Annual Report **2005**

Carlsberg

This report is provided in English and in Danish. In case of any discrepancy between the two versions, the Danish wording shall apply.

Market-leading positions in Western Europe, Eastern Europe and Asia

- No. 1 in Denmark
- No. 1 in Norway
- No. 1 in Sweden
- No. 1 in Finland
- No. 4 in the UK
- No. 1 in northern Germany
- No. 1 in Switzerland
- No. 3 in Italy
- No. 1 in Portugal
- No. 1 in Russia
- No. 3 in the Ukraine
- No. 1 in the Baltic States
- No. 1 in Kazakhstan
- No. 3 in Poland
- No. 3 in the Balkans
- No. 2 in Turkey
- No. 1 in Malaysia
- No. 2 in Singapore
- No. 4 in Vietnam
- No. 1 in Western China

Mission

Carlsberg is a dynamic, international provider of beer and beverage brands, bringing people together and adding to the enjoyment of life.

Vision

Probably the best beer company in the world

Our brands will be the consumer's first choice, and we will lead our industry in profitability and growth through a culture of quality, innovation and continuous improvement.

Values

- **Innovative** in our approach. We create excitement among consumers, customers and employees.
- **Ambitious** when setting targets. We are daring when pushing for results.
- **Responsible** in our actions. We value strong relationships with consumers, customers, employees and partners.
- **Honest.** We are proud of our company and trustworthy in what we do.

Probably the best …

Carlsberg is one of the world's largest brewery groups.

We have a beer for every occasion and for every palate and lifestyle. The Group's broad portfolio of beer brands includes Carlsberg Pilsner, known as *Probably the best beer in the world*, and strong regional brands such as Tuborg, Baltika and Holsten. We also have a wide range of leading brands in our local markets.

We operate primarily in mature markets in Western Europe but are generating an ever-growing share of revenue in selected growth markets in Russia, other parts of Eastern Europe and Asia.

Carlsberg's business builds on a proud history. We were founded in 1847 and have always been renowned for consistently high quality. In recent years things have really taken off. Expansion and dynamic marketing externally, and streamlining and innovation internally, have brought growth in both revenue and earnings.

Carlsberg A/S, the Parent Company of the Group, is owned by 20,000 institutional and private investors all over the world and is listed on the Copenhagen Stock Exchange. 51% of the shares are held by the Carlsberg Foundation, established by Carlsberg's founder J.C. Jacobsen, which backs the Company as an active and long-term shareholder as well as supporting scientific research and art.

No. 1

We are the No. 1 brewer in Northern Europe and No. 5 in the world

20%

Sales volumes up by average of more than 20% a year since 2000

38 billion DKK

Sales revenue totalled DKK 38bn in 2005

83 million

We sell 83 million bottles of beer every day

95 sites

Carlsberg produces beer and other beverages at 95 sites in 50 countries

9%

The operating margin was 9% in 2005

10 billion

More than 10bn litres of beer a year

150 markets

We sell beer in more than 150 countries

30,000

The Group has 30,000 employees

Well on our way …

In recent years Carlsberg's management and other employees have put a great deal of time and energy into strengthening the Group's competitiveness and bringing about the market focus and motivation in the organisation needed for us to continue to grow and develop the business. 2005 was a year when we concentrated on raising profitability and delivering the operational improvements for which we had held out prospects.

We have reason to be proud of our results in 2005. Overall our beverage activities substantially increased their earnings, despite difficult conditions and dwindling beer consumption in the traditional markets in Western Europe. Sales volumes grew by more than 5m hl or 9%, revenue by 5% and operating profit by 15%. The return on invested capital for beverage activities also improved.

It is also pleasing that 2005 proved to be the year where our results demonstrated that Carlsberg has become an even healthier business. Many of the challenges that we faced at the beginning of the year have been overcome. The development in the Swedish operation has now been turned around after a turbulent period and is on the right track. After several years of development work, the Polish operation has won market share and markedly improved its earnings. The new businesses – Holsten-Brauerei in Germany and the companies in the Balkans – performed better than expected. All of the Balkan companies achieved an operating profit, and Holsten achieved its target return a year earlier than expected. This leaves Italy and Turkey, where the anticipated progress did not materialise, and new challenges in Denmark and the UK, where a downturn in the market is necessitating adjustment and rationalisation.

The performance of Carlsberg's regions varied considerably. Earnings in Western Europe fell in the light of the general market downturn, and it is the new businesses in Eastern Europe – and to a lesser extent Asia – which are driving the Group's growth. After two years of concentrated work on strengthening its sales and distribution organisation, Baltic Beverages Holding (BBH) put in a very positive performance, and the ongoing process of bringing together the Russian breweries will further enhance BBH's competitiveness in the growing Russian beer market.

Volume growth of 9% is a good result in the brewing industry and says a great deal about the strength of our brands – both our international brands and our leading national brands. Growing competition will ask more of our understanding of the needs and wishes of customers and consumers, and the Carlsberg Group's clear country structure provides the best possible basis for focusing on local market conditions.

The many Excellence projects carried out in production, procurement, administration and sales have made our organisation more professional and taught us to cooperate across national boundaries. The result is that we now have a network of subsidiaries which have undergone change and improvement in key areas. Just as importantly, these efficiency programmes, together with the many best-practice projects started up to help us to learn from people in different departments and companies, have changed our behaviour and our culture. Together with our other management development programmes, this has laid the foundations for the winning culture needed to deliver results in both stagnating and growing beer markets.

Competitiveness is essential everywhere for growth and satisfactory earnings. Carlsberg delivers high-quality products and services, and our goal is to be not the cheapest but the best. However, to be the best brewer in the world, we must be the best at delivering products and services that have value for our customers so that we have the resources for continued investment in our operations and employees.

Carlsberg's success has been possible only because we have been ambitious and taken commercial risks with the backing of our shareholders – most notably in the form of a number of acquisitions, of which the majority and the largest have been a success and are now contributing the bulk of the Group's earnings.

Also in the individual markets, changing consumption patterns mean that the need for ideas and new products is growing, so making greater demands of the companies' product development capabilities and willingness to take risks. One example from our Nordic domestic market is the opening of the Jacobsen brew-

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house, where Carlsberg has successfully picked up on a consumer trend in favour of high-quality speciality brews. New products and consumption scenarios will be a focus area in the coming years in order to strengthen our position as a world-class supplier of beer and other beverages in the markets in which we compete.

Carlsberg's success in the short and medium term is to be achieved primarily by improving revenue growth and profitability in Western Europe and accelerating our profitable growth in Eastern Europe. In the longer term Carlsberg also aims to strengthen its presence in Asia. Acquisitions in Western China, Laos and Cambodia in 2005 were a step in the right direction.

Over the last 18 months Carlsberg has substantially reduced its debt from the high levels following the purchase of the minority holding in Carlsberg Breweries and the acquisition of Holsten in the first half of 2004 to just under DKK 21bn at the end of 2005. At the beginning of 2006 Moody's Investors Service and Fitch Ratings awarded Carlsberg Breweries investment-grade ratings, thereby signalling to lenders that our credit status is satisfactory.

A globally consolidating brewing industry will continue to throw up considerable challenges in the future but with its leading position in many markets, a stronger organisation and growing share of earnings from growth markets, Carlsberg has built a platform from which it can compete successfully in this context too.

On behalf of the entire Carlsberg Group, I would like to thank our customers and other partners for their cooperation in 2005, and our shareholders for their backing and faith in our strategy. I would also like to thank our many skilled and committed employees for all their good work.

Carlsberg has set its sights high, and we will be continuing our work to create value and strengthen the business in 2006 and beyond.

Nils S. Andersen

Five-year summary

DKK million		2001	2002	2003	2004	2004 IFRS	2005 IFRS
Sales volumes (million hl)							
Beer		67.0	78.6	81.4	92.0	92.0	101.6
Soft drinks		21.2	20.9	21.2	19.4	19.4	19.1
Income statement							
Net revenue		34,419	35,544	34,626	35,987	36,284	38,047
Operating profit		3,294	3,779	3,564	3,442	3,401	3,518
Special items, net		32	-23	-401	-301	-598	-386
Financials, net		-255	-884	-475	-1,079	-1,152	-1,240
Profit before tax		3,071	2,872	2,688	2,062	1,651	1,892
Corporation tax		-617	-723	-590	-459	-382	-521
Goodwill amortisation and impairments		-303	-375	-379	-976	-	-
Consolidated profit		2,151	1,774	1,719	627	1,269	1,371
Attributable to:							
Minority interests		957	763	763	150	169	261
Shareholders in Carlsberg A/S		1,194	1,011	956	477	1,100	1,110
Balance sheet							
Total assets		47,455	46,523	46,712	56,731	57,698	62,359
Invested capital		30,931	30,971	28,815	42,783	43,466	42,733
Interest-bearing debt, net		10,918	10,923	8,929	21,733	21,733	20,753
Equity, shareholders in Carlsberg A/S		12,041	10,836	11,276	14,410	15,084	17,968
Cash flow							
Cash flow from operating activities		2,215	5,550	4,517	3,806	3,875	4,734
Cash flow from investing activities		-3,514	-3,946	-1,904	-2,294	-2,363	-2,354
Free cash flow		-1,299	1,604	2,613	1,512	1,512	2,380
Investments							
Acquisition and disposal of property, plant and equipment, net		3,551	2,991	1,218	1,141	1,141	1,323
Acquisition and divestment of subsidiaries, net		1,996	1,131	143	4,252	4,252	738
Financial ratios							
Operating margin (before special items)	%	9.6	10.6	10.3	9.6	9.4	9.2
Return on average invested capital (ROIC)	%	10.2	12.2	12.4	8.0	8.1	7.8
Equity ratio	%	25.4	23.3	24.1	25.4	26.1	28.8
Debt/equity (financial gearing)	x	0.91	1.01	0.79	1.51	1.44	1.15
Interest cover	x	12.92	4.27	7.50	3.19	2.95	2.84
Stock market ratios							
Earnings per share (EPS)	DKK	18.7	16.6	15.7	6.7	15.5	14.6
Cash flow from operating activities per share (CFPS)	DKK	34.7	91.2	74.2	53.6	54.6	62.1
Dividend per share (proposed)	DKK	5.0	5.0	5.0	5.0	5.0	5.0
Pay-out ratio	%	27	30	32	80	32	34
Share price (per share of DKK 20), year-end	DKK	329.8	295.1	259.5	278.1	278.1	337.5
Number of shares, year-end	1,000	63,906	63,906	63,906	76,278	76,278	76,278
Number of shares, average (excl. treasury shares)	1,000	63,706	60,862	60,862	71,006	71,006	76,228

The accounting policies have been amended with effect from 2005, cf. the section of the Annual Report on the transition to IFRS from 2005. The comparative figures for 2004 have been restated accordingly, but those for other years have not. The share prices at the end of 2001, 2002 and 2003 were calculated by the Copenhagen Stock Exchange, taking into account the capital increase in 2004. The key figures have been prepared in accordance with the Danish Society of Financial Analysts' publication "Financial Ratios & Key Figures 2005".

Results and expectations

Net revenue climbed 5% to DKK 38.0bn in 2005, driven by strong growth in Eastern Europe, particularly at BBH. In local currencies, net revenue climbed 4%.

Operating profit was DKK 3,518m, against DKK 3,401m in 2004. Beverage activities generated operating profit of DKK 3,422m, an increase of DKK 452m or 15% on 2004. This growth was due particularly to marked growth in earnings at BBH and elsewhere in Eastern Europe. Other activities, including the disposal of properties, contributed operating profit of DKK 96m, against DKK 431m in 2004.

As expected, Carlsberg's share of consolidated profit was DKK 1,110m.

Dividend

The Parent Company Carlsberg A/S posted a profit of DKK 691m. The Board of Directors will propose to the General Meeting of Carlsberg A/S that, as last year, a dividend be paid of DKK 5.00 per share, or a total of DKK 381m. It is proposed that the remaining profit, DKK 310m, be taken to reserves.

Expectations for 2006

Carlsberg anticipates continued volume growth, adjusted for the partial sale of the holding in Hite (cf. below). This growth is expected to be driven by organic growth at both BBH and the other Eastern European units, as well as in Asia (excluding Hite).

Net revenue is therefore expected to climb to around DKK 39bn (2005: DKK 38.0bn), assuming current exchange rates.

Beverage activities are expected to generate operating profit in the region of DKK 3.55bn. The operating profit of DKK 3,422m in 2005 included a DKK 116m share of the profit of the then associate Hite Brewery Co. Ltd. Following the sale of some of the shares in this company in December 2005, the remaining holding is now viewed as a financial asset, and so a share of the company's profit will no longer be included in Carlsberg's operating profit under profit from associates. The comparable figure for operating profit in 2005 is therefore DKK 3,306m. Operating profit from beverage activities on a comparable basis is thus expected to rise by around DKK 250m in 2006.

As a result of the disposal of property made in the past year, other activities are expected only to break even, which means that operating profit for the Carlsberg Group as a whole is forecast to be around DKK 3.55bn.

Currently agreements have been entered into on the delivery of properties/apartments at Tuborg Syd (Copenhagen) in the period 2006-08. The financial consequences of these agreements are that in 2006, 2007 and 2008 around DKK 410m, DKK 400m and DKK 20m respectively will be invested, while sales proceeds will be around DKK 105m, DKK 420m and DKK 780m respectively. Thus the development of these properties will have a negative impact on free cash flow in 2006 as a result of investments which will not lead to sales until the following year. Sales proceeds and new rental income in 2006, 2007 and 2008 are expected to amount to around DKK 85m, DKK 160m and DKK 300m respectively.

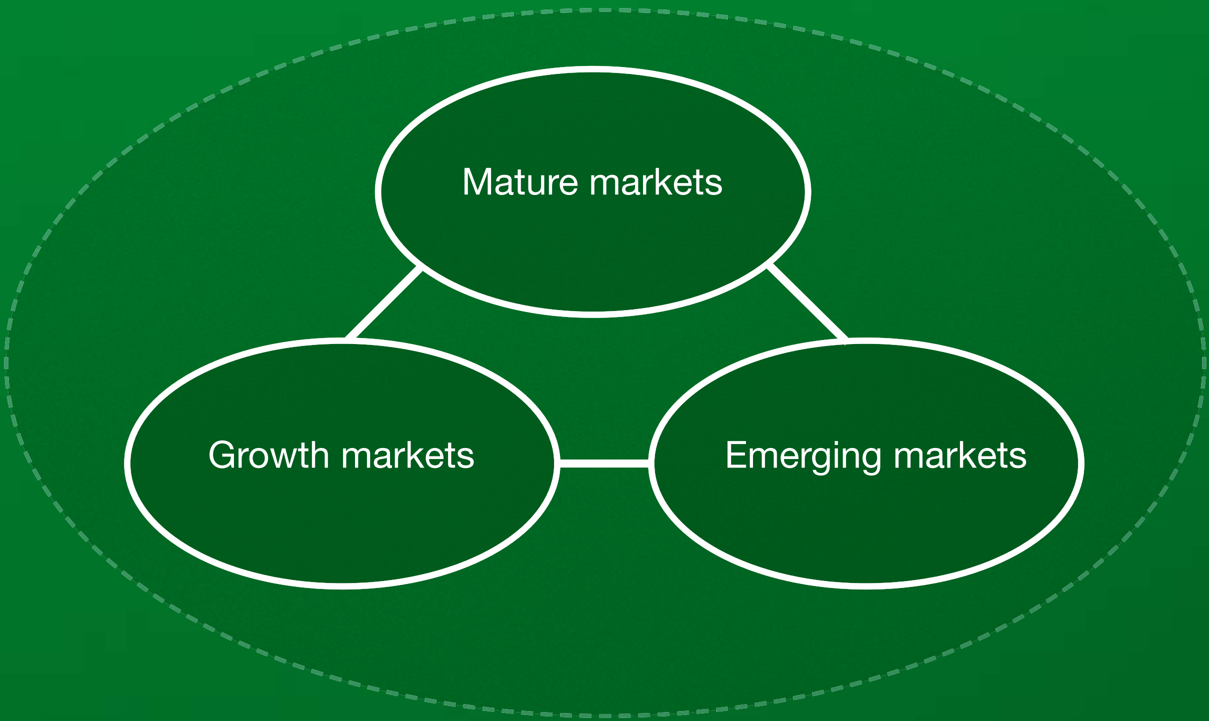
The coming year is expected to bring extensive work on restructuring and optimising processes with a view to strengthening and developing the Carlsberg Group. The restructuring costs associated with these decisions will be accounted for under special items. These costs must be expected to be considerable in 2006, and no lower than in 2005. For example, the closure of industrial production in Copenhagen will lead to restructuring costs of around DKK 100m in 2006.

Carlsberg's share of consolidated profit is expected to grow by around 10% relative to 2005.

The above forward-looking statements – including those concerning revenue, earnings, cash flow from operating activities and debt – reflect management's current expectations and are subject to risks and uncertainty. Many factors, some of which will be beyond management's control, may cause actual developments to differ materially from the expectations expressed. Such factors include – but are not limited to – those presented in the Annual Report's section on risk management. The Company will update or adjust the stated expectations only to the extent required by legislation etc.

Western Europe

Profitability through innovation and rationalisation
- Focus on earnings and cash flow
- Increased profitability through optimisation and rationalisation
- Innovation and brand-building
- Market expansion



Eastern Europe

Growth potential in the coming years
- Focus on growth and earnings
- BBH absolute market leader in Russia after ten years
- Success in Poland after five years
- Same long-term development in other countries

Asia

New market positions for the future
- Focus on growth and establishing new positions
- Building on decades of presence in the region
- Long-term investments in market-leading positions
- Big markets with considerable growth potential

The Carlsberg Group's strategy

Ready for the next phase

Over the last five years the Carlsberg Group has become increasingly market-oriented and efficient. Important results have been achieved. But the strategic development process is continuing, and a number of projects have now been launched with a view to taking Carlsberg one step closer to its vision of being *Probably the best beer company in the world.*

The driving force behind these projects is the aim of making the Group more dynamic and flexible, and ensuring a constant focus on the market and customers in all of its processes.

The Carlsberg Group's strategic development has three pillars:

- The Group's core business is the development, production, distribution and sale of beer. Other beverages, such as soft drinks and mineral water, are also part of the product portfolio in markets where this is or could be profitable.

- The Group's activities are concentrated in three regions: Western Europe, Eastern Europe and Asia. Other markets are serviced through exports and production under licence. These three regions offer different strategic challenges: Western Europe with its mature markets, and Eastern Europe and Asia as growth markets which are accounting for a growing share of Carlsberg's business.

- The Group aims to attain or retain a leading position – generally No. 1 or No. 2 – in the markets in which it chooses to be active, and aims to have a controlling influence in the businesses it acquires.

The Carlsberg Group's development also builds on some fundamental beliefs born of experience in recent years:

- Responsibility for market development and earnings should rest with the national management teams, close to customers and consumers in the individual markets.

- Co-operation and the exchange of experience between countries and departments have significant financial and professional benefits for the Group, for example when it comes to innovation, brand management, logistics, marketing, sales and management. Each national management team is therefore also assessed on its contribution to co-operation across the Group, e.g. in production, and the exchange of experience between countries.

- To be able to invest resources in its brands and employees, the Group must have a common focus on being cost-effective in areas such as procurement, production, logistics, administration and IT.

The Carlsberg Group's strategic development work is currently focusing on six areas:

- The brand portfolio is to be strengthened. The leading international brand Carlsberg is to grow further, but at the same time other of the Group's attractive brands are to be strengthened and positioned more strongly in the individual countries and, where profitable, distributed in more than one market.

- The beer market is to be enlarged by developing new consumption scenarios and new target groups, underpinned by focused and rapid product development and innovation.

- Sales to the on-trade – hotels, restaurants and bars – are to be developed through new and different products and services and through better servicing of customers, partly because this market is very important for building brand value.

- Profitability is to be increased through continued efficiency improvements. The business model is to be developed further so that costs can be minimised while still servicing customers satisfactorily.

- Strategic room for manoeuvre is to be increased through greater financial strength and continued streamlining of the Group's structure.

- Finally, Carlsberg's corporate culture is to be enhanced through a sharper focus on delivering and rewarding results, closer co-operation across the organisation, and giving greater responsibility to the individual employee.

The Carlsberg Group's management will report regularly on progress in its strategic development.

41% Western Europe

30% BBH

	Our markets						Our sales			
	Population (million) [1]	GDP per capita (USD 1,000) [2]	GDP growth (%) [2]	Beer consumption per capita (litres/year)	Market maturity	Growth	Market position	Market share	Beer sales, gross (million hl)	Global brands
Western Europe										
Denmark	5.4	32.0	2.1	91	●●●	↘	No. 1	62%	3.4	Carlsberg
Norway	4.5	40.0	3.3	55	●●●	↘	No. 1	53%	1.3	
Sweden	9.0	28.4	3.6	54	●●●	↘	No. 1	39%	1.7	
Finland	5.2	29.0	3.0	87	●●●	↘	No. 1	45%	2.0	
UK	60.4	29.6	3.2	99	●●●	↘	No. 4	12%	7.1	
Germany	82.4	28.7	1.7	117	●●●	↘				
Northern Germany [3]							No. 1	>20%	6.3	
Switzerland	7.4	33.8	1.8	61	●●●	↘	No. 1	42%	1.8	
Italy	58.1	27.7	1.3	30	●●●	↘	No. 3	8%	1.5	
Portugal	10.5	17.9	1.1	65	●●●	↘	No. 1	56%	2.0	
Eastern Europe: BBH (50%)										
Russia	143.4	9.8	6.7	60	●●○	↗	No. 1	36%	16.6	TUBORG
Ukraine	47.4	6.3	12.0	45	●○○	↗	No. 3	19%	2.3	Carlsberg
Baltic States [4]	7.2	11.5-14.3	6.0-7.6	57-83	●●○	↗	No. 1	39-45%	1.4	
Kazakhstan	15.1	7.8	9.1	26	●○○	↗	No. 1	25%	0.3	
Eastern Europe (excl. BBH)										
Poland	38.6	12.0	5.6	77	●●○	↗	No. 3	14%	4.3	TUBORG
Balkans [5]	46.6	2.4-8.2	1.3-8.1	34-65	●●○	↗	No. 3	13-20%	2.3	Carlsberg
Turkey	69.6	7.4	8.2	11	●●○	↗	No. 2	18%	1.7	
Asia [7]										
Malaysia	23.9	9.7	7.1	6	●●○	↗	No. 1	51%	0.9	Carlsberg
Singapore	4.4	27.8	8.1	17	●●○	↗	No. 2	25%	0.2	
Vietnam	83.5	2.7	7.7	13	●○○	↑	No. 4	10%	0.8	
China	1,306.3	5.6	9.1	22					3.0	
Western China	Ca. 120.0	1.0-3.0	n/a	Ca. 10	●○○	↑	No. 1	>45%	2.3	
Other countries	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.7	

1. As at July 2005. 2. Data for 2004; GDP calculated on a purchasing power parity basis. 3. Defined here as Schleswig-Holstein, Hamburg, Mecklenburg-Western Pomerania, Lower Saxony and Bremen. 4. Estonia, Latvia and Lithuania. 5. Defined here as Serbia-Montenegro, Croatia, Bulgaria and Hungary. 6. Full-time equivalents. 7. Excluding the one-line consolidated associate (until November 2005) Hite Brewery Co. Ltd. in South Korea. Sources: Canadean and The World Factbook (CIA).

18%

11%

	Eastern Europe (excl. BBH)	Asia

Shares of the Carlsberg Group's sales (volume)

	Our resources			Our results			
Selected local brands	Employees [6]	Breweries	Invested capital (DKK billion)	Beer sales, pro rata (million hl)	Revenue (DKK million)	Operating profit (DKK million)	Operating margin (%)
			17.8	**28.4**	**26.3**	**2,023**	**7.7**
Carlsberg, Tuborg	2,567	2		41% 	70% 		
Tuborg, Ringnes, Lysholmer	1,625	4					
Pripps, Falcon	1,386	1					
Koff, Karhu	1,101	2					
Carlsberg, Tetleys, Holsten	2,471	2					
Holsten, Lübzer, Hannen, Duckstein	1,571	5					
Feldschlösschen, Cardinal	1,592	3					
Splügen, Bock 1877	1,019	2					
Super Bock	999	3					
			6.6	**20.6**	**6.6**	**1,316**	**20.0**
Baltika, Arsenalnoye, Nevskoye, Yarpivo	7,183	10		30% 	17% 		
Slavutich, Lvivske		3					
Svyturys, Utenos, Aldaris, Saku		2					
Derbes, Irbis		1					
			4.1	**12.3**	**3.4**	**314**	**9.3**
Okocim, Harnas, Kasztelan, Bosman, Piast	1,335	3		18% 	9% 		
Tuborg, Lav, Shumensko, Pan	1,216	4					
Tuborg, Skol	793	1					
			2.7	**7.6**	**1.6**	**392**	**17.0**
Carlsberg, Danish Royal Stout, Skol	612	1		11% 	4%		
Danish Royal Stout	61	-					
Halida, Huda	544	2					
Dali, Wusu, Huanghe, Lhasa	1,882	19					
n/a	246	3					

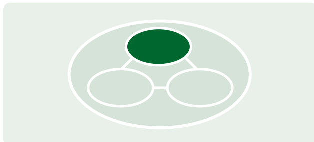
Segment reporting on beer sales, revenue, operating profits and operating margins covers beverage activities excluding revenue and profit which are not distributed. Exports and licence production are included in the resources and results for Western Europe and Eastern Europe respectively. Operating profits and operating margins in Asia include a share of the profits of associates.

"An important part of the future strategy for Western Europe will be continued measures to improve and optimise the business, as well as innovation and the introduction of new types of beer, for example to replace wine on the dinner table."

Jacobsen

One of the key development trends in 2005, especially in the markets of northern Europe, was increased interest in speciality brews. In this category Carlsberg launched four variants in a new range of beers from its Jacobsen brewhouse in 2005. The range is currently on sale in Denmark, Norway and Sweden, and is expected to be marketed in several other countries too in 2006.

