Contents

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The top manager of The Coca-Cola Company, M. Douglas Ivester, Chairman and Chief Executive Officer, paid a visit to Carlsberg in the autumn. Mr M. Douglas Ivester (left) and Mr Flemming Lindeløv, President and Group Chief Executive of Carlsberg A/S, in front of the main building at Ny Carlsberg.

A Brief Presentation

The Carlsberg Group is one of the world's major international brewing groups, with Carlsberg and Tuborg being two of the most widely-sold beer brands on a global scale.

The Group comprises the Parent Company – the Carlsberg Breweries founded in 1847 and Tuborg Breweries founded in 1873 – and about 100 subsidiaries and associated companies, the majority of which are situated outside Denmark. The Group has a workforce of approximately 20,500 employees, if all associated companies are included. It sells its products in about 150 markets.

The core business of the Carlsberg Group is the production and sale of beer. More than 88 per cent of sales are achieved outside Denmark. International brewing operations include the export of beer brewed in Denmark, as well as local brewing at 72 production sites in 40 countries. Local production, according to the Group's specifications, is handled partly by breweries in which the Group holds capital interests, and partly by breweries and partners with which agreements have been made for the production and sale of Carlsberg and Tuborg beer.

The Group's activities within the soft drink sector are carried out by Coca-Cola Nordic Beverages, which produces and markets household names such as Coca-Cola, Fanta and Sprite in the Nordic countries. The Group also includes Vingaarden, one of Denmark's largest wine and spirits companies, which represents companies like Baron Philippe de Rothschild and Sandeman and the spirits brands Chivas Regal Scotch Whisky, Martell Cognac and Absolut Vodka.

The Group also has interests in other business areas, most significantly through the ownership of Royal Scandinavia A/S, the largest applied arts group in the Nordic countries. Royal Scandinavia incorporates the Royal Porcelain Manufactory, Bing & Grøndahl, Georg Jensen Silversmiths, Holmegaard Glassworks and Illums Bolighus, the Swedish companies Orrefors Kosta Boda and Boda Nova-Höganäs Keramik, as well as the Italian art glassware company Venini.

Ever since Carlsberg's foundation, the Company has operated its own research departments. In 1875, the Carlsberg Laboratory was established. It has now been integrated into the Carlsberg Research Center and has 80 laboratories equipped with the latest technology and a staff of about 150. In addition to extensive basic research, brewing related research is conducted into enzyme chemistry, protein chemistry, carbohydrate chemistry, plant breeding and genetics, as well as the malting, brewing and fermenting processes. Moreover, process and product development takes place in a variety of departments within the Company.

The ownership structure of the Group is unique. Carlsberg A/S is a company publicly quoted on the Copenhagen Stock Exchange with some 11,000 registered shareholders. The largest, single shareholder by far is the Carlsberg Foundation, which is required by its charter to hold a minimum of 51 per cent of the share capital in Carlsberg A/S. Only one other shareholder, the Danish Labour Market Supplementary Pension Scheme, accounts for more than 5 per cent of the shares. Over the years, most of the employees of the Parent Company have accepted offers to buy shares on favourable terms or have been granted shares in connection with Carlsberg's 150 years' anniversary in 1997. The Carlsberg Foundation was established by Carlsberg's founder, Brewer J.C. Jacobsen, and its income goes to support Danish natural and social sciences as well as the humanities. The Carlsberg Foundation also administers and maintains the Frederiksborg Museum of National History and the Carlsberg Laboratory.

The New Carlsberg Foundation, a separate department of the Carlsberg Foundation with its own board of directors, has the special task of acquiring works of art for Danish museums and institutions. It is also responsible for the administration and maintenance of the Ny Carlsberg Glyptotek, in collaboration with the Danish government and the City of Copenhagen.

The Tuborg Foundation, which operates in support of activities of benefit to society, is another department of the Carlsberg Foundation with its own board of directors.

Supervisory Board


Poul Chr. Matthiessen


Erik B. Rasmussen


Torkild Andersen

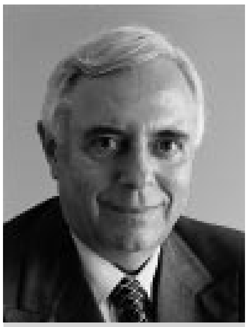

Jens Bigum

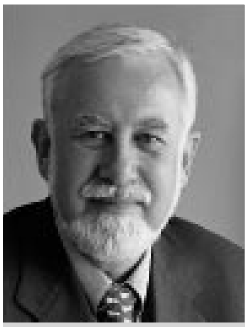

Karin Troest Clemmensen

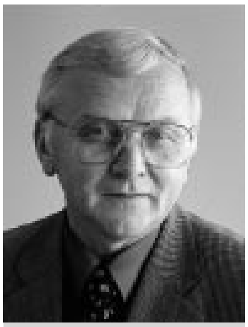

Per Eriksen


Dorte Krag


Povl Krogsgaard-Larsen


Palle Marcus


Axel Michelsen


Erik Michelsen


Per Øhrgaard

Poul Chr. Matthiessen
Professor D.Econ., Chairman

Member of the Supervisory Board of
Royal Scandinavia A/S
Falcon Bryggerier AB, Sweden

Erik B. Rasmussen
Director, Deputy Chairman

Chairman of the Supervisory Board
of A/S Dansk Shell
Dansk Udviklingsfinansiering A/S
GN Store Nord as
Incentive A/S
Motorola A/S

Deputy Chairman of Danisco A/S

Torkild Andersen
Professor, D.Ph.

Jens Bigum
Managing Director, MD Foods amba

Member of the Supervisory Board of
Per Aarsleff A/S

Karin Troest Clemmensen
Porcelain Painter,
Royal Scandinavia A/S,
Employee board member

Per Eriksen
Brewery Worker, Carlsberg A/S,
Employee board member

Dorte Krag
Laboratory Manager, Carlsberg A/S,
Employee board member

Povl Krogsgaard-Larsen
Professor, D.Sc., Ph.D., Dr.h.c.

Member of the Board of Directors of
Acadia Pharmaceuticals A/S

Palle Marcus
Director

Chairman of the Supervisory Board
of Coloplast A/S

Deputy Chairman of the Supervisory
Board of Den Danske Bank
Aktieselskab
Novo Nordisk A/S

Member of the Supervisory Board of
Gyldendalske Boghandel
Nordisk Forlag, Aktieselskab

Axel Michelsen
Professor, D.Ph.

Erik Michelsen
Brewery Worker, Carlsberg A/S,
Employee board member

Per Øhrgaard
Professor, D.Ph.

Executive Board

Flemming Lindeløv, Michael C. Iuul, Walther Paulsen and Sven G. Petersen.

Flemming Lindeløv

President, Group Chief Executive Officer

Chairman of the Supervisory Board of Royal Scandinavia A/S

Deputy Chairman of the Supervisory Board of Coca-Cola Nordic Beverages A/S

Member of the Supervisory Board of Carlsberg Brewery Hong Kong Limited, Hong Kong
Carlsberg Brewery Malaysia Berhad, Malaysia
Carlsberg Finans A/S
Carlsberg-Tetley PLC, UK
Danbrew Ltd. A/S
Dansk Olie og Naturgas A/S
Ejendomsaktieselskabet af 3/9 1930
Falcon Bryggerier AB, Sweden
H. Lundbeck A/S
Oy Sinebrychoff Ab, Finland
Royal Scandinavia A/S
Superfos a/s

Michael C. Iuul

Group Managing Director, International

Chairman of the Supervisory Board of Carlsbrew Brewery (Shanghai) Company Limited, China
Carlsberg Brewery Hong Kong Limited, Hong Kong
Carlsberg International A/S
Carlsberg Marketing (Singapore) Pte Ltd., Singapore
Carlsberg-Tetley Brewing Limited, UK
Carlsberg-Tetley PLC, UK
Danbrew Ltd. A/S
Dryckes Distributören i Sverige AB, Sweden
Falcon Bryggerier AB, Sweden
Hannen Brauerei GmbH, Germany
Huizhou Brewing Company Limited, China
Oy Sinebrychoff Ab, Finland
Tuborg International A/S
United Breweries International Limited A/S

Deputy Chairman of the Supervisory Board of Carlsberg Brewery (Thailand) Co. Ltd., Thailand
Carlsberg Finans A/S
Carlsberg Italia S.p.A., Italy

Member of the Supervisory Board of Aktieselskabet Th. Wessel & Vett
Carlsberg Brewery Malaysia Berhad, Malaysia
Carlsberg Malawi Brewery Limited, Malawi
Carlsberg-Importers S.A., Belgium
Gorkha Brewery Ltd., Nepal
Grupo Cruzcampo S.A., Spain
Hue Brewery Ltd., Vietnam
Israel Beer Breweries Ltd., Israel
South-East Asia Brewery Ltd., Vietnam
Unicer-União Cervejeira, S.A., Portugal

Walther Paulsen

Group Managing Director, Finance and Administration

Chairman of the Supervisory Board of Carlsberg Finans A/S

Deputy Chairman of the Supervisory Board of Royal Scandinavia A/S

Member of the Supervisory Board of A/S Kjøbenhavns Sommer-Tivoli
Carlsberg (UK) Limited, UK
Carlsberg-Tetley PLC, UK
Coca-Cola Nordic Beverages A/S
Danske Invest Administration A/S
Det Berlingske Officin A/S
Ejendomsaktieselskabet af 3/9 1930
Ejendomsinteressentskabet Tuborg Nord B
Vingaarden A/S

Sven G. Petersen

Managing Director

Chairman of the Supervisory Board of Danish Malting Group A/S

Member of the Supervisory Board of Danbrew Ltd. A/S

December 1998.
The management's board memberships are disclosed pursuant to the Danish Companies Accounts Act.

The Shape of the Carlsberg Group

- Supervisory Board
  - Executive Board
    - Beer
      - Denmark
      - The United Kingdom
      - North, Central and Eastern Europe
      - Western Europe
      - Asia, Africa, North and South America
      - The Exports
    - Soft Drinks
      - Coca-Cola Nordic Beverages A/S
    - Other Companies
    - Group Staff Functions

Group Staff Functions
- Corporate Communications
- Secretariate
- Corporate Marketing
- Quality Control
- Human Resources
- Corporate Finance
- Project Department
- Corporate Treasury and Risk Management
- Corporate IT
- Property Department
- Internal Auditing

Divisions

Division Denmark
Lars Kjær, Executive Vice President
Svend Erik Albrethsen, Senior Vice President
Steen Jespersen, Vice President
Mogens Jønck, Senior Vice President
Bjørn Karsholt, Vice President
Jette W. Knudsen, Plant Manager
Mogens Rüdiger, Vice President
Finn Terkelsen, Vice President
Hans Henrik Vasby, Plant Manager

UK
Ebbe Dinesen, Chief Executive
Steve C. Bailey, Finance Director
Doug Clydesdale, Marketing Director
Vincent Kelly, Man. Director, Take Home Sales
Roger G. Lowe, Planning Director
Colin Povey, Commercial Director
Bernie W. Ray, Man. Director, On Trade Sales
John J. Smith, Operations Director

North, Central and Eastern Europe
Finn Jakobsen, Vice President

Western Europe
Bjørn Søndenskov, Vice President

Asia, Africa, North and South America
Agnete Raaschou-Nielsen, Vice President

Exports
Mogens Thomsen, Vice President

Group Staff Functions

Corporate Communications
Henrik Mølstrøm, General Manager

Secretariate
Ole Andreasen, Senior Vice President
Hans Henrik Schmidt, Legal Counsel

Corporate Marketing
Annette Tingstrup, Vice President

Quality Control
Jens-Jørgen Iversen, Vice President

Human Resources
Kurt Israelsen, Vice President

Corporate Finance
Per Brøndum Andersen, Vice President

Project Department
Lars Fellman, Vice President

Corporate Treasury and Risk Management
Jesper Bærnholdt, Vice President

Corporate IT
Torben Melskens, Vice President

Property Department
Orla Kristensen, Vice President

Internal Auditing
Claus Falk-Larsen, Internal Auditor

Trust Administration
Niels C. Roelsen, Vice President

Research
Klaus Bock, Research Director

Technological Development
Birthe Skands, General Manager

Highlights and Key Figures

Group
5-year Summary

Sales of beer - in million hls *)

	1993/94	1994/95	1995/96	1996/97	1997/98
Sold in Denmark	4.8	4.8	4.7	4.5	4.2
Sold outside Denmark	23.1	24.5	25.1	26.8	31.1
Total sales	27.9	29.3	29.8	31.3	35.3

Sales of soft drinks - in million hls

	1993/94	1994/95	1995/96	1996/97	1997/98
Sold in Denmark	2.2	2.4	2.4	2.5	2.6
Sold outside Denmark	1.1	1.2	1.8	3.1	6.9
Total sales	3.3	3.6	4.2	5.6	9.5

Total sales of beer and soft drinks - in million hls

	1993/94	1994/95	1995/96	1996/97	1997/98
Total sales	31.2	32.9	34.0	36.9	44.8

Highlights in dkk million

	1993/94	1994/95	1995/96	1996/97	1997/98
Turnover	16,919	17,072	17,965	19,378	29,321
Excise duties	3,743	3,721	4,034	4,460	7,237
Operating profit	1,190	1,212	1,252	1,255	1,554
Special items, net	-	-	-	-	243
Financial income, net	124	208	319	501	423
Profit before tax	1,314	1,420	1,570	1,756	2,220
Group profit	885	1,077	1,126	1,256	1,744
Parent Company's share	802	1,003	1,063	1,242	1,641
Total assets	18,018	18,599	21,467	24,928	30,952
Equity	7,762	8,242	8,912	10,266	10,904
Investments in tangible fixed assets, etc.	1,025	1,547	1,513	1,042	1,287
Depreciation and write-down	858	790	834	877	1,305
Number of employees **)	17,481	17,563	18,519	18,081	20,589

Key figures

	1993/94	1994/95	1995/96	1996/97	1997/98
Net profit ratio 1)	9.0%	9.1%	9.0%	8.4%	7.0%
Return on investment 2)	10.8%	10.9%	10.0%	8.1%	8.2%
Equity ratio 3)	43.1%	44.3%	41.5%	41.2%	35.2%
Return on equity 4)	11.6%	13.5%	13.1%	13.1%	16.5%
Gearing 5)	-21.8%	-19.7%	-11.7%	-3.2%	15.5%
Dividend as per cent of share capital 6)	15%	17%	17%	18%	20%
Earnings per share of DKK 20 7)	12.54	15.69	16.63	19.43	25.68
Year-end market quotation for B-shares, adjusted 8)	262	270	353	374	400

1) Operating profit as per cent of net turnover
2) Operating profit as per cent of average operating assets
3) Equity at year-end as per cent of total assets
4) Group profit as per cent of average equity
5) Interest-bearing liabilities as per cent of equity
6) Dividend for the year as per cent of share capital at year-end
7) Parent Company's share of profit for the year per DKK 20 share
8) Year-end market quotation for B-shares, adjusted for share issues

*) Sales of Carlsberg and Tuborg beer, including beer brewed under licence, and other beer brands brewed by breweries of the Carlsberg Group and its associated companies

**) Including all employees in pro-rata consolidated companies

Report for 1997/98

In 1997/98 Carlsberg invested heavily in acquisitions and plant. Thus, turnover increased by DKK 10 billion to DKK 29 billion, and the operating profit rose by 24 per cent to DKK 1,554 million. As large profits arising from the disposal of shares, other securities, companies and property also occurred, profit before tax grew by 26 per cent to DKK 2,220 million. Profit after tax increased by 39 per cent to DKK 1,744 million as a considerable part of the above-mentioned profits are tax-exempt.

The result is level with the expectations expressed in previous notices.

The adverse effect of the industrial dispute in Denmark in the spring is difficult to assess, but it is estimated that the total loss suffered by the Danish Group companies was between DKK 30 to 40 million.

This year the accounts were heavily influenced by many non-recurring items, and these amounts are shown separately in the profit and loss account, amounting to DKK 243 million. Profits from the divestment of Holmegaard Emballage A/S, Rynkeby Foods A/S and non-operating property are booked as income under this item, as well as previously made Group provisions relating to Carlsberg-Tetley. Furthermore, redundancy payments, write-down of property etc., primarily arising from the extensive restructuring initiatives at the Parent Company in Denmark, and provisions for the reorganisation of the Royal Scandinavia group following the purchase of a number of applied arts companies in Sweden and Italy, are included under this item.

The substantial increase in turnover compared to last year is primarily attributable to the acquisition of the controlling interest in the Finnish brewery Oy Sinebrychoff Ab (including the Swedish brewery Falcon AB), and the fact that Carlsberg-Tetley Brewing Ltd. is now consolidated 100 per cent in the profit and loss account, compared with 50 per cent last year. Furthermore, as of 1 October 1997 Carlsberg's Coca-Cola activities through the company Coca-Cola Nordic Beverages A/S (CCNB) now also include Sweden.

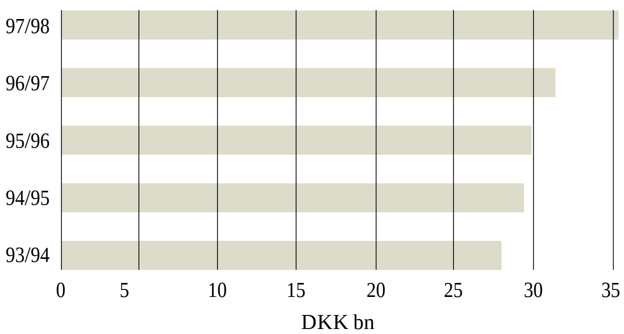
The remaining growth in turnover can, among other things, be ascribed to Royal Scandinavia A/S' net increase in turnover following the divestment of Holmegaard Emballage as of 1 April 1998, and to the purchase of the applied arts companies Orrefors Kosta Boda AB, Boda Nova-Höganäs Keramik AB and Venini S.p.A.

The improvement in the operating profit must be seen in the light of the above-mentioned addition of companies etc., and if it is adjusted accordingly, the operating profit showed a decline compared to last year - mainly arising from the brewing activities in Denmark, China and Hong Kong and the brewing and soft drink activities in Malawi, Africa.

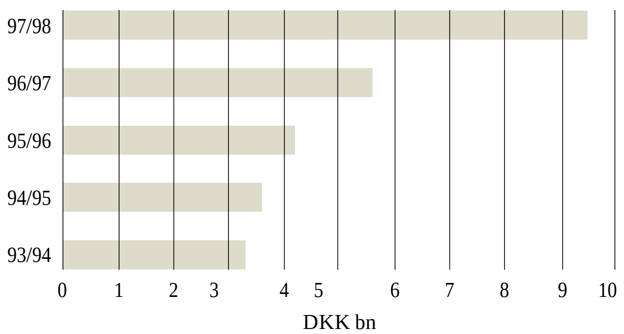
Financial income totalled DKK 423 million and primarily covers non-recurring gains from the disposal of marketable shares, shares in Royal Scandinavia A/S, as well as the sale of own shares. Consequently, Carlsberg's share portfolio has been reduced to DKK 167 million over a two-year period, resulting in considerable gains. The revenue has been invested in the core activities: beer and soft drinks. Profit before tax, which amounted to DKK 2,220 million, was influenced positively by "Special items", and if adjustments are made for these items, profit before tax amounted to DKK 1,977 million.

In connection with the EU Commission's approval of the co-operation with The Coca-Cola Company, Carlsberg was re-

Sales of beer total



Sales of soft drinks total



quired to sell its shares in Bryggerigruppen A/S and A/S Dansk Coladrik. The sale of these shares has now been completed and resulted in an accounts profit of approx. DKK 380 million. This profit, as well as profits arising from the sale of a number of soft drink brands in Sweden and Denmark, must be seen in conjunction with the establishment of Coca-Cola Nordic Beverages A/S, and, consequently, they have not been booked as income, but are part of the total provisions made to cover initial costs and structural changes in said company. The provisions, which also include the excess value arising from the transfer of A/S Dadeko to CCNB, will be utilised over a five-year period (including this year).

