**Carlsberg Investor Conference Call**
**Carlsberg A/S**
**CEO Nils S. Andersen, CFO Jørn P. Jensen & EVP Jørgen Buhl Rasmussen**
**8 August 2007**
**9:30 am CET**

*Operator:* ***"Good morning ladies and gentlemen and 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. I would now like to turn the call to your host, CEO Mr. Nils S. Andersen"***

Nils S. Andersen: So good morning everybody and welcome to this webcast covering our second quarter, but of course also the first half of 2007. My name is Nils Andersen and I'm the CEO of Carlsberg. With me here I have, as usual, Jørn P. Jensen, our CFO, and Jørgen Buhl Rasmussen, who's responsible for Eastern Europe. It almost goes without saying that we are very pleased with the figures we present today. It's our ninth consecutive quarter with progress and the results our broadly based and in line with our general strategy being strong volume growth in Eastern Europe and Asia and earnings progress in Western Europe and BBH. We're very, very committed to continue this positive development and very bullish on our business. Therefore, 2007 is a year where we're investing heavily and unusually heavily in cap ex enabling the restructuring in Western Europe and growth outside this area.

But taking you now to, into the details, starting on Slide 3. Our headline is that we feel we have a strong development throughout the business. We have an increase in beer volume in all regions, of course, lead by the fast-growing markets in BBH and Asia, but also a positive development in Western Europe, which we're also very pleased with. We have double-digit growth in net sales and also here all regions are contributing. Our international brands are doing well. Carlsberg is up 6% and Tuborg, driven by very positive development, in particular in Russia, but in general throughout Eastern Europe, is up with a very respectable 24%. Our earnings progress is of course a result of a very positive topline development, but it is also a result of our continued focus on costs and efficiency. This is of course work we'll continue to in the future. We appreciate cost control and efficiency is a key driver of profitability in our sector. The good result in the first half, leading us to upgrade our guidance for the full year to half billion or DKK 5 billion; it's an upgrade of DKK 300 million. That means that we now expect our organic development in the brewing sector to be between 18% and 20% compared to last year.

Going to Slide 4, the general volume development, very positive development of 17% in the first half, 1% only by acquisition so the vast majority is coming from organic growth. It's, as I said before, it's coming from all regions. A good development in Western Europe of 3% as staggering growth of 33% in BBH, 15% organic volume growth in Eastern Europe, and 29% growth in Asia, of which more than half is coming from organic growth and a bit and the remaining bit is coming from acquisition in Western China.

Going through the figures in net sales on Slide 5, we have a 12% growth. In general, we have positive pricing development in the markets so that this figure is lower than the volume growth is the usual explanation that a lot of growth is coming in low priced areas. So our mix is gradually moving from the, as you can say, slower-growth area or stagnating area of Western Europe into the more aggressive growth markets in the developing world and here, of course, the prices are generally lower, but, in general, positive pricing environment throughout the business. Operating profit is up with 33%. Again, as I said at the beginning, a combination of a positive topline combined with continued strong focus on cost controls, in particular in Western Europe.

Going to Slide 6, the Western European markets, we have, we feel that we have had a general positive market development during the first six months. We've been helped by very good weather in the first five months, which, by the way, also have been quite good in Eastern Europe or very good in Eastern Europe. Of course, June was less good, very bad compared to last year. But, I think, overall, the weather impact in the first six months we consider as generally slightly to the positive because of really very warm weather in the first quarter and good weather in April, May. July, of course, looking forward, July of course has been very rainy throughout Western Europe, but that we have included in our guidance and we'll have details on it today. But volumes in our business were up 3% during the first six months. We think we've gained share in most markets, at least the most important ones; and we're generally very satisfied with the progress. Our net sales are up 1% per hectoliter, which is partly offsetting general price increases in raw materials and we've seen, we feel, a reasonably improved pricing environment and we think that there will be room for continued upward trend in this area, which is also needed because the raw material prices must be expected to stay on the present pretty high level going forward. We've lowered operating expenses and we'll continue on this. We continue our efforts to reduce production costs, non-material production costs, as well as becoming more efficient in all areas of the business.

Going to Slide 7, a little more background found on the individual down on the individual factors. We have a strong performance in the Nordic. We managed to introduce a number of products, which have created interest both in terms of consumption and in terms of when is around the category in a number of markets. We feel that there's a pretty good environment for the time being for beer. We have not seen any effects yet from the concentration of our administration activities in Poznań but we are pleased to say that the latest transfer from Switzerland to Poland went very smooth. We are quite optimistic that we have found a good system for doing this. This will, of course, over time, even if we invest in it now will over time lead to improved cost precisions for our businesses in Western Europe. We've had share gains in the UK and Carlsberg Export is now number two premium beer in the off-trade and although the market situation in the UK is quite competitive, we are very and continue to be very pleased with our development there. We think the team is doing a good job and we have strong brands for the future. Operating margin is now approaching 10%, it's at 9.7% on 12 months moving average. Of course, we continue our efforts to build that up further.

Looking at Western European figures or trends in figures on Slide 8, we have an increase in net sales of 3% and broadly in line with volume development; we have an operating profit up with 28%, so we feel that we are delivering very well for this region. With that, I will pass the word to Jørgen Buhl Rasmussen who will talk about BBH.