Mature markets



Western Europe

The main part of Carlsberg's business is in mature markets in Western Europe, which generate almost 70% of its revenue. In line with Carlsberg's strategy, its activities are concentrated in markets where Carlsberg commands a market-leading position, because this provides the best basis for healthy and profitable operation. The Company's activities include No. 1 positions in the Nordic countries, northern Germany, Switzerland and Portugal, and substantial operations in the UK and Italy, where Carlsberg is one of several large players.

An important part of Carlsberg's strategy for this region has been an increased focus on optimisation and efficiency. A wide range of initiatives to improve production, administration and procurement have been launched and implemented over the last two years as part of the Operational Excellence efficiency programmes. One key element in the future strategy will be continued initiatives to improve and optimise the business, including ensuring that all significant functions and processes are reviewed.

Other strategic measures in these mature markets concern maintaining market share and improving the product mix, including continuous innovation and the launch of new types of beer. Carlsberg is striving to deliver even better results in all these areas, and is devoting extensive resources to developing and revitalising the beer market.

Carlsberg sold a total of 28.4m hl of beer in Western Europe in 2005, an increase of 1% on 2004, including 1.4m hl from the activities in Holsten-Brauerei acquired in 2004 and Göttsche Getränke acquired in 2005. Adjusted for this, there was organic volume growth of -4%.

Revenue fell by 1% to a total of DKK 26,302m from DKK 26,564m in 2004. The organic revenue growth was -4%, due partly to lower revenue in Sweden and the UK. Furthermore, sales of soft drinks were down on 2004, a result mainly of lower sales in Sweden and Denmark.

Overall there was a small increase in average beer prices of around 0.5%, including contributions from an improved product mix.

Operating profit was DKK 2,023m compared with DKK 2,269m in 2004. This decrease was due primarily to lower earnings in the UK (particularly in the 4th quarter) and to a variety of project-related expenses in 2005 (Excellence programmes etc.) being incurred in the countries concerned. The financial impact of the Operational Excellence programmes and implementation of the turnaround plan for the Swedish operation strengthened the overall business.

18 new products are bringing the whole world to Norway

In recent years Norwegian consumers have acquired a taste for international speciality beers. Against this background Ringnes has launched 18 new products to provide a taste of the whole world, including alcohol-free beer, soft drinks and flavoursome beers from Asia and Cuba.

The operating margin was 7.7%, down 0.8 percentage points on 2004 and therefore not satisfactory. A number of measures have been implemented to reinvigorate earnings in the region, cf. below.

Sweden

One clear priority during the year was improving the performance of the Swedish operation, which therefore underwent extensive restructuring, including staff cutbacks and redundancies, the refocusing of the product range on mainstream and premium brands, and the rationalisation of logistics. These many initiatives proved a success: the Swedish operation generated operating profit of around DKK 100m and has therefore taken a big step towards achieving the level of earnings that its market position warrants.

Norway and Finland

There was price pressure in both Norway and Finland, but both Ringnes in Norway and Sinebrychoff in Finland had success launching new products and packaging types. Earnings were stable.

Denmark

Earnings in Denmark were down, due to a general downturn in the market and problems with the transition to a new automated order-picking system. On the upside there was the opening of the new Jacobsen brewhouse, which was an immediate success in the speciality beer segment. To counteract the current and expected future trend in the market, cutbacks and redundancies were made in administration and sales, among others, in 2005.

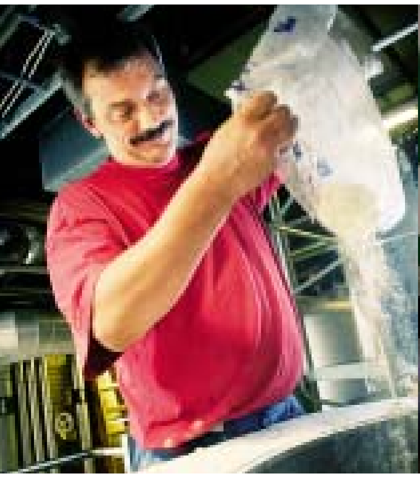
As part of the work to optimise and improve production at Carlsberg and increase the profitability in Carlsberg's Danish subsidiary, the decision has been taken to discontinue production in Valby (Copenhagen) and concentrate Danish production at the brewery in Fredericia instead. Over the next three years a total of around DKK 800m will be invested in expanding and modernising the brewery and building a new high-bay warehouse in Fredericia. Production is expected to be concentrated in Fredericia by the end of 2008, bringing annual efficiency gains in the region of DKK 130m.

UK

Competition in the UK market is intense. Carlsberg UK's volumes and earnings were negatively affected by the consolidation of pub chains. At the end of the year a provision of around DKK 125m was made for the cost of streamlining business processes and the production, logistics and administration organisation. Combined with additional efficiency measures and adjustments in 2006, especially in logistics, this is expected to create an improved platform for the UK business. The total reduction in staff at Carlsberg UK from the 4th quarter of 2005 to the end of 2006 is expected to be approx. 400. New bottling and canning lines will be taken into use from March 2006 to accommodate rising demand from the off-trade.

Germany

Holsten-Brauerei has now been part of the Carlsberg Group for nearly two years, and the financial targets originally set for the acquisition have been achieved. The operational integration of Holsten-Brauerei has generated substantial synergies and good growth in earnings.



Switzerland and Portugal

Both Switzerland and Portugal delivered satisfactory results, albeit not quite up to the high levels of 2004. Tougher drink-driving laws were introduced in Switzerland at the beginning of 2005, which led to a drop in sales of beer to the on-trade. As part of the strategy of focusing on core business, the mineral water operation Passugger was sold at the end of the year. In Portugal the market fell back slightly after particularly high sales figures in connection with EURO 2004. Combined with increased competition, this led to reduced earnings.

Italy

The Italian business was affected by the integration of distributors and by restructuring. The business lost market share in 2005, due to the decision to scale down sales of value beer to the off-trade and to a drop in sales volumes for the Splügen brand following price increases. Profitability is still not satisfactory, and so goodwill was impaired by a total of DKK 277m. Earnings will be improved, among other things, through increased efficiency in the strong distribution system and through cost reductions.

Carlsberg aims to be world class …

The Excellence programmes have been part of Carlsberg's everyday reality for the last three years. Focusing on production, administration, procurement and, more recently, the way in which the Group does business, these efficiency programmes have turned many things on their heads and led to numerous improvements.

Production Excellence has been launched at 32 production facilities in Europe and one in Asia. With total efficiency gains estimated at more than DKK 400m at the end of 2005, Production Excellence has already made a major contribution, but there is still room for improvement. The next phase entails full integration of continuous efficiency improvements and optimisation in the way we work at Carlsberg.

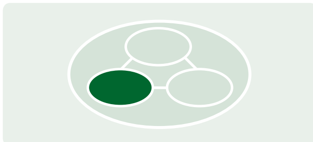
Administration Excellence focuses on implementing best-practice administrative solutions in nine European countries. Total annual efficiency gains are now approaching DKK 150m, and Finland, Croatia and Switzerland are the first countries to complete the programme. Purchasing has also been improved through the Procurement Excellence programme, which has included centralising some purchasing in order to get better terms.

Logistics and distribution costs also account for an important part of Carlsberg's overall costs and so it was only natural to introduce a Logistics Excellence programme to bring about substantial efficiency gains and develop the skills needed for continuous improvement in the future. Logistics Excellence covers everything from planning logistics through the management of warehouses and distribution centres to the actual transportation of the goods. Pilot projects were carried out in the UK and Sweden in 2005 which identified considerable room for improvement. The programme will later be launched in Denmark, Norway, Finland, Switzerland, Germany, Italy and Poland, and is expected to be fully implemented in 2007 and 2008.

Baltika

Progress in the Russian beer market continues. Consumers are drinking more beer and fewer spirits. One beer stands out from the rest and is drunk more than all the others: Baltika from BBH. It was launched in 1992 and is now sold in nine different varieties. Baltika is the undisputed leader on the Russian beer market.

Growth markets



Baltic Beverages Holding

Baltic Beverages Holding (BBH) is a 50/50 joint venture between Carlsberg and Scottish & Newcastle plc. BBH is included in the Carlsberg Group's business portfolio as a major source of exposure to growth markets.

BBH focuses on the beer markets in Russia, the Ukraine, Kazakhstan and the Baltic States. These selected markets offer considerable potential for future growth. Beer consumption per capita is growing in line with prosperity and disposable income, and consumption patterns are becoming increasingly westernised. In volume terms, the Russian beer market is now the fifth largest in the world, and Carlsberg's strategy, via BBH, remains to develop and lead this market through high brewing quality, technological production expertise, and strong know-how in sales, marketing and distribution. Also part of the strategy is creating an even stronger unit in Russia through operational integration of the individual breweries at BBH so as to generate the best possible results to the benefit of its shareholders.

BBH's markets put in a strong performance in 2005, led by Russia where there was growth of 6%. The markets in the Ukraine, Kazakhstan and the Baltic States grew by 25%, 25% and 8% respectively. BBH grew its sales volumes in these markets by 13% to 20.6m hl, so underlining its strong position in the region.

Net revenue climbed to DKK 6,568m from DKK 5,418m in 2004, an increase of 21%, including 8% due to an improvement in price/mix. Operating profit rose by 27% to DKK 1,316m (2004: DKK 1,038m). These earnings reflect both continued favourable market conditions and the realisation of the first synergies from the operational integration of the Baltika, Pikra, Vena and Yarpivo breweries in Russia. The operating margin was 20.0%, up 0.8 percentage points on 2004.

Russia

In Russia BBH grew faster than the market as a whole, its beer sales growing by 13% to a total of 16.6m hl. Market share increased to 36.3% (2004: 34.2%), further cementing BBH's position as the market leader. Progress was made across a broad front, led partly by the Baltika brand and Tuborg, which is now the leading licensed brand in Russia. Continued growth in sales and earnings can best be achieved by amalgamating the Russian breweries: Baltika, Pikra, Vena and Yarpivo.

The Baltic States

The trend in the Baltic States remained positive with large increases in market volumes, especially in Estonia and Lithuania, where beer consumption per capita is now up around 90 litres a year. PET packaging is becoming increasingly popular in all the Baltic States. The Baltic States continue to show good earnings capacity.

Ukraine and Kazakhstan
In the Ukraine the market featured fierce price competition. Together with changes in BBH's sales structure, this led to a loss of market share, mainly for the Slavutich brand. On the upside, the Tuborg brand made progress in the licence segment.

The business in Kazakhstan achieved volume growth of more than 50%, driven by campaigns for the Derbes and Irbis brands.

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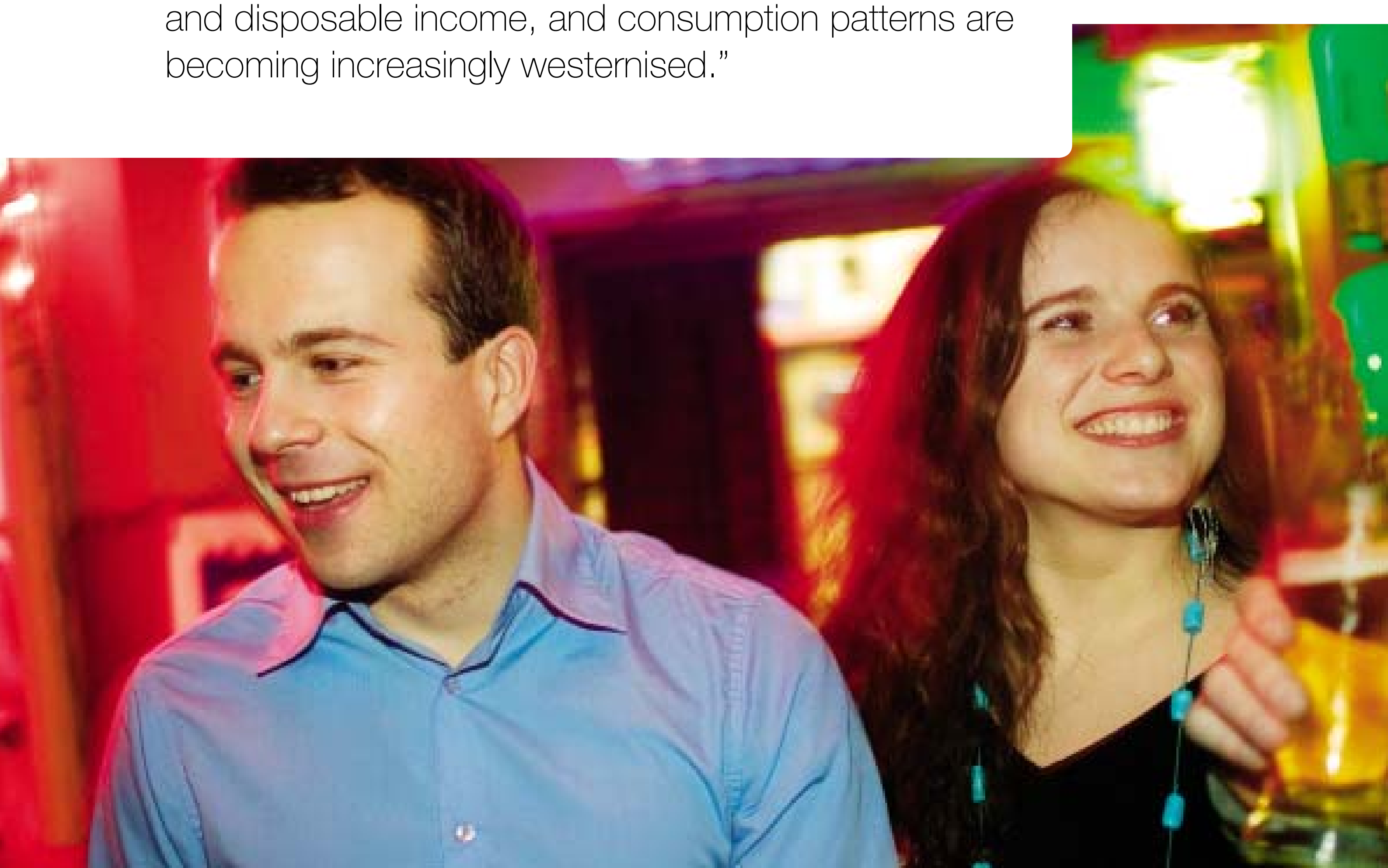
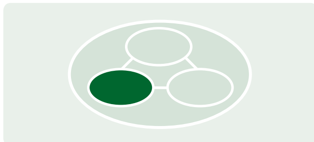


"Eastern Europe offers attractive growth prospects, as beer consumption per capita is expected to grow, partly through the substitution of spirits with beer."

Harnas

When competition increased on the Polish beer market, Carlsberg Polska knew that it had to do something different to maintain competitiveness. Which is why the company launched the new Harnas beer in 2003, using a unique series of TV adverts which featured cartoon characters and sponsoring the world ski-jumping championships. Harnas is now the fastest-growing brand in Carlsberg Polska's product portfolio, with sales reaching almost 1m hl in 2005.

Growth markets



Eastern Europe excl. BBH

Carlsberg's activities in this region concentrate on Poland, Turkey and the Balkans. Generally the region offers attractive growth prospects, as beer consumption per capita is expected to grow, partly through the gradual substitution of spirits with beer.

Carlsberg's strategy is to participate selectively in the consolidation of the industry, which includes investing in and building up strong businesses based on national beer brands in the mainstream segment and gradually introducing the Carlsberg and Tuborg brands in the premium segment. Alongside this, the Excellence programmes known from Western Europe are being introduced in order to transfer best practice and ensure optimal business processes.

Sales of beer grew by 9% to 12.3m hl. Revenue climbed to a total of DKK 3,367m (2004: DKK 2,902m), and operating profit to DKK 314m (2004: DKK 61m). These earnings were the result of very strong growth at Carlsberg Polska and better results at the Balkan businesses. Türk Tuborg improved on 2004, but posted another operating loss.

Poland

In Poland good results were achieved in a buoyant market. Carlsberg Polska gained market share partly through innovation, including the launch of new higher-margin products. Following the implementation of the Excellence programmes, the operating margin in Poland is now on a par with the best-performing countries in Western Europe.

Turkey

In Turkey there was a drop in beer sales, and earnings were again unsatisfactory, albeit slightly better than in 2004. Türk Tuborg lost market share, due primarily to lower sales of the Skol brand. This negative performance led to goodwill and other assets being impaired by a total of DKK 563m. A number of initiatives have been launched to raise productivity and cut costs, including a reduction in the overall workforce. A number of measures are also being introduced to generate growth and strengthen distribution.

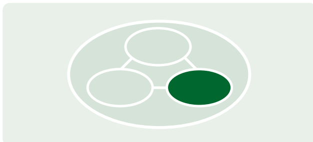
Balkans

The breweries in the Balkans achieved healthy growth in sales and realised a positive earnings trend. The profit trend is due to the rationalisation programmes implemented and the launch of new products, including Tuborg Green.

Chill

Many young Chinese enjoy lighter, less bitter beers, which is why Carlsberg launched Chill in 2004. The brand complements Carlsberg Green label and appeals to a young urban public. Carlsberg Chill is now one of the most popular premium beers in the major cities of Eastern China.

Emerging markets



Asia

Carlsberg's presence in Asia dates back many years and has historically been concentrated in Malaysia, Singapore and Hong Kong. With a strong platform in these markets, including for the Carlsberg brand, the strategy for Asia has since been extended to include investment in new markets with considerable growth potential.

Thus, for example, investments have been made in China, Vietnam and Cambodia, which all currently feature low beer consumption per capita and have a large population, and therefore have major growth potential. The investments in China particularly are in a region where beer consumption is below the national average.

These investments in emerging markets currently make up only a small part of the Carlsberg Group's overall business portfolio, but are expected to become more im-portant in the medium-to-long term.

Total beer sales grew by 28% to 7.6m hl (2004: 6.0m hl), including 5% organic growth and 23% through acquisitions, primarily in Western China. Excluding volumes from Hite Brewery, there was organic growth of 14%. Net revenue climbed to DKK 1,626m (2004: DKK 1,463m), corresponding to growth of 11% (excluding revenue at associates in South Korea and China). Operating profit came to DKK 392m, compared with DKK 404m in 2004, negatively affected, as expected, by the cost of launching and marketing Carlsberg Chill in China.

Malaysia

Volumes in the Malaysian market declined due to an increase in excise duties on beer and the ensuing higher prices in the off-trade. Sales of Carlsberg Green Label fell in line with the rest of the market, while Skol positioned itself in the value segment. Earnings in Malaysia were on a par with 2004.

China and Vietnam

Carlsberg's operations in the new markets of Western China and Vietnam are in a development phase and generated strong organic volume growth and positive operating profit.

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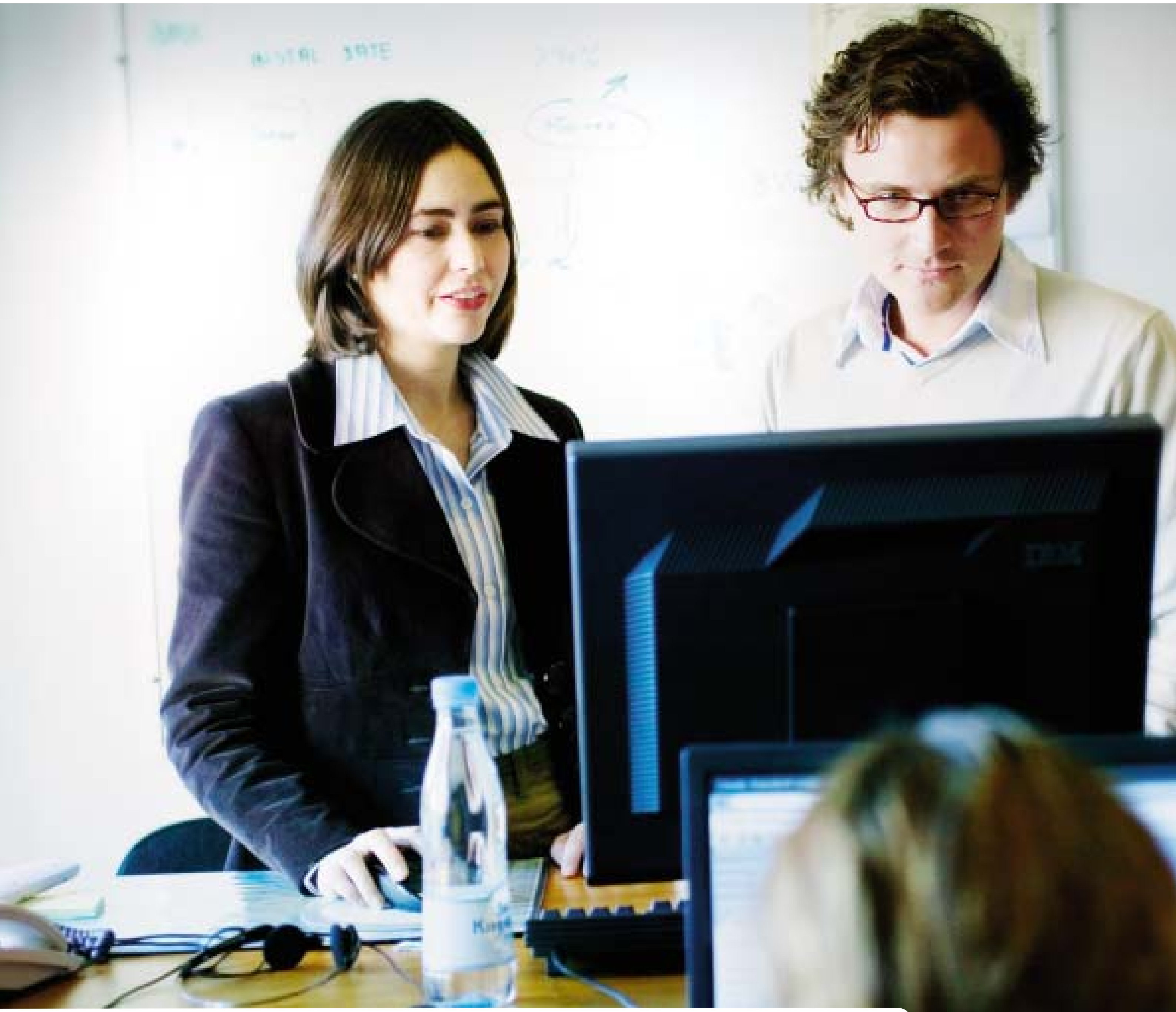


"The local management team is responsible for each company's operations and commercial activities but is increasingly being supported with experience, methods and resources transferred from country to country. Ever closer co-operation is a crucial factor in the development and strengthening of the Carlsberg Group."

Closer co-operation to take the Carlsberg Group forward

The companies in the Carlsberg Group have built up strong positions in their particular markets. The local management team is responsible for each company's operations and commercial activities but is increasingly being supported with experience, methods and resources transferred from country to country. Ever closer co-operation has been and will remain a crucial factor in the development and strengthening of the Carlsberg Group.

Leadership is the key

This co-operation is being co-ordinated and developed first and foremost by the Group's senior management, comprising the heads of the national companies and the Group's central functions. The Winning Together programme, which brings together management representatives from the largest European countries, has focused on strategic development, team-building, organisation development and management training. The programme started up in 2004 and will also cover Eastern Europe and Asia in 2006.

The next steps in this process include equivalent programmes for the next management tier. Here too the aim is to strengthen the Carlsberg Group's dynamism and co-operation by developing networks across both geographical and departmental boundaries. One important element is a sharper focus on making it attractive for managers and other employees to spend varying periods working in other markets. Greater insight into conditions in different markets will ensure that employees – and so the Group – gain a better understanding of the business's circumstances and challenges.

Another key goal for these programmes is to strengthen the Group's culture so that ambition, initiative and performance are recognised and rewarded.

The international aspect is also an important part of the special programme for developing young management talent. This programme aims both to develop the participants' management skills and to give them an in-depth knowledge of the Group's global activities.

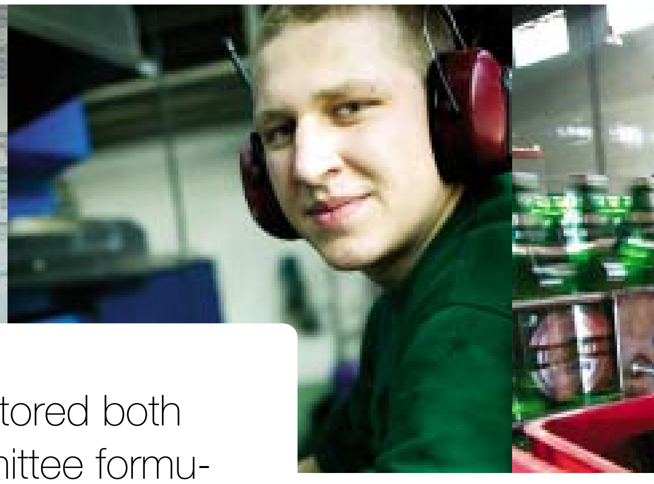
The best of the best

These management programmes are supplemented with themed programmes covering production, purchasing and, from 2005, brand management. These programmes aim to bring together the Group's knowledge and expertise in these areas and exploit them by transferring them from country to country.

The efficiency programmes of recent years have resulted in a simpler organisation and more focused business units. They have also meant that every level of the organisation has become more aware of the benefits

Certified quality assurance

The Carlsberg Group's production facilities are certified under the standards ISO 9001 (quality) and ISO 14001 (environment). When new breweries are acquired, the goal is for these to be certified within two to three years. Training programmes are also arranged so that newly acquired breweries quickly come up to the Group's standards in areas such as food safety, quality of water and other raw materials, and good manufacturing practice.



"Work on quality is co-ordinated and monitored both locally and centrally, where a quality committee formulates the policy."

of using best practice from other units. This transfer of knowledge is increasingly taking place through structured processes spanning the entire value chain from purchasing to marketing.

Continuous innovation

Interdisciplinary and interdepartmental co-operation within the Group is also being used by the different countries in their work on innovation in the product range. Market developments are followed not only by the Group's local units but also by the central innovation function, which monitors and evaluates both short- and long-term changes in consumers' consumption and purchasing patterns, and can therefore support the individual companies in the Carlsberg Group in their work on developing and marketing new products and packaging types.

High and uniform quality

The Carlsberg Group's breweries produce beer on the basis of technical specifications and standards which ensure that consumers always get beer of high and uniform quality. Work on quality is co-ordinated and monitored both locally and centrally, where a quality committee formulates the relevant policy.