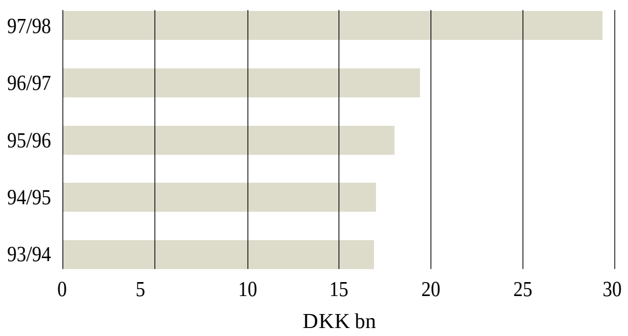
The development in the operating profit must be seen in the light of a number of important circumstances in the beer and soft drink sector:

- As of 1 October 1997, the activities of the Parent Company, which include production and sale of Carlsberg and Tuborg products in Denmark, were united under a separate business unit called Division Danmark. This included the merger of the Parent Company and the wholly-owned subsidiaries Fredericia Bryggeri A/S and Wiibroes Bryggeri A/S. The past year saw a fall of 6 per cent in the sales of beer in Denmark which is the sharpest decline experienced in recent times. The decline in consumption of beer was somewhat smaller, as the Denmark/Germany border trade in beer increased considerably in the past year. However, through substantial restructuring initiatives, including the introduction of a new sales and distribution system and a streamlining of the organisational structure, the management of the division has already succeeded in making savings that partly compensate for the accounts loss due to declining sales. The restructuring cost of approx. DKK 200 million, which is set-off by future annual cost-savings of more than DKK 200 million, is charged to the profit and loss account under “Special items”. The Carlsberg and Tuborg brand names have gained market share during the period whereas the lower-priced brands experienced a decrease in sales. The total market share of the entire Danish market remains at approx. 70 per cent.

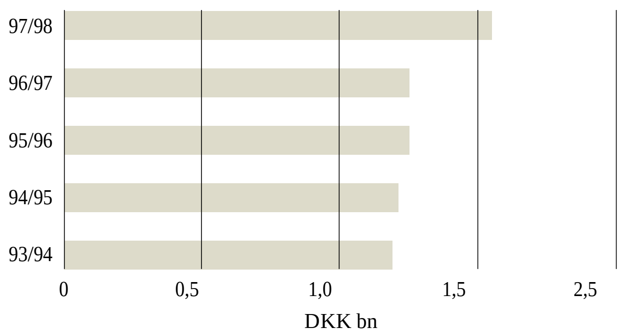
- Profit before tax of Carlsberg’s 100 per cent owned subsidiary Carlsberg-Tetley amounted to DKK 431 million against DKK 544 million last year. As already announced, the decline is due to a change in the beer supply agreements following the intervention of the competition authorities, and the full effect hereof will affect the accounts for 1998/99. The company achieved a better result than expected, which is primarily attributable to the successful implementation of restructuring initiatives such as the closing-down of breweries and divestment of excess capacity. In future, beer production will be concentrated at two large breweries in Northampton and Leeds. A reorganisation of the distribution with the establishment of only a few, very large depots has resulted in savings on delivery expenses of more than 30 per cent.

- Carlsberg’s beer business in the Far East, which includes breweries in China, Hong Kong, Malaysia, Thailand and Vietnam, continues to be affected by the downturn in regional economies and a competitive market environment. Significant volume growth was achieved in Greater China, however, a loss was reported for the year due to further investment in market development. Carlsberg’s brewery in Malaysia achieved a very positive result this year as well, despite the local economic crisis. As in earlier years, Carlsberg has included its Far East assets in the accounts following prudent accounting principles.

Turnover



Operating profit



Report for 1997/98

- The breweries Oy Sinebrychoff Ab in Finland, AO Vena in St. Petersburg and Falcon Bryggerier AB in Sweden increased their market share and, despite tough competition, they achieved satisfactory financial results – particularly in Finland where the company realised a record-breaking profit.

- The Hannen Brauerei in Mönchengladbach in Germany has not yet achieved a satisfactory financial result, but the company has, however, succeeded in raising the sales of Tuborg beer in a generally declining beer market. In Italy, Carlsberg Italia (formerly Poretti) increased sales and realised an improved result compared to last year. Carlsberg's brewery Okocim in Poland reported a satisfactory result while the new brewery in Croatia is not meeting expectations.

- The Unicer brewery in Portugal saw an improvement in sales and recorded a result at the same level as last year.

- Coca-Cola Nordic Beverages A/S (CCNB), which primarily covers production and sale of Coca-Cola products in Denmark and Sweden, was established on 1 October 1997. The sale of soft drink products in the two countries amounted to 4.7 million hectolitres against 4.2 million hectolitres last year – an increase of 12 per cent. The earnings of the CCNB group were substantially affected by start-up costs which were covered by the Group provisions made by Carlsberg when the co-operation was established, amounting to DKK 1.2 billion. Thus, CCNB is included in the accounts of the Carlsberg Group as a positive result. As of 30 September, 1998, the activities of CCNB were expanded to include Finland and Norway, as notified to the Copenhagen Stock Exchange on 30 September, 1998. Iceland is expected to be included at the beginning of 1999 and negotiations are presently being conducted regarding the inclusion of the Baltic States. It is anticipated that CCNB will be fully established and running within a period of 2 to 4 years. The turnover of the CCNB group is then expected to increase to DKK 7 to 8 billion.

Competition in the international beer markets was further intensified due to excess capacity in several markets and additional pressure due to growing concentration of the retail trade. Furthermore, there are now indications of the beginnings of consolidation in the international brewing industry.

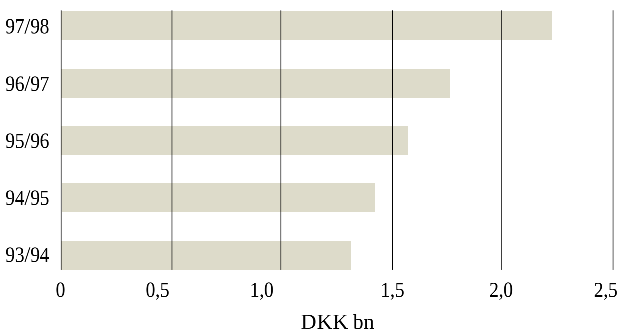
In recent years Carlsberg has, with a view to maintaining its position as a significant international brewing group, invested in new growth markets in keeping with the long-term strategy plans.

The Carlsberg Export Division experienced only a small decline, both as regards sales and earnings, despite a considerable fall in exports to Russia.

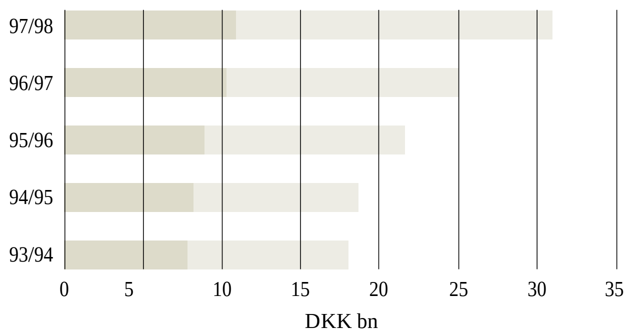
The total global sales of beer in the Carlsberg Group amounted to 35.3 million hectolitres against 31.3 million hectolitres last year. Furthermore, the sales of soft drinks totalled 9.5 million hectolitres.

Among the other activities of the Carlsberg Group, Royal Scandinavia A/S recorded an operating profit of DKK 103 million, as notified to the Copenhagen Stock Exchange on 18 November 1998, which was positively affected by the purchase of the Swedish applied arts companies Orrefors Kosta Boda and Boda Nova-Höganäs as well as the Italian art glassware company Venini. Operating profit was negatively affected by the divestment of the packaging company Holmegaard Emballage A/S.

Profit before tax



Total assets Equity



Report for 1997/98

Danbrew Ltd. A/S realised a very positive result this year as well. Vingaarden A/S witnessed growth in both turnover and operating profit, while the joint venture, the Danish Malting Group A/S, has shown an unsatisfactory result. A/S Kjøbenhavns Sommer-Tivoli succeeded in balancing its result, as notified to the Copenhagen Stock Exchange on 16 November 1998, despite a rainy and cold summer.

Carlsberg A/S's share of the Group profit totals DKK 1,641 million compared to DKK 1,242 million last year, which is a growth of 32 per cent. It is proposed that a dividend of DKK 4.00 per DKK 20 share be paid, which corresponds to 20 per cent of the share capital or DKK 256 million. The dividend last year was 18 per cent. It is proposed to transfer the remaining disposable amount to the reserves.

The Carlsberg Group's equity level was positively affected by the year's net profit (less dividend) and by changes in minority interests as well as the reversal of provisions regarding Carlsberg-Tetley. It was negatively affected by currency adjustments in the Group companies and the write-down of Group goodwill by DKK 2.5 billion. The net effect was an increase of DKK 0.6 billion to DKK 10.9 billion, equivalent to an equity ratio of 35 per cent.

The year saw total investments in plant etc. of DKK 1.3 billion and investments in new companies totalling DKK 1.4 billion. Nevertheless, the development in cash flow has been positive and amounted to DKK 1.7 billion.

Research

The research and development activities of the Carlsberg Research Center, which includes the Carlsberg Laboratory, continued with undiminished efforts in 1997/98. The expenses, amounting to DKK 100 million after the deduction of external grants, are charged to the profit and loss account.

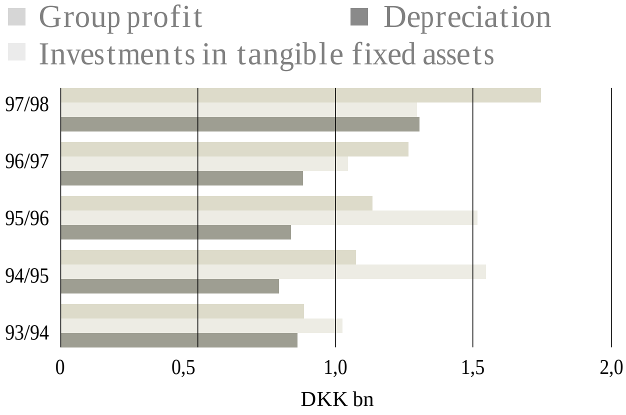
In the past year the Research Center occupied a staff of 150 full-time employees and 25 visiting researchers.

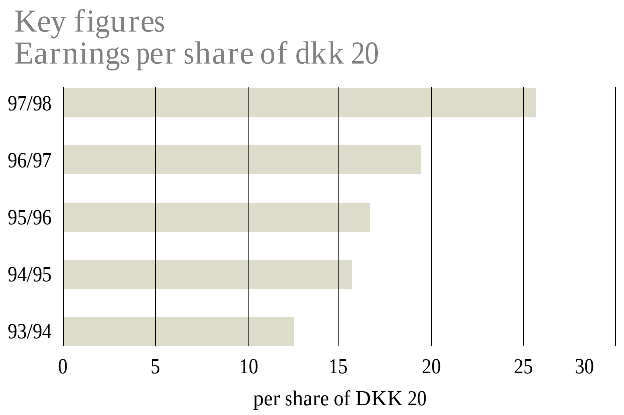
The Year 2000

The year 2000 is approaching, which entails a need for a systematic review of all computer systems, production equipment, alarms, telecommunication equipment etc. All Carlsberg Group companies have focused on this problem for a considerable period of time, and Carlsberg is also well aware of the possible consequences for circumstances not directly related to the Group. The activities necessary to ensure a smooth transition to the next millennium are far advanced and are expected to be completed by the third quarter of 1999.

In the result for 1997/98, provisions have been made for the necessary changes and new installations and charged to the profit and loss account.

Just as last year, 1997/98 was characterised by substantial restructuring measures in order to ensure future high earnings for the Group. In addition to the daily workload, heavy pressure was put on the Group's employees whose loyal and great efforts were decisive for the successful implementation of the restructuring. The management takes this opportunity to express its appreciation for their commitment, which is essential for the strengthening of Carlsberg's position as a leading international company within production, distribution and marketing of beer and soft drinks.





Future Prospects

In recent years the beer business of the Carlsberg Group has been characterised by considerable reorganisation and restructuring initiatives, particularly in Denmark and the United Kingdom. These adjustments to new market conditions with declining sales and intensified competition are progressing favourably and are expected to be completed within the next two years. For 1998/99 Carlsberg-Tetley must expect a decrease in the financial result, but once the restructuring initiatives have been completed, returns on the invested capital are expected to stabilise at a satisfactory level.

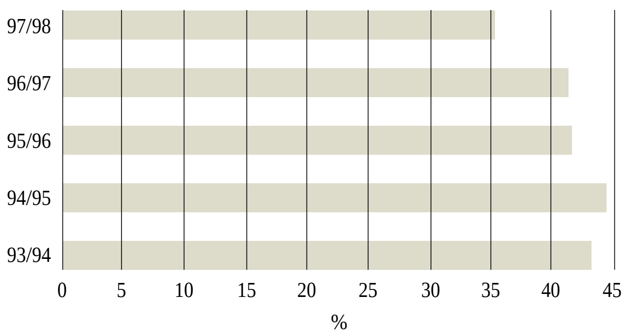
Activities in the newly established Coca-Cola Nordic Beverages group, which has most recently been expanded to cover Finland and Norway and is expected to add Iceland and the Baltic States, are progressing according to plan, but a long running-in period must be anticipated. However, the management is convinced that these activities will contribute to a satisfactory result in the long term, and that the costs related to the above-mentioned restructuring measures of present activities and the implementation of new activities may be partly covered by the substantial provisions in the Group accounts mentioned above.

Due to long-term investments in plant and marketing in China, the declining trend in beer consumption in Western Europe and the establishment of the Coca-Cola Nordic Beverages A/S, only a small increase in the operating profit is anticipated for 1998/99.

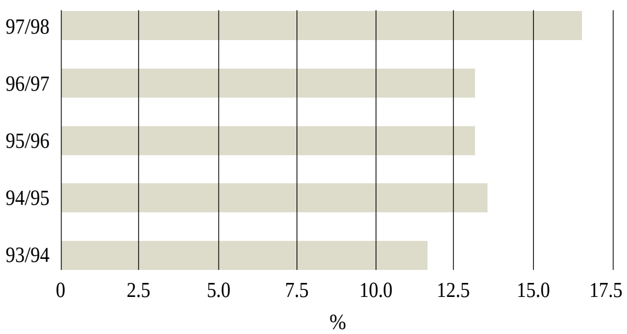
The large investments are obviously a drain on liquidity and as no significant gains from sales of marketable shares and bonds are foreseen, a negative financial income in the years to come must be expected. However, the capital structure will be maintained at a level which ensures the possibility of further acquisitions of companies or shareholdings in companies in the beer and soft drink sector.

Consequently, total Group profit before and after tax is expected to be considerably lower in 1998/99 than in 1997/98.

Key figures
Equity ratio



Key figures
Return on equity



Report for 1997/98

Annual General Meeting

The Annual General Meeting will be held on Monday, 21 December 1998 at 16.30 hours in Tivolis Koncertsal.

Proposals and Decisions of Supervisory Board to Annual General Meeting

The Supervisory Board proposes to the Annual General Meeting that a dividend of DKK 4.00 (3.60) per DKK 20 share be paid, or 20 per cent (18 per cent). DKK 256 million (230) has been appropriated for that purpose. As for the remaining amount available, totalling DKK 1,385 million, it is proposed that it be appropriated to reserves.

In conformity with Section 48 of the Danish Companies Act, the Supervisory Board will propose to the Annual General Meeting that, in the period until the next Annual General Meeting, the Company be empowered to acquire its own shares up to a nominal value of 10 per cent of the share capital.

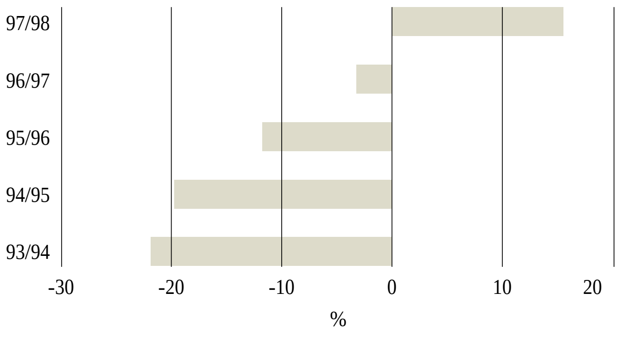
Furthermore, the Supervisory Board will propose that the authorisation empowering the Supervisory Board to raise loans against the issue of convertible bonds (Article 13 of the Articles of Association) be prolonged for another five-year period and that the maximum amount of DKK 300 million be increased to DKK 1 billion.

Copenhagen, 30 November 1998

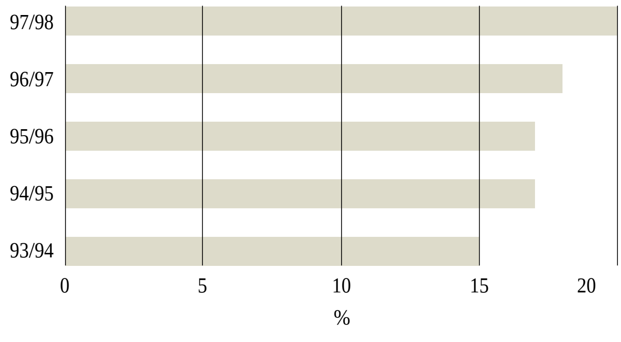
Poul Chr. Matthiessen
Professor, D.Econ
Chairman

Flemming Lindeløv
President
Group Chief Executive Officer

Key figures
Gearing



Key figures
Dividend as per cent of share capital



Swiss architect wins the Carslberg Architectural Prize

On 8 September the world's most valuable architectural prize was presented. The winner of the 1998 Carlsberg Architectural Prize was the 55-year-old architect Peter Zumthor from Switzerland. Her Majesty Queen Margrethe II, who is the patron of the prize, was among the first to congratulate the winner when she presented the prize at a ceremony in the Ny Carlsberg Glyptotek.

Peter Zumthor was chosen from a list of 25 internationally acclaimed architects to be the winner of the Carlsberg Architectural Prize, which is often referred to as the Nobel Prize of Architecture. The prize is worth ECU 200,000 (about DKK 1,500,000).

Two of Peter Zumthor's most famous works include the Kunsthaus Bregenz in Austria and the Thermal Bath Spa in Vals, Switzerland. Under construction is a Holocaust archive and exhibition hall in Berlin. The building will be called “Topographie des Terrors”. Another future project is the Swiss Pavillion for Expo 2000.

Mr Zumthor, who originally trained as a cabinetmaker, is known for incorporating the highest qualities of craftsmanship in his buildings. His works embrace a wide spectrum of materials and he just as often works in wood as in glass or concrete.

His wide-ranging talents are demonstrated by one of his other works, a beautiful little chapel outside the Swiss village

Her Majesty Queen Margrethe II presents the Carlsberg Architectural Prize.

The Thermal Bath Spa in Vals, Switzerland.

The Jury

Hans Edvard Nørregård-Nielsen
Jury chairman
President, The New Carlsberg Foundation

Francois Chaslin
Professor, Architect, Paris

Peter Davey
Editor, The Architectural Review, London

Kenneth Frampton
Professor, The Graduate School of Architecture Planning and Preservation, Columbia University, New York

Henning Larsen
Professor, Architect, Copenhagen

Toshio Nakamura
The Japan Institute of Architects, Tokyo

Carlsberg Architectural Prize

Kunsthaus Bregenz in Austria.

of Sumvitg. The boat-shaped chapel sits on a mountain side above the village and is built entirely of wood.