Jørgen B. Rasmussen: Good morning everyone. I guess all of you most likely saw the announcement on BBH late last week and I'll therefore cover the key points fairly quickly. Performance was exceptional across all markets. In Russia, the PMI grew by 23% during the first half of the year and benefited from unseasonable mild weather in the first quarter, as well as rising disposable income and lasting impact from this supply disruption in wine and spirits in the second half of 2006. Baltika grew ahead of the market with 31% volume growth, extending its marketshare to 37.6%, an increase of 1.9 percentage points compared to the same period last year. Baltika's growth ahead of the market has been driven by innovation, by brand building, and the strength of our integrated brand portfolio, and also our business model. Like all our competitors, we are facing increasing input costs, but it is partly offset by operational leverage. To meet growing demands, we remain focused on our capacity projects. Our Samara brewery has increased capacity to 6.5 million hectoliters will be fully commissioned later in August. Our new brewery Novosibirsk, with a capacity of 4.5 million hectoliters will be operational last year. Like for total Carlsberg, both Tuborg and Carlsberg continue to show impressive growth on already significant volumes across BBH.

If you now turn to Slide 10 and we take a look at Ukraine. The turn around plan in Ukraine is on track and good progress has been made this first half year. Early signs following the re-launch of our Slavutich brand are encouraging. In addition, we continue our focus on the growth in both premium and license with both Baltika and Tuborg. All three markets in the Baltics show continued growth in the first half of 2007 resulting in a combined marketshare gain of 0.7 sharepoints to now 44.4 shares. Growth is driven by a very successful premium and innovation strategy both in beer but also in non-beer categories. Then in Kazakhstan and Uzbekistan we are now operational and we started shipping beer from July this year.

If you turn to Slide 11, given the strong performance of the Russian beer market in the first half of the year, we now expect the market to grow between 11% to 13% in 2007 but then reverting to our previous guidance of an average 3% to 5% growth in the medium-term for the total market. We still believe to achieve pricing increase in Russia just below local food and in beverage inflation. Despite increasing input costs, we expect full year EBIT to be around 23%. Capital expenditure, we now expect to be in the range of Euro 5 to 600 million on 100% BBH phases for the full year and that's to meet growing demands across all markets.

On Slide 12 you see the strong performance translating into 36% sales growth and 48% operating profit growth, including minor negative impact from exchange across BBH.

If you turn to Slide 13 and Eastern Europe, with the exception of Turkey where the market was flat, all markets in Eastern Europe had good positive growth. In both Poland and Bulgaria the market growth was 15% higher. Following the implementation of the new sales model in Poland in 2006, which included destocking of distributors and wholesalers, Poland is back on track as planned and delivered strong growth slightly ahead of total market in the first half. In Southeast Europe, we established the regional management structure from the 1st of March this year. In all markets we have strong growth momentum and share gains in the first half of the year by setting very clear the chief priorities but also by being much focused on execution and distribution. In Turkey, we invested in launching several new products, including Tuborg Fitchie in Q1 and also a new local brand called Vole in early Q2. In parallel to this, we have started a destocking plan in our distributors in Turkey in line with what we did in Poland last year. Earnings in Turkey were impacted by new launches and the start of the destocking plan, where earnings in Poland and also Southeast Europe had strong growth. As mentioned in our Q1 release, earnings in Poland have a positive impact of DKK 58 million following the sale of the Piast brewery.

On Side 14, you can see that net sales in Eastern Europe grew faster than volume by a total of 21% and overriding profit were up all in all by DKK 156 million, where DKK 86 million were driven by the actual operation, DKK 58 million by the sale of Piast, and then DKK 12 million from positive exchange impact. Then I'll hand you back to Nils.

Nils S. Andersen: So talking about Asia, on Slide 15. The volume growth in Asia continues and we are following, pursuing our strategy to continue to invest in Western China as well as in Vietnam and other growth markets. We are quite committed to that growth agenda. We're not so worried when earnings go up or down DKK 20 million. What it's about is really to create a platform for the future. We actually do have slightly lower earnings this quarter or this half-year following a restructuring of sales in Malaysia. We have had problems similar to the ones we had in Poland last year with overstocking of markets and we've had to take back significant quantities of beer and are now working quite hard to improve the operations in the market from our side. We're quite optimistic that that will be done fast and then we can, again, concentrate on growing in the growth market. We are taking into or expect to open a new brewery in the Phu Bai area, just outside Phu Bai, at the end of this year. We are producing in all our plants in Vietnam just to the limit so getting capacity enough in that market is actually quite a challenge, but we do expect this Greenfield should be operational quite soon we can supply also a growing market next year.

In terms of the figures, we are up in terms of net sales of 12%. Of course, market-by-market the development is more positive, but we do see a quite important contra-mix change because of the acquisitions and strong growth in Western China, where the volumes of course are very high at quite low prices. Operating profit is slightly down, driven by Malaysia, but of course also the fact that we really invest in the other markets. We're not looking very hard at the bottomline at the moment. It's still a small part of Carlsberg's earnings and our focus is really to build for the future. With that I'll pass you over to Jørn for the financial results and the outlook.

Jørn P. Jensen: Thank you Nils. So if you turn to Slide 18 and as you see here and as we have more or less just been through, we have had a very good first half year with progress in the brewing activities of DKK 546 million or 33%, whereas the difference in the other activities/real estate amounts to DKK -12 million. All in all, DKK +534 million or +31%. In the brewing activities, we have seen significant progress in Western Europe +28%, in BBH +48%, a good progress in Eastern

Europe of DKK 156 million, and a smaller negative variance in Asia. A negative variance in the not allocated segment is as expected and primarily due to higher centre project costs this year.