Traditionally the main focus has been on products' technical quality, but in recent years the Group has introduced an increasingly broad view of quality which takes account of consumers' perception of the quality of beer, packaging and service alike in the context of both purchasing and consumption.

A responsible company

The Carlsberg Group is aware of its social responsibilities and its products' potential harmful effects. Both locally and centrally the Group strives for a constructive dialogue with national and international politicians and

Ongoing quality tests on Carlsberg and Tuborg

With the international brands, such as Carlsberg and Tuborg, a quality index is computed each month for the various production sites. The index is based primarily on the taste of the beer, which is evaluated on a number of parameters by Carlsberg's experienced tasting panel. Measurements of chemical composition and microbiological purity are also included, as is an assessment of the appearance of the packaging. The index is used for benchmarking the production sites and is included in the local management teams' performance targets.

organisations. This dialogue often involves relevant trade organisations, and aims in part to ensure a reasonable basis for marketing and sales as well as responsible consumption and the prevention of abuse.

Environmental issues

The Carlsberg Group recognises the environmental responsibilities that go with its leading global position, and takes account of environmental issues in both the continued development of its existing activities and the establishment of new ones.

Work on environmental issues is based on the Group's environmental policy, which is supplemented with and implemented through the local companies' own environmental policies. These policies also encourage suppliers and business partners to embrace their environmental responsibilities.

In accordance with its environmental policy, the Group strives constantly to minimise its environmental impact and optimise its consumption of resources. The legislation introduced in the EU concerning allowances for emissions of carbon dioxide from combustion is being monitored closely, and it is expected that the activities involved will be able to comply with the allowances granted.

These issues also form an integral part of the Group's efficiency programmes, which set clear goals for reducing the consumption of resources that impact on the environment. This work not only benefits the environment but also makes production more economical.

Carlsberg Club Bottle

New initiatives on the packaging side included the launch of the exclusive Carlsberg Club Bottle – a simple, modern bottle which is being sold primarily to the on-trade. The bottle is designed for use in places like nightclubs where beer is often enjoyed straight from the bottle. It has therefore been designed to be easy to hold and feel comfortable in the hand. The bottle also has a fluorescent label which glows in the dark, and has been introduced in a number of markets in Europe and Asia.

Shareholder information

Carlsberg's shares are listed on the Copenhagen Stock Exchange in two classes: Carlsberg A and Carlsberg B. Each A-share carries 20 votes, while each B-share carries two votes. The B-share is included in the Copenhagen Stock Exchange's leading index, the OMX-C20.

The B-share gained 21% in 2005 and ended the year at DKK 337.54, compared with DKK 278.14 at the end of 2004. The market value of the Company's total number of outstanding shares climbed to DKK 25.1bn at the end of 2005 from DKK 20.3bn at the end of 2004.

Shareholders

Carlsberg has total share capital of DKK 1,525,568,060, divided into 76,278,403 shares each with a nominal value of DKK 20. Of these, 33,699,252 are A-shares and 42,579,151 are B-shares. The Carlsberg Foundation is the largest investor with 29,184,727 A-shares and 9,972,259 B-shares. In compliance with section 29 of the Danish Securities Trading Act, the following investor has notified Carlsberg that it holds 5% or more of its share capital: Franklin Resources Inc., USA (including Franklin Mutual Advisers, LLC and Templeton Worldwide Inc.).

At the end of 2005 Carlsberg had almost 20,000 registered shareholders, together holding nominal capital of DKK 1,287,138,520, corresponding to 84% of the total share capital.

Not including the Carlsberg Foundation, the Company's shareholders are estimated on the basis of the information available to be distributed as follows (free float, %):

	End-2005	End-2004
Denmark	26	24
North America	23	25
UK	15	19
Other	36	32
	74	76
Total	100	100

It is estimated that around one quarter of the shares in circulation are owned by shareholders in Denmark and three quarters by foreign or unidentified shareholders (also believed to be primarily foreign).

Investor relations

Carlsberg's overall objective is to give investors and analysts the best possible insight into factors considered relevant for ensuring efficient and fair pricing of Carlsberg's shares. This is to be achieved through the quality, consistency and continuity of the information Carlsberg gives the market.

As part of its overall investor relations work, Carlsberg maintains an active dialogue with both existing and potential shareholders, including both institutional and private investors. One goal is to actively present Carlsberg's investment story to international institutional investors, first and foremost in North America and the UK.

Day-to-day contact with analysts and investors is handled by an Investor Relations department headed by Mikael Bo Larsen, tel. +45 3327 1223, e-mail: investor.relations@carlsberg.com

Carlsberg's website for investors can be accessed through www.carlsberg.com. The site includes both historical and current information about Carlsberg, including stock exchange announcements, investor presentations and annual reports.

Financial calendar 2006

15 March	Annual General Meeting
10 May	Q1 Financial Statement 2006
9 August	Q2 Financial Statement 2006
8 November	Q3 Financial Statement 2006
31 December	End of financial year 2006

Carlsberg's communication with investors, analysts and the press is subject to special limitations during a four-week period prior to the publication of quarterly financial statements and annual reports.

Management holdings of Carlsberg shares

At the end of 2005 the members of the Board of Directors held a total of 1,786 A-shares and 4,499 B-shares in Carlsberg, corresponding to a combined market value of around DKK 2.1m, and the members of the Executive

Class of share	Number of shares	Votes per share	ISIN	Bloomberg	Reuters
A	33,699,252	20	DK001018167-6	CARLA DC	CARCa.CO
B	42,579,151	2	DK001018175-9	CARLB DC	CARCb.CO
Total	76,278,403				

Board held a total of 1,080 A-shares and 7,026 B-shares, corresponding to a market value of around DKK 2.7m.

Members of the Board of Directors and the Executive Board are included in Carlsberg's insider register. These persons and their spouses and children may trade in Carlsberg's shares only during a four-week period after the publication of financial statements or other similar statements.

Registration and share register
Shares can be registered in the name of the shareholder by contacting the depository bank. Registered shareholders can receive financial statements, annual reports and other shareholder publications automatically. All registered shareholders are invited to attend Carlsberg's General Meetings.

Carlsberg's share register is managed by Danske Bank, Holmens Kanal 2-12, DK-1092 Copenhagen K.

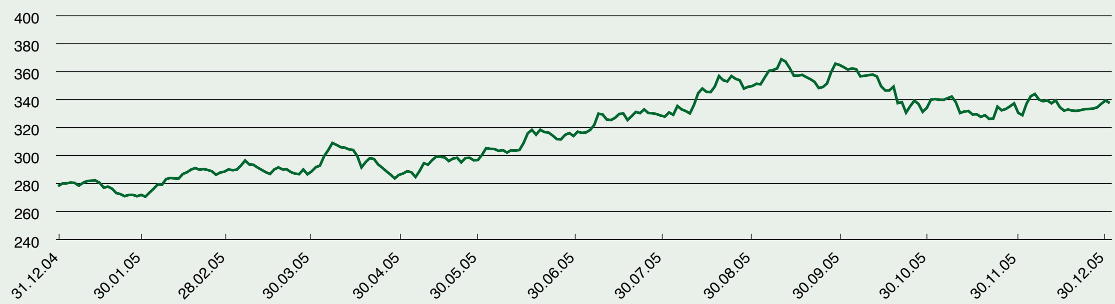
Dividend
The Board of Directors proposes that an unchanged dividend be paid of DKK 5.00 per share. This makes a total dividend of DKK 381m.

Annual General Meeting
The Annual General Meeting will take place on 15 March 2006 at the Radisson SAS Falconer Hotel, Falkoner Allé 9, Frederiksberg, Copenhagen, Denmark.

The following banks and brokers monitor Carlsberg's shares

ABG Sundal Collier	Peter Kondrup
Alm. Brand	Michael Kjær
CAI Cheuvreux	David Halldén
Carnegie	Julie Quist
Cazenove	Matthew Webb
Citigroup Smith Barney	Matthew Springett
CSFB	Michael Bleakley
Danske Securities	Søren Samsøe
Deutsche Bank	Nick Bevan
Dresdner Kleinwort Wasserstein	Andrew Holland
Enskilda Securities	Niels Granholm-Leth
Exane BNP	Nikolaas Faes
Goldman Sachs	Sonya Ghobrial
Handelsbanken	Torben Sand
HSH Gudme	Michael K. Rasmussen
ING	Gerard Rijke
Jyske Bank	Casper Albæk
Lehman Brothers	Ian Shackleton
Merrill Lynch	David Tovar
Morgan Stanley	Alexandra Oldroyd
Natexis Bleichroeder	Oliver Lebrun
Nordea Securities	Finn Bjarke Petersen
Proactive Independent Ideas	Frans Hoyer
Standard & Poor's	Sreedhar Mahamkali
Sydbank	Lars Villadsen
UBS	Fredrik Liljewall

Share price 2005 (DKK per share, Carlsberg B)



Corporate governance

Carlsberg's Board of Directors and Executive Board strive constantly to ensure that the Group's management structure and control systems are appropriate and working satisfactorily, and they regularly – and at least once a year – assess whether this is the case.

With few exceptions, Carlsberg's corporate governance complies with the Copenhagen Stock Exchange's recommendations for good corporate governance. These exceptions are presented at the end of this section.

The basis for work on corporate governance includes the Danish Companies Act, the Danish Financial Statements Act, the Danish Securities Trading Act, the Copenhagen Stock Exchange's rules and recommendations for issuers, the Company's Articles of Association and values, and good practice for companies of Carlsberg's size and global reach.

Against this background, a series of internal procedures have been developed and are regularly maintained in order to ensure active, reliable and profitable management of the business.

Shareholders and Carlsberg

Carlsberg aims to provide regular information and opportunities for dialogue with the Company's shareholders. This takes the form of publication of news, interim reports and annual reports and communication of information at General Meetings. The Company's website is updated with published information. Regular teleconferences and meetings are also arranged with professional investors.

The Board of Directors regularly assesses whether the Company's capital structure is in the interests of the Company and its shareholders. The overall goal is to ensure a capital structure which supports long-term profitable growth.

The Company's Articles of Association contain no limits on ownership or voting rights. Should a bid be made to take over the Company's shares, the Board of Directors will – in line with applicable legislation and the Carlsberg Foundation's Charter (cf. below) – respond accordingly.

Carlsberg's share capital has been divided into two classes for many years. All shares have the same nominal value (DKK 20), but while an A-share carries 20 votes, a B-share carries two votes but is entitled to a preferential dividend. Both classes of share are listed on the Copenhagen Stock Exchange, and so investors can choose which class they wish to invest in. Around 44% of the Company's shares are A-shares, while around 56% are B-shares.

The Carlsberg Foundation is the Company's largest shareholder. The Foundation holds 51% of the shares and 79% of the votes.

The Board of Directors is of the opinion that the division into A-shares and B-shares, combined with the Carlsberg Foundation's position as majority shareholder, has been and will remain advantageous for all of the Company's shareholders as this structure enables and supports the long-term development of the business.

The General Meeting

The General Meeting is the Company's supreme governing body. The Board of Directors attaches importance to shareholders receiving detailed information and an adequate basis for the decisions taken at the General Meeting.

Notice of a General Meeting is published and sent to registered shareholders at least eight days before it is held so that shareholders have an opportunity to prepare. All shareholders have the right to take part and to vote in person or by proxy at a General Meeting, cf. the Company's Articles of Association, and have an opportunity to put forward proposals for consideration. Shareholders may give proxies to the Board of Directors or others for each individual item on the agenda.

The Board of Directors is to call an Extraordinary General Meeting if such is requested by shareholders holding at least 10% of the share capital.

Stakeholders and the Company

Carlsberg aims to develop and maintain good relations with its stakeholders because such relations are considered to be important and positive for the Company's development.

Against this background, the Company has formulated a communication policy, and there are also separate policies for a number of key areas, such as human resources, the environment, and responsibility to customers and society in general.

The communication policy and related procedures are to ensure that information of importance to investors, employees, authorities etc. is made available to them and published in accordance with applicable rules and agreements.

Communication with investors and equity analysts is handled by the Company's Executive Board, supported by an Investor Relations department. This dialogue includes a broad programme of activities in Denmark and abroad, and complies with the rules of the Copenhagen Stock Exchange. All investor information is published simultaneously in English and Danish, and is distributed to shareholders who have requested it immediately following publication.

One element of the Board of Directors' work is to ensure both compliance with and regular adjustment of these guidelines to reflect developments both inside and outside the Company.

The work of the Board of Directors

The Boards of Directors of the Parent Company Carlsberg A/S and other companies in the Group ensure that their Executive Boards observe the goals, strategies and business procedures established by the Boards of Directors. Information from the Executive Boards of the various companies is provided systematically at meetings as well as in regular written and oral reports. These reports cover such areas as external developments and the companies' performance, profitability and financial position.

The Board of Directors of Carlsberg A/S meets according to a set schedule at least six times a year. An annual strategy seminar is usually held where the Company's vision, goals and strategy are laid down. In between its ordinary meetings, the Board of Directors receives regular written information on the Company's operations and position, and extraordinary meetings are convened if the situation calls for it. The Board of Directors held six meetings in 2005, including a strategy seminar in the autumn lasting two days.

The Board of Directors decides on issues such as acquisitions, major investments and divestments, the size and composition of the Company's capital base, long-term obligations, control and audit issues, and significant operational matters.

The Board of Directors' Rules of Procedure set out the procedures for the Executive Board's reporting to the Board of Directors and for other communication between the two bodies. The Rules of Procedure are reviewed annually by the Board of Directors and adjusted to the Company's circumstances as required.

The Chairman and Deputy Chairman of the Board of Directors constitute the Chairmanship, which, among other things, organises meetings of the Board of Directors in co-operation with the Company's Executive Board. The particular duties of the Chairman and – in his absence – the Deputy Chairman are set out in the Rules of Procedure.

The Board of Directors may appoint committees for specific purposes but has not yet found it necessary to establish any permanent committees.

"Carlsberg aims to develop and maintain good relations with its stakeholders because such relations are considered to be important and positive for the Company's development."

The composition of the Board of Directors

The General Meeting, which is the Company's supreme governing body, elects the Board of Directors.

The Board of Directors has eight members elected by the General Meeting. The Board of Directors also has four members elected by the Group's employees in accordance with the Danish Companies Act. The employee-elected members have the same rights as the members elected by the General Meeting and are elected for a term of four years. The most recent employee elections took place in 2002; new elections will take place at the beginning of 2006.

Thus the Board of Directors has a total of 12 members. The Board of Directors finds this number of members appropriate.

Five of the members elected by the General Meeting are affiliated to the Carlsberg Foundation, the Company's principal shareholder, and have an academic background, while three have a business background. This composition ensures appropriate breadth in the members' approach to their duties, and the Board of Directors is of the opinion that this helps to ensure high-quality deliberation and decisions.

The Board of Directors regularly – and at least once a year – considers whether there is reason to update or strengthen its members' expertise with respect to their duties.

The members of the Board of Directors are elected individually. At each Annual General Meeting the three longest-serving shareholder-elected members step down. Members may be re-elected. Members must step down at the first General Meeting after reaching the age of 70.

When recommending candidates for election at the General Meeting, the Board of Directors will in future distribute in advance a presentation of each individual candidate's background, relevant skills and any other managerial positions or demanding positions of responsibility, and the Board of Directors will justify its recommendations on the basis of the criteria which the Board of Directors has laid down for recruitment.

After the 2006 Annual General Meeting the Board of Directors will draw up a description of the elected Board's composition and the individual members' particular skills with respect to the work of the Board of Directors. This description will be published on the Company's website.

None of the members of the Board of Directors are involved in the executive management of the Group.

The members of the Board of Directors are presented in a separate section of the annual report and on the Carlsberg Group's website.

The Executive Board

The Board of Directors appoints the CEO and other members of the Executive Board. Led by the CEO, the Executive Board is responsible for the preparation and implementation of strategic plans.

The members of the Executive Board are not members of the Board of Directors but do normally attend meetings of the Board of Directors.

Remuneration

In order to attract and retain managerial expertise, the remuneration of the members of the Executive Board and other senior employees is determined on the basis of the work they do, the value they create, and conditions at comparable companies.

"Carlsberg's Board of Directors and Executive Board strive constantly to ensure that the Group's management structure and control systems are appropriate and working satisfactorily."

This remuneration includes incentive programmes which are to help align the interests of the Company's management and shareholders, as these programmes support both short-term and long-term goals.

A share option programme for the Executive Board and a number of other senior employees in the Group was established in 2001. The programme entitles these individuals to purchase B-shares in Carlsberg A/S between three and eight years after the options are granted. The exercise price is the average market price during the first five days following the publication of the profit statement for the year.

In 2005 a total of approximately 201,000 share options were granted, including 25,000 to members of the Executive Board and approximately 176,000 to 170 other senior employees. The corresponding figures for 2004 were 26,250 and approximately 189,000 options respectively, making a total of approximately 215,000 options granted to around 160 people.

A total of around 626,000 options were outstanding at the end of 2005 (2004: around 462,000). The total fair value of these options at the end of 2005 was approx. DKK 49m (2004: DKK 28m).

The option programme is supplemented with performance-related bonus schemes covering a substantial proportion of the Group's salaried employees.

The Board of Directors of Carlsberg A/S is not included in the Company's incentive programmes.

Management remuneration and the option programme are described in more detail in the notes to the financial statements.

Risk management

The Board of Directors reviews the overall risk exposure and the individual risk factors associated with the Group's activities. Such reviews are performed as required and at least once a year.

The Board of Directors adopts guidelines for key areas of risk, monitors developments and ensures that plans are in place for the management of individual risk factors, which include commercial and financial risks, insurance and environmental matters, and compliance with competition legislation.

Audit

To safeguard the interests of shareholders and the general public, an independent auditor is appointed at the Annual General Meeting following a recommendation from the Board of Directors. The auditor submits a report to the assembled Board of Directors twice a year and also immediately after identifying any issues on which the Board of Directors needs to take a position.

Before making its recommendation to the General Meeting, the Board of Directors undertakes a critical evaluation of the auditor's independence, expertise etc.

The Copenhagen Stock Exchange's recommendations

In 2005 the Copenhagen Stock Exchange published a number of revised recommendations for good corporate governance. The goal is to encourage the management of individual listed companies to work on good corporate governance and to inform shareholders and other stakeholders about this.

The recommendations form part of the rules that apply to listed companies. As in other European countries, companies must either comply with the recommendations or explain departures from them. Thus the recommendations do not aim to bring about uniformity from company to company, but provide an opportunity to organise the management of each individual company according to its particular circumstances.

Listed companies must observe these recommendations with effect from their 2006 annual report.

As discussed above, Carlsberg's corporate governance largely complies with these recommendations, but with a few exceptions. These are presented and explained in the overview (references in brackets are to the relevant sections of the recommendations).

Carlsberg's departures from the Copenhagen Stock Exchange's recommendations

It is recommended that at least half of the members of the Board of Directors elected by the General Meeting be independent. Any person who has close links with a company's main shareholder is not regarded as independent (V, 4a)	Five of the eight members of Carlsberg's Board of Directors elected by the General Meeting have close links with the Company's principal shareholder, the Carlsberg Foundation, as they make up the Foundation's Executive Board. Thus these members are not independent as defined in the recommendations. This has been the situation for many years. The Board of Directors is of the opinion that the combination of members with an academic background and members with a business background ensures appropriate breadth in the members' approach to their duties and helps to ensure high-quality deliberation and decisions.
It is recommended that information be provided on managerial positions and directorships at Danish and foreign companies and any other demanding organisational tasks performed by members of the Board of Directors (V, 4d, 2)	In accordance with section 107 paragraph 1 of the Danish Financial Statements Act, Carlsberg provides information in its annual report on managerial positions at other Danish companies held by members of the Board of Directors. Information is also provided on other significant managerial positions and other organisational tasks performed in Denmark and abroad.
It is recommended that information be provided on shares and options held by the individual members of the Board of Directors in the company in question, and on any changes in these holdings during the financial year (V, 4d, 3)	Members of the Board of Directors do not hold any options in the Company. The section Shareholder information in the Annual Report contains information on the Board members' total holding of company shares, but the Board of Directors does not consider it useful to disclose information on the individual members' holdings of shares in the Company.
It is recommended that the Board of Directors regularly and systematically evaluate the work, results and composition of the Board of Directors and the Executive Board, as well as the co-operation between them (V, 11)	Carlsberg's Board of Directors regularly and systematically evaluates the work, results and composition of the Executive Board. The Board of Directors will introduce a structured evaluation corresponding to the whole of this recommendation in 2006, and will provide information on this procedure in future annual reports.
It is recommended that the annual report contain detailed information on remuneration policy and the remuneration of the individual members of the Board of Directors and the Executive Board (VI, 2-3)	Carlsberg's annual report presents information on the Group's remuneration schemes, the components of remuneration, and the total remuneration of both the Board of Directors and the Executive Board, cf. section 69 of the Danish Financial Statements Act. It is not currently considered useful or reasonable to publish information on the remuneration of individuals. Remuneration schemes and remuneration are believed to be in line with comparable companies.
It is recommended that the exercise price for options granted be higher than the market price at the time they are granted (VI, 4)	Carlsberg sets the exercise price at the market price during the first five days following the publication of the profit statement for the year.

The Board of Directors considers whether there is reason to make changes to the departures from the general Danish recommendations above in connection with its ongoing and periodic evaluation of the Company's corporate governance.

The Carlsberg Foundation – Carlsberg's principal shareholder

Carlsberg A/S' largest shareholder is the Carlsberg Foundation, whose ownership is long-term and strategic.

The Foundation is therefore an active, demanding but also supportive shareholder. The Foundation supports the efforts of Carlsberg's management to create value for shareholders and other stakeholders by furthering the Company's growth and strengthening its profitability.

The Foundation is required by its Charter to hold at least 51% of the Company's share capital. At the end of 2005 the Foundation held 51.3% (excluding treasury shares). Due to the combination of A-shares and B-shares held by the Foundation, it had 79% of the votes at that same time.

The Foundation was established by Carlsberg's founder, J.C. Jacobsen, in 1876. Its object is to promote and support Danish scientific research in the natural sciences, mathematics, philosophy, the humanities and the social sciences. The Museum of National History at Frederiksborg Castle is also part of the Carlsberg Foundation.

The Foundation's Executive Board, which is elected by members of the Royal Danish Academy of Sciences and Letters, constitutes an important part of Carlsberg A/S' Board of Directors, of which the Chairman of the Foundation is also Chairman.

The Foundation's Charter and Statutes lay down a number of obligations and rights with respect to Carlsberg A/S. Thus the Carlsberg Laboratory, part of the Foundation and an independent unit within the Carlsberg Research Center, receives a grant from the Foundation, but the Company is required to meet its running costs. The Company also has an obligation to preserve various historical buildings on the brewery's site in Valby, Copenhagen.

In 2005 the Carlsberg Foundation and three related foundations granted a total of more than DKK 200m to several hundred projects, both large and small.

Three related foundations

As part of the Carlsberg Foundation, J.C. Jacobsen's son Carl established the *New Carlsberg Foundation* in 1903. The New Carlsberg Foundation – an independent foundation under the Carlsberg Foundation – supports art, the study of art and art history, and runs the New Carlsberg Glyptotek together with the Danish state and the City of Copenhagen.

The *Tuborg Foundation* was established in 1931. It became part of the Carlsberg Foundation in 1991 but has its own administration. Its object is to support socially beneficial projects, especially in support of Danish trade and industry.

In 1938, 50 years after taking over J.C. Jacobsen's brewery, Gamle Carlsberg, the Carlsberg Foundation established the *Carlsberg Bequest to the Memory of Brewer J.C. Jacobsen* as a tribute to its founder. The trust supports socially beneficial projects, particularly in connection with science.

Risk management

Every conceivable eventuality which could have a negative impact on Carlsberg's chances of achieving its goals must – as with any other company – be viewed as a risk. Carlsberg aims to keep track of risk factors, mitigate their potential strength and counter their possible consequences.

Risk factors can be divided into four categories: strategic, operational, insurable and financial. The following presentation is not exhaustive, and the risk factors are not listed in order of priority.

Strategic risks

Reputation and relations with stakeholders

Customers, shareholders, employees and society in general have an influence over the Carlsberg Group's development. One of the Group's values is responsibility, as is reflected, for example, in the following corporate social responsibility guidelines: Code of Responsible Management, Environmental Policy and Beer Awareness Programme.

Demand for Carlsberg's products

Demand for Carlsberg's products is price-sensitive, and changes in economic conditions or consumers' disposable income may affect demand. Furthermore, demand may be influenced by changes in consumer preferences, national or regional legislation and alcohol policies.

Competition

Carlsberg competes both with other breweries and with suppliers of other beverages. The companies in the industry compete on brands, price, service, quality and distribution. To strengthen and retain its position in its markets, Carlsberg aims constantly to develop and maintain awareness of its brands, and quality assurance and continuous product development are a priority.

New markets

Carlsberg has growing business volumes in a number of new markets subject to elements of uncertainty which differ in nature or magnitude from those in mature markets. However, these new markets constitute an important part of the Group's activities, often with good earnings, and have attractive growth potential.

Operational risks

Dependence on customers and suppliers

No one customer accounts for more than 5% of Carlsberg's overall revenue, but in some markets individual customers may account for a larger share.

Significant consolidation of customers is under way, and products are increasingly being marketed under customers' private labels. This is affecting demand and pricing in the market. Carlsberg is involved in this process and considers it to be both a risk and an opportunity. The geographical distribution of revenue is discussed in the financial review and presented in the note to the financial statements concerning segment reporting. Most revenue is generated in a number of European countries and certain countries in Asia, and the Group also has significant revenue in Russia and the Baltic States through Baltic Beverages Holding.

Carlsberg's policy is to have more than one supplier of raw materials and packaging. In some areas within cans, glass and plastic bottles, there is a certain dependence on individual suppliers because of their dominant market position. However, most raw materials are traded at market prices and have many national and international suppliers.

Carlsberg has a number of licence agreements, e.g. with The Coca-Cola Company and PepsiCo Inc., which are material to the business, primarily in the Nordic countries. These agreements are important both to be able to offer a broad and attractive product range to customers and to be able to capitalise on synergies within sales and logistics.