The Jury wrote in its recommandation:

“Light and its proper handling, dramatic or delicately graded, is a key element in all his work. It is always handled with imagination and innovation, but his buildings are deeply sensuous at many levels and play upon the senses of smell, touch and hearing as well as sight.”

Peter Zumthor has described his own approach to architecture:

“Architecture has its own realm. It has a special physical relationship with life. I do not think of it primarily as either a message or a symbol, but as an envelope and background for life which goes on, in and around it – a sensitive container for the rhythm of footsteps on the floor, for the concentration of work, for the silence of sleep."

About the Carlsberg Architectural Prize

It is Carlsberg's dedication to fine architecture that has manifested itself in the foundation of The Carlsberg Architectural Prize.

Carl Jacobsen, the son of Carlsberg's founder J.C. Jacobsen, was a brewer and a businessman, but also an art collector and patron of the arts.

Over the years, Carlsberg's awareness of and desire for fine architecture have become the governing principles in the design of brewing plants and buildings. The commitment was formulated by Carl Jacobsen himself, when he set up the New Carlsberg Foundation in 1902. It was stated in the statutes that the support of art meant not merely pictorial and sculptural art, but also architecture.

Following the tradition, Carlsberg A/S instituted the Carlsberg Architectural Prize in 1991. The prize was awarded for the third time in 1998. In 1992 the prize was won by the Japanese architect, Tadao Ando and in 1995 by the Finnish architect Juha Leiviskä.

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Carlsberg's international marketing campaign, in which our world-famous distribution lorry plays the leading part, is now recognised as a yardstick for powerful and consistent brand advertising.

The Danish Brewing Operations

The declining trend in the beer market experienced last year continues, and the beer sales in the Danish market during the last 12 months amounted to 5.7 million hectolitres. This corresponds to an annual per capita consumption of 112 litres – a decrease of 6 per cent. However, due to a summer with poor weather and a marked resurgence of the Danish private import of beer from Germany, the actual decline in the Danish consumption is estimated to be somewhat smaller.

The competitive market situation within all segments of the Danish market is intensifying, but the Carlsberg Group brands, Carlsberg, Tuborg and Wiibroe did very well with largely unchanged market shares. Overall, a slight fall was experienced due to declining sales in the segment for lower priced brands.

A reinforcement of sales efforts, the introduction of new products and packaging types as well as intensified marketing initiatives have taken place. The intention is for these measures to boost the market, together with the establishment of separate Carlsberg and Tuborg sales organisations.

The transition from the previous distribution system to the Group's new sales and distribution system in Denmark is now implemented and fully operational. Thanks to a very positive attitude from our customers and extraordinary efforts made by our employees, the implementation proceeded satisfactorily, considering the extent and the complexity of the project. The main objective is to focus on the customer, and a sales and distribution staff of more than 700 people is now ready to provide the best possible service to the customers.

In the past year, the efficiency of the production and administration functions in Denmark has been improved and production capacity has been adjusted. As part of these changes, production at the Wiibroes Bryggeri A/S was transferred to other breweries. Environmental accounts have been prepared for the companies under the Division Danmark unit.

In the course of the year, the Carlsberg brand portfolio was expanded with the seasonal products, “Carls Jul” for Christmas and “Carls Påske” for Easter, which were both met with a favourable response.

This year Tuborg has concentrated its sales efforts on Tuborg Green Label, Tuborg Classic and the non-alcoholic Tuborg Super Light, and the latter in particular has gained ground.

The Wiibroe brands – in a newly established sales organisation – also showed a satisfactory result in the Northern Zealand market.

Through the Bryggeriforeningen (The Danish Brewers' Association), Carlsberg has taken part in the launch of an image campaign with the purpose of changing various negative prejudices against beer. Although the campaign has caused some debate, Carlsberg will always respect the political aspects regarding alcohol, and follow the current guidelines for beer marketing.

The International Brewing Operations

In the past year, the global beer consumption is estimated to have been relatively stable despite the financial and economic turbulence in the international markets.
Competition remains intense, primarily due to a combination of excess capacity and an increasing concentration among suppliers and customers. Massive investment in the establishment and maintenance of a strong brand portfolio is one of the necessary criteria for survival. These circumstances all intensify the trend towards international concentration expected as a natural consequence of national and regional consolidation, which has been characteristic of the development in the industry in recent years.
In spite of these factors, Carlsberg experienced a positive development this year with a growth in total beer sales outside Denmark of 16 per cent, totalling 31.1 million hectolitres. This progress is attributable to, among other things, the continued strengthening of the Carlsberg brand, which is one of the cornerstones of the international expansion. Thus, the Carlsberg Group's sales in the two most important regional markets, Europe and Asia, has only been affected by the international turbulence to a limited extent.

The United Kingdom

In the United Kingdom, the past financial year was characterised by the implementation of the first part of Carlsberg-Tetley's three-year plan which was launched in September 1997 following the authorities' rejection of the planned merger with Bass Brewers. The implementation is progressing according to plan, and there is reason to expect that the ambitious objective of a considerable reduction in total costs will be met. This is an important precondition for ensuring the competitiveness of the company in future.
Important events during the year include Carlsberg-Tetley's sale of the brewery and malting house in Burton, which was completed in January 1998, the closure of the brewery in Alloa in May as well as the transfer of the Carlsberg-Tetley headquarters to Northampton. At the same time, the year saw a reduction in the workforce by 900 in addition to the considerable reductions in staff already made in previous years. Furthermore, distribution has been made more efficient and the sales force has been restructured. In addition, the planned investment programme, which is mostly related to the remaining production sites and a new national distribution centre, is proceeding according to plan.
At the end of 1997, a new 10-year supply agreement with Allied Domecq Retailing was agreed upon which, apart from the supply of Carlsberg-Tetley products, grants C-T the exclusive rights as service providers in relation to distribution, telesales and technical services.
Finally, Carlsberg-Tetley has taken over Allied Domecq's former beer export company which is now called Tetley's Export Company. The company is in charge of the export of the Tetley brands, among others, in close co-operation with the Exports Division of Carlsberg A/S. It is still expected that both turnover and profit in Carlsberg-Tetley will be affected by the sharpened competition in the market and by the alterations in the co-operation terms in the agreement with Allied Domecq Retail. In the year ahead however, profit will be positively affected by the implementation of the planned investments in production and distribution.
Carlsberg-Tetley's result for the past year was satisfactory with total sales amounting to 8.5 million hectolitres. This is a slight reduction compared with last year which is primarily due to the reduction in volume obligations towards Allied Domecq Retailing, but also due to the decline in the market. Despite the pressure on the sales volumes, the operating profit was better than expected, although considerably below the level of last year. This must be seen in the light of the continued focus on the sale of the company's main brands with higher profit margins.
The total beer sales in the UK market amounted to approximately 59 million hectolitres corresponding to a yearly per capita consumption of 103 litres. During the last 12 months, consumption declined by 2 per cent, but the most recent months saw a sharper decline compared with 1996/97. To a certain extent, this may be ascribed to the poor weather this summer as well as the early elimination of England's football team from the 1998 World Cup.
The general downward trend in sales, both in the domestic market and in the export markets, has resulted in increased competition in all the UK market segments. This was accentuated by the continued overall excess capacity.
The lager segment's share of total beer consumption continues to increase, and the Carlsberg brand continues to grow satisfactorily in this segment, primarily due to improved sales of the main brand, Carlsberg Lager. Simultaneously, a relaunch of Carlsberg Export has influenced sales positively. The close ties between the Carlsberg brand and football are maintained through the sponsorship of the Liverpool

Football Club and the F.A. The international sports and music sponsorships constituted a significant element in the increased marketing initiatives related to the brand as well.
The ale segment is characterised by a continued general decline. Nevertheless, the sales of Carlsberg-Tetley's leading ale brand, Tetley's Bitter, continue to rise. Throughout the year, Tetley's announced a closer attachment to Rugby through the sponsorship of the English Rugby Football Union and the English Rugby Union Team.

North, Central and Eastern Europe

Germany

Germany is the biggest market for beer in Europe with a very large per capita consumption of 131 litres. Because of the highly fragmented brewing structure in the German market with more than 1,200 breweries and 5,000 brands, it differs significantly from the other European markets. The choice of beer covers a number of different beer types that are mainly regional. However, there is no question that the pilsner (lager) remains the most popular beer type with the German consumers. For a number of years, the sales of beer in Germany has been characterised by declining consumption and increasing excess capacity in the brewing industry. This has resulted in fierce competition on prices, but it has also led to intensified media spending by the leading premium breweries with a view to capturing market shares from competitors. Furthermore, sales were affected negatively by the poor weather.

Despite these very difficult market conditions, Tuborg achieved a respectable increase in sales and enhanced its position as the leading international beer brand. Tuborg is sold with the "Thirsty Man"-label which is a unique symbol and enjoys the attention and sympathy of the German consumers.

Tuborg is brewed and bottled at the Hannen Brauerei GmbH located in Nordrhein-Westfalen in central Germany. The Hannen Brauerei is a wholly-owned Carlsberg A/S subsidiary and with respect to production technology, it is one of the most efficient of the Group companies. Apart from Tuborg, Hannen Brauerei also produces and bottles Carlsberg and Hannen Alt, which is a dark, top fermented beer, as well as a number of private labels. The sale of these brands has not been satisfactory.

Sweden

The Falcon Bryggerier AB, which was previously owned 50/50 by Carlsberg A/S and Oy Sinebrychoff Ab through Falcon Holding, has become a 100 per cent owned subsidiary of Oy Sinebrychoff Ab, following the approval of the authorities. Falcon's annual sales amounted to just below 1.2 million hectolitres corresponding to almost 20 per cent of the Swedish beer market. Falcon Bryggerier AB and Coca-Cola Nordic Beverages A/S co-operate on distribution through the 50/50 joint venture, Dryckes Distributören AB.

Last year the Swedish market saw a slight increase primarily due to changes in the tax structure, but in recent years the market has been characterised by a declining trend. The per capita consumption of beer amounts to about 62 litres a year. The fall is mainly attributable to declining demand during the summer period because of very poor weather conditions and to private import from for example Denmark, and through the Internet from Germany. It is estimated that private import constitutes about 15 per cent of total beer consumption in Sweden. The Swedish brewing industry noted substantial falls in profits, resulting in liquidations and rationalisations. At the same time, advertising expenses are expected to increase considerably. Falcon has also been affected by the declining market, but nevertheless succeeded in strengthening its market position.

Carlsberg is marketed by Falcon Bryggerier AB. The Carlsberg brand saw a positive development which, in the light of the prevailing market conditions, must be considered to be satisfactory.

Following the demands of the EU Commission, the sales, marketing and distribution structure with respect to Tuborg in Sweden has been changed. The brand is now sold and distributed partly by the original licence partner AB Pripps Bryggerier and partly by Falcon Bryggerier AB. Before this clarification, the Tuborg brand was subject to difficult conditions, but following the authorities' approval of the new structure, the development has changed to the positive.

Norway

The development in the Norwegian market was fairly stable until the summer period, where very poor weather conditions contributed to a decrease in sales of 6 per cent

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To ensure the dynamism of the brands, as well as international coherence, a new line of product designs has been developed. This picture shows Carlsberg's rejuvenated design, which was introduced as part of Carlsberg's export line in November 1998.

compared with last year. The recession also contributed to the slow-down in the Norwegian consumption. Furthermore, the market is characterised by considerable excess capacity within the soft drink production arising from the new structure and considerable investments in the soft drink market. The excise duties on beer in Norway are among the highest in Europe, and were further increased as of 1 January 1998.

Private labels are gaining market share and today constitute about 8 per cent of the total beer market. Imported beer still only makes up a small part of the Norwegian consumption, totalling 2 per cent of the consumption of alcoholic beer. The pilsner (lager) segment constitutes an increasing part of total consumption, rising to 92 per cent this year. Norway's per capita consumption of 55 litres a year is among the lowest in Northern Europe.

In Norway, Carlsberg is distributed by Ringnes a.s. and the level of sales has been maintained this year. Carlsberg is still by far the predominant international beer brand. The second largest brand is Tuborg which is distributed by Hansa Borg. Since the merger between Hansa Bryggerier A/S in Bergen and Borg Bryggerier in Østfold, Tuborg's position has been strengthened significantly. Tuborg is the fastest growing brand in the market, and the growth in volume derives mainly from the retail trade and the restaurant sector.

Finland

The Finnish market saw a slight improvement until the summer period which set in with very poor weather as in the rest of Scandinavia. Consequently, total sales were pushed down to a level 3 per cent below last year. Total consumption in the market amounted to 4.2 million hectolitres with an annual per capita consumption of 82 litres, which is slightly higher than the European average. The excise duties on beer continue to be among the highest in the EU, and they have been put under pressure not least due to the extensive private import from the Baltic States in particular. The heavy excise duties on beer leave very little room for adjustments in the price level which remains stable. Low priced beer has not been able to gain a position in the Finnish market. Beer in returnable packaging constitutes 70 per cent of the market and, despite the introduction of returnable cans, the market for cans only amounts to 5 per cent.

This year, Carlsberg A/S' acquisition of 50 per cent of the shares in Oy Sinebrychoff Ab was concluded and Carlsberg's total shareholding increased to 60 per cent. In that connection Carlsberg A/S' stake in Falcon Holding AB in Sweden was transferred to Oy Sinebrychoff Ab who then became the sole proprietor of Falcon. Sinebrychoff has made an agreement with Coca-Cola Juomat regarding bottling and distribution of the Coca-Cola products.

Oy Sinebrychoff Ab continues to capture market shares and now holds 40 per cent of the total beer market. The Karhu brand is one of Sinebrychoff's main brands, and it experienced exceptionally impressive growth. It now holds a market share of just below 20 per cent. The cider, long drink and energy drink brands showed a handsome progress as well, and in the aggregate, the company realised a record-breaking result for the year.

Carlsberg is Finland's biggest international brand and is marketed by Oy Sinebrychoff Ab. In the past year the sales of Carlsberg saw a slight setback primarily due to changes in the ownership structure of some of the key clients in the restaurant sector. However, in the latter part of the year sales improved.

Tuborg is marketed by Oy Hartwall Ab and is the second largest international brand, although with a declining trend in sales.

Russia

Through the acquisition of a majority stake in the Finnish brewery Oy Sinebrychoff Ab, Carlsberg has indirectly become the largest shareholder in the Russian brewery AO Vena which is located in St. Petersburg. Vena is 66 2/3 per cent owned by Sinebrychoff and prior to the collapse of the Russian economy it showed handsome growth figures in both turnover and volume. The brewery, which is undergoing a thorough technical renovation and expansion, produces and sells local high-quality brands headed by Nevskoye and Peterhof. In addition, Vena has achieved a dominant position in the Russian market within the niche production of long drinks and cider.

Greenland

In Greenland, the Carlsberg and Tuborg brands are marketed by the production company Nuuk Imeq, in which Carlsberg owns 24 per cent. Tuborg and Carlsberg are by far the dominant beer brands. The development in the sale of beer was satisfactory with a slight increase compared to last year. The sale of soft drinks improved substantially following the introduction of the new ref-pet packaging as well as the initiation of contract packaging of Coca-Cola.

Iceland

The Icelandic market for alcoholic beer experienced handsome growth figures, and these sales are expected to reach 110,000 hectolitres this year. About 70 per cent of this volume is sold through the state monopoly ÁTVR and the remaining part through the restaurant sector. The per capita consumption has increased to about 40 litres a year. Foreign beer makes up about 60 per cent of the total market.

The brewery Egill Skallagrímsson ehf is Tuborg's longstanding business partner in Iceland. Tuborg has shown a solid rate of growth, and today it is Iceland's leading beer brand with a 14 per cent market share.

Carlsberg was introduced to the Icelandic market in June 1998 and is marketed by the brewery Sól-Víking hf. The Icelandic consumers have given the brand a favourable welcome, and it is expected that sales will improve considerably in the years to come.

Cyprus

A nice warm summer and a good tourist season had a positive influence on the total market, which saw an increase. The annual per capita consumption amounted to 47 litres. The sales and market share of the Carlsberg brand have improved during the same period. In Cyprus, Carlsberg is brewed in co-operation with Photos Photiades Breweries Ltd., and is the leading brand in the market.

Croatia

The beer market showed a slight increase and the per capita consumption amounted to 69 litres a year. The sales of Panonska Pivovara were not quite satisfactory, as they remained at approximately the same level as last year. Panonska Pivovara brews Tuborg, and the brand has maintained its leading position in the premium segment.

Poland

In 1997/98 Carlsberg increased its shareholding in the brewery Okocimskie Zaklady Piwowarskie S.A. from 32.9 per cent to 43.5 per cent. The positive trend in the Polish beer market continues and the annual per capita consumption amounted to 50 litres. Okocim has maintained its level of sales and its position as one of the dominant national breweries. Carlsberg is brewed under licence and is now among the leading international brands in Poland where consumers are generally very loyal to the local brands.

Romania

In the beginning of 1998, the brewery United Romanian Bereprod SRL, which is partially owned by Carlsberg A/S, inaugurated a new brewery outside Bucharest. The brewery produces Tuborg Gold for the Romanian market, and the sales performance has been very satisfactory. Tuborg Gold is the dominating international brand in Romania. It has obtained national distribution and is recognised as a high-quality product in a class by itself.

For several years, the beer consumption in Romania has been characterised by a decline (per capita consumption amounting to 36 litres a year), but in 1998 this changed, and a generally positive development is now seen in the Romanian beer consumption.

Israel

The beer consumption in Israel remains stable at a relatively low level with an annual per capita consumption of 14 litres. Israel Beer Breweries Ltd., a brewery partially owned by Carlsberg A/S, experienced a positive development with increased sales and market shares. The Carlsberg brand maintained and further enhanced its position as the predominant international brand. Tuborg Dark consolidated its solid position within the traditionally strong dark beer segment in Israel.

Turkey

Türk Tuborg Bira ve Malt Sanayi A.S., in which Carlsberg A/S has a small shareholding, experienced declining sales which has also affected the sales of Tuborg. The yearly per capita consumption in Turkey amounted to 11 litres.

The International Brewing Operations

Western Europe

Belgium

The total Belgian market showed a decrease of about 1.5 per cent. The annual per capita consumption totalled 101 litres, which is still a high level compared to the European average. The private labels continue to prosper in the market and gain an increasingly important position.

Despite fierce competition in the market, sales of the Carlsberg brand have met expectations in full with a slight increase. Carlsberg is indisputably the leading imported international beer brand in Belgium. The Carlsberg and Tuborg brands continue to dominate the premium segment in the Belgian market, and are ranked 1st and 2nd respectively.

Carlsberg is marketed by Carlsberg Importers S.A.-N.V. which has been the sole distributor of the Carlsberg brand for more than a year. In the past year, the company intensified both the sales support and the marketing efforts related to the brand, and this is reflected in the positive development in sales. Carlsberg Importers S.A.-N.V. is a joint venture company between the Haelterman group and Carlsberg A/S, in which Carlsberg holds a 10 per cent share.

Tuborg is marketed and distributed by both Carlsberg Importers S.A.-N.V. and by Interbrew S.A. which also brews Tuborg under licence.

France

Total beer sales in France, with an annual per capita consumption of 37 litres, continued to decrease. The fall in consumption is primarily attributable to the restaurant sector whereas the retail trade has succeeded in maintaining status quo. This is mainly due to the increase in the segments “spécial” and “spécialité” and the sales of private labels.