On the next slide you see how operating margins have developed over the last 12 months. On total breweries, the margin is up 80-basis points to now 10.5%, driven by the progress in Western Europe, BBH, and Eastern Europe. In Western Europe the margin is now at least 9.7% rolling 12-month.

Income statement on, Part 1 on Slide 20, net sales organically up 13% after forex up 12%. Main drivers for the good performance in Western Europe were the organic volume growth of 3% and a higher price per hectoliter. In BBH, the revenue growth of 36% were driven by both significant volume growth, it's actually 33% to us, and better pricing mix, +9%, and then –4% from exchange rates. In Eastern Europe the revenue growth were driven by higher volumes. Gross profit margin of 50% was slightly lower than last year due to higher input costs, which partly is being offset with higher prices but also with continued efficiency improvements in the production area. Sales and distribution costs, including branch marketing, were up DKK 331 million or 5%. This includes a reduction in these costs of 4% in Western Europe, while we had an increase in the growth regions - BBH, Eastern Europe, and Asia. Administration costs were up DKK 130 million or 9%. The trend is more or less the same as mentioned regarding the previous cost line. The increases are in the growth regions - BBH, Eastern Europe, and Asia and to this you can add reductions of 4% in Western Europe and increases centrally or in the not-allocated segment due to the higher project costs this year. Other operating income was DKK 27 million lower than year, DKK –10 million relates to lower gains on real estate in the segment other activities in Carlsberg A/S. This year we have an income on gain on sale of fixed assets in the East European segment of DKK 63 million more than last year, whereas, in the Western European segment is DKK 63 million less than last year. So all in all EBIT of DKK 2.256 billion versus DKK 1.722 billion last year or these DKK +534 million, with all of that coming from improvements in the brewing activities.

On the next slide, special items amount to DKK –142 million, versus DKK +393 million last year. Last year gain of sale of Hite shares contributed with approximately DKK +600 million in Q2. So excluding Hite last year the comparable amount was DKK –223 million, i.e., special items this year, excluding Hite last year was improved with DKK 81 million. Financial costs were up DKK 68 million compared to last year, DKK –22 million on interests due to higher interest level, and the remaining DKK –46 million on other financial gains and losses. Tax amounted to DKK –504 million and equals a tax rate of approximately 25%. Minorities were in total in line with last year, high in BBH, lower in Malaysia. So all in all, Carlsberg's share of profit ends at DKK 1.082 billion versus DKK 1.052 billion last year, which included the gain on sales of Hite shares.

Cash flow on Slide 22: Cash from operating activities up DKK 552 million. You see improvements from the operating results on the first lines, changing working capital of DKK –362 versus last year relates primarily to BBH and the growth in BBH. Paid restructuring, interest, and tax was down compared to last year.

Next slide, Slide 23, cash flow from investments was DKK –2.1 billion. In the first line you see that cap ex was up DKK 575 million, of which DKK 475 million was due to the much higher investment in capacity expansion in BBH. In the second line, we last year had the sale of Hite shares and in the third line you see investments net in real estate this year versus a small divestment net last year. So all in all free cash flow of DKK –361 million.

On the next slide, that's 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.

On the next slide, 25, return on invested capital is as always calculated on rolling 12-month and shows an increase in the brewing activities from 11.3% to 14%, or +270-basis points driven by Western Europe, BBH, and Eastern Europe. On group level, the returns are up 160 basis points.

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

Finally, on outlook for the full year, on Slide 27: Net sales are now expected to grow with approximately 10%. EBIT in the brewing activities is now expected to grow to approximately DKK 4.75 billion, which equals an increase of 18% to 20% compared to last year. EBIT in other activities is now expected to amount to approximately DKK 250 million. So all in all EBIT is now expected to grow to approximately DKK 5 billion for the full year and that means, together with the other smaller adjustments in guidance for the full year, that the net profit now is expected to be around DKK 2.2 billion, which equals a +15% to 20% compared to last year.

Finally, as also said before, we do have a significant investment program in 2007, which compromises real estate in Denmark, significant capacity expansion in BBH, new production structures in Western Europe, for instance in Denmark, Finland, and Italy, apart from the normal maintenance investments. This very high investment level in 2007 is a 2007 issue and will of course contribute negatively to the free cash flow for this year. So all in all a quite satisfactory first half, which leads us to increasing our full year guidance somewhat? With that I'll return to Nils.

Nils S. Andersen: Before going on to questions, I'd like to close by saying that this is another very strong quarter in our opinion. It is, the results are very much in line with our strategy reflecting all the investments we've done over the past years and will continue to do. It's profits in Western Europe where the EBIT margin now is moving steadily towards our 10% to 12% target. Its profitable growth in BBH, the first half year has really been totally outstanding I would say, at least by our industry standards. It's growth in Asia, we're focused on building platforms, in particular in areas where we feel we can be, have some first move advantage and where we can utilize the potential of the Carlsberg brand. It is in developing our real estate with the good news that now the Valby project is moving into the phase where we can start applying for permissions from local city authorities and we picked a very good winner of our architect competition. So we feel we're progressing very strong according to our strategy. We are, as you've seen from the upgrade, quite positive for the second half as well. So thank you for listening and we look forward to answering questions.