Taxes and excise duties

As beer consumption is price-sensitive, changes in taxes and excise duties may have a significant impact on demand.

Differences in excise duties and rules on returnable packaging between countries affect cross-border trade, and a number of countries have seen an increase in illegal imports from time to time.

Season and weather
Beer consumption is significantly affected by weather and season. When these factors coincide in several markets, they may have a substantial impact on the Group's earnings. The Group's presence in more than one region reduces this risk. The difference between a good and a poor summer can be around a couple of hundred million Danish kroner in operating profit.

Quality
As a food and branded-product business, the Group is exposed to the risk of defects and impurities in its products and thus deviations from established quality requirements which may result in product recall and operating losses. Consequently, quality management and assurance are important elements in the Group's business procedures and processes in order to maintain the value of its brands.

Environment
All of the Group's majority-owned companies are required to have an environmental management system to ensure that environmental legislation and policy are complied with.

Legal risks
The Group regularly enters into agreements concerning both operations and strategy, such as acquisitions and divestments. Entering into agreements brings not only opportunities but also risks, which the Group aims to manage as best possible.

The Group has a programme intended to ensure compliance with applicable laws and competition rules.

Organisation and staff
Carlsberg must be able to attract and develop competent employees so that it can always supply products that meet consumer needs and customer requirements. Ensuring management capacity and quality is also important for the Group, and initiatives for talent and management development focus continuously on this area.

The ongoing optimisation of the Group's operations, including its efficiency programmes, entails restructuring measures which may lead to changes in working processes and organisation. This may affect the relationship between management and employees and cause concern. In order to take the greatest possible account of the interests of all of the Group's stakeholders, such change processes are carried out in co-operation with employees so as to limit potential sources of conflict.

Insurable risks

Risk cover in the form of insurance is evaluated in relation to the significance of the individual risk as well as Carlsberg's overall risk profile. Carlsberg has taken out insurance deemed to be relevant and usual in the industry and for groups of Carlsberg's size, including all-risk cover for buildings, contents and consequential losses, and liability cover.

In some areas the Group has chosen not to take out insurance and is therefore self-insured. Carlsberg's ability to control a number of risks has resulted in the establishment of Carlsberg Insurance A/S as the Group's own insurance company. A small part of the Group's risks under the all-risk insurance programme is placed with Carlsberg Insurance A/S. The retained risk does not exceed what is usual in the industry or for undertakings of Carlsberg's size.

Financial risks

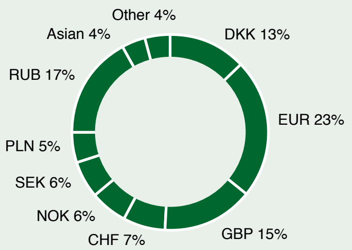
Carlsberg's activities mean that the Group's profit and equity may be exposed to a variety of financial risks, primarily relating to changes in exchange rates and interest rates. The Group's financial risks are managed centrally by Corporate Treasury on the basis of principles approved by the Board of Directors, primarily through currency and interest rate swaps and forward contracts.

A more detailed discussion of the Group's financial risk factors can be found in note 33 to the financial statements.

Foreign exchange risk

As an international business Carlsberg is exposed to foreign exchange risks from currency translation, as the predominant part of revenue originates from foreign companies and is reported in foreign currency, while the consolidated financial statements are prepared in DKK. Carlsberg believes that the RUB, GBP, CHF, PLN, SEK and NOK are the greatest sources of risk.

Revenue by currency

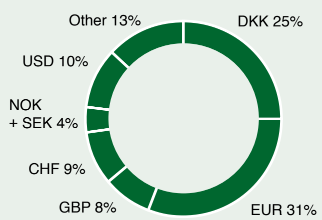


In a number of countries the currency strongly correlates with developments in the USD. It is estimated that a 1% increase in the USD exchange rate will affect operating profit by around DKK 20 million.

Transactions between countries are limited, and so the Group has only limited exposure to transaction risks. Group policy is to hedge future cash flows in foreign currency for a one-year period.

Carlsberg holds a number of investments in foreign subsidiaries, and the translation of these companies' equity into DKK depends on the exchange rate. The Group partially hedges the risk associated with the translation of their equity by taking up borrowings denominated in the relevant currencies or by entering into forward exchange contracts.

Debt by currency



Interest rate risk

Interest rate risk is the risk of changes in an asset or liability's fair value or cash flows due to changes in interest rates. The most significant interest rate risk relates to interest-bearing debt, as the Group did not hold any significant non-current interest-bearing assets at 31 December 2005. The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2005 net interest-bearing debt amounted to DKK 20.8bn.

Interest rate risk is managed primarily using interest swaps and fixed-rate bond loans. The Group manages interest rate risk through the duration and proportion of fixed-rate loans. At the end of 2005, 66% of the loan portfolio was at fixed rates, and the average duration of net interest-bearing debt was three years.

It is estimated that a 1 percentage point change in the market interest rate will change total annual interest expenses by around DKK 66m.

Credit risk

Credit risk is the risk of a counterparty failing to honour its obligations to Carlsberg. Under the Group's guidelines for financial transactions, contracts may be entered into only with financial institutions with a high credit rating.

The Carlsberg Group advances loans to the on-trade in some countries. The individual Group companies are responsible for monitoring and controlling these loans as well as ordinary trade credit in accordance with central guidelines. It is estimated that the provisions made are sufficient to cover any loss.

Liquidity risk

Liquidity risk is the risk of Carlsberg failing to honour its obligations due to insufficient liquidity. The Group's liquidity management primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources. At 31 December 2005 Carlsberg had unutilised long-term committed credit facilities of DKK 8.7bn.

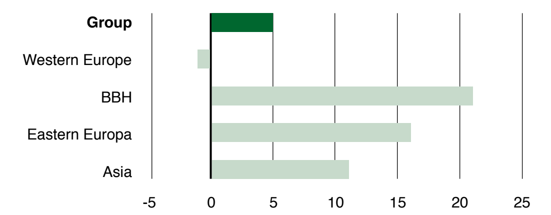
Financial review

For the first time the Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The transition has been implemented in accordance with the rules of IFRS 1 "First-time adoption of International Financial Reporting Standards". The effects of the transition to IFRS are described in a separate section of the Annual Report.

Income statement

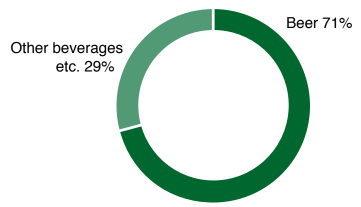
Net revenue totalled DKK 38,047m in 2005, an increase of 5% on 2004. Growth of DKK 739m or 2 percentage points was due to acquisitions, in particular Holsten-Brauerei AG. Organic growth amounted to DKK 1,024m or 3 percentage points, with positive contributions from BBH and Eastern Europe. Of this, DKK 324m was due to movements in exchange rates.

Growth in revenue (%)



Sales of beer totalled DKK 27,177m or 71.4% of total revenue.

Distribution of revenue



Cost of sales amounted to DKK 18,879m, an increase of 5% or DKK 814m on 2004, including DKK 514m due to acquisitions. The efficiency programmes in production continued during the year. Combined with, among other things, cost savings from the closure of Bromma in Sweden and Piast in Poland, these led to a 4% reduction in the cost of producing a hectolitre of beer.

Gross profit was DKK 19,168m, an increase of 5% on 2004. The gross margin was 50.4%, against 50.2% in 2004. Besides the aforementioned efficiency gains, the gross margin was boosted by improvements at BBH.

Sales and distribution expenses grew by 4% to DKK 13,332m, due in part to higher sales and logistics expenses at BBH and elsewhere in Eastern Europe as a result of increased volumes and expansion in new markets. Total sales and distribution expenses also included marketing expenses of DKK 3,718m, against DKK 3,676m in 2004, an increase of 1%. Among other things, BBH moved towards more market-oriented activities, which are included in sales expenses rather than marketing expenses, while marketing expenses in Asia increased as a result of the launch of Carlsberg Chill in China.

Administrative expenses amounted to DKK 2,961m, against DKK 2,807m in 2004, an increase of 5%, including 1% as a result of the full-year effect of the acquisition of Holsten-Brauerei AG in the first quarter of 2004.

Other operating income totalled DKK 698m and other operating expenses DKK 287m, resulting in net other operating income of DKK 411m, against DKK 612m in 2004.

The main constituents of other operating income were gains on property disposals of DKK 289m (2004: DKK 471m), property rental income of DKK 153m (2004: DKK 185m), and interest and amortisation of on-trade loans of DKK 147m (2004: DKK 136m). Other operating expenses included property expenses of DKK 144m (2004: DKK 160m) and losses and provisions for loans to the on-trade of DKK 55m (2004: DKK 62m).

The Group's share of the profits of associates was DKK 232m (2004: DKK 210m), of which Hite Brewery accounted for half or DKK 116m (2004: DKK 135m). Fol-

Beverages and other activities

DKK million	2005			2004		
	Beverages	Other activities	Total	Beverages	Other activities	Total
Net revenue	38,047	-	38,047	36,284	-	36,284
Operating profit	3,422	96	3,518	2,970	431	3,401
Special items, net	-636	250	-386	-598	-	-598
Financial items, net	-1,014	-226	-1,240	-816	-336	-1,152
Profit before tax	1,772	120	1,892	1,556	95	1,651
Corporation tax	-519	-2	-521	-426	44	-382
Consolidated profit	1,253	118	1,371	1,130	139	1,269
Attributable to:						
Minority interests	259	2	261	169	-	169
Shareholders in Carlsberg A/S	994	116	1,110	961	139	1,100

The Company's announcements regarding expectations for 2005

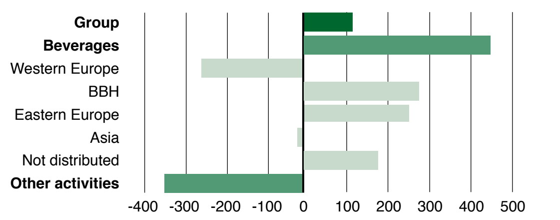
DKK billion		Operating profit before special items	Carlsberg's share of consolidated profit
22 Feb. 2005	Financial Statement for 2004	3.4	+15% ~ 1.265
10 May 2005	Financial Statement for Q1 2005	3.4	+15% ~ 1.265
11 Aug. 2005	Financial Statement for Q2 2005	3.4	+15% ~ 1.265
8 Nov. 2005	Financial Statement for Q3 2005	3.4	1.0
22 Nov. 2005	Stock Exchange Announcement	3.4	1.1
21 Feb. 2006	Financial Statement for 2005	3.518	1.110

lowing the sale of 11.9% of the shares in Hite, Carlsberg owns 13.1%, as a result of which the company is no longer an associate. The remaining shares will in future be treated as securities carried at fair value, and dividends received will be recognised in the income statement.

Operating profit before special items was DKK 3,518m, against DKK 3,401m in 2004. Beverage activities generated operating profit of DKK 3,422m, an increase of DKK 452m or 15% on 2004. This growth was due particularly to marked growth in earnings at BBH and elsewhere in Eastern Europe. Other activities, including the disposal of properties, contributed operating profit of DKK 96m, against DKK 431m in 2004.

The operating margin was 9.2% overall, down 0.2 percentage points on 2004. The operating margin for beverage activities increased by 0.8 percentage points to 9.0%.

Growth in operating profit (DKK million)



Net special items amounted to DKK -386m, against DKK -598m in 2004. These items are specified in note 6 to the financial statements, and in 2005 included gains on the sale of shares in Hite and the disposal of property activities in Copenhagen (Tuborg Nord B I/S); impairment losses on goodwill etc. in Turkey and Italy; fair value adjustment of the purchase price of shares in connection with the Carlsberg Asia settlement; redundancy payments relating to the Operational Excellence programmes; restructuring costs; and impairments of assets in connection with a new production structure in Denmark.

Net financial items amounted to DKK -1,240m, against DKK -1,152m in 2004. The change is due to higher average interest-bearing debt in 2005, with the result that interest expenses were slightly higher than in 2004. By way of comparison, the financial expenses relating to the purchase of the 40% minority interest in Carlsberg Breweries A/S in 2004 largely corresponded to exchange losses in 2005, primarily on BBH's USD debt.

Tax on the profit for the year was DKK 521m, against DKK 382m in 2004, and so the effective tax rate was 27.5%, against 23.2% in 2004. The change in the tax rate relates mainly to the proportion of non-deductible expenses and capitalised losses in previous years, net.

Consolidated profit was DKK 1,371m, against DKK 1,269m in 2004. Minority interests' share of consolidated profit increased to DKK 261m (2004: DKK 169m). This increase was due mainly to minority interests' share of Carlsberg Breweries' earnings in January and February 2004 being DKK -73m, as Carlsberg Breweries was not 100% consolidated in the Carlsberg Group until 1 March 2004.

Carlsberg's share of consolidated profit was DKK 1,110m, against DKK 1,100m in 2004. This is in line with the expectations most recently expressed in the Stock Exchange Announcement of 2 December 2005, where the expectations for the year had been updated to include a number of special transactions during the year: the settlement of the Carlsberg Asia case, the disposal of the activities of Tuborg Nord B I/S, the restructuring of Carlsberg UK, the sale of shares in Hite, and the impairments of various non-monetary accounting items.

Revenue and profit by region (beverages)

	2005	2004
Beer sales (pro rata, million hl)		
Western Europe	28.4	28.1
Baltic Beverages Holding (BBH)	20.6	17.8
Eastern Europe (excl. BBH)	12.3	11.3
Asia	7.6	6.0
Total	68.9	63.2
Net revenue (DKK million)		
Western Europe	26,302	26,564
Baltic Beverages Holding (BBH)	6,568	5,418
Eastern Europe (excl. BBH)	3,367	2,902
Asia	1,626	1,463
Not distributed	184	-63
Beverages, total	38,047	36,284
Net revenue (% of total)		
Western Europe	69.1	73.2
Baltic Beverages Holding (BBH)	17.3	14.9
Eastern Europe (excl. BBH)	8.8	8.0
Asia	4.3	4.0
Not distributed	0.5	-0.1
Beverages, total	100.0	100.0
Operating profit (DKK million)		
Western Europe	2,023	2,269
Baltic Beverages Holding (BBH)	1,316	1,038
Eastern Europe (excl. BBH)	314	61
Asia	392	404
Not distributed	-623	-802
Beverages, total	3,422	2,970
Operating margin (%)		
Western Europe	7.7	8.5
Baltic Beverages Holding (BBH)	20.0	19.2
Eastern Europe (excl. BBH)	9.3	2.1
Asia *	17.0	18.4
Not distributed	n/a	n/a
Beverages, total	9.0	8.2

* Excluding the one-line consolidated associate (until November 2005) Hite Brewery Co. Ltd. in South Korea.

Segment reporting (beverages)

	2005	2004
Capital expenditure (DKK million)		
Western Europe	1,562	1,695
Baltic Beverages Holding (BBH)	725	764
Eastern Europe (excl. BBH)	464	432
Asia	107	85
Not distributed	151	191
Total	3,009	3,167
Depreciation (DKK million)		
Western Europe	1,694	1,864
Baltic Beverages Holding (BBH)	498	415
Eastern Europe (excl. BBH)	348	304
Asia	107	100
Not distributed	126	83
Beverages, total	2,773	2,766
Capital expenditure/depreciation (%)		
Western Europe	92	91
Baltic Beverages Holding (BBH)	146	184
Eastern Europe (excl. BBH)	133	142
Asia	100	85
Not distributed	120	230
Beverages, total	109	114
Invested capital, year-end (DKK million)		
Western Europe	17,740	18,883
Baltic Beverages Holding (BBH)	6,550	4,880
Eastern Europe (excl. BBH)	4,068	4,344
Asia	2,635	2,710
Not distributed	386	320
Beverages, total	31,379	31,137
Return on average invested capital (ROIC) (%)		
Western Europe	10.5	11.8
Baltic Beverages Holding (BBH)	23.2	22.6
Eastern Europe (excl. BBH)	7.0	1.4
Asia	11.4	14.9
Not distributed	n/a	n/a
Beverages, total	10.2	9.4

Balance sheet

Carlsberg had total assets of DKK 62,359m at the end of 2005, an increase of DKK 4,661m during the year.

Assets

Intangible assets amounted to DKK 20,672m. The increase of DKK 1,183m is attributable largely to goodwill.

A number of acquisitions were made during the year, primarily in Asia and by BBH, as a result of which goodwill increased by DKK 1,758m. Goodwill arising through business combinations totalled DKK 417m, while goodwill arising on the purchase of minority holdings amounted to DKK 1,341m.

Goodwill and trademarks with an indefinite useful life were tested for impairment at the end of the financial year, as a result of which the carrying amount of goodwill in Turkey and Italy, among others, was impaired by DKK 737m.

Property, plant and equipment were on a par with 2004. Investments in new plant and currency translation adjustments of foreign entities were offset by disposals of properties, rental activities and depreciation.

Financial assets were affected by the sale of shares in Hite and investments in associates in China and Cambodia.

The sale of shares in Hite led to the reclassification of the remaining holding from investments in associates to other securities. As part of this process, the remaining holding was appreciated by DKK 1,557m in equity. Future changes in the fair value of the remaining shares in Hite will be adjusted in equity. A receivable of DKK 1,928m in respect of the shares sold in Hite was included in the balance sheet at 31 December 2005. Altogether, Hite was worth DKK 3,080m more on the asset side in 2005 than in 2004.

Acquisitions of associates in Asia, among others, increased financial assets by DKK 457m.

Other receivables were affected by payment for the Vena shares sold to BBH at the end of 2004.

Equity and liabilities

Equity amounted to DKK 19,496m on 31 December 2005, of which DKK 1,528m was attributable to minority interests and DKK 17,968m to shareholders in Carlsberg A/S. Total equity increased by DKK 2,704m during the year, and equity attributable to shareholders in Carlsberg A/S by DKK 2,884m, reducing financial gearing from 1.44 to 1.15.

Besides the profit for the year (DKK 1,110m), the year's main changes in equity were as follows: revaluations of securities (DKK 1,536m), currency translation adjustments (DKK 968m), fair value adjustments of hedging instruments (DKK -309m), adjustments to retirement benefit obligations etc. (DKK -96m), dividends to shareholders (DKK -380m) and sales of treasury shares (DKK 55m).

Non-current liabilities totalled DKK 22,448m, a decrease of DKK 3,690m during the year. This decrease was due primarily to the transfer to current liabilities of debt of DKK 3,800m relating to the purchase of the remaining 40% of Carlsberg Breweries A/S in 2004.

Cash flow and interest-bearing debt

Cash flow from operating activities totalled DKK 4,734m, against DKK 3,875m in 2004, an increase of DKK 859m or 22%.

Operating profit adjusted for non-cash items (including an adjustment for property disposals) grew by DKK 385m, and the contribution from working capital increased by DKK 691m on 2004, while payments of restructuring costs and net financial payments increased by DKK 159m and DKK 119m respectively. Payments of corporation tax by the Carlsberg Group totalled DKK 624m, which is DKK 61m lower than in 2004.

Cash flow from investing activities was DKK -2,354m, which is on a par with 2004.

Both purchases and sales of non-current assets (including property) were down on 2004, and the net effect relative to 2004 was DKK -158m. Acquisitions and divestments of subsidiaries (in particular Holsten-Brauerei in 2004), shareholdings (such as breweries in Asia) and the like had a positive net effect of DKK 481m relative to 2004.

Dividends received amounted to DKK 245m, against DKK 63m in 2004, an increase of DKK 182m (of which DKK 167m was from the liquidation of Coca-Cola Nordic Beverages a/s). Payments relating to the Carlsberg Asia case, including purchases of shares, resulted in an outflow of DKK 496m.

The sale of shares in Hite is not included in free cash flow in 2005 as the transaction was not settled until the beginning of January 2006. Hence an interest-bearing receivable of around DKK 1.9bn was included in the calculation of net interest-bearing debt at the end of 2005. The consequence of this accounting treatment is that free cash flow in 2006 will be boosted by around DKK 1.9bn, while net interest-bearing debt will be unaffected.

After this, free cash flow amounted to DKK 2,380m, against DKK 1,512m in 2004. After adjustment for major non-recurring items (disposal of properties, acquisition/divestment of subsidiaries and shares, extraordinary dividends, settlement of the Carlsberg Asia case and restructuring), free cash flow was DKK 2.6bn in 2005, against DKK 1.5bn in 2004 (+77%).

Net interest-bearing debt amounted to DKK 20.8bn at the end of 2005 (including DKK 16.3bn at Carlsberg Breweries), a decrease of around DKK 1bn on a year earlier. The decrease in debt is attributable mainly to the following changes: free cash flow reduced debt by around DKK 2.4bn; dividends to shareholders in Carlsberg A/S and minority shareholders increased debt by around DKK 0.6bn; debt of around DKK 0.3bn was taken over through acquisitions; purchases of minority interests (primarily by BBH) increased debt by DKK 1.4bn; the sale of shares in Hite reduced debt by around DKK 1.9bn; currency translation adjustments increased debt by DKK 0.7bn; and other adjustments together increased debt by around DKK 0.4bn. See note 31 for details.

Post-balance-sheet events

On 23 January 2006 Carlsberg published investment-grade ratings for Carlsberg Breweries from both Moody's Investors Service (Baa3/stable outlook) and Fitch Ratings Ltd. (BBB-/stable outlook).

A decision has been taken to cease large-scale production in Copenhagen and instead concentrate Danish production at the brewery in Fredericia.

Segment reporting by quarter

DKK million				2004				2005
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net revenue								
Western Europe	5,027	7,606	7,362	6,569	5,260	6,987	7,158	6,897
Baltic Beverages Holding (BBH)	949	1,610	1,702	1,157	1,086	1,951	2,069	1,462
Eastern Europe (excl. BBH)	498	802	952	650	603	1,016	1,020	728
Asia	402	360	384	317	401	381	433	411
Not distributed	-71	-136	-169	313	45	89	34	16
Beverages, total	6,805	10,242	10,231	9,006	7,395	10,424	10,714	9,514
Other activities	-	-	-	-	-	-	-	-
Total	6,805	10,242	10,231	9,006	7,395	10,424	10,714	9,514
Operating profit								
Western Europe	119	767	864	519	-87	828	939	343
Baltic Beverages Holding (BBH)	106	321	446	165	145	423	501	247
Eastern Europe (excl. BBH)	-81	42	126	-26	-70	164	128	92
Asia	119	85	136	64	103	101	97	91
Not distributed	-160	-213	-127	-302	-87	-206	-99	-231
Beverages, total	103	1,002	1,445	420	4	1,310	1,566	542
Other activities	34	387	4	6	-26	40	5	77
Total	137	1,389	1,449	426	-22	1,350	1,571	619
Special items, net	-159	-545	-96	202	-74	-36	-385	109
Financial items, net	-121	-496	-273	-262	-294	-324	-281	-341
Profit before tax	-143	348	1,080	366	-390	990	905	387
Corporation tax	37	-98	-289	-32	92	-272	-315	-26
Consolidated profit	-106	250	791	334	-298	718	590	361
Attributable to:								
Minority interests	-32	72	115	14	21	85	111	44
Shareholders in Carlsberg A/S	-74	178	676	320	-319	633	479	317

Transition to IFRS

With effect from 1 January 2005 the accounting policies have been changed to comply with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The opening balance sheet at 1 January 2004 and the comparative figures for 2004 have been drawn up in accordance with the requirements of IFRS, including the transitional provisions in IFRS 1 "First-time adoption of IFRS".

The accounting policies applied are based on the accounting standards and interpretations in force at 31 December 2005. The opening balance sheet at 1 January 2004 has been drawn up as if IFRS had always been used, with the exception of the transitional provisions in IFRS 1.

There are no changes beyond those previously specified in Stock Exchange Announcement 7/2005, other than that the Carlsberg Group has chosen to implement changes to IAS 19 on retirement benefit obligations (updated in 2004) early, cf. below.

The transition to presentation of accounts in compliance with IFRS results in the following changes for the Carlsberg Group:

a. Goodwill, trademarks and other intangible assets with indefinite useful life will no longer be amortised. Instead, these assets will be subject to an annual impairment test in order to ensure that, as a minimum, the value of the assets corresponds to the carrying amount.

   Trademarks and other intangibles with a finite useful life will still be amortised on a systematic basis.

   In accordance with IFRS 1, comparative figures for business combinations carried out before 1 January 2004 will not be restated. The carrying amount of goodwill at 1 January 2004 is thus stated in accordance with the Carlsberg Group's previous accounting policies and is therefore unchanged, except that trademarks are now shown on a separate line in the balance sheet. An impairment test was performed at 1 January 2004, and the recoverable value exceeded the carrying amount of goodwill at the time of transition to IFRS.

b. Provisions for retirement benefit obligations and similar obligations are determined in accordance with IAS 19. All actuarial gains and losses are recognised in the balance sheet at 1 January 2004 in accordance with IFRS 1.

   The Carlsberg Group has chosen to implement IAS 19 early. This means that the expected pension costs are recognised in the income statement, while actuarial gains and losses arising after 1 January 2004 are recognised directly in equity. Under the previous policies, only actuarial gains and losses which exceeded the higher of 10% of either the estimated pension obligation or the fair value of the pension assets were amortised over the employees' expected remaining working lives in the Carlsberg Group (the corridor method).

c. As part of its business, the Carlsberg Group advances loans to on-trade customers in certain countries. The lending activities are closely connected with trade conducted with such customers. In connection with the transition to IFRS, interest on such loans is included in operating profit before special items in accordance with IAS 18.

d. Tax on profit from investments in associates is now included in the item "Share of profit after tax, associates". Under the previous policies, tax was included in tax for the Group.

e. The Carlsberg Group operates in a few countries with hyperinflation. The accounts of these entities are translated in accordance with IAS 29. Under the previous policies, the accounts of these entities were inflation-adjusted by converting non-current assets at historical rates and other assets and liabilities at closing rates. The income statement was translated at the average rates during the period.

f. If specific dividend plans exist for subsidiaries, associates and joint ventures, deferred tax on profit to be appropriated is included for countries imposing withholding tax on distribution.

g. Restructuring costs in connection with acquisitions can no longer be recognised in the opening balance sheet of the business acquired and therefore included in goodwill, but will be recognised in the income statement.

h. In accordance with IFRS 2, the Carlsberg Group's costs in connection with share-based payment (equity-settled schemes) will be recognised in the income statement as the options are granted. The value of the share options is calculated in accordance with the Black & Scholes valuation model for call options on the basis of the exercise price etc. Under the previous policies, costs of share-based payment were not recognised in the income statement. Share option programmes which were established before 7 November 2002, or where there was a legal entitlement before 1 January 2004, are not recognised.

i. The IFRS principles for accounting treatment and disclosure of financial instruments set out in IAS 32 and 39 have been implemented with effect from 1 January 2005.

j. In accordance with IFRS 1, the Carlsberg Group has chosen to reset the currency translation reserve for foreign units to zero at 1 January 2004, as a result of which only translation adjustments carried out after 1 January 2004 will appear as a separate item in equity.

k. In connection with the reporting of changes for 2004 arising from the transition to IFRS, it has also been decided to change the accounting treatment of certain types of returnable bottle in the BBH Group. Previously the value of the bottles was deducted from net revenue. However, as the BBH Group is no longer obliged to buy back the bottles, it has been decided that they should be included in net revenue.