The sales of Carlsberg lived up to expectations and showed a small increase this year. Carlsberg France S.A. is in charge of the distribution of Carlsberg, Tuborg, Super Bock (Portugal), Tetley’s Export (UK) and Halida (Vietnam) in the restaurant sector in Paris, and this year they introduced the Skol brand. Kronenbourg S.A., the biggest brewery in France, handles the distribution of Carlsberg and Tuborg to the retail trade, and the distribution of Carlsberg to the restaurant sector in the rest of France.

Carlsberg is brewed locally at Brasseries Kronenbourg S.A. whereas Tuborg is imported from Denmark.

Switzerland

In Switzerland the total beer sales showed a small increase, and the annual per capita consumption amounted to 60 litres. The market has been characterised by growing competition due to the constant increase in private labels.

Tuborg is brewed under licence by Feldschlösschen Getränke AG, the largest brewery in Switzerland, while Carlsberg is imported from Denmark. Despite a decent growth, the sales of Tuborg have not quite lived up to expectations. However, various marketing initiatives have been started which are expected to contribute positively to the relaunch of the Tuborg brand.

Portugal

The warm summer in the south of Europe had a favourable influence on the sales of beer and soft drinks. Unicer-União Cervejeira S.A., in which Carlsberg holds a considerable stake, succeeded in consolidating its position as the undisputed leader in a market where the annual per capita consumption amounted to 63 litres. This was made possible, not least because of the sponsorship of the last world exhibition this century EXPO ‘98 in Lisbon. In this connection Portugal’s predominant brand Super Bock and the natural mineral water Vitalis were promoted intensely. Unicer S.A. saw a satisfactory progress in sales within all product categories in the past year.

Carlsberg remains the largest international brand in the premium segment with a market share of more than 60 per cent. Despite intense competition and increasing imports, Carlsberg has managed to improve its sales figures.

In Portugal, Tuborg is produced as the strong beer Royal Danish, and this brand saw a somewhat decreasing trend due to the hot summer and the development in sales was unsatisfactory. New sales activities are expected to renew the interest in the product in the year ahead.

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Tuborg's international product design has been revived with a new label and a shoulder bottle, which have been introduced as part of Tuborg's export line in a number of markets.

The International Brewing Operations

Italy

In very few years, the Italian beer market has experienced a dramatic concentration which has led to fierce competition. The annual per capita consumption amounted to 26 litres. For a number of years demand has been stable and has primarily been affected by the weather conditions in the peak season. The weather in the spring and summer of 1998 was particularly favourable, which helped to improve sales.

To underline the close connection between Carlsberg A/S and Industrie Poretti S.p.A., in which Carlsberg A/S today holds a 75 per cent stake, the brewery changed name in April 1998 and is now called Carlsberg Italia S.p.A. In September, barely six months after the change of name, Carlsberg Italia S.p.A. could celebrate a sales volume of more than 1,500,000 hectolitres for the first time in the history of the brewery. This helped to consolidate and expand the brewery's position in the Italian beer market. The development in the sales of brands was satisfactory with growth rates above the market average.

In the past year Carlsberg Italia S.p.A. continued the expansion of its distribution system with wholly or partially owned distributors in Northern and Central Italy.

The Canary Islands

Despite a market characterised by heavy competition, the sales of Carlsberg improved this year as well. The sales of Tuborg did not come up to expectations however.

Carlsberg is brewed under licence by Compañia Cervecera de Canarias, S.A., and Tuborg is marketed and distributed by Galarza Atlántico Galaco, S.A.

Spain

Spanish beer sales, with an annual per capita consumption of 68 litres, experienced a slight improvement during the first half of the year. Despite intensified competition, Carlsberg succeeded in maintaining its position in the international segment. The very popular and award winning advertisement campaign for Carlsberg continues to strengthen the image of the brand and the Spanish consumers' awareness of the brand. The Spaniards have opened their hearts to the two principal characters Carls & Berg.

In Spain, the production and marketing of the Carlsberg brand is handled by Grupo Cruzcampo, S.A. Carlsberg owns an 11 per cent shareholding in Grupo Cruzcampo, S.A. which is the largest brewing group in the country.

Ireland

In Ireland, which is experiencing a growing market for lager, Carlsberg continues to improve its sales and market share of the total beer market. Carlsberg is the third-largest lager brand, and has expanded both its distribution and sales through increased marketing efforts. Carlsberg is brewed under licence by Guinness Ireland Limited.

Asia, Africa, North and South America

China

The Chinese market continues to show growth and reached a total beer volume of approx. 187 million hectolitres, which corresponds to about 14 litres per capita a year. The share achieved by international premium beers showed very little improvement however. For the next year, the premium segment is expected to remain unchanged at about 4 per cent of the total market. The premium beer sector is influenced by strong competition arising from the presence of several large international brewing groups, and in addition, local breweries have successfully introduced brands in the premium segment.

Despite these factors, Carlsberg expects to be able to maintain the positive trend in 1998/99 through increased distribution and marketing, and thus also to increase market share.

Carlsbrew Brewery (Shanghai) Limited (CBS) has initiated production with a start up capacity of 500,000 hectolitres. CBS has launched a local beer brand called Karhu which is expected to capture considerable market shares in the Shanghai area.

Hong Kong

Due to the economic trend in Hong Kong, the total sale of beer is expected to show a small decrease next year, similar to the development this year which saw a minor fall in the sales of Carlsberg Brewery Hong Kong Limited (CBHK).

The International Brewing Operations

Taiwan
The sales of Carlsberg Marketing Taiwan Limited (CMT) were affected negatively following the termination of the co-operation with a local distributor. CMT now handles the distribution itself, and recently sales have been picking up.

Vietnam
The Vietnamese beer market experienced continued growth. With an annual per capita consumption of about 7 litres, the market has great potential.

The increasing sales of both Carlsberg and the local brand Halida are the result of increased demand in Vietnam as well as improved distribution in the southern and central parts of Vietnam. In order to meet the growing demand for Carlsberg and Halida, capacity at the South-East Asia Brewery Ltd. will be expanded.

The local brand, Huda, from Hue Brewery Ltd. saw a marked improvement in sales, whereas the sales of Tuborg remained at the same level as last year. In order to meet the increasing demand for Huda, the production capacity at Hue Brewery Ltd. was expanded in May 1998.

Japan
In Japan, the total beer sales are stagnating, reaching an annual per capita consumption of about 56 litres. Carlsberg is the only foreign brand showing growth, and thus maintains its position as the predominant international draught beer. Carlsberg's partner is Suntory Limited.

In the Tivoli amusement park in Kurashiki, visitors have the possibility of trying several of the Carlsberg Group's products such as Carlsberg Elephant, Tuborg and the locally produced Carlsberg Draft.

South Korea
South Korea was badly affected by the economic crisis in Asia, which is why consumers have replaced beer by cheaper alcoholic beverages to some extent. The consumption of beer, which amounted to a per capita consumption of about 25 litres a year, is declining and particularly the sales of foreign brands deteriorated.

Consequently, the development in sales of Carlsberg, which is brewed under licence by Hite Brewery Co. Ltd. (formerly Chosun), has not been satisfactory.

Thailand
In spite of the serious economic crisis, the sales of beer continue to improve in Thailand. Carlsberg Brewery (Thailand) Co., Ltd., in which Carlsberg has a minority shareholding, has achieved great success with the local brand Beer Chang. After only a few years it has now become the largest brand in Thailand. It has been necessary to expand capacity at the Bang Ban and Wang Noi breweries in order to keep up with demand.

Sri Lanka
Carlsberg has a shareholding in the Ceylon Brewery Ltd. which has recently commenced brewing and bottling of Carlsberg at the newly established Lion Brewery outside Colombo. The brewery was constructed as a consequence of growing demand. The Lion Brewery, in which Carlsberg Brewery Malaysia Berhad has a large shareholding, is a subsidiary of the Ceylon Brewery Ltd.

Nepal
In a highly competitive market with a stagnating trend, Tuborg has succeeded in capturing market shares from its competitors and thus experienced an increase in sales. During the year, Carlsberg underwent an extensive relaunch that resulted in increased sales. Both Carlsberg and Tuborg are brewed at the Gorkha Brewery Ltd.

The Philippines
In the Philippines, Carlsberg is brewed under licence by the Asia Brewery Inc. The market was characterised by stagnation throughout the year, which has also affected Carlsberg's sales.

Indonesia
The economic crisis in Asia hit Indonesia particularly hard, and as a consequence the total sales of beer fell. Nevertheless, the sales of Carlsberg improved in the past year, primarily due to an increase in marketing activities and the expansion of distribution implemented in co-operation with the local partner P.T. Delta Djakarta.

Singapore

In Singapore, Carlsberg is marketed by Carlsberg Marketing (Singapore) Pte. Ltd., which is a subsidiary owned by Carlsberg Brewery Hong Kong Limited. The sales of Carlsberg improved this year despite generally stagnating beer sales caused by the economic crisis in Asia. The main reason for the increase in volume for Carlsberg Singapore is efficient marketing campaigns.

Malysia

Despite the recession in Asia, the sales of beer during the last year increased and the annual per capita consumption amounted to 7 litres. Carlsberg Brewery Malaysia Berhad succeeded in capturing market shares so that it is now the largest brewery in the Malaysian beer and stout market. Carlsberg A/S owns 27.6 per cent of Carlsberg Brewery Malaysia Berhad. The brewery's sales volume increased despite the cancellation of a large sponsorship planned in connection with the "Commonwealth Games".

In June the brewery made a successful introduction of a new super premium product called Carl's Reserve.

Canada

The total Canadian beer market saw a small increase this year and the annual per capita consumption totalled 66 litres. The sales of the Carlsberg brands decreased slightly, but during the last six months of the year the trend was positive. Carlsberg's market share in the draught beer segment continues to improve, primarily due to the market efforts in the Toronto area. Carlsberg is brewed under licence in Canada by the Labatt Brewing Company Limited. The import of Tuborg for the Canadian market has been handed over to the import company Oland Specialty Beer Company, which is owned by Labatt, and sales have shown a small increase.

The USA

The total sales of beer experienced a marginal increase and the annual per capita consumption amounted to 80 litres. The development in the import segment remained positive, but sales of Carlsberg have not yet reached a satisfactory level. As of 1 November 1997, the sale and distribution of Carlsberg was taken over by Labatt USA L.L.C., and the expansion of the new distribution system is still in progress. It is expected that 1998/99 will see an improvement of sales to a satisfactory level.

Latin America

In Brazil, the rate of increase in beer consumption was slower than expected, and the annual per capita consumption now amounts to 49 litres. The import of beer saw a decrease. For the first full financial year with local production of Carlsberg, a handsome, although not satisfactory, level of sales has been achieved. In Brazil, Carlsberg is brewed under licence by Cervejarias Reunidas Skol Caracu S.A., which is a brewery within the Brahma group. The co-operation agreement concluded with Brahma at the end of 1996 concerning Brazil and other South American countries is still awaiting the final approval by the authorities.

West Africa

In Cameroon, the general trend in the consumption of beer is positive and the Tuborg brand continued to show a marked volume increase. Tuborg is brewed under licence and distributed by S.A. Des Brasseries du Cameroun.

On the Ivory Coast, total sales are still increasing just as the sales of Tuborg continue to increase. Tuborg is brewed under licence and distributed by Société de Limonaderies et Brasseries d'Afrique.

Malawi

The beer market in Malawi is dominated by Carlsberg products. Particularly during the last six months, the market was affected negatively by the economic crisis in the country, including the depreciation of the Malawi kwacha followed by the erosion of the consumers' purchasing power.

The products from the Carlsberg Malawi Brewery Limited are distributed by the associated company Southern Bottlers Limited, which also produces Coca-Cola products.

The sales of Carlsberg have been slightly decreasing, but with a growing market share for the main brand Carlsberg Green at the expense of Carlsberg Brown. In addition Tuborg is being phased out.

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In the United Kingdom, The Carlsberg brand maintains its close connection to football through the sponsorship of Liverpool Football Club and F.A. The picture shows one of Liverpool's famous players, Michael Owen, in Liverpool's match against St. Patricks in Dublin in this year's pre-season tournament.

The brewery was the first one established outside Denmark, and in November 1998 it celebrated its 30th anniversary with, among other things, the introduction of an anniversary beer.

The Exports

Carlsberg has established an independent export division which, in co-operation with the other international divisions, handles exports to markets where the Group already has production, and the division also develops its own territories. The majority of the division's exports originates from the Group's Danish breweries in Valby and Fredericia.

A minor, but increasing share of the export sales originates from the Group's foreign breweries. A number of markets where local production is not realistic may prove to have sensible export potential. Initial exports may prove to be the start of a more intense market development at a later stage.

In the aggregate, Carlsberg and Tuborg's export sales from Denmark showed a decline as a result of, among other things, the redirection of exports to the American market that are now handled from Canada.

Duty-Free

The duty-free market segment, which primarily covers Northern Europe, is affected by EU's decision to end duty-free trade on ferries and aeroplanes within the EU as of 1 July 1999, because it is incompatible with the establishment of the internal market.

The consequences are expected to be serious not least for the duty-free beer sales on ferries and boats. However, it is expected that on board ferries and planes, consumption will remain duty free.

If a postponement of the date is not achieved, it must be expected that purchases will be transferred to countries with low excise duties and VAT.

Cross-Border Trade

The Denmark/Germany border trade continues to increase within the product lines affected by excise duties, including beer. It is estimated that the sale of beer increased by between 10 to 15 per cent and now constitutes between 8 and 9 per cent of all beer consumed in Denmark.

Throughout the year, Carlsberg has carried out a targeted marketing campaign which includes adjustments in design and packaging. The results achieved are considerably above the market trend.

Russia

The Russian market is very important to the Carlsberg Group. At present it is characterised by serious political and economic changes, which have had a negative influence on the imported brands' share of the continuously growing beer market. The share of imports peaked in 1996 with 12 per cent, but has now fallen to less than 8 per cent. The total consumption of beer amounted to 25 million hectolitres corresponding to a per capita consumption of about 17 litres a year.

Tuborg maintains its position as the leading imported brand. The import brands' share of total sales is declining due to intensified competition from local breweries. Quality improvement and low prices as well as aggressive marketing strengthened the Russian consumers' loyalty towards the local brands.

The present economic crisis in Russia, which is expected to cause repercussions in the time ahead and subsequent erosion of the purchasing power among Russian consumers, has reduced the sales possibilities for imported goods in Russia.

Other Markets

For other markets the development has been quite diversified, with increasing sales for Carlsberg in Asia and for Tuborg in the Middle East and a continued decline in exports to Africa.

The export of Carlsberg and Tuborg to Latin America has stabilised at a lower level than last year mainly due to Carlsberg's new licence agreement in Brazil with the Brahma owned brewery Cervejarias Reunidas Skol Caracu S.A. Sales in the Caribbean improved.

Coca-Cola Nordic Beverages A/S

Coca-Cola Nordic Beverages A/S (CCNB), the Nordic soft drink company, owned by Carlsberg A/S (51%) and The Coca-Cola Company (49%) was established on 1 October 1997 after prior approval by the EU Commission.

CCNB is the holding company for the operations in Denmark, Sweden, Norway and Finland that have the rights to bottle, sell and distribute products of The Coca-Cola Company, including Coca-Cola, Coca-Cola Light, Fanta and Sprite.

As a natural extension of the many years of excellent co-operation between The Coca-Cola Company and Carlsberg in Denmark, CCNB has been designated as one of the 10 “Anchor Bottlers” of The Coca-Cola Company.

The operations in Denmark and Sweden were included in 1997 when CCNB was established, while the operations in Norway and Finland became a part of CCNB in September 1998.

In Denmark, the production, sale and distribution of The Coca-Cola Company products is carried out by the Coca-Cola Tapperierne A/S (formerly Dadeko A/S), with production and bottling equipment in Glostrup and Fredericia.

All the Carlsberg Group’s soft drink interests in Denmark, apart from the hotel, restaurant and catering sectors, and the sale of natural mineral/spring waters, are handled by the Coca-Cola Tapperierne A/S on the same basis as The Coca-Cola Company products. The sale of soft drinks in Denmark has decreased by 2 per cent in the past year primarily due to the poor summer weather.

In Sweden, Coca-Cola Drycker Sverige AB (CCDS), CCNB’s Swedish operation, has recently opened a plant south of Stockholm. The entire Swedish market is supplied with The Coca-Cola Company products from this plant through the distribution company, Dryckes Distributören, which was established between CCDS and the 60 per cent Carlsberg-owned Falcon Bryggerier AB.

In Norway, a newly-built plant near Oslo will, from the beginning of 1999, produce The Coca-Cola Company’s products for a considerable part of the Norwegian market. Coca-Cola Drikker AS has its own sales and distribution system that covers about 80 per cent of the sales in Norway.

In Finland, Coca-Cola Juomat Oy, CCNB’s new Finnish subsidiary will begin an arrangement with Oy Sinebrychoff Ab, which is 60 per cent owned by Carlsberg. This regards the production of The Coca-Cola Company products at Sinebrychoff’s factory in Kerava, where production capacity will be expanded. Sinebrychoff will also distribute The Coca-Cola Company products.

With the expansion to Finland and a large part of Norway, activities within CCNB include four Nordic countries covering a market area with 23 million consumers.

Group Staff Functions

Corporate Communications

In the summer of 1998, Carlsberg strengthened its communications function by dividing it into two separate units: Division Danmark Info is in charge of the internal communication to the employees of the division, and Corporate Communications handles external and internal communication in the Carlsberg Group.

One of Corporate Communication's most important tasks is to reinforce communication within the fast-growing Carlsberg Group. In the past year a Carlsberg Group intranet in the English language was established. The net is called CCWeb and it provides all Carlsberg employees around the world with the opportunity of quickly accessing news and important information from the world of Carlsberg. In the years ahead, CCWeb will be continuously expanded, and will play an important part in the development of "best practices" between the employees of the Carlsberg Group. Furthermore, the international corporate magazine, The Brew, has been upgraded and will now be published six times a year, as opposed to four times a year.

At the old Carlsberg brewery, Gammel Carlsberg, a new visitors' centre is currently being established. It will welcome the approximately 150,000 guests who visit Carlsberg each year. The new Visitors' Centre is expected to be completed by April 1999, and it will provide the guests with a unique insight into the past 150 years of brewing history and the vibrant world of Carlsberg today.

Quality Control

Carlsberg Corporate Brewing, quality control, consists of Technical Services and the Central Laboratory.

Technical Services handles the general supervision of issues related to technology and quality in all breweries and production sites that produce the Group's brands world-wide. In addition to the uncompromising enforcement of the Group's strict quality control, a new focal point in recent years has been supplying active assistance in relation to the increase of productivity and the co-ordination of environmental conditions in the Group's own breweries. The execution of these tasks is made possible with the use of both sophisticated information technology and flexible organisational structures.

The Central Laboratory is responsible for quality control systems for the international production, and it arranges for tests to be analysed by relevant external and internal laboratories. A change in the principles regarding quality control has been implemented, and this has led to a considerable rationalisation of the consumption of resources in Copenhagen. From previously focusing on control and management from Copenhagen, quality control is now the responsibility of the individual production sites with support from the Central Laboratory in Copenhagen.

Corporate Marketing

The Carlsberg brand, on which the tradition and quality of the company has been based for more than 150 years, has been subjected to concentrated marketing efforts in the past year. This has also been reflected in the heavy increase in the sales of the brand products.

Carlsberg's international marketing campaign, in which our world-famous distribution lorry plays the leading part, is now recognised as a yardstick for powerful and consistent brand advertising. The campaign is frequently copied even by well-known international companies. TV, radio and print campaigns are seen and heard globally every day and although tradition in the beer business necessitates the incorporation of local culture, the company's profile appears both stronger and more unified.