*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. Soren Samsoe from Danske Bank is on the line with a question. Please go ahead and introduce yourself Mr. Samsoe.*

Søren Samsøe: Yes, hello, it's Soren Samsoe from Danske Bank. **A few questions: First of all if you could enlighten us regarding the raw material prices. I can understand your hedge for most of this year, but how far into '08 are you hedged at this point in time? Also, just elaborate on how much of, how sensitive you are to these cost increases. Then the second question is regarding the logistic Excellence programme. If you could say approximately how much has already been executed and how much still to come, so, i.e., what's the upside from this, at this point in time? Those are my first two questions, thanks.**

Jørn P. Jensen: If I start with raw materials or input costs then, yes, as you said, we are pretty well hedged for this year and we also already quite okay hedged for next year, still a little to do. Of course, it will lead to higher prices compared to this year, but it's not a thing that we will comment on until we come with our guidance for 2008 a little later. But we are working on reducing the impact as much as we can.

Nils S. Andersen: And commenting on logistics, we've never given an exact figure for how much we would get out of logates, but we expect full effect to be coming into 2008. So we are obviously well progressed during the programme. I guess, so far, we've probably realized approximately half the savings in the first quarter or the first half.

Søren Samsøe: **Okay and then the final question, just, I can see you're increasing your restructuring costs quite significantly. Is this sort of a result of that are you are actually making further significant restructuring programs compared with what you have thought earlier? Does this mean that we should maybe think there's some more upside to the market development in Western Europe?**

Nils S. Andersen: As we, of course, we know why we're increasing it more or less, but it, and we are going to put in more pressure or continued pressure on cutting costs in Western Europe in the coming half year. But I can't be more specific than that unfortunately.

Søren Samsøe: Okay, thank you.

*Operator:* *Matthew Webb from Cazenove is on the line with a question. Please go ahead and introduce yourself Mr. Webb.*

Matthew Webb: Yes, hello, it's Matthew Webb from Cazenove. **I was just wondering whether you could help me to understand the thinking behind the quite significant increase in the full year guidance because obviously these results are good and maybe a touch ahead of your expectations, but I would have thought it was really in BBH that they were significantly ahead. So what is it that makes you feel sort of very confident going into the second half? Is it current trading? Is it your action on costs? What's driving that?**

Nils S. Andersen: Matthew, just in general the second quarter was better than we had expected. Of course, partly driven by BBH but also Eastern Europe and Western Europe did progress well. So you can say it's increased confidence in the operations actually. There are no specific reasons apart from that.

Matthew Webb: **Would you have any comment on current trading either in, particularly in Western Europe?**

Nils S. Andersen: Not on top of what we've already said. July, of course, is being affected by bad weather in Northern and Central Europe. This is, I think, already known to the market but on top of that we have no comments. But, of course, we are aware of how July has gone in terms of volumes at this point in time. So you can just take our guidance as our best guess at this point in time.

Matthew Webb: **Just one final question on that; would you say that Scandinavia in July has been hit as hard as the UK or not so much as that?**

Nils S. Andersen: Well, I think Scandinavia has been generally had very bad weather, probably the UK market has been hit more than that. They've been, as I understand, partly flooded, but the weather up here has been pretty bad. You can ask anybody who's just come back from vacation.

Matthew Webb: Okay, great, that was really helpful, thanks.

*Operator: Peter Kondrup from Kaupthing is on the line with a question. Please go ahead and introduce yourself Mr. Kondrup.*

Peter Kondrup: Yes, good morning this is Peter Kondrup from Kaupthing, just two questions. **Firstly, regarding the 70-basis point EBIT margin improvement in Western Europe for the quarter, can you give us some indication? Is that a sustainable improvement or has there been some kind of facing of different cost components in the quarter? We had the World Cup in football in second quarter last year. Has there been facing of, for instance, the marketing costs that have improved this second quarter result? Then, secondly, I think Jørn said a couple of times that central costs were higher this year due to project costs, etc. Can you give us a bit of indication on the level of the central costs for 2007? Also, how much should we expect the central costs to be going forward, i.e., how much exceptional costs have you included in 2007?**

Nils S. Andersen: Okay, I will, thank you Peter, I will start with the basis points in Western Europe. If you look at the rolling 12-months, the improvement compared to last year is actually slightly more than the 0.7, so yes we think it's sustainable but we're not really aware of any specific reasons for the second quarter facing or anything like that. We just, this is just sort of underlying and we hope, of course, sustainable improvement.

Jørn P. Jensen: When it comes to not-allocated in the brewing activities, it's pretty okay faced, so to speak, if you look on the first half year compared to the full year. As we have said before, this is a year where we are investing more than normally in projects and so on, especially in this not-allocated segment. So, but, as you know we are not guiding on specific segments as such, but only on Carlsberg breweries in total. But it is truly an exceptional year when it comes to these not-allocated costs.

Peter Kondrup: **Okay, thanks, just a short follow-up question. Regarding the margin in Western Europe that has improved so dramatically, does that mean, Nils, that you will deliver the 10% before you leave Carlsberg.**

Nils S. Andersen: Well you, I don't think it has anything to do with individual people, but I think it is a trend we've seen now for the last couple of years. Of course, we hope to hit the 10% sooner rather than later, but telling you exactly when, I think, is difficult. It definitely will not be affected neither positively nor negatively by my departure.

Peter Kondrup: Okay, thanks a lot.