   On an annual basis, this change for 2004 results in an increase in revenue at the BBH Group (50%) of DKK 297m and a corresponding increase in cost of sales, leaving net results unchanged.

A number of reclassifications have also been made in the income statement, balance sheet, cash flow statement and notes. The effect of the transition to IFRS is reported on the following pages with a description of the most important changes to figures.

For 2004 the changes had the following effects:
- Operating profit before special items decreased by DKK 41m.
- Consolidated profit increased by DKK 642m.
- The balance sheet at 31 December 2004 increased by DKK 967m.
- Equity increased by DKK 686m.

New and changed standards

The IASB issues updates to existing IFRS standards and new IFRS standards on an ongoing basis. These must then be adopted by the European Commission before they can be applied. The following approved standards relevant to the Carlsberg Group which become effective after 31 December 2005 have not been applied in drawing up the 2005 Annual Report:

Adjustments to IAS 39 (financial instruments)

"Fair value option" becomes effective for financial years beginning 1 January 2006 or later. The Carlsberg Group does not expect to apply these provisions to the measurement at fair value of financial assets and liabilities (financial instruments) which are not held for trading, with subsequent value adjustments in the income statement. Adjustment to IAS 39 is therefore not expected to have any effect on the recognition and measurement of the Carlsberg Group's financial assets and liabilities.

"Cash flow hedge accounting of forecast intragroup transactions" becomes effective for financial years beginning 1 January 2006 or later. Adjustment to IAS 39 is not expected to have any effect on the hedging of financial instruments in the Carlsberg Group.

Adjustment of disclosure requirements for financial instruments

IFRS 7 "Financial Instruments: Disclosure" and IAS 1 "Presentation of Financial Statements" become effective for financial years beginning 1 January 2007 or later. The implementation of IFRS 7 and IAS 1 will not have any effect on the recognition and measurement of financial instruments in the Carlsberg Group.

Leasing contracts

IFRIC 4 "Determining whether an arrangement contains a lease" becomes effective for financial years beginning 1 January 2006 or later. This interpretation is not expected to have any effect on the agreements and other arrangements entered into by the Carlsberg Group.

Income statement

Effect of transition to IFRS

DKK million			2004
	Previous policies	IFRS effect	IFRS
Net revenue	**35,987**	**297**	**36,284**
Cost of sales	-17,715	-350	-18,065
Gross profit	**18,272**	**-53**	**18,219**
Sales and distribution expenses	-12,840	7	-12,833
Administrative expenses	-2,859	52	-2,807
Other operating income, net	603	9	612
Share of profit after tax, associates	266	-56	210
Operating profit before special items	**3,442**	**-41**	**3,401**
Special items, net	-301	-297	-598
Financial income	429	237	666
Financial expenses	-1,508	-310	-1,818
Profit before tax	**2,062**	**-411**	**1,651**
Corporation tax	-459	77	-382
Profit before goodwill amortisation and impairments	**1,603**	**-334**	**1,269**
Goodwill amortisation and impairments	-976	976	-
Consolidated profit	**627**	**642**	**1,269**
Attributable to:			
Minority interests	150	19	169
Shareholders in Carlsberg A/S	**477**	**623**	**1,100**
Earnings per share	6.7		15.5
Earnings per share, diluted	6.7		15.5

DKK million		2004
	Operating profit before special items, previous policies	**3,442**
c)	Interest on on-trade loans	106
b)	Pension costs, including interest	-10
d)	Tax on profit from investments in associates	-56
a)	Trademark amortisation	-13
h)	Share-based payment	-17
e)	Effect of translation of entities in countries with hyperinflation	-52
	Other adjustments	1
	Total effect on operating profit before special items	**-41**
	Operating profit before special items (IFRS)	**3,401**
	Consolidated profit, previous policies	**627**
	Effect on operating profit before special items, cf. above	-41
c)	Interest on on-trade loans	-90
a)	Goodwill/trademark amortisation and impairments	976
d)	Tax on profit from investments in associates	56
g)	Restructuring costs relating to acquisitions in 2004	-294
e)	Effect of translation of entities in countries with hyperinflation	12
	Other adjustments	2
	Tax effect of adjustments	21
	Total effect on consolidated profit	**642**
	Consolidated profit, IFRS	**1,269**

Balance sheet

Effect of transition to IFRS

DKK million		1 January 2004			31 December 2004		
Note		Previous policies	IFRS effect	IFRS	Previous policies	IFRS effect	IFRS
1	Goodwill	5,140	-456	4,684	17,955	-2,903	15,052
2	Trademarks	-	381	381	-	3,776	3,776
	Other intangible assets	521	17	538	648	13	661
3	Property, plant and equipment	19,131	-715	18,416	20,519	-84	20,435
	Retirement benefit net assets	-	14	14	-	-	-
4	Other financial assets	4,438	-250	4,188	3,814	-250	3,564
	Deferred tax assets	732	29	761	861	6	867
	Non-current assets	**29,962**	**-980**	**28,982**	**43,797**	**558**	**44,355**
	Inventories	2,675	5	2,680	2,878	5	2,883
5	Receivables etc.	8,910	177	9,087	8,298	125	8,423
	Cash and cash equivalents	5,165	-	5,165	1,758	-	1,758
	Current assets	**16,750**	**182**	**16,932**	**12,934**	**130**	**13,064**
3	Assets held for sale	-	885	885	-	279	279
	Total assets	**46,712**	**87**	**46,799**	**56,731**	**967**	**57,698**
	Equity, shareholders in Carlsberg A/S	11,276	-262	11,014	14,410	674	15,084
	Minority interests	6,630	-209	6,421	1,696	12	1,708
	Total equity	**17,906**	**-471**	**17,435**	**16,106**	**686**	**16,792**
	Borrowings	10,883	-	10,883	21,708	-	21,708
6	Retirement benefit obligations and similar obligations	600	834	1,434	1,414	475	1,889
	Deferred tax	1,167	-105	1,062	2,314	20	2,334
7	Deposits on returnable packaging	1,234	-1,234	-	1,260	-1,260	-
7	Provisions	360	-231	129	670	-481	189
8	Other liabilities	212	-196	16	240	-222	18
	Total non-current liabilities	**14,456**	**-932**	**13,524**	**27,606**	**-1,468**	**26,138**
	Borrowings	4,985	14	4,999	3,355	2	3,357
	Trade payables	4,187	-	4,187	4,140	-66	4,074
7	Deposits on returnable packaging	-	1,234	1,234	-	1,260	1,260
7	Provisions	-	231	231	-	481	481
	Other liabilities and corporation tax	5,178	11	5,189	5,524	72	5,596
	Total current liabilities	**14,350**	**1,490**	**15,840**	**13,019**	**1,749**	**14,768**
	Total equity and liabilities	**46,712**	**87**	**46,799**	**56,731**	**967**	**57,698**

Balance sheet – continued

Effect of transition to IFRS

DKK million		1 January 2004	31 December 2004
	Equity, previous policies	**11,276**	**14,410**
a)	Goodwill	-108	841
a)	Negative goodwill	16	12
a)	Trademarks	11	15
b)	Retirement benefit obligations	-750	-482
e)	Effect of translation of entities in countries with hyperinflation	178	214
	Other adjustments	-9	39
	Tax effect of adjustments	191	47
	Minority interests' share of IFRS effect	209	-12
	Effect on equity, shareholders in Carlsberg A/S	**-262**	**674**
	Total equity, shareholders in Carlsberg A/S	**11,014**	**15,084**
	Reclassification of minority interests	6,630	1,696
	Minority interests' share of IFRS effect	-209	12
	Total equity, IFRS	**17,435**	**16,792**

Cash flow statement

Effect of transition to IFRS

DKK million			2004
	Previous policies	IFRS effect	IFRS
Cash flow from operating activities	3,806	69	3,875
Cash flow from investing activities	-2,294	-69	-2,363
Free cash flow	**1,512**	**-**	**1,512**
Cash flow from financing activities	-4,226	-	-4,226
Cash flow for the year	**-2,714**	**-**	**-2,714**
Cash and cash equivalents at 1 January	4,246	-	4,246
Currency translation adjustments	-32	-	-32
Cash and cash equivalents at 31 December	**1,500**	**-**	**1,500**

Notes

Effect of transition to IFRS

DKK million	1 January 2004	31 December 2004
Note 1 Goodwill		
Trademarks, recognised separately	-368	-3,761
Reversal of amortisation for 2004	-	963
Reversal of restructuring costs relating to acquisitions in 2004	-	-193
Other adjustments	-88	88
Total	-456	-2,903
Note 2 Trademarks		
Separation from goodwill	368	3,761
Reversal of amortisation on trademarks with indefinite useful life	13	15
Total	381	3,776
Note 3 Property, plant and equipment		
Assets held for sale, recognised separately	-885	-279
Effect of translation of entities in countries with hyperinflation	166	210
Other adjustments	4	-15
Total	-715	-84
Note 4 Other financial assets		
Partial reclassification of on-trade loans	-284	-313
Other adjustments	34	63
Total	-250	-250
Note 5 Receivables etc.		
Reclassification of accrued amortisation charges relating to on-trade loans	91	22
Other adjustments	86	103
Total	177	125
Note 6 Retirement benefit obligations and similar obligations		
Recognition of actuarial losses	670	352
Adjustment of discount rates etc.	164	123
Total	834	475
Note 7 Provisions		
Deposits on returnable packaging, transferred to current liabilities	-1,234	-1,260
Provisions, transferred to current liabilities	-231	-481
Note 8 Other non-current liabilities		
Partial reclassification of on-trade loans	-196	-222

Accounting policies

The 2005 Annual Report of the Carlsberg Group has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the reporting requirements of the Copenhagen Stock Exchange for listed companies and the executive order on the application of IFRS issued by the Danish Commerce and Companies Agency with reference to the Danish Financial Statements Act.

The 2005 Annual Report is the first annual report to be presented in accordance with IFRS. IFRS 1 "First-time adoption of IFRS" has been applied to implement the transition. For a description of the effect of this change in accounting policies, see the previous section "Transition to IFRS".

The Annual Report has been drawn up in Danish kroner (DKK), which is the functional currency.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company Carlsberg A/S and subsidiaries where Carlsberg A/S exercises a controlling influence over their financial and operating policies. A controlling influence is obtained by owning or controlling more than 50% of the voting rights, directly or indirectly, or by controlling the subsidiary in some other way.

Entities over which the Group exercises significant influence, but not a controlling influence, are considered associates. Significant influence is generally achieved by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%. When assessing whether Carlsberg A/S exercises a controlling or significant influence, potential voting rights are taken into account.

Associates which by agreement are managed jointly with one or more other parties (joint ventures) are consolidated proportionally with the proportionate share of the individual items.

The consolidated financial statements are prepared as a consolidation of the Parent Company's financial statements and the financial statements of proportionally consolidated associates and subsidiaries prepared in accordance with the accounting policies of the Group. Intercompany income and expenses, shareholdings etc., intercompany balances and dividends, and realised and unrealised gains on intercompany transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's shareholding in the entity. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

Investments in proportionally consolidated associates and subsidiaries are set off against the proportionate share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities at the date of acquisition.

Business combinations

Newly acquired or established entities are recognised in the consolidated financial statements from the date of acquisition. Divested or wound-up entities are recognised in the consolidated income statement until the date of divestment. Comparative figures are not adjusted for acquisitions, divestments or wound-up entities.

The purchase method is used for the acquisition of new entities over which the Carlsberg Group is able to exercise a controlling influence. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or derive from a contractual right, and the fair value can be reliably stated. Deferred tax on revaluations is recognised.

For business combinations made on 1 January 2004 or later, any remaining positive balance (goodwill) resulting from the difference between the cost of the entities and the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under intangible assets. Goodwill is not amortised but impairment-tested annually. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency from the presentation currency of the Carlsberg Group's financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate ruling at the transaction date. Any negative balance (negative goodwill) is recognised in the income statement at the acquisition date.

For business combinations made prior to 1 January 2004, the accounting classification has been maintained according to previous accounting policies, except that trademarks are now presented in a separate line in the balance sheet. Goodwill is recognised on the basis of the cost recognised in accordance with the previous accounting policies (the Danish Financial Statements Act and Danish accounting standards) less amortisation and impairment losses until 31 December 2003. Goodwill has not been amortised after 1 January 2004. The accounting treatment of business combinations prior to 1 January 2004 has not been changed in connection with the opening balance sheet at 1 January 2004. Goodwill recognised in the opening balance sheet was impairment-tested at 1 January 2004.

If there is uncertainty about the measurement of acquired identifiable assets, liabilities and contingent liabilities at the acquisition date, initial recognition is based on provisional fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted until 12 months after the acquisition. The effect of the adjustments is recognised in equity at 1 January and the comparative figures are restated accordingly. Subsequently goodwill is adjusted only as a result of changes in estimates of contingent purchase considerations, unless material errors have occurred. However, subsequent realisation of the acquired entity's deferred tax assets not recognised at the acquisition date will entail the recognition of the tax benefit in the income statement and at the same time impairment of the carrying amount of goodwill to the amount which would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the date of acquisition.

Gains or losses on the divestment or winding-up of subsidiaries and associates are stated as the difference between the proceeds and the carrying amount of net assets including goodwill at the time of sale, currency translation adjustments recognised directly in equity plus costs to sell or winding-up expenses.

Foreign currency translation

For each of the reporting entities in the Group a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in currencies other than the functional currency are considered transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rate ruling at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date on which the receivable or payable arose or the exchange rate in the last annual report is recognised in the income statement under financial income or financial expenses.

When foreign entities with a functional currency that differs from the presentation currency of Carlsberg A/S are recognised in the consolidated financial statements, the income statement is translated at the exchange rate ruling at the transaction date, and balance sheet items are translated at the exchange rate ruling at the balance sheet date. An average exchange rate for the individual months is used as the exchange rate ruling at the transaction date to the extent that this does not significantly deviate from the exchange rate ruling at the transaction date. Exchange rate differences which arise when translating the equity at 1 January of foreign entities at the exchange rate ruling at the balance sheet date, as well as when translating their income statements from the exchange rate ruling at the transaction date to the exchange rate ruling at the balance sheet date, are recognised directly in equity as a separate foreign currency translation reserve.

Exchange rate adjustments of intercompany balances with foreign entities which are considered part of the total net investment in the entity are recognised directly in equity in the consolidated financial statements if the intercompany balance is denominated in the functional currency of the Parent Company or the foreign entity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments which are designated as hedges of net investments in foreign entities with a different functional currency from Carlsberg A/S and which effectively hedge against corresponding foreign exchange gains and losses on the net investment in the entity are also recognised directly in equity as a separate foreign currency translation reserve.

When recognising associates with a functional currency which differs from Carlsberg A/S' presentation currency in the consolidated financial statements, the share of the profit for the year is translated according to an average exchange rate and the share of equity including goodwill is translated according to the exchange rate ruling at the balance sheet date. Exchange rate differences which arise when translating the share of foreign associates' equity at the beginning of the year to the exchange rate ruling at the balance sheet date, as well as when translating the share of the profit for the year from average exchange rates to the exchange rate ruling at the balance sheet date, are recognised directly in equity as a separate foreign currency translation reserve.

Prior to translation of the financial statements of foreign entities in countries with hyperinflation, the statements (including comparative figures) are inflation-adjusted for changes in purchasing power in the local currency. Inflation adjustment is based on relevant price indexes at the balance sheet date.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables respectively. Positive and negative values are offset only when the company has a right and an intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of market data and recognised pricing models.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability in relation to the hedged part. Hedging of future cash flows under a specific agreement, with the exception of foreign currency hedges, is treated as a fair value hedge of a recognised asset or liability.

Changes in the part of the fair value of derivative financial instruments which is designated as and qualifies for hedging of future cash flows and which effectively hedges changes in the value of the hedged item are recognised in equity. When the hedged transaction is realised, any gains or losses regarding such hedging transactions are transferred from equity and recognised in the same financial item as the hedged item. When hedging proceeds from future borrowings, however, any gains or losses regarding hedging transactions are transferred from equity over the maturity period of the borrowings.

For derivative financial instruments which do not meet the criteria for hedge accounting, changes in fair value are recognised in the income statement under financials.

Any change in the fair value of derivative financial instruments which are used to hedge net investments in foreign subsidiaries or associates, and which effectively hedge against exchange rate changes in these entities, is recognised directly in equity as a separate foreign currency translation reserve.

Certain contracts entail conditions which correspond to derivative financial instruments. Such embedded derivatives are recognised separately and are measured at fair value if they differ significantly from the contract in question. If the entire contract has been recognised and is currently measured at fair value, no separation is made.

Income statement

Net revenue

Net revenue from the sale of finished goods and goods for resale is recognised in the income statement when the risk has been transferred to the buyer and the income can be measured reliably and is expected to be received.

Licence fees are recognised when earned according to the terms of the licence agreements.

Net revenue is measured exclusive of VAT and duties, including excise duties on beer and soft drinks, and discounts.

Contract work for the account of third parties is recorded in net revenue as the work is carried out, and net revenue thus corresponds to the sales value of the work carried out during the year (percentage of completion method). Net revenue is recognised when it is possible to make a reliable calculation of total income and costs relating to the contract as well as the degree of completion on the balance sheet date, and when it is probable that the economic benefits, including payments, will be received by the Group.

Government grants
Government grants include grants and financing for development as well as grants for investments etc.

Grants relating to research and development costs which are included directly in the income statement are recognised under other operating income.

Grants relating to the acquisition of assets, including development assets, are recognised in the balance sheet under deferred income (liabilities) and transferred to other operating income in the income statement as the assets to which the grants relate are amortised or depreciated.

Cost of sales
Cost of sales comprises costs incurred to generate the net revenue for the year and development costs. This includes direct and indirect costs of raw materials and consumables, wages and salaries, rental and lease costs, as well as production plant depreciation.

Sales and distribution expenses
Distribution expenses comprise costs relating to the distribution of goods sold and promotional campaigns carried out during the year etc. This item also includes costs relating to sales staff, sponsorships, advertising and in-store display costs, as well as depreciation and amortisation.

Administrative expenses
Administrative expenses include costs for management and administration incurred during the year, including administrative staff costs, office premises and other expenses, as well as depreciation and amortisation.

Other operating income and expenses
Other operating income and expenses comprise items of a nature secondary to the principal activities of the entities, including income and expenses relating to rental properties, and gains and losses from the disposal of intangible assets and property, plant and equipment. Gains and losses from the disposal of intangible assets and property, plant and equipment are computed as the selling price less disposal costs and the carrying amount at the disposal date. Amortisation and interest on on-trade loans are also included in this item.

Operating profit before special items
Operating profit before special items is an important point of comparison for companies in the brewery industry. This subtotal is referred to as EBIT in the Annual Report.

Special items
This item includes income and costs not directly attributable to the operating activities of the Group, including restructuring costs relating to fundamental changes in structure and processes, as well as any gain or loss arising from disposals in this connection. This item also includes significant non-recurring items, including impairment of goodwill.

These items are shown separately in order to give a fair presentation of the Group's operating profit.

Profit from investments in associates in the consolidated financial statements
The proportionate share of the profit after tax of associates is recognised in the consolidated income statement after elimination of the proportionate share of intercompany gains/losses.

Dividends from investments in subsidiaries and associates in the Parent Company's financial statements
Dividends received from investments in subsidiaries and associates are recognised as income in the Parent Company's income statement in the financial year in which the dividend is declared. To the extent that distributed dividends exceed accumulated earnings after the acquisition date, however, they are not recognised as income in the income statement but as a write-down of the cost of the investment.

Financial income and expenses
Financial income and expenses include interest, exchange gains and losses, and write-downs of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including defined benefit pension plans, as well as surcharges and allowances under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which cannot be classified as hedging arrangements are also included.

Tax on profit/loss for the year
Carlsberg A/S is covered by the Danish rules on compulsory joint taxation of the Carlsberg Group's Danish companies. Subsidiaries are included in the joint taxation scheme from the time they are consolidated in the consolidated financial statements until such time as they are no longer consolidated.

Carlsberg A/S is the administration company for the joint taxation scheme and therefore makes all payments of corporation tax to the tax authorities.

Current Danish corporation tax is allocated between the jointly taxed Danish companies by making joint taxation contributions in proportion to their taxable income. In this context, companies with tax losses receive joint taxation contributions from companies which have been able to use these losses to reduce their own taxable profits.

Tax for the year – comprising the year's current corporation tax, the year's joint taxation contributions and changes in deferred tax (including as a result of changes in tax rates) – is recognised in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognised directly in equity.

To the extent that the Carlsberg Group qualifies for allowances when stating its taxable income in Denmark or abroad due to share-based payment schemes, the tax effect of these schemes is recognised in the tax on the profit for the year. If the total tax allowance exceeds their total cost for accounting purposes, however, the tax effect of the excess allowance will be recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Business combinations". Subsequently goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Determination of cash-generating units follows the management structure and internal financial control.

The carrying amount of goodwill is impairment-tested at least once a year together with the other non-current assets in the cash-generating unit to which the goodwill is allocated, and impaired to the recoverable amount in the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill is allocated. Impairment of goodwill is recognised under special items in the income statement.

The carrying amount of goodwill at 1 January 2004 (date of transition to IFRS) was impairment-tested.

When divesting entities acquired prior to 1 January 2002, where goodwill according to previous accounting policies was immediately impaired directly against equity and where no reversal has taken place in accordance with the exemption clause in IFRS 1, the amount of goodwill impaired is included at the carrying amount (DKK 0) when stating the gain or loss in connection with divestment of the entity.

Other intangible assets

Research costs are recognised in the income statement as they are incurred. Costs incurred in connection with development activities are recognised as an asset if expected to generate future economic benefits.

Costs for development and implementation of substantial IT systems are capitalised and amortised over their estimated useful life.

Trademarks with an indefinite useful life are not amortised but impairment-tested at least once a year as with goodwill.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is carried out systematically over the expected useful lives of the assets as follows:

Trademarks with definite useful life	Useful life, however maximum 20 years
Software etc.	3-5 years
Delivery rights	Depending on contract, but not exceeding 5 years

Property, plant and equipment

Land and buildings, including investment properties, plant, machinery and equipment, and other fixtures and fittings etc. are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of assets of own construction includes direct and indirect costs of materials, components, subcontractors and labour. Estimated costs for dismantling and disposing of the asset as well as re-establishment are included in the cost to the extent that they are recognised as a provision. The cost of an asset is divided between its component parts, which are depreciated individually if their useful lives differ.

The cost of assets held under finance leases is determined at the lower of fair value of the assets and present value of the future minimum lease payments. For the calculation of present value, the interest rate implicit in the lease or an approximation thereof is used as the discount rate.

The market value of investment properties is reported in the notes.

Subsequent costs, e.g. in connection with the replacement of components, are recognised in the carrying amount of the asset if it is probable that the cost will result in future economic benefits for the Group. The carrying amount of the replaced components is derecognised from the balance sheet and recognised in the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as they are incurred.

Property, plant and equipment including finance leases are depreciated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings	20-40 years
Plant and machinery	5-15 years
Other fixtures and fittings etc., including draught beer equipment	5-10 years
Returnable packaging	3-5 years

Land is not depreciated.

Depreciation is calculated on the basis of the residual value less impairment losses. The residual value is determined at the date of acquisition and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect of the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation and minor write-downs are recognised in the income statement under cost of sales, sales and distribution expenses and administrative expenses to the extent that depreciation is not part of the cost of assets of own construction.

Significant impairment losses of a non-recurring nature are recognised in the income statement under special items.

Investments in associates in the consolidated financial statements

Investments in associates are measured according to the equity method.

Investments in associates are recognised in the balance sheet as the proportionate share of the equity value of the entities stated in accordance with the Group's accounting policies, adding or deducting the proportionate share of unrealised intercompany gains and losses and adding the carrying amount of goodwill.

Investments in associates with a negative equity value are carried at DKK 0. To the extent that the Group has a legal or constructive obligation to cover the negative balance of the associate, it is recognised under provisions.

Any amounts owed by associates are written down to the extent that the amount owed is deemed irrecoverable.

Investments in subsidiaries and associates in the Parent Company's financial statements

Investments in subsidiaries and associates are measured at cost. Where the recoverable amount is lower than cost, investments are impaired to this lower value.

Cost is written down to the extent that distributed dividends exceed accumulated earnings after the acquisition date.

Inventories

Inventories are measured at weighted average cost and written down to net realisable value if this is lower.

The cost of goods for resale and of raw materials and consumables comprises purchase price and transportation costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies and labour as well as maintenance and depreciation of the machinery, plant and equipment used for production, and costs for plant administration and management.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale, and is determined taking into account marketability, obsolescence and developments in expected selling price.

Receivables

Receivables are measured at amortised cost less impairment losses.

As regards on-trade loans, amortisation is recognised as prepaid discounts to the customer, which are taken to the income statement in accordance with the terms of the agreement. Amortisation and interest on these loans are recognised as revenue under other operating income.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years, including in particular sponsorship and marketing costs.