During the past year, Carlsberg has made determined efforts to change its profile in order to make the brand appear modern and up-to-date, also to young consumers. Thus, the company's national campaign seeks to link tradition to quality rather than to age.

The Carlsberg Corporate Marketing division, which was established a few years ago, has taken great pains to ensure that no matter where the Carlsberg logo is seen, it is associated with good taste.

In 1997/98, the number of global activities related to the Carlsberg brand increased significantly. The weight of international and national advertisements – measured in TV and the printed media ratings – increased by a two-figured percentage.

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Alpine skiing is a new sponsorship area for Carlsberg. In the coming years, Carlsberg will be an active sponsor of the main events of this sport, including the Alpine World Championships and the World Cup.

Group Staff Functions

Within the world of sports, Carlsberg this year underlined its commitment to international football with the sponsorship of the English National Team and Liverpool F.C. Carlsberg was the sponsor of the majority of the international Cup finals and also secured a new sponsorship contract for the next European Football Championship. This helped Carlsberg win the title as “Probably the best football supporter in the world”. The above-mentioned sponsorships are combined with special advertisements on regional TV channels in both Europe and Asia.

Alpine skiing is a new sponsorship area for Carlsberg. In the coming years, Carlsberg will be an active sponsor of the main events of this sport, including the Alpine World Championships and the World Cup. The combination of competition and “probably the best after skiing drink” seems natural in this increasingly important image sport in both Europe and the USA. Other activities within the world of sports include the athletics sponsorships with the World Athletics Championship in Athens and the Asian Games, which were major events within the Olympic disciplines.

Tuborg’s basketball sponsorship and Tetley’s substantial sponsorship of rugby in the UK should also be mentioned in this connection.

Carlsberg has succeeded in creating a high profile for itself within the world of music as the sponsor of contemporary music in co-operation with leading television stations. The selection of media in connection with these activities has been expanded to include the Internet which is a natural choice since this media has the attention of the young consumers.

The international Task Force is another of Carlsberg’s international sales and marketing activities that deserves mentioning. In recent years the Task Force has been very successful in connection with regional promotion activities in local markets, but they have also been available to the organisers of large sponsored events. The Task Force is an efficient link between sales and marketing, and it also provides young talents with the possibility of expanding their theoretical training with practical sales and promotion work.

Human Resources

The Group’s personnel department, Corporate Human Resources, has expanded the co-operation with the Group companies and their HR functions. The purpose of this expansion is to provide systematic and extensive career planning for key employees.

In order to increase the exchange of employees between Group companies, an internal job market has been established on the intranet. Available key positions within the Group are posted on this site. An international exchange and training programme between the companies is available for young employees, creating opportunities for personal and work-related development in an international setting.

The three Danish two-year trainee programmes within sales, finance and technology (engineering) are still very popular with young graduates who are interested in an international career. The programmes are co-ordinated with similar programmes in other Group companies so that the trainees get the possibility of working in a foreign company for a period of time.

Carlsberg International Brewing Academy offers the employees of Group companies and Group partners training and development courses in English. One of the offers is a Diploma Brewmaster Course which is a post-graduate study programme. Other offers include a number of technical supplementary courses and courses within sales/marketing, economics and management of which several were offered for the first time in 1998. The new offers included courses for employees in eastern Europe and the former Soviet Republics.

The Brewing Academy has had students from 29 countries in the past year. All the teaching occurs at the Company’s own education centre which is placed in the newly renovated halls in J.C. Jacobsen’s original production buildings at Gammel Carlsberg.

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Group Staff Functions

IT Development

As regards IT, the Parent Company has continued the radical initiatives with a view to strengthening the focus on customer related functions. The purpose is also to make the internal working procedures more efficient and to increase transparency within the company. Therefore, a new sales and distribution structure with related IT systems has been implemented. This process will continue, and next year it will include the export/licence business as well as Human Resources. The IT solution is based on the integrated standard system SAP R/3.

Furthermore, the development and implementation of a new network intended to work as a tool for information sharing and competence development for Group employees has been initiated. The main purpose of this system is to communicate the “Carlsberg Way of Doing Business" both in general and in detail, and to function as an information link between the individual companies. The network uses Internet technology, but it is a closed net only available to the Carlsberg Group.

For a considerable period of time, all Carlsberg Group companies have focused on the year 2000 problem, which entails a need for a systematic review of all computer systems, production equipment, alarms, telecommunication equipment etc. Carlsberg is also well aware of the possible consequences for circumstances not directly related to the Group. The activities necessary to ensure a smooth transition to the next millennium are far advanced and are expected to be completed by the third quarter of 1999.

Research

The research and development activities of the Carlsberg Research Center, which includes the Carlsberg Laboratory, continued with undiminished efforts in 1997/98. The expenses, amounting to about DKK 100 million after the deduction of external grants, are charged to the profit and loss account. In the past year, the Research Center employed a staff of 150 full-time employees and 25 visiting researchers. 60 of these came from outside Denmark, and 125 in all had a research based background.

During the period, the Carlsberg Laboratory received an extraordinary grant of DKK 3 million from the Carlsberg Foundation intended for the up-dating of the central computers in the Research Center, the improvement of the speed on local networks and the implementation of Internet access. The Center’s employees now have excellent opportunities of using modern information technology on the Internet for the completion of research projects. The Research Center’s scientific staff is mainly located in the Carlsberg Laboratory and in the course of the year approximately 70 scientific articles have been published in international journals with peer review and five PhDs and three theses have been completed.

Technological Development

Carlsberg’s increased focus on the beer business and the tough market conditions have made it necessary to modernise the development function and make it more efficient. The development of new products, both as regards packaging and beer, is targeted to follow the current trends. Packaging is an area that is making rapid progress both nationally and internationally, and in order to secure Carlsberg an innovative position as market leader, a new function under Technological Development has been established with the purpose of developing future packaging types.

In the past financial year, several product development projects have been carried out in close co-operation with the Group’s regional managers both in Denmark and internationally.

Within the area of technological development, the focus continues to be on attaining the best possible beer products both as regards quality and environmental issues. In this connection the latest technology is tested and evaluated with a view to possible application in the production.

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On the occasion of Carlsberg's 150th anniversary, the New Carlsberg Foundation presented a six-metre-tall fountain sculpture in bronze by the sculptor Jens-Flemming Sørensen. The picture shows the artist in front of the sculpture, which was placed in the square in front of Carlsberg's new head office in the summer of 1998.

The Carlsberg Group
Accounts, Notes etc.
for 1997/98

1997/98 in outline:

- Turnover of DKK 29.3 bn, an increase of DKK 9.9 bn.
- Operating profit of DKK 1,554 million, against DKK 1,255 million in 1996/97.
- The result was affected by a number of special non-recurring items amounting to net DKK 243 million, which are posted under a new heading "Special items" in the accounts.
- Net financial income amounted to DKK 423 million, which is slightly less than last year.
- Profit before tax totalled DKK 2,220 million, compared with DKK 1,756 million in 1996/97.
- Write-down of Group goodwill by DKK 2,460 million against equity.
- Equity amounted to DKK 10.9 bn, compared with DKK 10.3 bn in 1996/97.

Accounting Policies

The annual accounts have been prepared in accordance with Danish accounting legislation and the reporting requirements of the Copenhagen Stock Exchange which include current Danish accounting standards. The accounting policies have been changed so that, contrary to previous years, deferred tax assets are included in the balance sheet at the expected realisable value. The application of this new principle will result in improved coherence between profit before tax and tax expenditures in the profit and loss account, both as regards the annual accounts this year and future accounts. As this change entails no material impact on previous annual accounts, the comparative figures have not been changed. Furthermore, minor adjustments to the valuation of marketable shares have been made in the balance sheet. For further details please see "Accounting Policies" on page 43.

The annual accounts apply Carlsberg's previous principles of immediately writing down Group goodwill against the equity. Over the last five years the Carlsberg Group has made considerable acquisitions and has thus immediately written down DKK 3,399 million against the equity, of which DKK 2,460 million occurred in 1997/98. If the Group goodwill had been capitalised and written down over 20 years for example, the Group's result before tax for 1997/98 would have been DKK 117 million smaller and, at 30 September 1998, the equity would have been DKK 3,134 million larger. In the years prior to the above-mentioned five-year period, the amount of immediately written-down Group goodwill was less significant.

Indirect production costs have not been included in the value of the Group's stocks. Had such costs been included, the stocks would have been DKK 298 million larger at year-end, while the operating profit would have been DKK 36 million lower.

The Profit and Loss Account, In General

The profit before tax of the Carlsberg Group amounted to DKK 2,220 million, which is DKK 464 million or 26.4 per cent up on last year. The improvement derives from operating profit as well as the new heading "Special items" in the accounts.

As mentioned above, the operating profit of the Group is larger than last year, which is the result of new acquisitions and increased shareholdings in Group companies.

Acquisitions

At the beginning of the financial year, Carlsberg A/S purchased an additional 50 per cent of the shares in Oy Sinebrychoff Ab, Finland, increasing Carlsberg's total shareholding in the company to 60 per cent. At the same time Carlsberg transferred its 50 per cent shareholding in Falcon Holding AB, Sweden, to Sinebrychoff which then became the owner of 100 per cent of the share capital in Falcon. The Sinebrychoff group also has a 67 per cent shareholding in AO Vena in St. Petersburg, Russia. The inclusion of the result of the Sinebrychoff group in the annual accounts of the Carlsberg Group has resulted in an increase in the operating profit of DKK 219 million compared with last year, when only the 50 per cent shareholding in Falcon was included.

At the end of the previous financial year, Carlsberg took over the remaining 50 per cent of the share capital in Carlsberg-Tetley PLC from Bass Brewers Ltd. Thus, the company is consolidated 100 per cent in both the profit and loss account, and the balance sheet for this year, as opposed to last year, when the company was consolidated 50 per cent in the profit and loss account on a pro-rata basis. In connection with Carlsberg's complete takeover of the company, substantial provisions were made for severance payments, write-down of assets etc. in connection with the implementation of necessary structural changes. The present changes are progressing as planned and are expected to be completed within the next few years. Carlsberg-Tetley's operating profit for the year amounted to DKK 336 million compared with DKK 510 million last year, of which 50 per cent was included in the Carlsberg Group. With the addition of the compensation received by Carlsberg from Allied Domecq PLC in 1995/96, of which DKK 149 million has been booked as income in 1997/98, the total result for the United Kingdom is at the same level as last year.

As at 1 October 1997, Carlsberg and The Coca-Cola Company established a joint Nordic holding company, Coca-Cola Nordic Beverages A/S, in which Carlsberg has a 51 per cent shareholding and The Coca-Cola Company holds 49 per cent. As a consequence, Coca-Cola Nordic Beverages is now the sole proprietor of the soft drink production, sales and distribution companies in Denmark and Sweden. In connection with the creation of this co-operation, Carlsberg noted a difference in value, which has been allocated for running-in and reorganisation costs in the above-mentioned countries. The difference in value originated from The Coca-Cola Company's cash payment and from Carlsberg's profit from the sale of Bryggerigruppen and Dansk Coladrik, which was a necessary requirement of the co-operation in order to obtain approval from the EU competition authorities. The provision, which amounts to DKK 1.2 bn, will be used over a five-year period according to business plans starting in the present financial year. The contribution of the Coca-Cola Nordic Beverages group to Carlsberg's share of the Group accounts is at the same level as last year, when only Coca-Cola Tapperierne A/S (A/S Dadeko) in Denmark was included. On 30 September 1998, Carlsberg and The Coca-Cola Company signed agreements regarding the transfer of activities in Norway and Finland to Coca-Cola Nordic Beverages. These agreements were made on the basis that the calculation of the transfer price was to be based on the original cost price of the assets in these companies. The difference in value compared to the booked values at present, as well as the adjustment to Carlsberg's accounting policies, have been deducted from equity in accordance with the Group's established principles. The adjusted balance sheets for Norway and Finland are incorporated in the Group balance sheet at 30 September 1998, while the results for the companies in question will be included in the annual accounts as from the financial year 1998/99.

Turnover

The turnover, which includes royalties, increased by about 51 per cent to DKK 29.3 bn primarily due to the increase from 50 to 100 per cent of the shareholding in Carlsberg-Tetley, the acquisition of the Finnish brewery Sinebrychoff and the Coca-Cola activities in Sweden as well as the purchase of Orrefors Kosta Boda and Boda Nova Höganäs by Royal Scandinavia A/S.

In the aggregate which is adjusted for exchange rate trends and the new acquisitions, turnover of the Carlsberg Group's beer business was slightly below last year both internationally and nationally.

Turnover in soft drinks showed an increase primarily attributable to the inclusion of the Coca-Cola activities in Sweden.

Turnover in companies outside the beverage sector showed a minor increase principally deriving from the acquisition of subsidiaries in Royal Scandinavia.

Production Costs

In the financial year, production costs increased more than 30 per cent compared to last year. The production costs showed a proportionate minor increase compared with the development in turnover which is the consequence of, among other things, the considerable restructuring measures of recent years, particularly in Denmark and the United Kingdom, which have not yet been completed. Savings from these measures will continue to affect the annual accounts positively in the years to come.

Sales and Distribution Costs

Sales and distribution costs showed a substantial increase in the financial year which is primarily attributable to the newly acquired companies. Furthermore, the Carlsberg Group maintains a high level of advertisement and sponsorship activities. The distribution sector is also currently undergoing structural changes which will result in cost-savings in the years to come.

Administration Costs

Development in the administration costs followed the general price trend, when considering the exchange rate trend and the sale and acquisition of companies. Measures to improve efficiency, in the administration functions in Denmark for example, continued with the implementation of new control systems in support of simplified business routines.

Other Operating Income, Net

Other operating income mainly relates to the normal operating profit from the Group's investments in property. This financial year also saw construction activity, particularly in the area around Tuborg's former brewery site.

Profit Before Tax of Other Associated Companies

The results of other associated companies showed a decline compared to last year. The decline derives mainly from the divestment of Bryggerigruppen (formerly Jyske Bryg Holding A/S) which was incorporated with Carlsberg's 37 per cent shareholding under this item last year. Furthermore, the 40 per cent owned Croatian brewery Panonska Pivovara d.o.o. recorded a decrease.

Special Items, Net

This heading covers significant non-recurring items which are not directly attributable to the normal running of the company.

The items in question are profits from the divestment of business areas, which for the present financial year includes profits from the disposal of the shares in both Rynkeby Foods A/S totalling DKK 63 million, and from Holmegaard Emballage A/S in the Royal Scandinavia Group totalling DKK 338 million. In connection with the takeover of the remaining 50 per cent shareholding in Carlsberg-Tetley at the end of the financial year 1996/97, Carlsberg made Group provisions. This was in addition to the measures taken in the external annual accounts of Carlsberg-Tetley, to cover significant uncertainties in the United Kingdom, such as the closing-down of breweries. When estimating the provisions necessary for the completion of the restructuring plans in the United Kingdom it emerged that the provisions made in the accounts of Carlsberg-Tetley were sufficient, which is why the provisions made by the Group could be reversed. The reversal is made both in the profit and loss account with DKK 157 million and directly against equity with DKK 283 million in accordance with the procedure followed at the time of allocation. Furthermore, Carlsberg has sold a 45 per cent stake in the property partnership Tuborg Nord B through the wholly-owned subsidiary Tuborg Nord B A/S. The profits realised by the subsidiary in this connection, as well as other profits from the sale of investment property, have been charged to this item, amounting to DKK 85 million.

Costs to cover the streamlining of the entire Danish beer division, particularly severance pay and costs in connection with the termination of production at the Wiibroes Bryggeri in Helsingør, and the restructuring of Royal Scandinavia A/S have been registered as expenditure, totalling DKK 275 million. Furthermore, the write-down of property is included, like brewery property in the Far East and excess depots in Denmark, amounting to DKK 125 million.

Financial Items

The continued high level of the net financial items can be ascribed to the realisation of a considerable part of the increased value of marketable shares. Also important are gains from the sale of investment securities such as own shares and shares in Royal Scandinavia. Furthermore, but to a lesser extent, financial items were influenced by write-down of investments made by the Carlsberg Group in risky parts of the world.

Corporation Tax

Proportionally, corporation tax is below the level of last year, which must be seen in the light of the fact that considerable share and property related profits are not included in the taxable income. The tax charge amounts to 21.4 per cent of the result before tax, against 28.5 per cent in 1996/97.

The Balance

The balance sheet total at 30 September 1998 increased by just below 25 per cent compared with last year, mainly due to the consolidation of the Coca-Cola Nordic Beverages group and the Sinebrychoff group.

As in previous years, further information about increases in the value of items in the balance sheet can be found in the Notes.

Tangible Fixed Assets

Apart from the additions related to Coca–Cola Nordic Beverages and Sinebrychoff as mentioned above, the increase in this item is the result of the substantial restructuring process taking place within several areas of the company.

Equity

The increase of the Group's equity mainly derives from appropriations to reserves from the result for the year, payments received from minority shareholders as well as the reversal of provisions regarding Carlsberg-Tetley and adjustments at the beginning of the year in connection with deferred tax assets. The deduction in equity is primarily attributable to Group goodwill in connection with the takeover of Sinebrychoff and the Coca-Cola activities in Norway and Finland as well as Royal Scandinavia's acquisitions. To this must be added the net exchange rate adjustments of Group companies and the related long-term loans in foreign currencies.

Other Provisions

The additions to this item during the year are mainly due to provisions made in connection with the above-mentioned difference in value from the establishment of Coca-Cola Nordic Beverages on 1 October 1997. These provisions will be used for running-in and reorganisation costs in the countries in question during the next five years beginning with 1997/98, with the largest amounts used in the first years. Royal Scandinavia has also made provisions for restructuring initiatives.

Provisions of previous years have been used in accordance with the original plans, such as the restructuring of production, sale, distribution and administration in Denmark, and in the United Kingdom with severance payments etc. according to the restructuring plans. In 1995/96 Carlsberg received compensation from Allied Domecq covering future reductions in income and additional expenses in relation to new supply agreements and pension schemes. The share of the compensation relating to the annual accounts for 1997/98 has been recognised as income in the profit and loss account.

As previously mentioned in the Financial Review under Special items, the Group provisions regarding Carlsberg-Tetley have been reversed and are registered as disposals under Other Provisions. Furthermore, part of the provisions made in relation to the differential value arising from the establishment of Coca-Cola Nordic Beverages has also been utilised for running-in and reorganisation costs.

Cash Flow

The Cash Flow Statement has been prepared in accordance with the Danish Accounting Standard No. 11. The statement gives an overview of the origin and application of the cash flow throughout the year. Cash flow from the operation of the Group, inclusive of financial items, but exclusive of changes in the working capital, has improved compared to last year and amounts to DKK 2.7 bn. Of this amount, DKK 1.3 bn, was employed for tangible fixed assets while DKK 1.4 bn was employed for acquisitions etc. including Sinebrychoff. Meanwhile, increase of tied-up working capital amounted to DKK 0.3 bn. To finance part of these investments, the Group sold securities, yielding DKK 1.2 bn, and fully or partially divested Group companies resulting in a cash flow contribution of DKK 0.5 bn. Summing up the activities, and with due consideration to payments and receipts mainly from minority interests, a positive cash flow of DKK 1.7 bn appears. As of 30 September 1998, the Group's total liquid funds amounted to DKK 3.9 bn.

Available Funds

At 30 September 1998 the funds available consisting of liquid funds and listed securities excluding drawing rights amounted to DKK 6.8 bn. This has been calculated using the official stock exchange prices. About 40 per cent of the available funds consists of Danish bonds with an average duration of about 3.5 years. Below is an illustration of the available funds.