*Operator:* *Andrew Holland from Dresdner Klienwort is on the line with a question. Please go ahead Mr. Holland and introduce yourself.*

Andrew Holland: **Yes, hi, just coming back to these central costs. Clearly you're incurring a lot of costs at that level, which happens to coincide with the margin improvement in Western Europe. It would be possible to think that some of your costs that might otherwise be in Western Europe and therefore constrain the margin are actually ending up in your central, not-allocated costs. Could you reassure me that that's not the case by telling me what those project costs are and what the projects are that you're incurring and to give us a bit more help as to why that number's jumped up 74% this year versus last year? Second question, relating to destocking, could you give us an idea of the timing of the destocking in Turkey and Malaysia? Is that going to be completed by the end of the year?**

Jørn P. Jensen: Yes, Andrew, I will take the first one. Yes, I can assure you that it is not, it has nothing to do with or it has no relation between Western European margin improvements and the fact that our not-allocated costs are increasing this year. The not-allocated costs increase this year is primarily more or less only on project related work, which is on defining standardized business processes, workflows, input for IT systems, and so on, which is to fuel our costs reduction programs for the coming years. So there are no relations between the two, not at all.

Jørgen B. Rasmussen: Maybe if I take the question on destocking in Turkey. We started this first half-year; it's not as significant as the one we talked about in Poland. The intention would be probably we'll finish early part next year sometime.

Nils S. Andersen: Right and Malaysia is a little more positive than that. We started around February with the destocking program. It should be more or less over now. There'll still be a little bit too many stocks in the market but nothing really significant. But we do face a job in Malaysia improving the operations in general and restoring confidence or increasing confidence among the distributors. So there's lots of work to be done in Malaysia, but the destocking program should more or less be over now.

Andrew Holland: **Okay, just coming back to your projects, sort of defining businesses processes, is that businesses processes across the whole business or is that business processes that will benefit Western Europe perhaps more than any other bit of the business?**

Jørn P. Jensen: Yes, it is for all of the business.

Andrew Holland: All right, thank you.

*Operator:* *Ian Shackleton from Lehman Brothers is on the line with a question. Please go ahead and introduce yourself Mr. Shackleton.*

Ian Shackleton: Yes, Ian Shackleton, Lehman Brothers, well congratulations on some very good numbers. **I was particularly interested in this very strong topline performance relative to what we're seeing elsewhere in Western Europe. I want to just get a little bit more meat, particularly on the Nordic economies and whether it is just a result of stronger economies that's driving growth? Equally on the UK where you talk about, I think, positive revenue growth, I assume that also means positive volumes, if you could talk about the marketshare that you've actually gained in the market.**

Nils S. Andersen: Right, in general we have taken marketshare in all the countries you are talking about there. So both Denmark and Norway and Finland and the UK, we've seen positive share development. So that is the main driver, I would say, of the success, but it is, I think we have to say it's hard to say on half a year whether you're really doing one or the other. Of course, the economy is such that we feel the pricing is more possible than it was in the past. But I would say in the, in this first half our relative performance is quite good. We're actually pretty proud of it.

Ian Shackleton: **Nils, the one country you didn't mention there was Sweden. Did you still gain share there? I guess the other question I'd ask is, Italy clearly is not performing as well. Are there actions you still need to take there?**

Nils S. Andersen: Yeah, on Sweden the reason why I didn't mention it is that it's quite difficult to evaluate Sweden because the black import and grey import is very high and there's a not of mixing up with the border trade. I think we are doing okay in Sweden but it's hard to get the exact figures. In Italy, you're, it's correct; we're not doing well in Italy. We're restructuring the business. We will either close or sell the Ceccano brewery in, towards the end of the year or beginning of next year. But it is a difficult market for us and we are struggling. That market, by the way, is developing positive in our opinion this year.

Ian Shackleton: Thank you.

*Operator:* *Henrik Jeppesen from SEB Enskilda is on the line with a question. Please go ahead and introduce yourself Mr. Jeppesen.*

Henrik Jeppesen: Thank you very much. Henrik Jeppesen from SEB Enskilda. **A couple of questions: If we start on the raw materials side, then you started the year by 5% topline growth and now you talk about 10%. Earlier you had said that were hedged for the full year. Given this higher topline growth you must probably be a little more open on your raw material impact for the second half of this year. Can you give some indications, will your gross margin for full year 2007 be higher or lower than the 2006 level? That was my first question. The second one, if we turn to the real estate side, it seems that you have during the quarter sold around 1,000 square meters in Tuborg Syd. Can you and everyday in Danish newspapers there are discussions on falling real estate prices. Can you elaborate a little more on what is the progress on selling the remaining part of Tuborg Syd? Take that also to Valby, do you have intentions also to develop that part or will you look for a buyer of that operation? Then, if I may, the last question on special items, we have had now discussions on unallocated costs on special projects here, but yet again you are increasing the special items part and it seems to have something to do with the Western European operation. Can you elaborate first on the timing during the second half of the year? Will these costs be in first, third, or fourth quarter and what are these increased special items? What do they cover?**

Jørn P. Jensen: Sure, if we start with raw materials, yes, then of course due to the fact that we are doing better than we initially thought we would be able to do, then we have not been fully hedged even though we thought we were fully hedged for this year. But that's the thing we have covered, we have worked on, as we saw increases in our volumes throughout the year. So we are fully hedged but it's a hedge which higher than it was beginning of the year due to the better performance. Gross margin, we are not as such guiding on that but I guess the picture that you have seen, which is a tendency to a slightly lower gross margin is also a thing you would see or you will see for the full year. When it comes to real estate, we have not reduced any prices on real estate in a market, which for sure is not a positive as it was just a year or two years ago, which means that the sales are currently, especially the apartments we right now have in Turborg Syd, which yeah, are pretty expensive. In absolute terms apartments is moving pretty slowly. When it comes to Valby, that's an odd thing because now it's only about getting all the plans and approvals in place, which we are working on together with the City of Copenhagen and when that is done a year from now then we'll decide what to do going forward. Finally, on special items, the reason why we have increased our guidance on that is that it's a new thing, a new project whatever you want to call it, which has come into this. It will be during the second half and when it will be we will announce that.