Securities

Shares and bonds held as part of the Group's trading portfolio are recognised as current assets at cost on the transaction date and then adjusted to fair value, defined as the quoted market price for listed securities and the estimated fair value of unlisted securities based on market data and recognised pricing methods. Changes in fair value are recognised in the income statement under financials. Shares in unlisted companies are not adjusted to fair value if this cannot be done objectively.

Shares and bonds not held as part of the Group's trading portfolio (available for sale) are recognised as non-current assets at cost on the transaction date and then adjusted to fair value, defined as the quoted market price for listed securities and the estimated fair value of unlisted securities based on market data and recognised pricing methods. Unrealised value adjustments are recognised directly in equity, except for write-downs for impairment losses and reversals of impairment losses and for translation adjustments in respect of foreign currency bonds, which are recognised in the income statement under financials. When realised, the accumulated value adjustments recognised in equity are transferred to financials in the income statement.

Impairment of assets

Goodwill and intangible assets with an indefinite useful life are subject to an annual impairment test. The first test is carried out before the end of the acquisition year.

The carrying amount of non-current assets (except for goodwill, intangible assets with an indefinite useful life, deferred tax assets and financial assets) is reviewed for impairment losses annually. When there is an indication of impairment, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Minor write-downs are recognised in the income statement under cost of sales, distribution expenses and administrative expenses. However, major impairment losses and impairment losses on goodwill are recognised in a separate line in the income statement under special items.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent that changes occur in the assumptions and estimates underlying the impairment test. Impairment is reversed only to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation or depreciation had the asset not been impaired.

Equity

Treasury shares

Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly in retained earnings in equity. Capital reduction through cancellation of treasury shares reduces the share capital by an amount equivalent to the nominal value of the shares cancelled.

Proceeds from the sale of treasury shares or share issues in Carlsberg A/S in connection with share options being exercised are recognised directly in equity.

Foreign currency translation reserves

Reserves relating to foreign exchange adjustments in the consolidated financial statements comprise currency translation differences arising from the translation of the financial statements of foreign entities from their functional currencies to the presentation currency of the Carlsberg Group (DKK), balances considered to be part of the total net investment in foreign entities, and financial instruments to hedge net investments in foreign entities.

When the net investment is realised in full or in part, the foreign exchange adjustments are recognised in the income statement.

The translation reserve was reset to zero at 1 January 2004 in accordance with IFRS 1.

Employee benefits

Wages and salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits are recognised in the financial year in which the employee performs the associated work.

Share options

The value of services received for share options granted is measured at the fair value of the options.

The share option programme is an equity-settled share-based payment transaction. The share options are measured at fair value when granted and recognised in the income statement under staff costs over the vesting period. The offsetting entry is recognised directly in equity.

When share options are first recognised, an estimate is made of the number of options to be granted to employees. Subsequently adjustments are made for changes in the estimate of the number of option rights to be granted so that the total number recognised equals the actual number of option rights granted.

The market value of the options granted is estimated in accordance with the Black & Scholes valuation model for call options at the time of granting. The calculation is based on the terms and conditions of the share options granted.

Retirement benefit obligations and similar obligations

The Group has entered into pension agreements and similar agreements with a significant proportion of the Group's employees.

Obligations relating to defined contribution plans are included in the income statement in the period in which they are accrued, and outstanding contributions are included in the balance sheet under other current liabilities.

An annual actuarial valuation is carried out to determine the present value of the future benefits to be paid under defined benefit plans. The present value is calculated on the basis of assumptions for future developments in wage/salary level, interest rates, inflation and mortality. The present value is calculated only for benefits to which the employees have already earned the right during their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under retirement benefit obligations.

Differences between the expected growth in pension assets and liabilities and the realised values are classified as actuarial gains or losses. Such gains and losses are recognised in the balance sheet with an offsetting entry in equity.

In the event of changes in the benefits payable for employees' past services to the company, a change is made to the actuarial present value, which is classified as past service cost. Past service cost is immediately charged to the income statement if the employees have already earned the right to the changed benefits. Otherwise past service cost is recognised in the income statement over the period in which the employees earn the right to the changed benefit.

If a pension plan constitutes a net asset, the asset is recognised only to the extent that it corresponds to future repayments under the plan or if it will lead to a reduction in future contributions under the plan.

Interest from pension assets and liabilities is recognised under financials.

Corporation tax and deferred tax

Current tax payable and receivable, including joint taxation contributions, is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is calculated using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the management's planned use of the asset or settlement of the liability, respectively.

If there are specific dividend plans for subsidiaries, associates and joint ventures, deferred tax is recognised on profit generated in countries imposing withholding tax on distribution.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other non-current assets at their anticipated value either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is adjusted to take account of the elimination of unrealised intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates which will apply in the respective countries at the balance sheet date when the deferred tax is expected to be realised as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement except for changes in deferred tax recognised in equity, which are changed directly in equity.

Other provisions

Other provisions relate primarily to restructuring.

Other provisions are recognised when – as a consequence of an event occurring before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that an outflow of resources will be required to settle the obligation.

Provisions for restructuring are recognised when a detailed formal plan for the restructuring has been produced by the balance sheet date and has been announced to the parties involved. In connection with acquisitions, provisions for restructuring costs are included in the computation of goodwill only if an obligation exists for the acquired entity at the date of acquisition.

Provisions are made for onerous contracts when the anticipated benefits for the Group from a contract are outweighed by the unavoidable costs under the contract.

When the Group is under an obligation to dismantle an asset or re-establish the site where the asset has been used, a provision is made corresponding to the present value of the expected future costs.

Financial liabilities

Amounts owed to credit institutions, bond issues etc. are recognised at the date of borrowing as the net proceeds received less transaction costs paid. In subsequent periods financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Deposits on returnable packaging are stated on the basis of deposit price as well as an estimate of the number of cans, bottles and crates in circulation.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Assets held for sale and discontinued operations

Assets held for sale comprise non-current assets and disposal groups held for sale. Disposal groups are groups of assets which are to be collectively disposed of in a single transaction and their directly associated liabilities, which will be transferred in connection with the transaction.

Assets are classified as “held for sale” if their carrying amount will be principally recovered through sales transactions within one year in accordance with a formal plan rather than through continued use.

Assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are not depreciated or amortised after being classified as “held for sale”.

An impairment loss is recognised in the income statement under the relevant items for any initial write-down following initial classification as “held for sale” and for any gains or losses on subsequent measurement at the lower of carrying amount and fair value less costs to sell. Gains and losses are disclosed in the notes.

Assets and their directly associated liabilities are presented in separate lines in the balance sheet, and the principal items are specified in the notes.

Discontinued operations are presented in a separate line in the income statement and as assets and liabilities held for sale in the balance sheet, and the principal items are specified in the notes.

Cash flow statement

The cash flow statement shows the Group’s cash flows from operating, investing and financing activities for the year, the year’s changes in cash and cash equivalents, and the Group’s cash and cash equivalents at the beginning and end of the year.

The cash flow effect of the acquisition and divestment of entities is shown separately in cash flow from investing activities. Cash flows from acquired entities are recognised in the cash flow statement from the date of acquisition. Cash flows from divested entities are recognised up until the date of divestment.

Cash flow from operating activities

Cash flow from operating activities is calculated as operating profit adjusted for non-cash operating items, changes in working capital, interest received and paid, and corporation tax paid.

Cash flow from investing activities

Cash flow from investing activities comprises payments in connection with the acquisition and disposal of entities and activities and of intangible assets, property, plant and equipment, and other non-current assets, as well as the acquisition and disposal of securities not counted as cash and cash equivalents.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or composition of share capital and related costs, as well as borrowings, repayment of interest-bearing debt, acquisition and sale of treasury shares, and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash, less bank overdrafts, and securities with a time to maturity of less than three months which are readily convertible into cash and which are subject to a negligible risk of changes in value.

Segment reporting

The Group's main activity is the production and sale of beer and other beverages. This activity accounts for more than 90% of the Group's activities. In accordance with the Group's management structure, beverage activities are segmented according to the geographical regions where production takes place.

A segment's operating profit includes net revenue, operating costs and share of profit from associates to the extent that they are directly attributable to it. Income and expenses related to Group functions have not been distributed and, as is the case with eliminations and other activities, are not included in the operating profit of the segments.

A segment's non-current assets comprise the non-current assets used directly in the segment's operations, including intangible assets, property, plant and equipment, and investments in associates. Current assets are distributed between the segments to the extent that they are directly attributable to them, including inventories, trade receivables, other receivables and prepayments.

Segment liabilities comprise liabilities which are directly attributable to the segment's operations, including provisions, trade payables and other liabilities.

Financial statements
Carlsberg Group

Carlsberg Group

Income statement

DKK million	Note	2005	2004
Revenue		51,847	49,690
Excise duties on beer and soft drinks etc.		-13,800	-13,406
Net revenue	1	**38,047**	**36,284**
Cost of sales	2	-18,879	-18,065
Gross profit		**19,168**	**18,219**
Sales and distribution expenses	3	-13,332	-12,833
Administrative expenses	4	-2,961	-2,807
Other operating income, net	5	411	612
Share of profit after tax, associates	16	232	210
Operating profit before special items	1	**3,518**	**3,401**
Special items, net	6	-386	-598
Financial income	7	548	666
Financial expenses	8	-1,788	-1,818
Profit before tax		**1,892**	**1,651**
Corporation tax	9	-521	-382
Consolidated profit		**1,371**	**1,269**
Attributable to:			
Minority interests	10	261	169
Shareholders in Carlsberg A/S		1,110	1,100
Earnings per share	11		
Earnings per share		14.6	15.5
Earnings per share, diluted		14.6	15.5

Balance sheet

Assets

DKK million	Note	31 Dec. 2005	31 Dec. 2004
Non-current assets			
Intangible assets	14	20,672	19,489
Property, plant and equipment	15	20,355	20,435
Investments in associates	16	1,105	1,750
Securities	17	2,710	524
Receivables	18	1,235	1,290
Deferred tax assets	25	1,005	867
Retirement benefit net assets	24	21	-
Total non-current assets		**47,103**	**44,355**
Current assets			
Inventories	19	2,866	2,883
Trade receivables	18	5,979	6,290
Tax receivables		132	82
Other receivables	18	3,015	1,370
Prepayments		587	610
Securities	17	109	71
Cash and cash equivalents	20	2,240	1,758
Total current assets		**14,928**	**13,064**
Assets held for sale	21	328	279
Total assets		**62,359**	**57,698**

Equity and liabilities

DKK million	Note	**31 Dec. 2005**	31 Dec. 2004
Equity			
Share capital	22	**1,526**	**1,526**
Reserves		16,442	13,558
Equity, shareholders in Carlsberg A/S		17,968	15,084
Minority interests		1,528	1,708
Total equity		**19,496**	**16,792**
Non-current liabilities			
Borrowings	23	17,765	21,708
Retirement benefit obligations and similar obligations	24	2,061	1,889
Deferred tax	25	2,362	2,334
Provisions	26	195	189
Other liabilities	27	65	18
Total non-current liabilities		**22,448**	**26,138**
Current liabilities			
Borrowings	23	8,213	3,357
Trade payables		4,513	4,074
Deposits on returnable packaging		1,224	1,260
Provisions	26	561	481
Corporation tax		720	710
Other liabilities	27	5,174	4,886
Total current liabilities		**20,405**	**14,768**
Liabilities associated with assets held for sale	21	10	-
Total liabilities		**42,863**	**40,906**
Total equity and liabilities		**62,359**	**57,698**

Statement of recognised income and expenses and changes in equity

DKK million								2005
	Shareholders in Carlsberg A/S							
	Share capital	Currency translation	Fair value adjust-ments [1]	Retained earnings	Total reserves	Total capital and reserves	Minority interests	Total equity
Statement of recognised income and expenses:								
Profit for the year	**-**	**-**	**-**	**1,110**	**1,110**	**1,110**	**261**	**1,371**
Currency translation adjustments, foreign entities	-	1,096	-	-	1,096	1,096	132	1,228
Currency translation, transferred to income statement	-	-128	-	-	-128	-128	-	-128
Value adjustments, hedging instruments	-	-289	-14	-	-303	-303	-	-303
Hedging instruments, transferred to income statement	-	-	-6	-	-6	-6	-	-6
Value adjustments, securities	-	-143	1,679	-	1,536	1,536	-	1,536
Adjustments, retirement benefit obligations	-	-	-	-173	-173	-173	-1	-174
Share-based payment	-	-	-	4	4	4	-	4
Other	-	-	-	-7	-7	-7	50	43
Tax on changes in equity	-	68	-30	42	80	80	-11	69
Net income recognised directly in equity	-	604	1,629	-134	2,099	2,099	170	2,269
Total recognised income and expenses	**-**	**604**	**1,629**	**976**	**3,209**	**3,209**	**431**	**3,640**
Statement of changes in equity:								
Equity at 1 January 2005	1,526	32	-108	13,634	13,558	15,084	1,708	16,792
Total recognised income and expenses for the year	-	604	1,629	976	3,209	3,209	431	3,640
Capital increase	-	-	-	-	-	-	8	8
Sale of treasury shares	-	-	-	55	55	55	-	55
Dividends paid to shareholders	-	-	-	-380	-380	-380	-202	-582
Acquisition of minority interests	-	-	-	-	-	-	-305	-305
Divestment of subsidiaries	-	-	-	-	-	-	-112	-112
Total changes in equity	**-**	**604**	**1,629**	**651**	**2,884**	**2,884**	**-180**	**2,704**
Equity at 31 December 2005	**1,526**	**636**	**1,521**	**14,285**	**16,442**	**17,968**	**1,528**	**19,496**

The proposed dividend of DKK 381m (DKK 5.00 per share) is included in retained earnings at 31 December 2005.

DKK million								2004
	Shareholders in Carlsberg A/S							
	Share capital	Currency translation	Fair value adjust-ments [1]	Retained earnings	Total reserves	Total capital and reserves	Minority interests	Total equity
Statement of recognised income and expenses:								
Profit for the year	**-**	**-**	**-**	**1,100**	**1,100**	**1,100**	**169**	**1,269**
Currency translation adjustments, foreign entities	-	-8	-	-	-8	-8	-63	-71
Currency translation, transferred to income statement	-	-4	-	-	-4	-4	-	-4
Value adjustments, hedging instruments	-	63	-180	-	-117	-117	-	-117
Value adjustments, securities	-	-	42	-	42	42	-	42
Securities, transferred to income statement	-	-	-20	-	-20	-20	-	-20
Adjustments, retirement benefit obligations	-	-	-	-22	-22	-22	-	-22
Share-based payment	-	-	-	17	17	17	-	17
Other	-	-	-	-13	-13	-13	-	-13
Tax on changes in equity	-	-19	50	5	36	36	-	36
Net income recognised directly in equity	-	32	-108	-13	-89	-89	-63	-152
Total recognised income and expenses	**-**	**32**	**-108**	**1,087**	**1,011**	**1,011**	**106**	**1,117**
Statement of changes in equity:								
Equity at 1 January 2004	1,278	-	-	9,736	9,736	11,014	6,421	17,435
Total recognised income and expenses for the year	-	32	-108	1,087	1,011	1,011	106	1,117
Capital increase	305	-	-	3,119	3,119	3,424	79	3,503
Transaction costs	-	-	-	-61	-61	-61	-	-61
Cancellation of treasury shares	-57	-	-	57	57	-	-	-
Dividends paid to shareholders	-	-	-	-304	-304	-304	-178	-482
Acquisition of minority interests	-	-	-	-	-	-	-4,895	-4,895
Acquisition of subsidiaries	-	-	-	-	-	-	175	175
Total changes in equity	**248**	**32**	**-108**	**3,898**	**3,822**	**4,070**	**-4,713**	**-643**
Equity at 31 December 2004	**1,526**	**32**	**-108**	**13,634**	**13,558**	**15,084**	**1,708**	**16,792**

The proposed dividend of DKK 380m (DKK 5.00 per share, excluding treasury shares) is included in retained earnings at 31 December 2004.

[1] Fair value adjustments comprise a reserve for securities and a reserve for hedging instruments.

Cash flow statement

DKK million	Note	2005	2004
Operating profit before special items		3,518	3,401
Adjustment for non-cash items	28	2,487	2,219
Change in working capital	28	1,002	311
Restructuring costs paid		-537	-378
Financial receipts		123	247
Financial payments		-1,235	-1,240
Corporation tax paid		-624	-685
Cash flow from operating activities		**4,734**	**3,875**
Acquisition and divestment of entities, net	29	-738	-4,252
Acquisition of property, plant and equipment, and intangible assets		-3,186	-3,252
Disposal of property, plant and equipment, and intangible assets		1,685	1,909
Acquisition of financial assets [1]		-710	-336
Disposal of financial assets		2,002	3,380
Change in trade loans and other financial receivables [2]		-1,652	125
Dividends received		245	63
Cash flow from investing activities		**-2,354**	**-2,363**
Free cash flow		**2,380**	**1,512**
Shareholders in Carlsberg A/S	28	-325	3,059
Minority interests	28	-1,581	-11,910
External financing	28	-84	4,625
Cash flow from financing activities		**-1,990**	**-4,226**
Net cash flow		**390**	**-2,714**
Cash and cash equivalents at 1 January		1,500	4,246
Currency translation adjustments		50	-32
Cash and cash equivalents at 31 December		1,940	1,500

[1] Includes payment of DKK 253m for value adjustment of shares in connection with the Asia settlement in 2005.
[2] The figure for 2005 includes DKK 1,928m receivable on the sale of Hite shares.

Notes

Note 1 Segment reporting

The Group's main activity is the production and sale of beer and other beverages. This activity accounts for more than 90% of the Group's activities.

In accordance with the Group's management and reporting structure, beverage activities are segmented according to the geographical regions where production takes place. Net revenue between the segments is based on market prices.

A segment's operating profit before special items includes net revenue, operating costs and share of profit from associates to the extent that they are directly attributable to it. Income and expenses related to Group functions have not been distributed and, as is the case with eliminations and other activities, are not included in the operating profit before special items of the individual segments.

A segment's non-current assets comprise the intangible assets and property, plant and equipment used directly in the segment's operations. Current assets are distributed between the segments to the extent that they are directly attributable to them, including inventories, trade receivables, other receivables and prepayments.

Segment liabilities comprise liabilities which are directly attributable to the segment's operations, including trade payables and other liabilities.

DKK million								**2005**
	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Beverages, total	Other	Carlsberg Group, total
Income statement:								
Net revenue	26,257	6,565	3,347	1,625	253	38,047	-	38,047
Internal revenue	45	3	20	1	-69	-	-	-
Total net revenue	**26,302**	**6,568**	**3,367**	**1,626**	**184**	**38,047**	**-**	**38,047**
%	69%	17%	9%	4%	1%	100%	-	100%
Segment result	2,006	1,314	294	206	-623	3,197	89	3,286
Share of profit after tax, associates	17	2	20	186	-	225	7	232
Operating profit before special items	**2,023**	**1,316**	**314**	**392**	**-623**	**3,422**	**96**	**3,518**
Special items, net						-636	250	-386
Financials, net						-1,014	-226	-1,240
Profit before tax						**1,772**	**120**	**1,892**
Corporation tax						-519	-2	-521
Consolidated profit						**1,253**	**118**	**1,371**
Balance sheet:								
Segment assets, non-current	18,410	6,313	3,699	4,199	721	33,342	11,651	44,993
Segment assets, current	6,915	1,132	1,346	639	2,498	12,530	26	12,556
Investments in associates	117	32	113	819	-	1,081	24	1,105
Assets held for sale	77	-	2	40	-	119	209	328
Other assets						3,134	243	3,377
Total assets						**50,206**	**12,153**	**62,359**
Segment liabilities, non-current	2,215	26	20	25	-	2,286	35	2,321
Segment liabilities, current	7,424	907	1,092	641	1,019	11,083	389	11,472
Liabilities associated with assets held for sale	10	-	-	-	-	10	-	10
Interest-bearing debt, gross						21,420	4,558	25,978
Other liabilities						2,098	984	3,082
Equity						13,309	6,187	19,496
Total equity and liabilities						**50,206**	**12,153**	**62,359**
Other items:								
Acquisition of property, plant and equipment and intangible assets	1,562	725	464	107	151	3,009	177	3,186
Depreciation and amortisation	1,694	498	348	107	126	2,773	23	2,796
Impairment losses	433	-	578	57	105	1,173	-	1,173

Note 1 Segment reporting – continued

DKK million	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Beverages, total	Other	Carlsberg Group, total
								2004
Income statement:								
Net revenue	26,376	5,415	2,887	1,463	143	36,284	-	36,284
Internal revenue	188	3	15	-	-206	-	-	-
Total net revenue	**26,564**	**5,418**	**2,902**	**1,463**	**-63**	**36,284**	**-**	**36,284**
%	73%	15%	8%	4%	-	100%	-	100%
Segment result	2,272	1,035	22	234	-802	2,761	430	3,191
Share of profit after tax, associates	-3	3	39	170	-	209	1	210
Operating profit before special items	**2,269**	**1,038**	**61**	**404**	**-802**	**2,970**	**431**	**3,401**
Special items, net						-598	-	-598
Financials, net						-816	-336	-1,152
Profit before tax						**1,556**	**95**	**1,651**
Corporation tax						-426	44	-382
Consolidated profit						**1,130**	**139**	**1,269**
Balance sheet:								
Segment assets, non-current	19,029	4,479	3,838	1,120	952	29,418	12,320	41,738
Segment assets, current	7,596	1,027	1,204	771	486	11,084	140	11,224
Investments in associates	70	34	83	1,399	-	1,586	164	1,750
Assets held for sale	63	-	-	-	-	63	216	279
Other assets						2,684	23	2,707
Total assets						**44,835**	**12,863**	**57,698**
Segment liabilities, non-current	1,989	21	20	16	-	2,046	50	2,096
Segment liabilities, current	7,566	609	808	491	844	10,318	383	10,701
Interest-bearing debt, gross						19,212	5,853	25,065
Other liabilities						2,207	837	3,044
Equity						11,052	5,740	16,792
Total equity and liabilities						**44,835**	**12,863**	**57,698**
Other items:								
Acquisition of property, plant and equipment and intangible assets	1,695	764	432	85	191	3,167	85	3,252
Depreciation and amortisation	1,864	415	304	100	83	2,766	26	2,792
Impairment losses	10	-	-	57	2	69	-	69

Note 2 Cost of sales

DKK million	**2005**	2004
Cost of materials	9,624	8,959
Direct staff costs	1,338	1,387
Machinery costs	677	641
Depreciation	1,666	1,604
Production overheads	1,084	1,090
Purchases of finished goods and other costs	4,490	4,384
Total	18,879	18,065
Of which staff costs, cf. note 12	1,983	1,991

Note 3 Sales and distribution expenses

DKK million	**2005**	2004
Marketing expenses	3,718	3,676
Sales expenses	3,971	3,781
Distribution expenses	5,643	5,376
Total	13,332	12,833
Of which staff costs, cf. note 12	4,111	3,841

Note 4 Fees to auditors appointed by the Annual General Meeting

DKK million	**2005**	2004
KPMG:		
Audit	19	4
Other services	4	4
PricewaterhouseCoopers:		
Audit	-	19
Other services	-	23

Other services include fees for tax consultancy and due diligence in connection with acquisitions, capital increases etc.

Note 5 Other operating income, net

DKK million	**2005**	2004
Other operating income:		
Gains on disposal of properties in the Carlsberg Breweries Group	113	11
Gains on disposal of properties under other activities	176	460
Gains on disposal of other property, plant and equipment, and intangible assets	5	97
Interest and amortisation of on-trade loans	147	136
Property rental income	153	185
Distributions from brewery organisations	6	41
Compensation for termination of licence agreement	31	-
Other	67	148
Total	698	1,078
Other operating expenses:		
Realised losses and provisions for on-trade loans	-55	-62
Property expenses	-144	-160
Other	-88	-244
Total	-287	-466
Other operating income, net	411	612

Note 6 Special items, net

DKK million	2005	2004
Special income:		
Gain on sale of shares in Hite Brewery Co. Ltd.	1,215	-
Gain on sale of shares in Danbrew Ltd. A/S	14	-
Gain on disposal of rental activities, Tuborg Nord	250	-
Gain on disposal of brewery properties, Sweden and Norway	-	223
Gain on sale of Vena shares	-	194
Total	1,479	417
Special expenses:		
Impairment of goodwill etc., Türk Tuborg	-563	-
Impairment of goodwill, Carlsberg Italia	-277	-
Value adjustment for purchase price of shares in Beer Lao and Hite Brewery in connection with the settlement of the Carlsberg Asia case	-253	-
Impairment of non-current assets in connection with new production structure in Denmark	-153	-
Impairment of software at Carlsberg IT A/S	-105	-
Other impairments	-67	-
Loss on disposal of mineral water bottling plant, Passugger, Switzerland	-35	-
Restructuring of sales and logistics at Carlsberg Danmark A/S	-	-66
Accounting loss from outsourcing of Carlsberg UK's servicing of draught beer equipment	-81	-305
Redundancy costs in connection with Operational Excellence programmes	-184	-58
Restructuring, Carlsberg Italia	-34	-65
Restructuring, BBH	-44	-
Restructuring, Carlsberg Sverige	-	-86
Restructuring, Carlsberg Deutschland	-	-250
Restructuring, Carlsberg Serbia	-	-45
Impairment of non-current assets in connection with restructuring of Carlsberg Polska	-	-54
Costs associated with the outsourcing of IT	-22	-
Other restructuring costs etc., other entities	-47	-86
Total	-1,865	-1,015
Special items, net	-386	-598

Note 7 Financial income

DKK million	2005	2004
Interest	117	183
Dividends	12	14
Fair value adjustments, net	35	-
Currency translation gains, net	-	100
Realised gains on sale of securities	45	8
Expected return on assets, defined benefit plans	328	336
Other financial income	11	25
Total	548	666

Note 8 Financial expenses

DKK million	2005	2004
Interest	1,173	1,168
Fair value adjustments, net	-	2
Currency translation losses, net	164	-
Write-down of financial assets	16	23
Interest cost on obligations, defined benefit plans	328	324
Other financial expenses	107	301
Total	1,788	1,818

Other financial expenses consist mainly of payments to establish credit facilities and fees for unutilised drawdowns on these facilities.
The net currency translation losses include losses of DKK 7m (2004: DKK 7m) on monetary net assets in hyperinflationary economies.