Carlsberg's loan portfolio consists of listed bond loans, bilateral loan agreements and syndicated credits, primarily drawn in currencies in which Carlsberg holds assets.
The listed bond loans are:

CHF 100 million (DKK 459 million), maturity 2004
GBP 200 million (DKK 2,147 million), maturity 2013

By far the majority of the long-term debt has been raised at fixed interest for the duration.

Confirmed, but unutilised credit facilities amount to more than DKK 3 bn.

Foreign Currencies

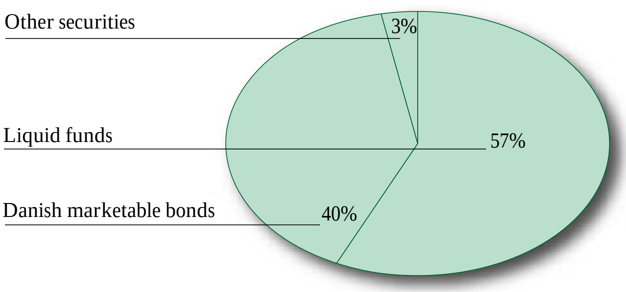
The Carlsberg Group works on a global scale and the preparation of the annual accounts consists of the adding up of items in a number of different foreign currencies. The distribution of currencies is illustrated by the graphs below, comprising five different categories of currency: the Danish krone, British pound, other Western European currencies, Asian currencies and miscellaneous.

Compared to last year, the share of the Danish krone has been reduced both in turnover and in operating profit which is due to the Group's acquisitions in the currency areas of the British pound and other Western European currencies.

Assets and liabilities within the individual currency categories are practically of the same dimension, with the British pound and other Western European currencies showing a bias in favour of the liabilities however.

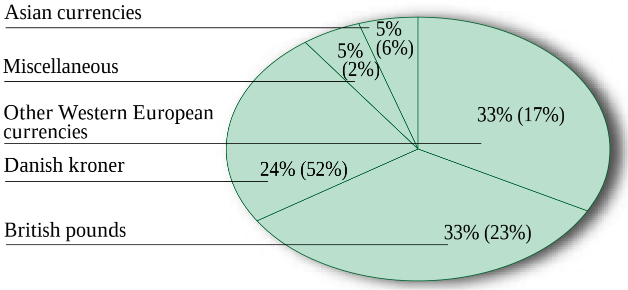
The accounts of foreign subsidiaries and associated companies are translated into Danish kroner in accordance with the official exchange rates. The balance sheet applies the exchange rates on the balance date whereas the profit and loss account is translated according to a computed average of the exchange rates throughout the year. The development in the exchange rates of importance to the Carlsberg Group is as set out below:

Cash resources

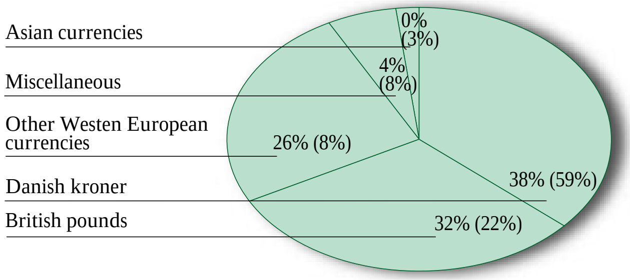


	Profit and Loss Account			Balance Sheet		
Currency	1995/96	1996/97	1997/98	1995/96	1996/97	1997/98
GBP	880.67	1043.23	1122.12	916.45	1088.09	1082.21
USD	570.85	639.37	679.04	586.30	673.95	637.10
DEM	386.50	381.64	380.96	384.06	380.78	380.29
FIM	126.58	127.57	125.72	128.34	127.20	124.92
SEK	85.12	86.57	86.31	88.40	88.60	81.11
PTE	3.73	3.79	3.72	3.78	3.74	3.71
ITL	0.37	0.39	0.39	0.38	0.39	0.38
CHF	-	-	-	466.76	462.81	459.37

Turnover excl. excise duties 1997/98: DKK 22.1 bn (1996/97: DKK 14.9 bn)



Operating profit 1997/98: DKK 1,554 million. (1996/97: DKK 1,255 million)



As is shown in the table, the British pound shows the most notable fluctuations. The profit and loss account for this financial year is positively influenced by the favourable development of this currency category. Having aimed at balancing assets and liabilities at a reasonable level in the individual currency categories, the development in exchange rates has resulted in a comparatively equal increase/decrease in assets and liabilities.

Financial Risks

As a consequence of many sizeable international investments and reasonably large liquid stock, the Carlsberg Group is obviously exposed to a number of financial risks. Currency exposure arises as a result of the fact that about 62 per cent of the Group's primary operations originate from foreign Group companies translating into Danish kroner according to a computed average, and fluctuations in these currencies will directly impact on the profit and loss account of the Group. With reference to the chart showing the distribution of primary operations above, it will be fluctuations particularly in the British pound and other Western European currencies that will influence the Group result.

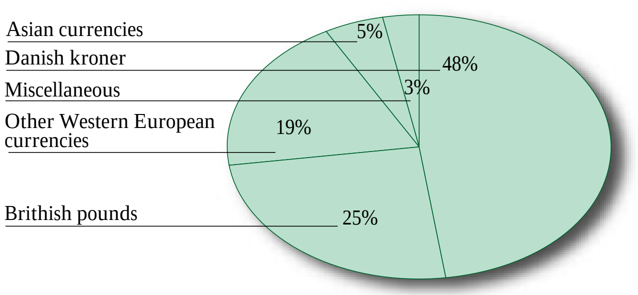
In the balance sheet, fluctuations in exchange rates affect primarily the translation of the foreign subsidiaries' equity at the exchange rate ruling at the balance sheet date. Adjustment is made directly against the equity as is the case for the long-term loans in foreign currency raised to cover the investments. Not all investments are covered, but the uncovered part is not assessed to affect the Group's equity substantially.

The Carlsberg Group advances loans to the on-trade, particularly in the United Kingdom through Carlsberg-Tetley. Even though loans have been reduced during the year, total loans still constitute a considerable item in the balance sheet. The loans are subjected to continuous control and supervision, and it is assessed that the provisions are sufficient to cover any loss.

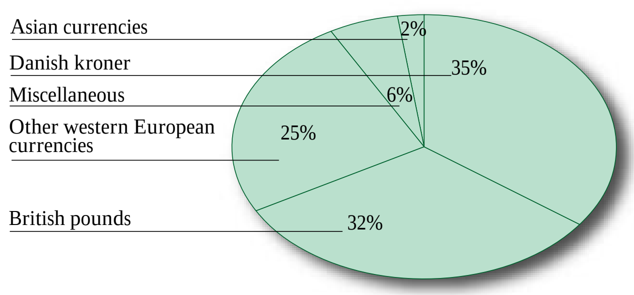
40 per cent, or DKK 2.8 bn, of Carlsberg's liquid stock is in the form of Danish bonds with a DKK duration of approx. DKK 100 million, with which amount the year's result will be reduced in case of an increase in the interest rate of 1 per cent. The liquid funds included in the liquid stock of about DKK 3.9 bn are invested as short-term deposits in banks or other financial credit institutions, all having satisfactory creditworthiness. It is assessed that these arrangements involve no risk of loss.

The Carlsberg Group primarily applies financial instruments to cover agreements, resulting in no other significant material risks to the Group.

Assets



Liabilities



Accounting Policies

The annual accounts have been prepared in accordance with Danish accounting legislation and current Danish accounting standards.

The accounting policy applying to deferred tax assets has been changed so that deferred tax is provided for all temporary differences between accounting and tax values and deferred tax assets are included in the balance sheet at the expected realisable value. The application of this new policy will result in improved coherence between profit before tax and tax expenditures for the year both as regards the annual accounts this year and future accounts. As this change entails no material impact on previous profit and loss accounts, the figures listed for comparison have not been adjusted. In the balance sheet this change results in an increase in the Group's equity at the beginning of the year with the deferred tax asset amounting to DKK 294 million.

The accounting principle applied in previous years regarding the inclusion of marketable bonds in the balance sheet at the average of the quoted price for each of the previous three years has been changed. The shares are now included at cost or at the quoted price at the end of the financial year, if lower. This adjustment has had no material impact on the Group's equity and no effect on the profit and loss account.

Apart from the above-mentioned changes the accounting policies are unchanged from last year.

A new item called "Special items, net" is included in the profit and loss account. This covers significant non-recurring items which are not directly attributable to the normal running of the company.

Furthermore, minor adjustments have been made in the Cash Flow Statement.

Consolidation Principles

The Group accounts for the Carlsberg Group comprise the accounts of the Parent Company, Carlsberg A/S, and its subsidiaries, i.e. entities in which the Parent Company, directly or indirectly, holds a controlling interest.

The Group accounts also include associated companies, which by agreement are managed jointly with one or more other companies based on pro-rata consolidation in the Group accounts, with the proportionate ownership share of the individual assets, liabilities, income and expenses.

Other associated companies are included in the accounts at a proportionate share of their financial results and equity.

The Group accounts have been prepared on the basis of the accounts of the Parent Company and its subsidiary and pro-rata consolidated companies, by combining items of a uniform nature and eliminating intercompany sales, licences, interest, dividends, profits and intercompany balances. Shareholdings in subsidiary and pro-rata consolidated associated companies have been offset against a proportionate share of the equity of the relevant companies, stated in accordance with the accounting policies of the Group. Minority shareholders' share of profit and equity in subsidiaries has been stated separately.

In the case of acquisition of subsidiary and associated companies as well as increases in shareholdings therein, any excess of the cost price over net assets stated in accordance with Group accounting policies at the date of acquisition is, wherever possible, allocated to the assets and liabilities of the relative companies. Any remaining amount (Group goodwill) is taken directly to equity. Any negative difference in value (reduction in value) is taken to equity as a starting point. To the extent that a negative difference in value at the time of acquisition is expected either to result in reductions of future operating results or in restructuring expenses, the difference in value is appropriated to other provisions and used when the reductions and expenses are realised.

Foreign Currencies

The accounts of foreign subsidiary and associated companies are translated into Danish kroner at the average exchange rates during the financial year for income and expense items and at the exchange rates using the closing rate for assets and liabilities. Exchange gains and losses resulting from the translation of the net assets of foreign companies at exchange rates using the closing rate are taken directly to equity.

Amounts receivable and payable in foreign currencies have been translated into Danish kroner at the exchange rates ruling at the balance sheet date. Hedging arrangements are assessed separately. Realised and unrealised exchange gains and losses are recorded in the profit and loss account. Exchange gains or losses after tax on liabilities to hedge investments in subsidiary or associated companies are taken directly to equity.

Turnover

Sales are recorded as income upon delivery. Licence fee income is recorded on the basis of amounts earned during the year. Contract work in progress for the account of third parties is recorded under the percentage of completion method and is taken up in the balance sheet under stocks after a conservative evaluation of each contract.

Research and Development Expenditure

Research and development expenditure is charged to the profit and loss account as incurred.

Special Items

Special items covers significant non-recurring items which are not directly attributable to the normal running of the company, including certain relatively large profits or losses arising from disposals, special write-downs and depreciation, provisions and any reversals of such items.

Share of Subsidiary and Associated Companies' Profit or Loss

Share of the profit or loss of the subsidiary and associated companies, after adjustment for changes in unrealised inter-company profits, is entered in the profit and loss account of the Parent Company. Share of the estimated tax charge of these companies is recorded under corporation tax.

Corporation Tax

The Parent Company is taxed jointly with its wholly-owned Danish subsidiaries and certain foreign subsidiaries. The aggregate tax charge of the jointly-taxed Danish companies is allocated to the individual entities in proportion to their taxable incomes (the full allocation method).

Deferred Tax

Deferred tax is provided for all temporary differences between accounting and tax values and deferred tax assets are included in the balance sheet at the expected realisable value. Provisions are not made for deferred tax which may arise from the realisation of shares at book value.

Intangible Fixed Assets

Intangible fixed assets are charged against the profit and loss accounts in the year of acquisition. In case intangible fixed assets are taken over in connection with the acquisition of a company, the amount is included in the computation of goodwill.

Tangible Fixed Assets

Tangible fixed assets are recorded at purchase price or cost less accumulated depreciation. Value adjustments have taken place in certain foreign subsidiary and associated companies in accordance with local accounting practice. The draught beer equipment of Carlsberg-Tetley is recorded as a basic stock stated at cost.

Depreciation is provided under the straight-line method over the estimated economic lives of the assets:

Buildings	20 - 50 years
Plant and machinery	10 - 20 years
Other fixtures and fittings, tools and equipment including soft drink machines	3 - 10 years

Plastic crates and returnable bottles together with other minor fixed assets are charged against profits in the year of acquisition.

Financial Fixed Assets

Shareholdings in subsidiary and associated companies are stated in the balance sheet of the Parent Company at a conservative evaluation of the companies' net assets in accordance with Group accounting policies, less unrealised inter-company profits.
Other financial fixed assets are stated at cost or lower value at the balance sheet date.

Stocks

Stocks are stated at purchase price or production cost (average method), or net realisable value, if lower. Write-down is effected for obsolete stocks. Production overheads are not included in the production cost.

Marketable Securities

Marketable shares and bonds are stated at cost or at the quoted price at year end if lower.

Realised and unrealised gains or losses, constituting the difference between sales proceeds and cost, are included in the profit and loss account.

Financial Instruments

Financial instruments, including forward exchange contracts and options, are used in the normal course of business of the Group, mainly to cover existing commitments, as well as repos.

Financial instruments are treated in the accounts in accordance with the accounting policies applied for the underlying assets and liabilities.

Cash Flow Statement

The cash flow statement has been prepared in accordance with the indirect method and is based on the Group's operating profit. The statement shows the Group's cash flows in operating activities, investing activities and financing activities as liquid funds at the beginning and end of the year and at the end of the financial year.

Cash flows from operating activities include the Group's operating result adjusted for financial items, corporation tax paid, depreciation and other items not involving cash receipts and cash payments. The adjusted operating profit is adjusted for the change in the working capital such as stocks, debtors, creditors etc.

Cash flows from investing activities arise from the acquisitions and disposals of undertakings, investments in other fixed assets and dividends received.

Cash flows from financing activities include dividends paid by the Parent Company and changes in long-term debt etc.

Liquid funds at the end of the financial year include cash less short-term bank debt due on demand.

Turnover, Operating Profit and Equity

- in major Subsidiaries and Associated Companies
(Based on the accounts reported by the company to the Carlsberg Group)

Companies outside Denmark		Turnover DKK million	Operating profit DKK million	Equity DKK million	Share
Carlsberg-Tetley PLC, Northampton, England		9,892	336	4,697	100%
Unicer-União Cervejeira, S.A., Porto, Portugal	1)	2,184	184	1,378	31%
Carlsberg Brewery Malaysia Berhad, Kuala Lumpur, Malaysia	1)	1,393	256	735	28%
Okocimskie Piwowarskie S.A., Brzesko, Poland	2)	672	74	598	43%

Companies in Denmark		Turnover DKK million	Operating profit DKK million	Equity DKK million	Share
Coca-Cola Nordic Beverages A/S, Copenhagen	3)	3,046	-112	1,000	51%
Vingaarden A/S, Odense		646	31	108	100%
Danbrew Ltd. A/S, Copenhagen		205	15	254	100%
Royal Scandinavia A/S, Copenhagen		2,282	103	1,145	61%
A/S Kjøbenhavns Sommer-Tivoli, Copenhagen	2)	286	12	262	43%

The figures indicated for turnover, operating profit and equity represent the aggregate accounting figures for the companies in question.

1) Pro-rata consolidated associated company
2) Other associated company
3) Included in the accounts of the Carlsberg Group after adjustments for structural changes as mentioned in the Financial Review

Group Companies

CARLSBERG A/S
Share capital DKK 1,278,125,640

BREWING COMPANIES

BREWING COMPANIES		Share	(‘000	Currency	at 30.9.98
Denmark					
Carlsberg A/S, Copenhagen					
UK					
Carlsberg-Tetley PLC, Northampton, England	○	100%	90,004	GBP	1082.21
Carlsberg-Tetley Brewing Limited, Northampton, England					
6 subsidiaries					
North, Central and Eastern Europe					
Hannen Brauerei GmbH, Mönchengladbach, Germany	○	100%	35,002	DEM	380.29
3 subsidiaries					
Okocimskie Piwowarskie S.A, Brzesko, Poland	❑1)	43%	22,000	PLN	178.58
Panonska Pivovara d.o.o., Koprivnica, Croatia	❑	40%	159,632	HRK	103.80
Oy Sinebrychoff Ab, Finland	○	60%	244,985	FIM	124.92
8 subsidiaries					
Falcon Holding AB, Falkenberg, Sweden	○3)	60%	150,000	SEK	81.11
International Breweries B.V., Bussum, Netherlands	○	20%	62	USD	637.10
Israel Beer Breweries Ltd., Ashkelon, Israel	❑	20%	38	ILS	166.25
Nuuk Imeq A/S, Nuuk, Greenland	❑	24%	38,000	DKK	
Western Europe					
Carlsberg France, S.A., Paris, France	❑	100%	5,200	FRF	113.42
Carlsberg Italia S.p.A., Varese, Italy	❑	75%	8,400	ITL m	0.3846
13 subsidiaries					
Danbeer AG, Zürich, Switzerland	❑	30%	500	CHF	459.37
Cervuniao-Gestao e Investimentos, SGPS, Lda., Porto, Portugal	❑2)	50%	3,600	PTE m	3.708
C.O.S.A.R.-Sociedade Gestora de Participações Sociais, Lda, Porto, Portugal	❑2)	50%	3,324	PTE m	3.708
S.A.R.C.-Sociedade Gestora de Participações Socias, Lda., Porto, Portugal	❑2)	50%	3,324	PTE m	3.708
Unicer-União Cervejeira, S.A., Porto, Portugal	◆1) 2)	31%	19,500	PTE m	3.708
7 subsidiaries					
Asia, Africa, North and South America					
Carlsberg Agency Inc., New York, USA	○	100%	10	USD	637.10
1 subsidiary					
Carlsberg Asia Pte Ltd, Singapore	○	100%	100	SGD	377.65
Carlsberg Brewery Hong Kong Limited, Hong Kong	○	51%	250,000	HKD	82.22
4 subsidiaries					
Carlsberg Brewery Malaysia Berhad, Kuala Lumpur, Malaysia	◆1)	28%	153,000	MYR	167.66
Carlsberg Malawi Brewery Limited, Blantyre, Malawi	○	49%	20,000	MWK	15.74
Southern Bottlers Limited, Blantyre, Malawi					
Gorkha Brewery Ltd., Nepal	❑	48%	466,325	NPR	9.35
Hue Brewery Ltd., Hue, Vietnam	❑	35%	216,788	VND	0.06
South East Asia Brewery Ltd., Hanoi, Vietnam	❑	35%	212,705	VND	0.06