Henrik Jeppesen: **Thank you, maybe just a quick follow-up. Previously on cap ex you have guided for around DKK 5 billion in the increase in BBH cap ex, can you give what do you expect now for your full year Carlsberg group cap ex?**

Jørn P. Jensen: That it can be a little higher than our previous guidance.

Henrik Jeppesen: **So a little more than DKK 5 billion? DKK 5.1 billion, DKK 5.2 billion?**

Jørn P. Jensen: Yeah, something in that ballpark.

Henrik Jeppesen: Thank you.

*Operator:* *Gerald Rijk from ING Bank is on the line with a question. Please go ahead and introduce yourself Mr. Rijk.*

Gerald Rijk: Yes, good morning, Gerald Rijk, ING. **Three small questions: First question is on the share gains, well, that is quite healthy what you report. Can you give an indication what Carlsberg did in the UK in the month of June? Yesterday we heard quite dramatic numbers from one of your competitors. Second one is on your profit guidance; you have included the effect of bad weather in July in your profit guidance of course. Can you give an indication what you, what is in your models for the coming months because the fourth quarter was a relatively high temperature quarter? Is that also again in your models for 2007? Last question is on your M&A; you don't make any statement on M&A. You're already for the ninth quarter showing improved results, is it not time to take some, to make some statements where your future M&A will take place? Is that mature market; is that developing markets? That's it.**

Nils S. Andersen: Okay, thank you very much. First of all, I can't really off the top of my head give you any figure for the month of June in the UK. The month was bad, but we didn't do very, very bad otherwise we would obviously have talked about it. The quarter in the UK was good, no question about that. In terms of profit guidance and our estimations for the coming quarters, we've not made specific assumptions about the weather. Of course, we did not expect the July weather to continue into August and September. Then it may be difficult to reach the targets, but usually the weather in the last quarter is more relevant for shipment than for consumption. So we've sort of not taken any specific assumptions on that apart from hopefully getting into normal weather circumstances now in August and September and the first days of August seem to confirm that that's the case. In terms of M&A we have stated a number of times what our M&A strategy is. We are investing in the growth markets, primarily investments in Western Europe will take place if we feel that we can relatively quickly come to a payback in line with our WACC or at least in terms of our cost of borrowing. So we are not changing that. We feel that the investments or acquisitions we're doing now in Asia are exciting and that is what we've said all the time.

Gerald Rijk: **What, so what do you use as a WACC for Western Europe acquisitions?**

Nils S. Andersen: Well, it depends; really it's different from market-to-market, so I don't really have a comment on that. But our WACC is probably in the area of 7% to 7.5%.

Gerald Rijk: It's after tax?

Nils S. Andersen: Yeah, after tax.

Gerald Rijk: Okay, thank you.

*Operator:* *Carl Short from Standard & Poors is on the line with a question. Please go ahead and introduce yourself Mr. Short.*

Carl Short: Yes, Carl Short from Standard & Poors, actually Research. **I've just got a question on Asia. I wondered if you could bring us up to date with your investment plans for Asia over the next few years. Also, perhaps, say, I'm thinking particularly about China here and also say how you're managing or intending to manage the investment that's going into China and integrate the companies that you've already got there. Finally, what you expect the development in the return on invested capital for Asia to be over the next few years. Will that extra investment be dragging down the return on invested capital in the near-term or are we beginning to sort of reach a point where it might start to go up again?**

Nils S. Andersen: Right, in general we are investing in Western China in building new breweries or refurbishing existing ones, quite in line with what we've done in BBH in the past. We believe that also in even if it's low-priced markets people expect top quality and that's what we want to deliver over time. So we'll continue to do that and whether it's going to push down our return on capital is hard to say; it depends on price development. In general, investments in Western China will tend to push it down a bit, but I think that's the price of growth. The same goes for the other brewery markets. Of course it depends on the prices we have to pay when we acquire companies, but in general we want to increase our return of capital in group. But we are not focused short-term on our earnings in Asia. It is about building platforms and I cannot exclude the return on capital employed in Asia can go down for a couple of years. I wouldn't worry about it.

Carl Short: **How much are you intending to invest at the moment in Asia over the next couple of years?**

Nils S. Andersen: Well, we have said in earlier states that we would be looking to invest between DKK 3 billion to DKK 5 billion in Asia, which is a mixture of, you can say, cap ex in existing operations plus acquisitions of smaller operating units. That's probably the area we're talking about; although, I suspect that with the present growth rates we're seeing this number could go up in the coming years.

Carl Short: **How are the operations managed out there? How many, how much, how reliant are you on local, say local management, local Chinese management and how much involvement is from head office or people, expatriate managers from head office?**

Nils S. Andersen: We try to be as little dependent on exports from Denmark as possible, but we do have, so we do have de-centralised management of the companies, also reflecting the fact that we have various shareholding situations. In some companies we are 100% owners and others we are 50%/50% and in other ones we are minorities, minority investors. So it's very different and that also means that we cannot integrate, you can say, short-term operations there. But we do have an office in Hong Kong and we will also open an office now in China where we make sure that things like investments and financial controls and marketing plans and HR work is being coordinated. So we're actually doing quite a lot. But just as we, again, in BBH we do prefer to rely on local management because we think that's the best way of driving growth but adding to it the expertise needed and obviously the financial controls also.

Carl Short: Okay, all right, yes, thank you.

