. I don't know whether that's still the case. We haven't done the analysis this year because we felt the figures were sufficiently good that we didn't really want to go into or too much analysis time on the past.

Carl Short: **Right, okay. Could I ask just a supplementary question actually on output pricing, again, really referring, I guess to Western Europe? You already talked about the raw materials situation and said that you're comfortable with estimates, etcetera, but what are the implications for output prices in your forecasts for the balance of this year and 2008 if raw materials costs stay where they are? Do you anticipate pricing going up significantly?**

Nils S. Andersen: We expect pricing to continue edging upwards. We made some price increases at the end of last year and in the middle of the year and we continue this trend to continue, so we will go up with prices. I don't expect dramatic price increases unfortunately, but we will have to increase prices to cover these higher input costs.

Carl Short: Okay, thank you very much.

*Operator:* *Henrik Jeppesen from SEB Enskilda is on the line with a question.*

Henrik Jeppesen: Thank you very much. **Just a few questions, on BBH at the full year result you said the volume growth in Russia was supposed to be in the lower end of the 3% to 5% range. Now you talk about 5% to 8% and taking the top comparisons into comparison for the second half, could you give some indication, will it also be towards the lower end of the 5% to 8% or where do you see we will end? Secondly, if you could, in the Western European area you say that you have gained market share both in UK and in Nordics. Does that also include the Danish market? And then thirdly, just to clarify, I think Jørn said that the tax rate for 2007 was expected to be 26%. In the report you say 27% and are that with or without the proposed change to the Danish tax law of lowering it to 25%? What should we use for 2007?** Thank you.

J. Buhl Rasmussen: Regarding the BBH and the market growth, I think it's very hard to say whether it's low-end or mid-range. You can see we have a slightly broader range as the guidance because the second half is very hard to kind of know what to expect because last year we saw growth in total Russia of 15% in the second half. That was very difficult to predict exactly the growth for this year and that's why we're giving a broader range because we don't want to say if it's lower-end or higher-end.

Nils S. Andersen: Right and on market shares we've stated UK share specifically because a lot of financial analysts live in the UK and are very interested in this market. But in general, we don't really want to go into single markets and especially not very meaningful in the first quarter, but we actually did gain significant market share in the first quarter this year in Denmark.

Jørn P. Jensen: And the tax rate, if I said 26% that was a mistake. I was supposed to say 27% as it is stated in the stock exchange release this morning. So what we expect for the full year is 27% as we have seen after the first quarter.

Henrik Jeppesen: **Okay, can I just follow-up on that because at the full year report you said around 26% level and the 27% you now guide, is that, have you already included the impact from lowering of the Danish corporate tax rate?**

Jørn P. Jensen: No. On the other hand, it will not have any significant effect on the tax rate.

Henrik Jeppesen: Okay, thank you.

*Operator:* *Nico Lambrechts from Merrill Lynch is on the line with a question.*

Nico Lambrechts: Good morning. **Most of my questions were answered but just one remaining one. Is it possible to indicate towards how much investment you are putting behind the Carlsberg and Tuborg brands in Russia specifically? Your partners, I think, they indicate that they invest about £4 million outside the BBH joint venture.**

J. Buhl Rasmussen: Yeah, I cannot give you specific amounts, but we clearly give the brands the necessary and we think to keep growing the brands successfully as we have seen now for some years, Tuborg and Carlsberg, but can't give you any exact figures.

Nico Lambrechts: **Is it possible to indicate that you investing at higher levels outside BBH than what Scottish & Newcastle is doing?**

J. Buhl Rasmussen: I just said that we will invest so we can keep growing and keep the momentum on those two brands?

(Cross talk)

Nils S. Andersen: But don't forget one thing. Carlsberg and Tuborg are ahead of the other two brands in terms of their cycle in Russia. So the investments coming from us obviously will be less than from Scottish & Newcastle who have to introduce the brands to the Russian consumer. That is a different situation.

Nico Lambrechts: Understood. **Then just a follow-up question on cap ex. Just to clarify, the decision of the raised cap ex and BBH because two months ago or three months ago you said DKK 350 million to DKK 400 million and now it's Euro 400 million to Euro 500 million. Is that all about increasing the brewery at Novosibirsk from 2 million to 4.5 million hectolitre's?**

J. Buhl Rasmussen: Primarily yes.

Nico Lambrechts: Primarily yes, okay. **Then, what would be a cap ex run rate for BBH '08 and onwards? Would there be a significant step down?**

Jørn P. Jensen: We will come back on the guidance for '08 in nine months time or so. We're not guiding at all on '08, but it will be lower as we have it now.

Nico Lambrechts: Thank you very much.

*Operator:* ***There are no further questions from the telephone at this time.***

Nils S. Andersen: So then we'll close the conference. Thank all of you for listening in and for all the good questions and we look forward to seeing you again or hearing you again in the August meeting on the second quarter. Thank you very much.