SOFT DRINK COMPANIES AND OTHER COMPANIES

Soft drink companies					
Coca-Cola Nordic Beverages A/S, Copenhagen	○	51%	567,009	DKK	
7 subsidiaries					
Other companies					
Carlsberg AB, Malmø, Sweden	○	100%	50	SEK	81.11
Carlsberg International A/S, Copenhagen	○	100%	1,000	DKK	
A/S Kjøbenhavns Sommer-Tivoli, Copenhagen.	❑1)	43%	45,733	DKK	
J.C. Bentzen A/S, Copenhagen	○	100%	30,000	DKK	
Carlsberg Finans A/S, Copenhagen	○	100%	25,000	DKK	
Carlsberg (UK) Limited, Northampton, England	○	100%	100	GBP	1082.21
Danbrew Ltd. A/S, Copenhagen	○	100%	2.000	DKK	
1 subsidiary					
Danish Malting Group A/S, Vordingborg, Denmark	◆	50%	80,000	DKK	
Ejendomsaktieselskabet matr. nr. 43ei Avedøre by, Copenhagen	○	100%	10,000	DKK	
Ejendomsaktieselskabet Tuborg Nord B, Copenhagen	○	100%	25,000	DKK	
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen	○	100%	10,000	DKK	
Ejendomsaktieselskabet Tuborg Nord D, Copenhagen	○	100%	10,000	DKK	
Investeringsselskabet af 29. oktober 1962 A/S, Copenhagen	○	100%	5,000	DKK	
5 subsidiaries					
Nepko A/S, Copenhagen	○	100%	1,000	DKK	
Royal Scandinavia A/S, Copenhagen	○1)	61%	323,321	DKK	
36 subsidiaries					
Tuborg AB, Stockholm, Sweden	○	100%	50	SEK	81.11
Tuborg International A/S, Copenhagen	○	100%	1,000	DKK	
United Breweries International Limited A/S, Copenhagen	○	100%	500	DKK	
Vingaarden A/S, Odense, Denmark	○	100%	15,000	DKK	
3 subsidiaries					

Symbols:
○ Subsidiary
❑ Pro rata consolidated associated company
◆ Other associated company

1) Stock-exchange listed company
2) The three Portuguese companies jointly own the controlling interest in the public company Unicer-União Cervejeira, S.A., which is pro-rata consolidated
3) Falcon Holding is 100 per cent owned by Oy Sinebrychoff Ab

Profit and Loss Account 1997/98

Parent company 1996/97 DKK million	Parent company 1997/98 DKK million	Note		Group 1997/98 DKK million.	Group 1996/97 DKK million.
4,895	4,760	1	Turnover	29,321	19,378
1,890	1,635	2	Production costs	10,776	8,194
1,031	1,151		Excise duties on beer and soft drinks, etc	7,237	4,460
1,974	1,974		GROSS PROFIT	11,308	6,724
1,554	1,555	2	Sales and distribution expenses	8,578	4,809
243	269	2	Administrative expenses	1,330	872
42	71	3	Other operating income, net	102	136
414	1,283	4	Profit before tax of subsidiaries		
450	115	4	Profit before tax of pro-rata consolidated associated companies		
76	45	4	Profit before tax of other associated companies	52	76
1,159	1,664		OPERATING PROFIT	1,554	1,255
-	-147	5	Special items, net	243	-
1,159	1,517		PROFIT BEFORE FINANCIAL ITEMS	1,797	1,255
154	326	6	Income from other financial fixed assets, etc.	337	180
934	713	7	Other interest income and similar income	755	1,011
			Write-down of financial fixed assets,		
146	63		marketable securities, etc.	87	162
394	436	8	Interest expenses and similar expenses	582	528
1,707	2,057		PROFIT BEFORE TAX	2,220	1,756
465	416	9	Corporation tax	476	500
			GROUP PROFIT	1,744	1,256
			Minority interests	103	14
1,242	1,641		PROFIT FOR THE YEAR, Carlsberg A/S's share	1,641	1,242
			Proposed appropriation:		
230	256		Dividend to shareholders		
1,012	1,385		Appropriated to reserves		
1,242	1,641				

Balance Sheet at 30 september 1998

Parent company 30.9.97 DKK million	Parent company 30.9.98 DKK million	Note	Assets	Group 30.9.98 DKK million	Group 30.9.97 DKK million
			FIXED ASSETS		
		10	Tangible fixed assets		
1,048	1,408		Land and buildings	4,381	3,893
666	996		Plant and machinery	4,513	3,724
39	76		Other fixtures and fittings, tools and equipment	2,767	1,776
244	197		Construction in progress	1,069	577
1,997	2,677			12,730	9,970
		11	Financial fixed assets		
6,345	6,255		Shares in subsidiaries		
184	364		Loans to subsidiaries		
1,256	1,001		Shares in associated companies	680	688
16	16		Loans to associated companies	22	21
194	246		Other investments and shareholdings	278	276
16	0		Other loans	1,411	1,686
-	-	16	Deferred tax	698	-
0	0	12	Holding of own shares	0	0
8,011	7,882			3,089	2,671
10,008	10,559		TOTAL FIXED ASSETS	15,819	12,641
			CURRENT ASSETS		
			Stocks and debtors		
135	120	13	Stocks	2,066	1,943
193	266		Trade debtors	4,232	3,380
691	3,577		Amounts owed by subsidiaries		
69	39		Amounts owed by associated companies	110	123
327	430		Other debtors	1,630	668
16	13		Pre-payments and accrued income	254	200
1,431	4,445			8,292	6,314
			Marketable securities and liquid assets		
546	165	14	Shares	167	549
2,793	2,687	14	Bonds and other securities	2,784	3,226
73	135		Cash at bank and in hand	3,890	2,198
3,412	2,987			6,841	5,973
4,843	7,432		TOTAL CURRENT ASSETS	15,133	12,287
14,851	17,991		TOTAL ASSETS	30,952	24,928

Balance Sheet at 30 september 1998

Parent company 30.9.97 DKK million	Parent company 30.9.98 DKK million	Note	Equity and liabilities	Group 30.9.98 DKK million	Group 30.9.97 DKK million
		15	EQUITY		
1,278	1,278		Share capital	1,278	1,278
8,366	8,375		Reserves	8,375	8,366
9,644	9,653			9,653	9,644
			Minority interests	1,251	622
9,644	9,653		TOTAL EQUITY	10,904	10,266
			PROVISIONS		
68	68		Pensions and similar commitments	270	224
327	327		Liability for deposits on returnable packaging	766	497
-	96	16	Deferred tax	361	250
379	361	17	Other	2,557	2,459
774	852		TOTAL PROVISIONS	3,954	3,430
			LIABILITIES		
		18	Long-term liabilities		
-	-		Bond loans	2,842	620
1,288	3,853		Amounts owed to subsidiaries		
-	-		Credit institutions	2,055	1,521
1	-		Other	79	253
1,289	3,853			4,976	2,394
			Current liabilities		
-	-		Bond loans	54	1,100
1,071	1,053		Credit institutions	2,169	2,167
174	263		Trade creditors	2,970	2,129
979	1,185		Amounts owed to subsidiaries		
2	4		Amounts owed to associated companies	5	12
-	-		Corporation tax	166	260
208	232		Excise duties and VAT	1,056	840
468	627		Other creditors	3,493	1,417
12	13		Accrual and deferred income	949	683
230	256		Proposed dividend	256	230
3,144	3,633			11,118	8,838
4,433	7,486		TOTAL LIABILITIES	16,094	11,232
14,851	17,991		TOTAL EQUITY AND LIABILITIES	30,952	24,928
		19	Contingent liabilities and other commitments, etc.		

Cash Flow Statement for the Group 1997/98

Note		1997/98 DKK million	1996/97 DKK million
	Operating profit	1,554	1,255
	Depreciation	1,305	877
	Other adjustments	-68	-69
	Financial income, net	374	629
	Corporate tax paid	-467	-507
	Cash flow from operations before adjustments in working-capital	2,698	2,185
	Change in debtors	-5	529
	Change in stocks	222	65
	Change in creditors, excise duties, etc.	-558	-456
	CASH FLOW, OPERATIONS	2,357	2,323
	SPECIAL ITEMS INCLUDING ADJUSTMENTS IN PROVISIONS	-505	-712
	Acquisition of tangible fixed assets	-1,287	-1,042
20	Acquisition of subsidiaries and associated companies	-1,373	-1,301
20	Disposal of subsidiaries and associated companies	545	190
	Disposal of other financial fixed assets, net	369	138
	Disposal of marketable securities, net	824	736
	Dividend from associated companies	5	25
	CASH FLOW, INVESTMENTS	-917	-1,254
	Dividend paid	-230	-217
	Minority interests	1.679	29
	Financial income and expenditure	-664	384
	CASH FLOW, FINANCING	785	196
	NET CASH FLOW FROM OPERATIONS, INVESTMENTS AND FINANCING	1,720	553
	Liquid assets at the beginning of the year	2,198	1,653
	Foreign exchange adjustments of liquid assets	-28	-8
	Cash flow for the year	1,720	553
	Liquid assets at the end of the year	3,890	2,198

The statement of cash flow cannot be derived solely from the published annual accounts. The composition of some of the items in the cash flow statement has been changed compared to last year and the comparative figures have been adjusted.

Notes to the accounts (dkk million)

1 Group turnover distributed over principal activities:

	1997/98		1996/97	
			%	%
Beverage companies in Denmark	6,010	20	6,566	34
Beverage companies outside Denmark	20,128	69	10,099	52
Other companies	3,183	11	2,713	14
	29,321	100	19,378	100

Licence fees are included in turnover. For further details refer to the annual report.

2 Total wages, salaries, personnel costs, depreciation and fees to auditors appointed at the Annual General Meeting of the Parent Company are as follows:

Wages, salaries and personnel costs:

	1997/98	1996/97
Group:		
Wages, salaries and remuneration	3,689	2,784
Pensions	277	140
Other social security costs	371	177
Other personnel costs	72	86
	4,409	3,187
Parent Company:		
Wages, salaries and remuneration	719	603
Pensions	60	71
Other social security costs	12	8
Other personnel costs	30	22
	821	704

Wages, salaries, remuneration and pensions for the Group and the Parent Company include remuneration paid to the Executive Board of the Parent Company of DKK 13 million (1996/97: DKK 15 million) and to the Supervisory Board of DKK 2 million (1996/97: DKK 2 million).

In the financial year the average number of employees in the Parent Company was 2,292 (1996/97: 1,897) and in the Group 20,589 (1996/97: 18,081) of whom 2,336 (1996/97: 7,145) were employed in pro-rata consolidated companies.

Fees to the auditors appointed at the Annual General Meeting

	1997/98	1996/97
KPMG C. Jespersen:		
Audit	1.7	1.7
Other services	1.8	1.4
PricewaterhouseCoopers:		
Audit	1.3	1.3
Other services	19.2	20.6

Other services relate to fees for reorganisation of administration, including the implementation of new computer systems, decided in previous years.

Depreciation and write-down:	1997/98	1996/97
Parent Company	301	159
Group companies	1,004	718
Group	1,305	877

3 Other operating income, net includes income from rental properties, experimental farms and external contributions to the Carlsberg Research Center.

Notes to the accounts (dkk million)

4 Profit from trade investments:

	1997/98	1996/97
Group:		
Profit of other associated companies comprises:		
Profit before tax	52	76
Corporation tax	21	34
Profit after tax	31	42
Parent Company:		
Profits of subsidiaries comprises:		
Profit before tax	1,283	414
Corporation tax	343	164
Profit after tax	940	250
Profit of pro-rata consolidated associated companies comprises:		
Profit before tax	115	450
Corporation tax	41	199
Profit after tax	74	251
Profit of other associated companies comprises:		
Profit before tax	45	76
Corporation tax	21	34
Profit after tax	24	42

5 Special items comprises:

	Group	Parent Company
Income:		
Profits arising from the disposal of Holmegaard Emballage A/S *	338	-
Profits arising from the disposal of Rynkeby Food A/S	63	63
Profits arising from the disposal of property	85	35
Reversal of Group provisions regarding Carlsberg-Tetley	157	-
Total income	643	98
Expenditure:		
Restructuring	275	200
Write-down of property and depots	125	45
Total expenditure	400	245
Special items, net	243	-147

* Including an unrealised gain of DKK 89 million from 1996/97 in connection with PLM's new issue of shares which was set aside to be booked as income at a later stage.

6 Income from other financial fixed assets, etc.:

Realised gains relating to income from other financial fixed assets, etc. amounting to DKK 298 million (1996/97: DKK 101 million) have been booked as income in the Group's accounts, including profits from the disposal of shares in Royal Scandinavia and own shares.

Notes to the accounts (dkk million)

7 Includes interest paid by the Parent Company to subsidiaries of DKK 168 million (1996/97: DKK 132 million).

Realised gains relating to marketable shares and bonds totalling DKK 228 million (1996/97: DKK 482 million) have been included in the Group accounts.

8 Includes interest paid by the Parent Company to subsidiaries of DKK 82 million (1996/97: DKK 209 million)

9 Corporation tax comprises:

	1997/98	1996/97
Parent Company's share of tax on profit for the financial year	19	69
Adjustment for previous years	-8	-1
Tax charge for Parent Company, adjusted	11	68
Parent Company's share of tax in subsidiaries, cf. note 4	343	164
Parent Company's share of tax in associated companies, cf. note 4	62	233
Parent Company's share of Group tax	416	465
Minority shareholders' share of Group tax	60	35
Group	476	500

In the financial year corporation taxes paid amount to DKK 467 million for the Group (1996/97: DKK 507 million) and DKK 222 million for the Parent Company (1996/97: DKK 204 million) including taxes paid abroad. The Parent Company and its Danish subsidiaries participate in the tax on account scheme.

The corporation tax is influenced by non-taxable gains etc.

10 Tangible fixed assets:

	Land and buildings	Plant and machinery	Other fixtures and fittings, etc.	Construction in progress
Group:				
Cost				
Balance at 1 October 1997	6,068	8,500	3,967	577
Additions, acquisition of companies	475	1,629	1,602	1,001
Additions during year	336	518	754	920
Disposals during year	1,596	2,410	539	2
Currency translation adjustments, etc.	-57	-88	-124	53
Transfers	785	535	54	-1,374
Balance at 30 September 1998	6,011	8,684	5,714	1,069
Revaluation				
Balance at 1 October 1998	728	522	14	-
Additions, acquisitions of companies	1	-	-	-
Revaluation and write-downs for the year	71	77	1	-
Currency translation adjustments, etc.	-65	-61	3	-
Balance at 30 September 1998	735	538	18	-
Depreciation and write-downs				
Balance at 1 October 1997	2,903	5,298	2,205	-
Additions, acquisition of companies	107	584	755	-
Depreciation and write-downs for the year	257	597	451	-
Depreciation and write-downs eliminated on disposals during year	973	1,728	381	-
Currency translation adjustments, etc.	71	-46	-61	-
Transfers	-	4	-4	-
Balance at 30 September 1998	2,365	4,709	2,965	-
Book value at 30 September 1998	4,381	4,513	2,767	1,069

The book value of land and buildings in Denmark amounts to DKK 1,854 million.
The value of property in Denmark as assessed for tax purposes amounted to DKK3,545 million at 1 January 1998.

Notes to the accounts (dkk million)

10 *continued*

	Land and buildings	Plant and machinery	Other fixtures and fittings, etc.	Construction in progress
Parent Company:				
Cost				
Balance at 1 October 1997	1,832	1,411	128	244
Additions, mergers	479	1,004	32	8
Additions during year	6	48	28	380
Disposals during year	55	160	43	-
Transfers	369	46	20	-435
Balance at 30 September 1998	2,631	2,349	165	197
Depreciation and write-down				
Balance at 30 September 1998	784	745	89	-
Additions, mergers	318	563	22	-
Depreciation and disposals for the year	131	148	22	-
Depreciation and write-downs eliminated on disposals during year	10	105	42	-
Transfers	-	2	-2	-
Balance at 30 September 1998	1,223	1,353	89	-
Book value at 30 September 1998	1,408	996	76	197

The value of land and buildings as assessed for tax purposes at 1 January1998 aggregated DKK 2,743 million to which should be added the value of land and buildings, for which no official valuation has been made, the net value of additions and disposals since 1 January 1998 and construction in progress.

Differences in the value as compared to the book value are primarily related to production properties.
The item "Additions, mergers" relates to Fredericia Bryggeri and Wiibroes Bryggeri.

11 Financial fixed assets:

	Associated companies		Other investments, etc.	Other loans
	Shares	Loans		
Group:				
Cost				
Balance at 1 October 1998	770	27	975	1,935
Addition, acquisition of companies	20	3	-1	12
Additions during year	309	7	87	274
Disposals during year	40	-	177	502
Currency translation adjustments, etc.	-46	-9	-92	-55
Balance at 30 September 1998	1,013	28	792	1,664
Value adjustments				
Balance at 1 October 1997	23	-	-418	-
Share of profit for the year	31	-	-	-
Dividends received	-63	-	-	-
Disposals during year	119	-	-	-
Currency translation adjustments, etc.	-74	-	-	-
Balance at 30 September 1998	-202	-	-418	-
Depreciation and write-downs				
Balance at 1 October 1997	105	6	281	249
Depreciation and write-downs for the year	12	-	4	43
Disposals during year	-	-	163	10
Currency translation adjustments etc.	14	-	-26	-29
Balance at 30 September 1998	131	6	96	253
Book value at 30 September 1998	680	22	278	1,411

Notes to the accounts (dkk million)

11 *continued*

Other loans mainly relate to free-trade loans in the UK.

The quoted value of stock-exchange listed associated companies of the Group at 30 September 1998 exceeds their book value by DKK 1,135 million (1996/97: DKK 1,620 million).

The quoted value of other stock-exchange listed shares of the Group at 30 September 1998 exceeds their book value by DKK 123 million.

	Subsidiaries		Associated companies		Other investments,
	Shares	Loans	Shares	Loans	etc.
Parent Company					
Cost					
Balance at 1 October 1997	4,998	296	1,659	22	821
Disposals, mergers	-155	-	-	-	-
Additions during year	1,606	314	223	-	84
Disposals during year	116	133	76	-	163
Currency translation adjustments, etc.	-	-1	-	-	-
Transfers	264	-	-236	-	-28
Balance at 30 September 1998	6,597	476	1,570	22	714
Value adjustments					
Balance at 1 October 1997	1,503	-	-293	-	-418
Disposals, mergers	-500	-	-	-	-
Share of profit for the year	940	-	98	-	-
Dividends received	-159	-	-97	-	-
Disposals during year	105	-	-122	-	-
Group goodwill, currency translation adjustments, etc.	-1,911	-	-199	-	-
Transfers	-166	-	166	-	-
Balance at 30 September 1998	-188	-	-447	-	-418
Depreciation and write-downs					
Balance at 1 October 1997	156	112	110	6	209
Depreciation and write-downs for the year	-	-	11	-	4
Disposals during year	-	-	-	-	163
Currency translation adjustments, etc.	-2	-	1	-	-
Transfers	-	-	-	-	-
Balance at 30 September 1998	154	112	122	6	50
Book value at 30 September 1998	6,255	364	1,001	16	246

12 Holding of own shares:

	Number of shares DKK 20 each	Nominal value	% of share capital
Holding at 1 October 1997	552,075	11	0.9
Disposals during year	352,075	7	0.6
Holding at 30 September 1998	200,00	4	0.3

The quoted value of the holding of own shares at 30 September 1998 amounted to DKK 80 million booked at DKK 0 million. The proceeds from the disposal of shares amount to DKK 136 million.

Notes to the accounts (dkk million)

13 Stocks:

	30.9.1998	30.9.1997
Group:		
Raw materials and consumables	538	698
Work in progress	225	150
Finished goods of own production and goods purchased for resale	1,271	1,086
Contract work in progress for the account of third parties	32	9
	2,066	1,943

Contract work in progress for the account of third parties is stated at the appropriate proportion of the contract price DKK 882 million (30.9.1997: DKK 768 million) less payments received on account, DKK 850 million (30.9.1997: DKK 759 million). Based on a conservative evaluation, accumulated profit on work in progress has been included in the amount of DKK 66 million (30.9.1997: DKK 12 million).