*Operator:* *Henrik Jeppesen from SEB Enskilda is on the line with a question. Please go ahead and introduce yourself Mr. Jeppesen.*

Henrik Jeppesen: Yes, thank you, just a few follow-up questions. **Can you talk a little more about the pricing environment into the second half? Do you think you can still continue to increase prices in Western Europe; and if so, by how much? Secondly, if we move over to BBH, 23% EBIT margin is the target for the full year and of course we have, if you could give some indications of what it could be after 2007. Your partner in BBH yesterday said that we should probably not implement, have in our markets that it will go from 23% up to 30%. But maybe you can give us another figure that we should look for in the future?**

Nils S. Andersen: If I just start with the pricing in the second half of Western Europe, the answer is yes, we do think that there's room for further price increases. We also believe that this sector needs to take them because, as we talked about earlier in the conference call, the pressure from raw materials is significant. Those who have counted on reducing cereal prices, meaning barley, for next year I think they will have to redo their calculations. So yes, the brewing industry will have to look for price increases and we have implemented some improvements already going into the second half. So yes, the pricing should go up again in the second half.

Jørgen B. Rasmussen: And regarding BBH, as you know we do not guide on margin kind of going forward, but I would say you should definitely not assume 30% margin.

Henrik Jeppesen: **Okay, just to go back to the pricing. I think you had, what was it, around a 1% price improvement in the first half. Is that the same level we are talking about in the second half?**

Nils S. Andersen: I think it's too early to comment on that. I think you should just look at our guidance on the profit development and then we will try to deliver that as good as we can through a mixture of price improvements and turnover improvements and cost management.

Henrik Jeppesen: Okay, thank you very much.

*Operator:* *Andrew Holland from Dresdner Klienwort is on the line with a question. Please go ahead and introduce yourself Mr. Holland.*

Andrew Holland: **Yes, just coming back to the UK, all your comments have been really quite bullish. It wasn't so long ago you told us you had renegotiated your contract with Punch and that would result in lower achieved prices and lower volumes. I'm just trying to see how that squares with your rather more upbeat comments implying that you've gained volume and gained marketshare at a time when presumably that published date is selling less of your beers. Is there a, can you just take us through the timing of the changes in arrangements with Punch and the timing of how the accounts will reflect that?**

Nils S. Andersen: Yes, Andrew, we are, we have renegotiated with Punch, both the distribution agreement where we will increase our volumes and the branded agreement where we foresee a fall because we have no minimum volumes anymore. But know for certain that we will have lower prices. So and that will take effect from the end of the year, so 2008 we will have lower income from Punch. How the volumes will develop, I think, is up to the future to see, but I wouldn't count on anybody making a lot of money or losing a lot of money on selling a few hectoliters more or less to Punch. So, yes, we will see lower volumes from Punch, at the latest in 2008, but that is, we have planned for that. I cannot give you any guidance for the future, but we have also indicated that it's quite a significant sum that we will lose next year.

Andrew Holland: **Okay and I had understood from the Punch end that Punch tenants have been told that the changed arrangements are already effective this year and that they are free to sell less of your branded beers. Is that not the case?**

Nils S. Andersen: Well, that is not the case in our agreement but what Punch has informed the tenants, I cannot comment on that. I think we're getting into, probably too much into the details on this. I'm not aware of this information.

Andrew Holland: Okay, thank you.

*Operator: Nico Lambrechts from Merrill Lynch is on the line with a question. Please go ahead and introduce yourself Mr. Lambrechts.*

Nico Lambrechts: Good morning, Nico Lambrechts from Merrill Lynch. **Just back to the non-distributed costs, special items and the phasing of cost savings. You did mention that Logistics Excellence Program, 50% of the benefit has been realized in the first half '07. If you could talk about your total cost savings programs, how would that be phased? Is less than 50% realized in this year so far and is the bulk weighted towards 2008? Then for 2008, do you expect your non-distributed costs to go down from the '07 level and similar question for the special items; would it be going down from the DKK 400 million indicated this year? So basically the question is, is this an investment year and you will reap most of the benefits in '08 and '09 going forward? Then just a second question, you did make a comment on Slide 20 that the A&P in Western Europe was reduced. Could you maybe give us a little bit more detail in which specific regions A&P was reduced and is just a phasing or… Thank you.**

Nils S. Andersen: Right, if I take the efficiency programmes in Western Europe, we have actually stopped in general to talk about specific programs and giving numbers already some years ago. Cost saving in Western Europe is going to be or is part of our everyday life so we work continuously on cutting cost in production, logistics, in sales and marketing, if necessary. But across the board we alluded actually to why we're concentrating our administration efforts or activities in Pozńan. So this is an ongoing process. Even if we see now a positive topline development in Western Europe we're not going to relent on that. It's going to continue and that is necessary, I would say, in all mature markets like Western Europe. In terms of the A&P reduction, there's a small A&P reduction in the first half. It's not really significant for the business. We've reduced in general the fixed costs in Western Europe by around 4% in the first half and A&P is just a small part of this.

Nico Lambrechts: Right.

Nils S. Andersen: And it's not a deliberate effort. It's probably timing and moving things back and forth a bit.

Jørn P. Jensen: If I take the not-allocated costs and special items as one question actually then, yes, with everything we know today it is a year of investment as such. So as we have said before, not-allocated costs are higher this year than they will be next year and special items more or less the same story. With everything we know today.