Note 9 Corporation tax

DKK million	2005	2004
Tax for the year comprises:		
Current tax on profit for the year	812	671
Change in deferred tax during the year	-268	-260
Adjustments to tax for previous years	-103	-65
Total tax for the year	441	346
Deferred tax on items recognised directly in equity	80	36
Tax on profit for the year	521	382
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	28.0%	30.0%
Change in Danish tax rate	-2.2%	-
Differences in tax rates, foreign subsidiaries	-2.3%	-2.1%
Adjustments to tax for previous years	0.3%	-0.3%
Capitalised losses in previous years, net	13.0%	-0.6%
Non-taxable income	-3.4%	-3.1%
Non-deductible expenses	4.8%	13.5%
Tax, associates	2.4%	3.4%
Special items	-14.0%	-17.4%
Other	0.9%	-0.2%
Effective tax rate for the year	27.5%	23.2%
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	-348	-252
Intangible assets and property, plant and equipment etc.	160	28
Deferred tax recognised in income statement	-188	-224

Note 10 Minority interests

DKK million	2005	2004
Minority interests' share of profit for the year relates to the following entities:		
Carlsberg Breweries A/S (January and February 2004 only)	-	-73
BBH Group	198	180
Carlsberg Brewery Malaysia Berhad	72	73
Other	-9	-11
Total	261	169

Note 11 Earnings per share

DKK million	2005	2004
Consolidated profit	1,371	1,269
Minority interests	-261	-169
Carlsberg A/S' share of profit	1,110	1,100
Average number of shares	76,278	72,154
Average number of treasury shares	-50	-1,148
Average number of shares in circulation	76,228	71,006
Average dilution effect of outstanding share options	66	4
Diluted average number of shares in circulation	76,294	71,010
Earnings per share of DKK 20 (EPS)	14.6	15.5
Diluted earnings per share of DKK 20 (EPS-D)	14.6	15.5

Note 12 Staff costs and remuneration of the Board of Directors, the Executive Board and other senior executives

DKK million	**2005**	2004
Wages, salaries and other remuneration	5,908	5,727
Termination benefits	129	225
Social security costs	835	827
Pension costs - defined contribution plans	245	190
Pension costs - defined benefit plans	221	168
Share-based payment	4	17
Other benefits	144	106
Total	7,486	7,260
Staff costs are included in the following items in the income statement:		
Cost of sales	1,983	1,991
Sales and distribution expenses	4,111	3,841
Administrative expenses	1,252	1,154
Other operating income, net	24	49
Special items, net (restructuring)	116	225
Total	7,486	7,260

The Group had an average of 30,492 (2004: 30,208) full-time employees during the year, including 8,575 (2004: 7,874) at proportionally consolidated associates.

Remuneration of key management personnel:

DKK million	**2005**		2004	
	Parent Company's Executive Board	Other senior executives	Parent Company's Executive Board	Other senior executives
Salaries and other remuneration	19	23	18	21
Pension costs	-	2	-	2
Share-based payment	1	-	2	2
Total	20	25	20	25

Other senior executives are key personnel outside the Parent Company’s Executive Board who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the business’s activities. The group is limited to Senior Vice Presidents and Vice Presidents engaged in Carlsberg’s headquarters in Copenhagen, a total of 14 people (2004: 13 people).

The Board of Directors of Carlsberg A/S received emoluments of DKK 6m (2004: DKK 6m). The Board of Directors is not included in share option programmes, pension plans and other schemes, and no termination benefits were paid to its members.

Note 13 Share-based payment

The Carlsberg Group has set up a share option programme to attract, retain and motivate the Group's key employees and to align their interests with those of shareholders. No share option programme has been set up for Carlsberg A/S' Board of Directors.

In 2005 201,250 share options were granted to 133 key employees. The fair value of these options when granted was a total of DKK 15m (2004: DKK 17m). Each option entitles the holder to purchase one B-share in Carlsberg A/S. The options may be settled only in shares (equity-settled share-based payment transaction). The Carlsberg Group has not purchased significant numbers of shares to meet this obligation.

The share options vest over a period of three years from the time of grant. The options may be exercised no earlier than three years and no later than eight years after they are granted. Where an employee leaves the company, a proportion of the options may be exercised within a deadline of between one and three months. Special terms and conditions apply in the case of retirement, illness, death and changes in Carlsberg A/S' capital situation.

The total cost of share-based payment was DKK 4m (2004: DKK 17m), which has been recognised in the income statement and is included in staff costs.

		Exercise period		Number					Exercise price
Year granted	Fair value 31.12.2005 (DKK million)	First year	Last year	01.01.2005	Granted	Expired/ forfeited	Exercised	31.12.2005	Fixed
Executive Board									
2001	-	2004	2009	14,700	-	-	-	14,700	386.54
2002	1	2005	2010	14,700	-	-	-	14,700	323.82
2003	3	2006	2011	21,000	-	-	-	21,000	214.47
2004	2	2007	2012	26,250	-	-	-	26,250	268.39
2005	2	2008	2013	-	25,000	-	-	25,000	288.29
Total	8			76,650	25,000	-	-	101,650	
Others									
2001	-	2004	2009	64,575	-	-	-	64,575	386.54
2002	-	2005	2010	61,425	-	-	-	61,425	323.82
2003	9	2006	2011	75,600	-	150	3,000	72,450	214.47
2004	14	2007	2012	183,488	-	18,455	10,683	154,350	268.39
2005	15	2008	2013	-	176,250	4,250	-	172,000	288.29
Total	41			385,088	176,250	22,855	13,683	524,800	
Total	49			461,738	201,250	22,855	13,683	626,450	

	2005		2004	
	Number	Average exercise price	Number	Average exercise price
Share options outstanding at 1 January	461,738	286,53	281,400	300,05
Granted	201,250	288,29	214,988	268,39
Expired/forfeited	-22,855	271,74	-21,000	328,78
Exercised	-13,683	256,57	-13,650	214,47
Share options outstanding at 31 December	626,450	288,29	461,738	286,53
Exercisable at 31 December	155,400	355,82	79,275	386,54

The average share price at the time the share options were exercised was DKK 314 (2004: DKK 276).

At 31 December 2005 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 386.54 (2004: DKK 214.47 to DKK 386.54), while the average remaining contractual life was 5.7 years (2004: 6.1 years).

The fair value of share options is based on the Black & Scholes formula for the valuation of call options based on the exercise price.

Note 13 Share-based payment – continued

The assumptions underlying the calculation of the fair value at the time of grant of share options granted in 2004 and 2005 are as follows:

	2005	2004
Fair value per option	74.27	81.51
Share price	291	281
Exercise price	288.29	268.39
Volatility	27%	29%
Risk-free interest rate	3.1%	3.5%
Dividend yield	1.7%	1.8%
Expected life of share options	5.5 years	5.5 years

The expected life of share options is based on exercise in the middle of the exercise period.

The exercise price is calculated as the average price of Carlsberg A/S' B-shares on the Copenhagen Stock Exchange the first five trading days after the publication of Carlsberg A/S' first Preliminary Results following the granting of the options.

The expected volatility is based on the historical volatility in the price of Carlsberg A/S' B-shares over the last two years.

The risk-free interest rate is the interest rate on government bonds of the relevant maturity, while the dividend yield is calculated as DKK 5 per share divided by the share price.

Note 14 Intangible assets

DKK million	Goodwill [1]	Trademarks [2]	Other intangible assets [3]	Advance payments	Total 2005
Cost:					
Cost at 1 January 2005	15,052	3,842	1,378	124	20,396
Additions during the year	1,758	-	158	50	1,966
Disposals during the year	-465	-6	-299	-	-770
Currency translation adjustments etc.	275	7	39	-	321
Transfers	-6	-	130	-120	4
Cost at 31 December 2005	16,614	3,843	1,406	54	21,917
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2005	-	66	841	-	907
Currency translation adjustments etc.	-	1	-7	-	-6
Disposals during the year	-	-4	-267	-	-271
Amortisation during the year	-	11	231	-	242
Impairment losses during the year	737	-	105	-	842
Disposals of goodwill fully impaired during the year	-465	-	-	-	-465
Transfers	3	-	-7	-	-4
Amortisation and impairment losses at 31 December 2005	275	74	896	-	1,245
Carrying amount at 31 December 2005	16,339	3,769	510	54	20,672

DKK million	2005	2004
Amortisation during the year is included in the following items:		
Cost of sales	5	4
Sales and distribution expenses	45	52
Administrative expenses	192	188
Total	242	244

Note 14 Intangible assets – continued

DKK million					2004
	Goodwill [1]	Trademarks [2]	Other intangible assets [3]	Advance payments	Total
Cost:					
Cost at 1 January 2004	4,822	444	960	165	6,391
Additions during the year	10,390	3,417	234	128	14,169
Disposals during the year	-101	-8	-200	-	-309
Currency translation adjustments etc.	-50	-1	-1	-	-52
Transfers	-9	-10	385	-169	197
Cost at 31 December 2004	15,052	3,842	1,378	124	20,396
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2004	-	63	587	-	650
Disposals during the year	-	-	-184	-	-184
Amortisation during the year	-	13	231	-	244
Transfers	-	-10	207	-	197
Amortisation and impairment losses at 31 December 2004	-	66	841	-	907
Carrying amount at 31 December 2004	15,052	3,776	537	124	19,489

[1] Goodwill in 2005 includes additions relating to the acquisition of minority shareholdings which may be reduced by up to DKK 187m in the period through to the end of 2007.
[2] The carrying amount of trademarks which have an indefinite useful life and are therefore not amortised was DKK 3,670m at 31 December 2005 (2004: DKK 3,665m). The value of these trademarks is safeguarded and developed continuously through marketing.
[3] The carrying amount of other intangible assets at 31 December 2005 includes capitalised software costs of DKK 290m (2004: DKK 357m) and beer delivery rights of DKK 106m (2004: DKK 123m).

Research and development costs of DKK 116m (2004: DKK 109m) have been charged to the income statement.

Goodwill and trademarks

The Carlsberg Group performs impairment tests for the Group's cash-generating units based on the management structure. As a starting point, internal financial control is carried out at national level.

At 31 December 2005 the carrying amount of goodwill and trademarks with an indefinite useful life for the Group's cash-generating units, summarised at segment level, was as follows:

DKK million				**2005**
	Goodwill	Trademarks	Total	%
Western Europe	4,206	670	4,876	24
BBH Group (50%)	1,717	-	1,717	9
Eastern Europe excl. BBH	1,118	-	1,118	6
Asia	1,091	-	1,091	5
Carlsberg Breweries A/S [1]	8,207	3,000	11,207	56
Total	16,339	3,670	20,009	100

DKK million				2004
	Goodwill	Trademarks	Total	%
Western Europe	4,378	665	5,043	27
BBH Group (50%)	424	-	424	2
Eastern Europe excl. BBH	1,481	-	1,481	8
Asiea	519	-	519	3
Carlsberg Breweries A/S [1]	8,250	3,000	11,250	60
Total	15,052	3,665	18,717	100

[1] Relates to Carlsberg A/S' acquisition of Orkla ASA's 40% minority holding in Carlsberg Breweries A/S.

Note 14 Intangible assets – continued

General assumptions:
Other than goodwill and trademarks relating to acquisition of Orkla ASA's 40% minority holding in Carlsberg Breweries A/S, at 31 December 2005 there was no goodwill linked to cash-generating units equal to 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life. Information for other cash-generating units is provided at segment level.

The Carlsberg Group performed impairment tests on the carrying amount of goodwill and trademarks with an indefinite useful life as at 31 December 2005. Impairment tests are performed in the 4th quarter each year, based on the budgets and business plans approved by the Board of Directors and the Executive Board, and other assumptions.

The impairment test for cash-generating units compares the recoverable amount, equivalent to the present value of expected future free cash flow, with the carrying amount of the individual cash-generating units. The recoverable amount for Carlsberg Breweries A/S is further stated on the basis of the market value of Carlsberg A/S, corrected for the activities therein which are not part of Carlsberg Breweries A/S.

Expected future free cash flow is based on budgets and business plans for the period 2006-2008 and projections for subsequent years. Key parameters include trend in revenue, EBIT margin, future capital expenditure and growth expectations for the years after 2008.

Budgets and business plans for the period 2006-2008 are based on concrete future business measures, assessing risks in the key parameters and incorporating these in expected future free cash flows. Projections after 2008 are based on general expectations. The value for the period after 2008 takes account of general growth expectations for the brewing industry. Growth rates are not expected to exceed the average long-term growth rate for the Group's individual geographical segments, and average 0.5% for Western Europe, 1.5% for Eastern Europe incl. BBH and 2.5% for Asia.

The discount rates applied in calculating the recoverable amounts are before tax, and reflect the risk-free interest plus specific risks in the individual geographical segments. The discount rate for the individual segments is 3.5-5.5% for Western Europe, 8% for the BBH Group, 5.5-11% for Eastern Europe and 4-11% for Asia. The cash flows used take account of future risks linked to this, which is why these risks are not incorporated in the discount rates applied.

Western Europe is characterised by declining volumes and stiff competition, which requires ongoing optimisation of cost structures and use of capital. A marginal increase in net revenue is expected for Western Europe in the budget period, while the Excellence programmes under way and restructuring measures already undertaken in key countries are expected to contribute to an improved EBIT margin. Capital expenditure in Western Europe is expected to be below the level of depreciation and amortisation in the short and medium term, which will also have a positive effect on free cash flow.

The BBH Group is characterised both by growth in the market and increasing market shares, driven among other things by significant investments in marketing. Net revenue in the BBH Group is expected to increase, while the EBIT margin is expected to remain constant or improve slightly. A project to integrate activities in Russia in operational terms is under way, and is expected to further increase profitability in this area.

Eastern Europe excl. BBH is among the Group's growth markets, with increases expected in both net revenue and EBIT margin. The Group's Excellence programmes and product innovation are expected to contribute to improved earnings, while free cash flow in the coming years will be influenced by increased capital expenditure.

Asia, which is the Group's third growth area, is also expected to achieve increases in net revenue and EBIT margin. The introduction of Carlsberg Chill in 2005 is expected to make a major contribution to this trend.

Impairment losses:
Based on the impairment tests performed, goodwill has been impaired by DKK 737m (2004: DKK 0m), mainly relating to the Carlsberg Group's activities in Türk Tuborg and Carlsberg Italia.

The impairment in Türk Tuborg was caused by a deterioration in business conditions mainly relating to ongoing increases in excise duties, while the impairment in Carlsberg Italia was due to difficult market conditions in a declining market, and thus lower expectations for future earnings.

The impairment losses are recognised under special items in the income statement and are included in the segments Eastern Europe excl. BBH (Türk Tuborg) and Western Europe (Carlsberg Italia).

Based on the impairment tests performed, no grounds were found as at 31 December 2005 for further impairments of goodwill and trademarks with an indefinite useful life. The management further assesses that likely changes in the key parameters discussed will not cause the carrying amount of goodwill and trademarks with an indefinite useful life to exceed the recoverable amount.

Note 15 Property, plant and equipment

DKK million					2005
	Land and buildings [1]	Plant, machinery and equipment	Other assets, vehicles etc. [2]	Construction in progress	Total
Cost:					
Cost at 1 January 2005	13,187	20,283	8,272	823	42,565
Acquisition of subsidiaries	67	50	66	34	217
Divestment of subsidiaries	-	-	-8	-	-8
Additions during the year	167	777	756	1,278	2,978
Disposals during the year	-1,092	-527	-1,066	-11	-2,696
Currency translation adjustments etc.	315	738	220	51	1,324
Transfers to assets held for sale	-260	-	-	-	-260
Transfers	221	592	235	-966	82
Effect of hyperinflation adjustments	55	69	34	5	163
Cost at 31 December 2005	12,660	21,982	8,509	1,214	44,365
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2005	4,146	12,290	5,684	10	22,130
Acquisition of subsidiaries	9	14	32	-	55
Divestment of subsidiaries	-	-	-8	-	-8
Disposals during the year	-225	-485	-906	-10	-1,626
Currency translation adjustments etc.	86	356	152	-	594
Depreciation during the year	345	1,291	918	-	2,554
Impairment losses during the year	24	176	9	-	209
Transfers to assets held for sale	-27	-	-	-	-27
Transfers	10	19	53	-	82
Effect of hyperinflation adjustments	7	39	1	-	47
Depreciation and impairment losses at 31 December 2005	4,375	13,700	5,935	-	24,010
Carrying amount at 31 December 2005	8,285	8,282	2,574	1,214	20,355
Of which held under finance leases [3]:					
Cost	-	126	60	-	186
Depreciation and impairment losses	-	-49	-55	-	-104
Carrying amount at 31 December 2005	-	77	5	-	82
Carrying amount of assets pledged as security for borrowings	798	25	-	-	823

DKK million	2005	2004
Depreciation during the year is included in the following items:		
Cost of sales	1,661	1,600
Sales and distribution expenses	709	738
Administrative expenses	184	211
Other operating expenses	-	15
Total	2,554	2,564

Note 15 Property, plant and equipment – continued

DKK million					2004
	Land and buildings [1]	Plant, machinery and equipment	Other assets, vehicles etc. [2]	Construction in progress	Total
Cost:					
Cost at 1 January 2004	10,640	17,936	8,189	725	37,490
Acquisition of subsidiaries	2,359	2,008	923	79	5,369
Divestment of subsidiaries	-127	-224	-17	-16	-384
Additions during the year	182	807	852	1,213	3,054
Disposals during the year	-339	-679	-2,039	-82	-3,139
Currency translation adjustments etc.	45	-137	55	-9	-46
Transfers to assets held for sale	-80	-	-	-	-80
Transfers	466	421	238	-1,087	38
Effect of hyperinflation adjustments	41	151	71	-	263
Cost at 31 December 2004	13,187	20,283	8,272	823	42,565
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2004	3,480	10,412	5,173	8	19,073
Acquisition of subsidiaries	453	1,210	656	-	2,319
Divestment of subsidiaries	-16	-48	-13	-	-77
Disposals during the year	-158	-586	-1,215	-	-1,959
Currency translation adjustments etc.	-	-86	43	2	-41
Depreciation during the year	351	1,230	983	-	2,564
Impairment losses during the year	36	26	1	-	63
Transfers to assets held for sale	-54	-	-	-	-54
Transfers	36	6	8	-	50
Effect of hyperinflation adjustments	18	126	48	-	192
Depreciation and impairment losses at 31 December 2004	4,146	12,290	5,684	10	22,130
Carrying amount at 31 December 2004	9,041	7,993	2,588	813	20,435
Of which held under finance leases [3]:					
Cost	12	109	41	-	162
Depreciation and impairment losses	-1	-33	-18	-	-52
Carrying amount at 31 December 2004	11	76	23	-	110
Carrying amount of assets pledged as security for borrowings	1,672	205	-	-	1,877

[1] In 2004 land and buildings included investment properties with a carrying amount of DKK 823m and a market value of DKK 1.2bn. These properties were sold in 2005.

[2] Includes draught beer equipment, coolers, returnable packaging and office equipment as well as cars, trucks etc.

[3] Leased assets with a carrying amount of DKK 82m (2004: DKK 110m) have been pledged as security for lease liabilities totalling DKK 134m (2004: DKK 145m).

Note 16 Investments in associates

DKK million	2005	2004
Cost:		
Cost at 1 January	1,407	1,032
Additions during the year	1,092	117
Disposals during the year	-855	-121
Currency translation adjustments etc.	223	40
Transfers to assets held for sale	-41	-
Transfers to securities [1]	-755	-
Transfers	-10	339
Cost at 31 December	1,061	1,407
Revaluation:		
Revaluation at 1 January	343	562
Disposals during the year	-546	-37
Dividends	-79	-63
Share of profit after tax	232	210
Currency translation adjustments etc.	84	-102
Transfers	10	-227
Revaluation at 31 December	44	343
Carrying amount at 31 December	1,105	1,750

DKK million 2005	Net revenue	Net profit for the year	Assets	Liabilities	Carlsberg Group share: Ownership	Carlsberg Group share: Net profit for the year	Carlsberg Group share: Equity
Key figures for investments in associates:							
Hite Brewery Co. Ltd., Seoul, South Korea [1]	-	-	-	-		116	-
Lao Brewery Co. Ltd, Vientiane, Laos [2]	-	-	-	-	25%	20	-
Associates in China	816	99	1,089	370	30%-34.5%	37	538
Others	2,924	183	3,877	2,633		59	567
						232	1,105

[1] The sale of shares in Hite Brewery has reduced the holding to 13.1%, and so the remaining shares have been transferred to securities.
[2] Lao Brewery has been recognised as a proportionally consolidated associate with effect from 1 November 2005 following the purchase of an additional 25% holding.

DKK million 2004	Net revenue	Net profit for the year	Assets	Liabilities	Carlsberg Group share: Ownership	Carlsberg Group share: Net profit for the year	Carlsberg Group share: Equity
Key figures for investments in associates:							
Hite Brewery Co. Ltd., Seoul, South Korea	4,518	536	9,719	4,927	25%	134	1,152
Lao Brewery Co. Ltd, Vientiane, Laos	207	84	201	17	25%	21	87
Associates in China	186	18	545	28	30%	4	124
Others	2,294	139	3,907	2,719		51	387
						210	1,750

DKK million	2005	2004
Fair value of investments in listed associates:		
Hite Brewery Co. Ltd., Seoul, South Korea	-	2,154
The Lion Brewery Ceylon, Biyagama, Sri Lanka	57	36
Total	57	2,190

The Carlsberg Group also has minor investments in associates where the Group is unable to exercise significant influence and so these investments are classified as securities.

Note 17 Securities

DKK million	**2005**	2004
Securities are classified in the balance sheet as follows:		
Non-current assets	2,710	524
Current assets	109	71
Total	2,819	595
Types of security:		
Listed shares	2,632	259
Unlisted shares	187	336
Total	2,819	595

Securities classified as current assets are those expected to be sold within one year of the balance sheet date.

Shares in unlisted entities comprise a number of small holdings. These assets are not carried at fair value as this cannot be calculated on an objective basis. Instead they are carried at cost.

Shares in unlisted entities were sold during the year at a gain of DKK 40m (2004: DKK 0m). The carrying amount at the time of sale was DKK 9m (2004: DKK 0m).

Note 18 Receivables

DKK million	**2005**	2004
Receivables are included in the balance sheet as follows:		
Trade receivables	5,979	6,290
Other receivables	3,015	1,370
Total current receivables	8,994	7,660
Non-current receivables	1,235	1,290
Total	10,229	8,950

Trade receivables comprise invoiced goods and services plus short-term loans to customers in the on-trade.

Other receivables comprise VAT receivables, loans to associates, interest receivables and other financial receivables. The figure at 31 December 2005 includes receivable from the sale of shares in Hite Brewery Co. Ltd. of DKK 1,928m.

Non-current receivables consist mainly of on-trade loans falling due more than one year from the balance sheet date, of which DKK 259m (2004: DKK 259m) falls due more than five years from the balance sheet date.

DKK million	**2005**	2004
Receivables by origin:		
Receivables from the sale of goods and services	5,417	5,577
Loans to associates	209	555
On-trade loans	1,712	1,953
Fair value of hedging instruments	24	23
Other receivables	2,867	842
Total	10,229	8,950

Trade receivables and loans are shown net of provisions for bad and doubtful debts of DKK 564m (2004: DKK 497m) and DKK 282m (2004: DKK 48m) respectively. A charge of DKK 130m (2004: DKK 106m) has been recognised in profit for the year.

Loans to associates relate mainly to Baltic Beverages Holding AB. On-trade loans are concentrated in the UK, Germany and Switzerland, and spread across a large number of debtors. These loans are largely secured against various forms of security. Otherwise there is no concentration of credit risk.

On-trade loans are carried at amortised cost. Discounting cash flows using the interest rates ruling on the balance sheet date gives these loans a fair value of DKK 1,790m (2004: DKK 1,903m). For other receivables, the carrying amount essentially corresponds to fair value.

Note 18 Receivables – continued

	2005	2004
The average rate of interest is as follows:		
Loans to associates	3.4%	3.5%
On-trade loans	7.8%	7.2%

Note 19 Inventories

DKK million	2005	2004
Raw materials and consumables	1,235	1,222
Work in progress	217	249
Finished goods	1,414	1,412
Total	2,866	2,883

Note 20 Cash and cash equivalents

DKK million	2005	2004
Cash at bank and in hand	2,235	1,755
Readily convertible securities with a maturity of less than three months	5	3
Total	2,240	1,758
In the cash flow statement, bank overdrafts are offset against cash as follows:		
Cash and cash equivalents	2,240	1,758
Bank overdrafts	-300	-258
Cash and cash equivalents, net	1,940	1,500
Of which pledged as security	313	349

Short-term bank deposits amounted to DKK 1,495m (2004: DKK 1,090m). The average interest rate on these deposits was 5.1% (2004: 2.7%) and the average duration was 67 days (2004: 43 days).

Proportionally consolidated associates' share of cash and cash equivalents is set out in note 32.

Note 21 Assets held for sale and associated liabilities

DKK million	2005	2004
Assets held for sale comprise the following:		
Individual assets:		
Property, plant and equipment	284	279
Financial assets	42	-
Deferred tax	2	-
Total	328	279
Liabilities associated with assets held for sale:		
Deferred tax	10	-
Total	10	-

Assets held for sale comprise mainly depots and properties. The depots are being sold as part of the rationalisation of the distribution network in Denmark and Switzerland, while the disposal of properties is part of the Carlsberg Group's strategy of focusing on beverage activities. Identification of and negotiations with buyers are under way, and so sales agreements are expected to be concluded in 2006.

The selling price is expected to exceed the carrying amount of assets held for sale, and so no impairments have been charged to the income statement.

Gains on the disposal of assets held for sale are recognised in the income statement under other operating income, net. The gains taken up as income essentially relate to disposal of properties in Denmark.

Note 22 Share capital

	A-shares		B-shares		Total	
	Shares of DKK 20	Nominal value	Shares of DKK 20	Nominal value	Shares of DKK 20	Nominal value
1 January 2004	35,257,090	705	28,649,192	573	63,906,282	1,278
Share capital increase	-	-	15,215,680	305	15,215,680	305
Cancellation of treasury shares	-1,557,838	-31	-1,285,721	-26	-2,843,559	-57
31 December 2004	33,699,252	674	42,579,151	852	76,278,403	1,526
No changes in 2005						
31 December 2005	33,699,252	674	42,579,151	852	76,278,403	1,526

Each A-share of DKK 20 carries 20 votes. Each B-share of DKK 20 carries 2 votes.