	30.9.1998	30.9.1997
Parent Company:		
Raw materials and consumables	49	51
Work in progress	20	13
Finished goods of own production and goods purchased for resale	51	71
	120	135

14 The quoted values of shares and bonds owned by the Parent Company at 30 September 1998 exceed their book values by DKK 78 million (30.9.97: DKK 209 million)

15 The share capital comprises:

	Number of Shares at DKK 20 each	Nominal value
A-shares	35,257,090	705
B-shares	28,649,192	573
		1,278

Movements in the equity in the financial year:

	Group		Parent Company	
	1997/98	1996/97	1997/98	1996/97
Equity at 1 October	10,266	8,912	9,644	8,406
Deferred tax assets at the beginning of the year	294	-	-	-
Profit for the year	1,744	1,256	1,641	1,242
Write-down of Group goodwill	-2,460	-137	-897	-137
Negative differences in value related to acquisitions	149	-	149	-
Changes in minority interests	1,452	75	-	-
Reversal of provisions related to Carlsberg-Tetley	283	-	283	-
Currency translation adjustments of Group companies	-311	491	-182	470
Other adjustments of Group companies	-118	46	-590	40
Reversal of revaluation of shares, net	-153	-34	-153	-34
Currency translation adjustments of loans, net	14	-113	14	-113
Proposed dividend for Carlsberg A/S	-256	-230	-256	-230
Equity at 30 September	10,904	10,266	9,653	9,644

Notes to the accounts (dkk million)

15 *continued*

Movements in reserves in the financial year:

	1997/98	1996/97
Reserves at 1 October	8,366	7,128
Appropriated from profit for the year	1,385	1,012
Other movements	-1,376	226
Reserves at 30 September	8,375	8,366

16 Deferred tax:

	1997/98	1996/97
Group:		
Assets:		
Balance at 1 October	-	-
Adjustment at the beginning of the year, (change of accounting policy)	294	-
Additions, acquisitions	546	-
Relating to income for the year	-142	-
Balance at 30 September	698	-
Liabilities:		
Balance at 1 October	250	409
Relating to income for the year	28	31
Adjustment for previous years	83	-190
Balance at 30 September	361	250
Parent Company:		
Liabilities:		
Balance at 1 October	-	-
Additions, mergers	104	-
Relating to income for the year	-8	-
Balance at 30 September	96	-

17 Other provisions:

	Group	Parent company
Balance at 1 October 1997	2,459	379
Additions, acquisition of companies	1,657	179
Applied during year	1,559	197
Balance at 30 September 1998	2,557	361

Please see the Financial Review for a specification of the additions and disposals for the financial year.

18 The long-term liabilities of the Group aggregate DKK 4,976 million (30.9.1997: DKK 2,394 million) and of the Parent Company DKK 3,853 million (30.9.1997: DKK 1,289 million) of which DKK 2,998 million (30.9.1997: DKK 1,751 million) and DKK 2,687 million (30.9.1997: DKK 1,288 million) respectively, are due for repayment more than five years after the balance sheet date.

19 Contingent liabilities and other commitments etc. of the Group:

	30.9.1998	30.9.1997
Securities given to credit institutions	1,279	1,010
Mortgage loans secured in land and buildings, etc.	1,260	820
Security given for unused credit lines	460	211
Guarantees given, etc.	524	93
Leasing and rental commitments, etc.	221	115

Notes to the accounts (dkk million)

19 *continued*

Carlsberg A/S has provided security in respect of loans amounting to DKK 6,712 million raised by subsidiaries. Carlsberg A/S has a contractual obligation, which may become effective in certain circumstances, to purchase shares in Oy Sinebrychoff Ab.

Forward exchange contracts and options:

	30.9.1998	30.9.1997
Parent Company:		
Sale of foreign currencies	94	-
Purchase of foreign currencies	88	-
Carlsberg Finans A/S:		
Sale of foreign currencies	2,005	1,048
Purchase of foreign currencies	984	55

The company has furthermore entered into forward rate agreements relating to the funding of marketable securities, etc.

20 Acquisition and disposal of subsidiaries and associated companies

	1997/98	1996/97
Acquisitions:		
Assets acquired:		
Fixed assets	-4,641	-2,057
Current assets	-2,301	-1,553
Liabilities taken over:		
Provisions	589	1,178
Long-term liabilities	1,379	0
Short-term liabilities	4,646	1,323
Minority interests	1,415	-192
Group goodwill	-2,460	0
Total price	-1,373	-1,301
Disposals:		
Assets disposed of:		
Fixed assets	325	
Current assets	462	
Liabilities disposed of:		
Provisions	-58	
Long-term liabilities	-154	
Short-term liabilities	-230	
Minority interests	200	
Total price	545	

Auditors' Report

The Supervisory Board and the Executive Board have today approved that the annual accounts of both the Carlsberg Group and the Parent Company for the financial year 1997/98, ended 30 September 1998, be presented to the Annual General Meeting for approval.

Copenhagen, 30 November 1998

Executive Board of Carlsberg A/S

Flemming Lindeløv
President and
Group Chief Executive Officer

Michael C. Iuul   Walther Paulsen   Sven G. Petersen

The Supervisory Board of Carlsberg A/S

Poul Chr. Matthiessen
Chairman

Erik B. Rasmussen
Deputy Chairman

Torkild Andersen   Per Eriksen   Karin Troest Clemmensen

Dorte Krag   Povl Krogsgaard-Larsen   Palle Marcus

Axel Michelsen   Erik Michelsen   Jens Bigum   Per Øhrgaard

Auditors' Report

We have audited the financial statements for the financial year 1 October 1997 to 30 September 1998 presented by the Supervisory Board and the Executive Board of the Carlsberg Group and the parent Company, Carlsberg A/S.

Basis of Opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free from material misstatements. Based on an evaluation of materiality and risk, we have, during the audit, tested the basis and documentation for the amounts and the disclosures in the financial statements. Our audit included an assessment of the accounting policies applied and the estimates made. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the financial statements have been prepared in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and profit for the year 1 October 1997 to 30 September 1998.

Copenhagen, 30 November 1998

KPMG C.Jespersen

PricewaterhouseCoopers
State Authorised Audit Company

Aksel Runge Johansen
State Authorised Public Accountant

Poul Erik Olsen
State Authorised Public Accountant

Morten Iversen
State Authorised Public Accountant

Fin T. Nielsen
State Authorised Public Accountant

Subsidiaries

Subsidiaries, Associated Companies and Others

Carlsberg-Tetley PLC Carlsberg-Tetley Brewing Ltd.
United Kingdom
140 Bridge Street
GB-Northampton NN1 1PZ

Management: Ebbe Dinesen
Employees: 2,820
Share: 100 per cent

Falcon Holding AB Falcon Bryggerier AB
Sweden
Årstadvägen
Box 164
S-311 22 Falkenberg

Management: Lars Påhlson
Employees: 554
Share: 100 per cent owned by Oy Sinebrychoff Ab

Oy Sinebrychoff Ab
Finland
P.O. Box 87
SF-04201 Kerava

Management: Kaj Forssell
Employees: 770
Share: 60 per cent

Hannen Brauerei GmbH
Germany
Senefelderstrasse 25
D-41066 Mönchengladbach

Management: Erik Juul Rasmussen, Michael Hollmann
Employees: 290
Share: 100 per cent

Okocimskie Zaklady Piwowarskie S.A.
Poland
Ul. Browarna 14
PL-32-800 Brzesko

Management: Marko Marinko
Employees: 1,074
Share: 43.5 per cent

United Romanian Breweries Bereprod SRL
Romania
89 Biruintei Blvd.
Com. Pantelimon
ROM-Bucharest

Management: Shlomo Graziani
Employees: 365
Share: 100 per cent owned by International Breweries (Netherlands) B.V., in which Carlsberg A/S has a 20 per cent interest

Panonska Pivovara d.o.o.
Croatia
Delekovecka Cesta BB
HR-48000 Koprivnica

Management: Kresimir Mulvaj
Employees: 301
Share: 40 per cent

Türk Tuborg Bira ve Malt Sanayii A.S.
Turkey
P.K. 150
TR-35212 Izmir

Management: Taner Ciger
Employees: 475
Share: 2.2 per cent

Israel Beer Breweries Ltd.
Israel
Amitek Bldg.
11 Ben Gurion Street
Givat Shmuel

Management: Rafi Baharav
Employees: 215
Share: 20 per cent

Nuuk Imeq A/S
Greenland
Postbox 1075
3900 Nuuk

Management: Nis Nissen
Employees: 61
Share: 23.68 per cent

Grupo Cruzcampo, S.A.
Spain
Avda. de Andalucía, 1
E-41007 Sevilla

Management: Allen F. Peeters
Employees: 2,507
Share: 11 per cent

Carlsberg Importers S.A.-N.V.
Belgium
Industrielaan 16-20
B-1740 Ternat

Management: Paul Haelterman
Employees: 35
Share: 10 per cent

Carlsberg France S.A.
France
40, rue du Kéfir
Sénia 301
F-94537 Orly Cedex

Management: Michel Normann
Employees: 21
Share: 100 per cent

Carlsberg Italia S.p.A.
Italy
Via Olona, 103
I-21056 Induno Olona (VA)

Management: Marcello Verratti
Employees: 387
Share: 75 per cent

Unicer S.A.-União Cervejeira S.A.
Portugal
Apartado 1044
P-4466-955 S. Mamede de Infesta Codex
Porto

Management: José Manuel Capelo Soares da Fonseca
Employees: 1,592
Share: 31 per cent

Carlsberg Malawi Brewery Limited
Malawi
P.O.Box 1050
Blantyre

Management: Chadwick L. Mphande
Employees: 439
Share: 49 per cent

Southern Bottlers Limited
Malawi
P.O.Box 406
Blantyre

Management: Chadwick L. Mphande
Employees: 2,426
Share: Carlsberg Malawi Brewery Limited 49.8 per cent, Carlsberg A/S 8.56 per cent

Carlsberg Brewery Hong Kong Limited
Hong Kong
1 Dai Kwai Street
Tai Po Industrial Estate
Tai Po, New Territories

Management: Jesper Bjørn Madsen (Group), Geoffrey Cundle (CBHK)
Employees: 1,245 (Group) 347 (CBHK)
Share: 51 per cent

Carlsbrew Brewery (Guangdong) Limited
China
28 Elin South Road
Huizhou City
Guangdong 516001

Management: Edwin Lam
Employees: 515
Share: 99 per cent owned by Carlsberg Brewery Hong Kong Limited

Subsidiaries, Associated Companies and Others

Carlsbrew Brewery (Shanghai) Limited
China
1 Jin Xi Road
Songjiang Industrial Zone,
Shanghai 201600

Management: William Chan
Employees: 320
Share: 95 per cent owned by Carlsberg Brewery Hong Kong Limited

Carlsberg Marketing Taiwan Limited
Taiwan
Room 904, 9th Floor
No. 18 Chang An East Rd, Sec 1
Taipei

Management: Henrik Juel Andersen
Employees: 14
Share: 100 per cent owned by Carlsberg Brewery Hong Kong Limited

South-East Asia Brewery Ltd.
Vietnam
167B Minh Khai Street
Hanoi

Management: Nguyen Ngoc Bao
Employees: 373
Share: 35 per cent

Hue Brewery Ltd.
Vietnam
Thuan An Street
Hue City

Management: Nguyen Minh
Employees: 234
Share: 35 per cent

Carlsberg Marketing (Singapore) Pte Ltd
Singapore
745 Toa Payoh Lorong 5
#04-01 HBM Building
Singapore 319455

Management: Mervin Sim
Employees: 48
Share: 100 per cent owned by Carlsberg Brewery Hong Kong Limited

Carlsberg Brewery Malaysia Berhad
Malaysia
P.O. Box 10617
50720 Kuala Lumpur

Management: Jørgen Bornhøft
Employees: 670
Share: 27.6 per cent

Gorkha Brewery Limited
Nepal
P.O. Box 4140
New Baneshwor
Katmandu

Management: Chandra Prakash Khetan
Employees: 206
Share: 48.3 per cent

Ceylon Brewery Ltd.
Sri Lanka
83, George R. De Silva Mawatha
Colombo 13

Management: Suresh Shah
Employees: 260
Share: 8 per cent

Carlsberg Brewery (Thailand) Co., Ltd.
Thailand
288,288/35-36 Surawongse Road
Bangkok 10500

Management: Sawat Sopa
Employees: 1,369
Share: 8 per cent

Coca-Cola Nordic Beverages A/S
Hellerup, Denmark
Tuborg Parkvej 8
2900 Hellerup

Management: Svend Ivan Petersen and Shirley Pih
Employees: 2,217
Share: 51 per cent

Vingaarden A/S
Odense, Denmark
Gammel Højmevej 30
5250 Odense SV

Management: Peter Sanggaard
Employees: 190
Share: 100 per cent

Danbrew Ltd. A/S
Copenhagen, Denmark
Rahbeks Allé 21
1801 Frederiksberg C

Management: Jens Due
Employees: 164
Share: 100 per cent

Danish Malting Group A/S
Vordingborg, Denmark
Spirevej 5, Ørslev
4760 Vordingborg

Management: Kim G. Jørgensen
Employees: 23
Share: 50 per cent

J.C. Bentzen A/S
Copenhagen, Denmark
Bjerregårdsvej 10
2500-Valby

Management: Ole Bent Andersen
Employees: 30
Share: 100 per cent

Carlsberg Finans A/S
Copenhagen, Denmark
Ny Carlsberg Vej 100
1799-Copenhagen V

Management: Jesper Bærnholdt
Employees: 7
Share: 100 per cent

Tuborg Nord B, C, D
Copenhagen, Denmark
Ny Carlsberg Vej 100
1799 Copenhagen V

Management: Orla Kristensen
Share: 100 per cent

Royal Scandinavia A/S
Copenhagen, Denmark
Smallegade 45
2000-Frederiksberg

Management: Knud Odgaard Pedersen and Hardy Thøgersen
Employees: 3,377
Share: 60.96 per cent

A/S Kjøbenhavns Sommer-Tivoli
Copenhagen, Denmark
Vesterbrogade 3
1630 Copenhagen V

Management: Lars Liebst and Niels Leth Espensen
Employees: 426
Share: 43 per cent

Shares and Shareholders

Shares

Carlsberg A/S' shares are listed on the Copenhagen Stock Exchange in class Carlsberg A with 20 votes per DKK 20, and Carlsberg B with 2 votes per DKK 20.

The ISIN code of the A-shares is DK001018167-6 and DK001018175-9 of the B-shares. There are 35.3 million Carlsberg A-shares and 28.6 million Carlsberg B-shares. Total trading volume amounts to DKK 1,278 million, distributed on DKK 705 million for the A-shares and DKK 573 million for the B-shares.

The Carlsberg B-share is listed on the KFX-index, and total turnover in 1997/98 amounted to 9.8 million shares at a total value of DKK 4.3 billion. The previous year turnover amounted to 7.8 million shares at the value of DKK 2.9 billion.

In 1997/98 the highest quoted price for the Carlsberg B-share was 522 and the lowest quoted closing price was 335. Highest and lowest quoted prices in 1996/96 were 418 and 336 respectively.

At the year-end, the market value amounted to DKK 24.5 billion against DKK 23.8 billion the year before. The quoted price of the Carlsberg B-share at the year-end was 400 against 374 at the end of 1996/97.

Key figures in relation to shares

	1996/97	1997/98
Price of the B-share at year-end	374	400
Cash Flow per share	36.35	36.88
Earnings per share	19.43	25.68
Dividend per share	3.6	4.0

Shareholders

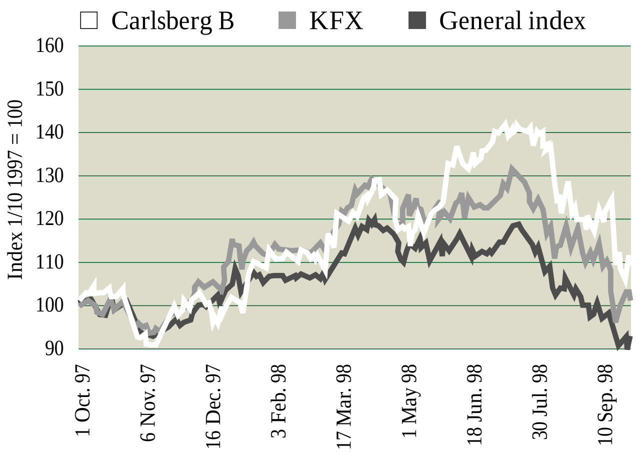
The Carlsberg Foundation is registered as holder of 55.2 per cent of the share capital in Carlsberg A/S and The Danish Labour Market Pension Scheme as holder of 14.3 per cent. No other shareholder is recorded to hold more than 5 per cent.

The remaining shares are held by 20,000 shareholders of whom 11,663 are registered. The registered shareholders represent a total share capital of DKK 1,147 billion.

The most substantial shareholders can be divided into groups as set out below. Shareholders holding shares of at least 0.1 per cent are included in the table.

Trade	Share in per cent
The Carlsberg Foundation	55.2%
Banks and Insurance companies	3.0%
Pension Funds etc.	24.2%
Foreign Investors	3.4%
Total	85.8%

Price trend of the Carlsberg B-share compared to the general index and the KFX index



Announcements to The Stock Exchange

Announcements to the Copenhagen Stock Exchange since 1 October 1997
- Excl. of notices of the expected dates of interim reports and preliminary profit statements

Carlsberg A/S:

1 October 1997	Carlsberg A/S majority shareholder in Oy Sinebrychoff Ab.
28 October 1997	Carlsberg A/S' disposal of shares at a nominal value of DKK 43.2 million in Royal Copenhagen A/S.
3 November 1997	Carlsberg-Tetley's disposal of the Burton Brewery.
24 November 1997	Preliminary Profit Statement 1996/97.
16 December 1997	The Annual General Meeting.
30 January 1998	Employee Board member Tage Arentoft resigns from the Board.
22 April 1998	Employee Board member Per Eriksen joins the Board.
24 April 1998	Carlsberg A/S sells its shares in Bryggerigruppen A/S in public offering.
5 May 1998	Carlsberg A/S sells its 50 per cent shareholding in Rynkeby Foods A/S to MD Foods.
17 May 1998	Offer price for Carlsberg A/S shares in Bryggerigruppen A/S determined.
2 June 1998	Interim Report 1997/98.
30 September 1998	Coca-Cola Nordic Beverages A/S expands its activities to Norway and Finland.
5 November 1998	Managing director Sven G. Petersen retires and resigns from the Executive Board.
30 November 1998	Preliminary Profit Statement 1997/98.

Royal Scandinavia A/S:

28 October 1997	Establishment of Royal Scandinavia A/S.
18 November 1997	Preliminary Profit Statement 1996/97.
18 November 1997	Boda Nova-Höganäs Keramik AB included in the Royal Scandinavia group.
10 December 1997	The art glassware company Venini S.p.A. included in the Royal Scandinavia group.
10 December 1997	The Annual General Meeting, including amendments of the articles due to the establishment of the Royal Scandinavia group.
22 December 1997	Changes in the ownership of Royal Scandinavia.
3 April 1998	PLM takes over the remaining shares in Holmegaard Emballage A/S.
28 May 1998	Interim Report 1997/98.
28 July 1998	Announcement of the demise of managing director Leonhard Schrøder.
18 November 1998	Preliminary Profit Statement 1997/98.

A/S Kjøbenhavns Sommer-Tivoli:

20 November 1997	Preliminary Profit Statement 1996/97.
19 December 1997	The Annual General Meeting.
9 January 1998	Termination of agreement between Tivoli International A/S and Tivoli Berlin GmbH.
28 May 1998	Interim Report 1997/98.
16 November 1998	Preliminary Profit Statement 1997/98.

Annual General Meeting

Carlsberg A/S
21 December 1998 at 16.30 hours
Tivolis Koncertsal
20, Tietgensgade
Copenhagen V