Nils S. Andersen: But it's, I think it's important to note here that the investments we've done in the past are the ones that have lead to the progress we're seeing today. If we see good ideas or good cost-saving opportunities, then of course we will invest in that. We are here to build the business for the long-term not to really worry too much about DKK 100 million additional spending on special items if we want to build a shared service centre or do other significant things for the business. So the answer is yes the programs we are running now, of course, will end but if we come up with good ideas, rest assure we'll continue to be happy to spend against them.

Nico Lambrechts: **If I may then, obviously you're running a business; we're trying to value your company. What would the payback be on the additional DKK 150 million that you added to the special items? So, as I understand it, you found a new project, which in your eyes has a decent payback and you're going to spend an additional DKK 150 million which will the benefit come forward. So could we assume that on the special items there is a certain payback? Then on the non-distributed, which portion of the non-distributed costs are projects that is efficiencies and which portion of non-distributed is just central and overhead costs, which are on-going?**

Nils S. Andersen: I'll just comment on the special items. Yes, we do special items when we see a payback. One example of a special item is the writing down last year and the booking of the expected closing cost of Copenhagen and of course this is just an example. Another example is what Jørn just said, we're going to standardize our, all our accounts so that we can really get full transparency throughout the business and probably also a little bit easier get synergies in certain cost areas. So yes, we are very careful when we go into projects that we assume there is a payback.

Nico Lambrechts: **And what level is the payback? Is it one year, two years?**

Nils S. Andersen: It differs a little bit. If you take the closing of Copenhagen, it's a three-year from two and a half year from when we take the decision to when we actually close. So of course, there the payback is quite long, but in general with these projects we are seeing quite fast paybacks.

Nico Lambrechts: **And non-distributed which portion of that cost is actually project costs and which portion is on-\going central overhead costs?**

Jørn P. Jensen: It's, if you take the increases this year, then add a little more than the increases this year is project related, and then the rest is central marketing and it is the headquarter as such.

Nico Lambrechts: **Right, why are those project costs booked in non-distributed and not in special items? What is the, how do you distinguish between the two if I may ask?**

Jørn P. Jensen: If it is, if you take, you would say that in special items things which usually it's things which are terminating. It can be redundancy costs driven out of the Excellence programs. It can be if we are selling off activities or if it is big one-offs like, for instance, the gain on the Hite shares last year. If it is not one of those special things then it is a normal operating item and then it goes into EBIT. Then it could go into a country segment or a geographic segment or it could go into not-allocated. So it's definitely not so that most of all this goes into special items. Most of all this goes into the normal operating profit, but there are some special situations where we book things and disclose everything around it in special items.

Nico Lambrechts: Thank you very much.

*Operator:* *Jamie Norman from Dresdner Klienwort is on the line with a question. Please go ahead and introduce yourself Mr. Norman.*

Jamie Norman: Yes, Jamie Norman from Dresdner Klienwort. **Just a follow-up question on the Nordics and the good growth you're seeing. I wonder if you would give us some colour on what is driving that? It's between volume and pricing and in particular whether you are broadly now back to where you were three, four years ago before that price war, which you reluctantly got involved in and to what extent that topline is being driven by mix? You mentioned in your statements some innovation in those markets.**

Nils S. Andersen: It's probably very detailed to get into here, but we are seeing in general improvements in pricing and mix in the Nordics more than absolute volume progress. The, I think, the fundamental question you're asking is we back to where we were before the price war; the answer is no. Pricing today in the Nordics is very much in line with European pricing and it was four or five years ago or even before, it was smaller reflecting the, it was lower, or higher, sorry, reflecting the fact that it's much smaller market, smaller operations and more complexity costs. So we had to reorganize the whole business fundamentally to get profitability up, which is now significantly higher than it was at that time. But it is on lower pricing levels, which we feel is a sign that we've done a healthy restructuring and made ourselves much more competitive than we were five, six years ago.

Jamie Norman: **Do you think in the fullness of time you will get back to those former price levels?**

Nils S. Andersen: I don't think so. I think we will follow more or less the general European price levels, which we expect will be relatively positive because of raw material prices and general cost increases. But we don't expect that the Nordic prices will rebound to, you can say, levels above the European average. In the, there's still a few pockets around Europe where pricing is above European average but it's relatively few and Nordic unfortunately is not one of them and will probably not be. But we do expect a healthy pricing development because we basically see that our competition is under pressure profit-wise and that means that we don't have, we really don't see anybody who can go in and start a serious price war at this point in time.

Jamie Norman: That's helpful, thank you.

Nils S. Andersen: So can we take the last question now?

*Operator: Jelu Sulugiuc from Reuters is on the line with a question. Please go ahead and introduce yourself Mr. Sulugiuc.*

Jelu Sulugiuc: Good morning, Jelu Sulugiuc from Reuters. **A quick question about input prices: Could you elaborate a little bit on your expectations regarding input prices increases this year and whether they are affected at all by the bad weather in Northern Europe this summer?**

Nils S. Andersen: Well, I think input prices are, we are not giving any data out on our specific input prices. But in the, you can say, the general input prices are driven by fundamentals. They're driven by general raw material prices and they are actually known I think to everybody following the sector. Some of us can do a little bit better by buying wisely or hedging or doing other things but we don't, we prefer not to tell anybody how we're doing on that one.

Jelu Sulugiuc: Okay, thanks.

Nils S. Andersen: Then I would like to close. Thank you for all the questions. Thank you for listening in and we look forward to seeing you and talking to you at the end of the third quarter and hopefully we'll be able to give continued progress and get closer to our guidance. We're quite optimistic on that. So I wish you a good day and thank you again for listening in.