	Treasury shares		
	Shares of DKK 20	Nominal value	% of share capital
1 January 2004	3,043,559	61	4,8%
Cancellation of treasury shares	-2,843,559	-57	-4,5%
31 December 2004	200,000	4	0,3%
Purchase of treasury shares	8,600	0	0,0%
Sale of treasury shares	-208,433	-4	-0,3%
31 December 2005	167	0	0,0%

The fair value of treasury shares at 31 December 2005 was DKK 0m (2004: DKK 56m).

Note 23 Borrowings

DKK million	**2005**	2004
Current borrowings:		
Current portion of non-current borrowings	612	431
Bank borrowings	3,037	1,496
Finance lease liabilities	40	41
Other current borrowings	4,524	1,389
Total	8,213	3,357
Non-current borrowings:		
Issued bonds	11,266	11,148
Mortgages	975	1,377
Bank borrowings	4,756	4,582
Finance lease liabilities	94	104
Other non-current borrowings	674	4,497
Total	17,765	21,708

The fair value of the above borrowings at the end of 2005 was DKK 26,613m (2004: DKK 25,668m).

Note 23 Borrowings – continued

Time to maturity of non-current borrowings:

DKK million					2005
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	3,943	-	2,489	-	4,834
Mortgages	34	43	235	35	628
Bank borrowings	467	43	31	4,210	5
Finance lease liabilities	86	8	-	-	-
Other non-current borrowings	19	328	-	327	-
Total	4,549	422	2,755	4,572	5,467

Time to maturity of non-current borrowings:

DKK million					2004
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	-	3,985	-	2,487	4,676
Mortgages	45	38	45	245	1,004
Bank borrowings	1,928	155	14	2,258	227
Finance lease liabilities	33	22	22	15	12
Other non-current borrowings	4,268	-	229	-	-
Total	6,274	4,200	310	5,005	5,919

Interest rate risk on non-current borrowings at 31 December 2005:

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk	Risk after any hedging
GBP 250m maturing 12 December 2011	Fixed	6.63%	> 5 years	2,665	Fair value	Fixed EUR, 5.43%
GBP 200m maturing 26 February 2013	Fixed	7.01%	> 5 years	2,170	Fair value	Fixed GBP, 7.01%
EUR 500m maturing 5 July 2007	Fixed	5.63%	1-2 years	3,832	Fair value	Fixed EUR, 5.63%
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	3-4 years	2,489	Fair value	Fixed DKK, 4.88%
RUB 1bn maturing November 2007	Fixed	8.75%	1-2 years	110	Fair value	Fixed RUB, 8.75%
Total	Fixed	6.00%		11,266		

Mortgages	Interest rate risk	Average effective interest rate	Carrying amount	Time to maturity from balance sheet date				
				1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Floating rate	Cash flow	2.67%	308	-	-	-	-	308
Fixed rate	Fair value	5.21%	667	34	43	235	35	320
Total		4.41%	975	34	43	235	35	628

The interest rate on the floating-rate loans will be adjusted between January and March 2006.

Currency profile of borrowings before and after derivatives			Next reprice					
	Original principal	After swap	2006	2007	2008	2009	2010	2011-
CHF	1,445	2,248	806	3	3	1,436	-	-
DKK	7,421	6,297	3,177	28	30	2,718	53	291
EUR	7,226	8,526	1,943	-	5	-	3,845	2,733
GBP	4,835	2,104	-	-	-	-	-	2,104
NOK	521	691	691	-	-	-	-	-
PLN	559	554	540	2	2	2	2	6
RUB	158	612	48	337	-	-	227	-
SEK	63	214	214	-	-	-	-	-
USD	3,314	2,541	2,451	46	-	31	13	-
Other	150	2,191	2,153	-	38	-	-	-
Total	25,692	25,978	12,023	416	78	4,187	4,140	5,134

Note 24 Retirement benefit obligations and similar obligations

The companies in the Carlsberg Group have various retirement and termination plans tailored to labour market conditions in each country.

Around 50% of the Group's pension costs relate to defined contribution plans, which do not entail any obligations beyond payment of contributions.

The remainder of the plans are defined benefit plans, most of which are funded through independent employee funds, including in Switzerland, Norway, the UK and Hong Kong.

In Germany, Sweden, Italy and some other countries, the obligations are unfunded. These plans account for 14% of the total gross obligations.

The defined benefit plans guarantee the employees covered a pension based on final salary.

DKK million	**2005**	2004
Defined benefit plans are presented in the balance sheet as follows:		
Retirement benefit obligations and similar obligations	2,061	1,889
Retirement benefit net assets	21	-
Net obligations	2,040	1,889
Specification of net obligations:		
Present value of funded plans	6,940	6,408
Fair value of plan assets	-6,105	-5,604
	835	804
Present value of unfunded plans	1,125	1,025
Assets not recognised due to asset ceiling	80	60
Net obligations recognised	2,040	1,889
Specification of total obligations:		
Present value of funded plans	6,940	6,408
Present value of unfunded plans	1,125	1,025
Total obligations	8,065	7,433
Movements in obligations:		
Total obligations at 1 January	7,433	7,073
Current service cost	221	210
Interest cost	328	324
Actuarial losses	418	14
Benefits paid	-444	-498
Curtailments and settlements	-	-274
Additions due to acquisition of subsidiaries	1	563
Currency translation adjustment, foreign entities	108	21
Total obligations at 31 December	8,065	7,433
Movements in plan assets:		
Fair value of assets at 1 January	5,604	5,735
Expected return	328	336
Actuarial gains/losses	264	-22
Contributions to plans	203	218
Benefits paid	-358	-452
Assets distributed on settlements	-16	-232
Currency translation adjustment, foreign entities	80	21
Fair value of assets at 31 December	6,105	5,604

The Group expects to contribute DKK 162m to the plans in 2006.

The actual return on plan assets was as follows:		
Expected return	328	336
Actuarial gains/losses	264	-22
Actual return	592	314

Note 24 Retirement benefit obligations and similar obligations – continued

Breakdown of plan assets:

	2005		2004	
	DKK million	%	DKK million	%
Equities	2,077	34	1,906	34
Bonds and other securities	3,044	50	2,760	49
Real property	779	13	647	12
Cash	205	3	291	5
Total	6,105	100	5,604	100

Plan assets do not include shares in or property used by Group companies.

Assumptions applied:

	2005		2004	
	Range	Weighted average	Range	Weighted average
Discount rate	2.0 - 5.5%	4.1%	2.0 - 6.0%	4.5%
Expected return on plan assets	4.3 - 8.5%	5.9%	4.8 - 8.4%	6.1%
Future salary increases	1.5 - 4.0%	2.4%	1.5 - 4.5%	2.4%
Future pension increases	0.5 - 3.5%	1.8%	0.5 - 4.0%	1.8%

The base for setting the expected return on plan assets is a low-risk bond investment. The rate of return is increased to reflect the plan's holdings of shares and properties expected to give a higher return, but reduced to reflect the increased risk associated with these investments.

DKK million	2005	2004
Recognised in income statement:		
Current service cost	221	210
Expected return on plan assets	-328	-336
Interest cost on obligations	328	324
Gains on curtailments and settlements	-	-42
Total	221	156
The cost is presented in the income statement as follows:		
Cost of sales	48	51
Sales and distribution expenses	136	122
Administrative expenses	34	27
Other operating income	-	-42
Special items (restructuring)	3	10
Total staff costs, cf. note 12	221	168
Financial income	-328	-336
Financial expenses	328	324
Total	221	156
Recognised in equity:		
Recognised at 1 January	-22	-
Actuarial loss during the period	-154	-36
Effect of asset ceiling	-20	14
Currency translation adjustment, foreign entities	1	-
Total recognised in equity during the period	-173	-22
Recognised at 31 December	-195	-22
Of which accumulated actuarial gains/losses	-190	-36
Five-year overview (from 1 January 2004):		
Obligations	8,065	7,433
Assets	6,105	5,604
Underfunding	1,960	1,829
Experience adjustments to obligations at 31 December	-97	-26
Experience adjustments to assets at 31 December	242	-22

Note 25 Deferred tax assets and deferred tax liabilities

DKK million	2005	2004
Deferred tax at 1 January, net	1,467	301
Currency translation adjustments	3	27
Adjustments to previous years	163	128
Additions due to acquisitions of subsidiaries, net	1	1,271
Recognised in equity	-80	-36
Recognised in income statement	-188	-224
	1,366	1,467
Of which transferred to assets held for sale	-9	-
Deferred tax at 31 December, net	1,357	1,467
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	2,362	2,334
Deferred tax assets	1,005	867
Deferred tax at 31 December, net	1,357	1,467

Specification of deferred tax assets and deferred tax liabilities at 31 December:

	Deferred tax assets		Deferred tax liabilities	
DKK million	2005	2004	2005	2004
Intangible assets	30	125	1,222	1,618
Property, plant and equipment	131	254	1,702	1,263
Current assets	138	153	27	47
Provisions and retirement benefit obligations	424	378	39	43
Fair value adjustments	25	5	73	33
Tax losses etc.	1,057	753	108	131
Total before netting	1,805	1,668	3,171	3,135
Netting	-799	-801	-799	-801
Total after netting	1,006	867	2,372	2,334
Transferred to assets held for sale	-1	-	-10	-
Deferred tax at 31 December, net	1,005	867	2,362	2,334
Expected to be recovered as follows:				
Within 12 months of balance sheet date	176	148	189	105
More than 12 months after balance sheet date	829	719	2,173	2,229
Total	1,005	867	2,362	2,334

Of the total deferred tax assets recognised, DKK 617m (2004: DKK 607m) is tax loss carryforward, utilisation of which depends on future positive taxable income over and above the settlement of deferred tax liabilities, where the individual companies reported losses in either 2004 or 2005.

Tax assets of DKK 860m (2004: DKK 437m) were not recognised. These relate primarily to tax losses which are not expected to be utilised in the foreseeable future. Some of these tax losses expire in the period from 2006 to 2011.

Deferred tax has not been calculated on temporary differences relating to investments in subsidiaries, associates and joint ventures as these investments are not expected to be sold within the foreseeable future.

Deferred tax of DKK 56m has been recognised in respect of earnings in the BBH Group which are intended for distribution, as tax of 5% is payable on distributions. For other subsidiaries where the same applies, any distribution of earnings will not entail a significant tax liability based on current tax legislation.

Note 26 Provisions

The provisions for restructuring totalling DKK 379m relate primarily to restructuring in connection with the Operational Excellence programmes and restructuring at Carlsberg Deutschland (related to the takeover in 2004), Carlsberg Italia and BBH.

These provisions have been calculated on the basis of detailed plans published by the parties concerned, and relate mainly to termination benefits to employees made redundant.

Other provisions totalling DKK 377m relate primarily to provisions for losses in connection with Carlsberg UK's outsourcing of the servicing of draught beer equipment, a lawsuit at Türk Tuborg concerning beer excise duties withheld, warranty obligations, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

DKK million			**2005**	2004
	Restructuring	Other	Total	Total
Movements in provisions:				
Provisions at 1 January	594	76	670	360
Additions during the year	265	279	544	589
Utilisation during the year	-402	-18	-420	-330
Reversals of unused provisions	-60	-23	-83	-39
Acquisition of subsidiaries	-	7	7	109
Divestment of subsidiaries	-	-1	-1	-35
Transfers	-11	59	48	13
Currency translation adjustments etc.	-7	-2	-9	3
Provisions at 31 December	379	377	756	670
Provisions are presented in the balance sheet as follows:				
Non-current provisions	70	125	195	189
Current provisions	309	252	561	481
Total	379	377	756	670

The non-current provisions mature within two years of the balance sheet date.

Note 27 Other liabilities

DKK million	**2005**	2004
Other liabilities are presented in the balance sheet as follows:		
Non-current liabilities	65	18
Current liabilities	5,174	4,886
Total	5,239	4,904
Other liabilities by origin:		
Duties and VAT	1,726	1,660
Staff costs	1,003	945
Interest payable	526	425
Fair value of hedging instruments	605	633
Liabilities related to the acquisition of subsidiaries	118	59
Amounts owed to associates	6	66
Deferred income	105	100
Other accrued expenses	1,150	1,016
Total	5,239	4,904

Note 28 Cash flows

DKK million	**2005**	2004
Adjustment for non-cash items:		
Depreciation and amortisation	2,796	2,792
Share of profit after tax, associates	-232	-210
Gains on disposal of property, plant and equipment, and intangible assets	-291	-518
Amortisation of on-trade loans etc.	214	155
Total	2,487	2,219
Change in working capital:		
Inventories	93	-42
Receivables	350	1,370
Trade payables and other payables	288	-882
Retirement benefit obligations and other obligations related to operating activities	208	-102
Adjustment for unrealised foreign exchange gains/losses	63	-33
Total	1,002	311
Shareholders in Carlsberg A/S:		
Capital increase	-	3,363
Dividends to shareholders	-380	-304
Sale of treasury shares	55	-
Total	-325	3,059
Minority interests:		
Acquisition of minority interests	-1,387	-15,611
Debt issued on the acquisition of minority interest in Carlsberg Breweries A/S	-	3,800
Minority interests' share of capital increase in subsidiaries	8	79
Dividends to minority interests	-202	-178
Total	-1,581	-11,910
External financing:		
Proceeds from bond issue	-	2,583
Proceeds from other non-current borrowings	4,258	15,601
Repayment of non-current borrowings	-4,581	-12,698
Current borrowings, net	260	-783
Payment of finance lease liabilities	-21	-78
Total	-84	4,625

Note 29 Acquisition and divestment of entities

DKK million **2005**

Acquisition of entities

Name of business	Primary activity	Acquisition date	Holding acquired	Cost
Göttsche Getränke Group	Drinks wholesaler	01.07.05	100.0%	207
Lao Brewery Co. Ltd.	Brewery	01.11.05	25.0%	326
Brewery Invest Pte. Ltd.	Holding company	01.08.05	50.0%	243

	Göttsche Getränke Group		Other		Total	
	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date
Intangible assets	1	-	-	-	1	-
Property, plant and equipment	52	61	101	100	153	161
Financial assets, non-current	23	22	146	385	169	407
Inventories	15	15	14	15	29	30
Receivables	72	59	5	6	77	65
Cash and cash equivalents	1	1	17	17	18	18
Provisions, incl. deferred tax	-8	-7	-1	-1	-9	-8
Borrowings	-48	-43	-151	-144	-199	-187
Trade payables and other liabilities	-51	-52	-13	-15	-64	-67
Net assets	57	56	118	363	175	419
Minority interests	1	1	-	-	1	1
Equity, Carlsberg's share	58	57	118	363	176	420
Share of equity transferred from investments in associates		-		-61		-61
Goodwill		150		267		417
Cash consideration paid		207		569		776
Cash and cash equivalents, acquired		1		17		18
Cash outflow, net		206		552		758
Elements of cash consideration paid:						
Cash		205		550		755
Directly attributable acquisition costs		2		19		21
Total		207		569		776

Göttsche Getränke Group:
The Göttsche Getränke Group is included in the results of the Carlsberg Group with effect from 1 July 2005. The share of net revenue is DKK 296m and operating profit before special items is DKK 9m. The share of consolidated profit is DKK 9m.

The acquisition of the Göttsche Getränke Group was made for strategic reasons. The acquisition of a major wholesaler in northern Germany gives Carlsberg Deutschland the opportunity to restructure its distribution network in this area. Goodwill represents the synergy effects expected as a result.

No liabilities classified as contingent liabilities prior to the purchase were identified in the balance sheet on acquisition.

Other:
Other acquisitions' share of net revenue is DKK 32m and operating profit before special items is DKK 7m. The share of consolidated profit is DKK 0m.

No liabilities classified as contingent liabilities prior to the purchase were identified in the balance sheet on acquisition. Goodwill represents expected synergy effects and the expected increase in growth in Laos.

Had all the acquisitions been made on 1 January 2005, the Carlsberg Group's net revenue for 2005 would have been DKK 38,155m, operating profit before special items DKK 3,567m and consolidated profit DKK 1,148m.

Note 29 Acquisition and divestment of entities – continued

DKK million					2004

Acquisition of entities

Name of business	Primary activity	Acquisition date	Holding acquired	Cost
Holsten Group	Brewery group	01.04.04	98.1%	3,878
Carlsberg Serbia	Brewery	01.01.04	80.0%	319
Ejendomsinteressentskabet Tuborg Nord B	Properties	01.01.04	70.0%	-
Other	Brewery & distribution	-	-	14

	Holsten Group		Other		Total	
	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date	Carrying amount prior to acquisition	Fair value at acquisition date
Intangible assets	145	536	4	7	149	543
Property, plant and equipment	1,811	1,893	1,156	1,157	2,967	3,050
Financial assets, non-current	642	406	1	1	643	407
Inventories	156	170	37	37	193	207
Receivables	818	721	69	70	887	791
Current investments	1,402	3,036	-	2	1,402	3,038
Cash and cash equivalents	3	3	35	36	38	39
Provisions, incl. deferred tax	-510	-1,225	-15	-2	-525	-1,227
Borrowings	-1,776	-1,847	-706	-707	-2,482	-2,554
Bank overdrafts	-384	-384	-	-	-384	-384
Trade payables and other liabilities	-760	-760	-68	-82	-828	-842
Net assets	1,547	2,549	513	519	2,060	3,068
Minority interests	-29	-48	-127	-127	-156	-175
Equity, Carlsberg's share	1,518	2,501	386	392	1,904	2,893
Share of equity transferred from investments in associates		-		-119		-119
Share of equity transferred from securities		-		-264		-264
Goodwill		1,377		324		1,701
Cash consideration paid		3,878		333		4,211
Cash and cash equivalents, acquired		3		36		39
Bank overdrafts, acquired		-384		-		-384
Cash outflow, net		4,259		297		4,556
Elements of cash consideration paid:						
Cash		3,814		318		4,132
Directly attributable acquistion costs		64		15		79
Total		3,878		333		4,211

Holsten Group:

The Holsten Group is included in the results for the Carlsberg Group with effect from 1 April 2004. The share of net revenue is DKK 2,134m and operating profit before special items is DKK 192m. The share of consolidated profit is DKK -17m.

In connection with the acquisition it was agreed that the breweries König-Brauerei and Licher Privatbrauerei would be sold to the Bitburger Group. It was further decided to sell the mineral water business. The fair value of these entities is included in the balance sheet on acquisition under current investments and was realised in the months after the acquisition.

Drawing up of the balance sheet on acquisition was completed in 2005. No material changes have been made since 31 December 2004, except that the Holsten and Astra trademarks have been separated out from goodwill in connection with the transition to IFRS, and the tax effect of this.

No liabilities classified as contingent liabilities prior to the acquisition were identified in the balance sheet on acquisition.

The acquisition of the Holsten Group was made for strategic reasons. The acquisition of a major brewery group in northern Germany enables Carlsberg to achieve synergy effects in the northern European market. Goodwill represents the value of the synergy effects expected as a result.

Other:

Other acquisitions' share of net revenue is DKK 124m and operating profit before special items is DKK 2m. The share of consolidated profit is DKK -59m.

Note 29 Acquisition and divestment of entities – continued

No liabilities classified as contingent liabilities prior to the acquisition were identified in the balance sheet on acquisition. Goodwill represents the value of expected synergy effects and the expected increase in growth in Serbia.

Had all the acquisitions been made on 1 January 2004, the Carlsberg Group's net revenue for 2004 would have been DKK 36,789m, operating profit before special items DKK 3,350m and consolidated profit DKK 1,071m.

Divestment of entities

Divestments comprise Danbrew Ltd. A/S in 2005 and JSC Vena in 2004.

DKK million	**2005**	2004
Intangible assets	-	80
Property, plant and equipment	1	307
Inventories	-	45
Receivables	18	47
Cash and cash equivalents	1	33
Provisions, incl. deferred tax	1	-10
Borrowings	38	-312
Trade payables and other liabilities	-52	-47
Net assets	7	143
Minority interests	-	-
Total equity, Carlsberg's share	7	143
Gain/loss	14	194
Cash consideration received	21	337
Cash and cash equivalents, divested	1	33
Cash inflow, net	20	304

Acquisition and divestment of entities, net

Acquisition, cash outflow	-758	-4.556
Divestment, cash inflow	20	304
Net	-738	-4.252

Note 30 Specification of invested capital

Invested capital is calculated as follows:

DKK million	**2005**	2004
Total assets	62,359	57,698
Less:		
Deferred tax assets	-1,005	-867
Current loans to associates	-199	-555
Interest receivable and fair value of hedging instruments	-1,959	-67
Securities (current and non-current)	-2,819	-595
Cash and cash equivalents	-2,240	-1,758
Assets held for sale	-328	-279
Total assets included	53,809	53,577
Trade payables	-4,513	-4,074
Deposits on returnable packaging	-1,224	-1,260
Provisions, excluding restructuring	-377	-76
Corporation tax	-720	-710
Deferred income	-105	-100
Finance lease liabilities included in borrowings	-134	-145
Other liabilities, excluding interest payable and fair value of hedging instruments	-4,003	-3,746
Total liabilities offset	-11,076	-10,111
Total invested capital	42,733	43,466

Note 31 Specification of net interest-bearing debt

DKK million	**2005**	2004
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	17,765	21,708
Current borrowings	8,213	3,357
Gross interest-bearing debt	25,978	25,065
Cash and cash equivalents	-2,240	-1,758
Loans to associates	-209	-555
On-trade loans	-1,712	-1,953
Less non-interest-bearing portion	977	1,030
Other receivables	-2,868	-842
Less non-interest-bearing portion	827	746
Net interest-bearing debt	20,753	21,733
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	21,733	8,929
Cash flow from operating activities	-4,734	-3,875
Cash flow from investing activities	2,354	2,363
Dividends to shareholders and minority interests	582	482
Capital injections, shareholders and minority interests	-8	-3,442
Sale of treasury shares	-55	-
Acquisition and divestment of subsidiaries, net	238	1,879
Acquisition of minority interests	1,387	15,611
Change in interest-bearing lending	-1,375	-14
Currency translation effects	734	-200
Other	-103	-
Total change	-980	12,804
Net interest-bearing debt at 31 December	20,753	21,733

Note 32 Investments in proportionally consolidated associates

The amounts shown below represent the Group's share of the assets and liabilities, net revenue and profit of proportionally consolidated associates. These amounts are included in the consolidated balance sheet and income statement.

DKK million	**2005**	2004
Non-current assets	7,534	5,527
Current assets	2,579	1,952
Non-current liabilities	-1,542	-1,346
Current liabilities	-4,139	-2,468
Net assets	4,432	3,665
Net revenue	7,992	6,810
Operating profit before special items	1,524	1,260
Consolidated profit	919	863
Free cash flow	911	290
Net cash flow	486	277
Cash and cash equivalents at end of period	802	322
Contingent liabilities	590	436

Note 33 Financial risks

Carlsberg's activities mean that the Group's profit and equity are exposed to a variety of financial risks, primarily relating to changes in exchange rates and interest rates. The Group's financial risks are managed centrally by Corporate Treasury on the basis of written principles approved by the Board of Directors, primarily through currency and interest rate swaps and forward contracts.

Foreign exchange risk

As an international business Carlsberg is exposed to foreign exchange risks from currency translation, as the predominant part of revenue originates from foreign companies and is translated into DKK. The Group is exposed mainly to the following currencies: EUR, GBP, RUB and CHF. There is also some exposure to a number of Asian currencies.

Developments in the exchange rates between DKK and the reporting currencies of Group companies are having an increasing impact on the Carlsberg Group's operating profit measured in DKK. In a number of countries where Carlsberg has activities, the currency strongly correlates with developments in the USD. It is estimated that a 1 percentage point increase in the USD exchange rate will have a positive effect on operating profit of around DKK 20 million. The average USD exchange rate was largely unchanged in 2005 relative to 2004, and so the USD had an extremely limited impact in 2005. However, operating profit was strengthened by favourable movements in the PLN, NOK and KRW.

Carlsberg is exposed to transaction risks to a lesser degree. It is therefore Group policy to hedge future contractual cash flows in foreign currency for a one-year period. However, transactions between countries are limited in Carlsberg and so the hedging of projected cash flows in foreign currency is also limited.

Carlsberg holds a number of investments in foreign subsidiaries, where the translation of equity is exposed to foreign exchange risks. The Group hedges part of this foreign exchange exposure by taking up borrowings denominated in the relevant currencies or by entering into forward exchange contracts. This applies to net investments in NOK, CHF, GBP, SEK, EUR, KRW and MYR. The last of these is a proxy hedge, i.e. a loan has been taken out in USD, movements in which are closely correlated with the MYR. The hedging of net investments in foreign currency is presented in note 34, which also includes a specification of value adjustments to hedging instruments.

Interest rate risk

The most significant interest rate risk in the Carlsberg Group relates to interest-bearing debt, as the Group did not hold any significant non-current interest-bearing assets at 31 December 2005.

The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2005 gross debt amounted to DKK 25,978m and net interest-bearing debt DKK 20,753m. Net interest-bearing debt decreased by DKK 980m in 2005.

Interest rate risk is managed mainly using interest rate swaps and fixed-rate bond loans. Besides hedging interest rate exposure on existing loans, an interest rate swap has been taken out starting in 2007 and maturing in 2010 with a fixed rate of 4.79%

At the end of the year 66% of the net loan portfolio consisted of fixed-rate loans (rate fixed for more than one year), and the average duration of net borrowings was three years. It is estimated that a 1 percentage point increase in interest rates will increase total annual interest expenses by around DKK 66m.

A breakdown of the Carlsberg Group's non-current debt, including the financial instruments used to manage exchange and interest rate risk, can be found in note 23.

Credit risk

Credit risk is the risk of a counterparty failing to honour its contractual obligations and so inflicting a loss on the Carlsberg Group. Credit risk is monitored centrally. Group policy is that financial transactions may be entered into only with financial institutions with a high credit rating.

The Carlsberg Group advances loans to on-trade customers in certain countries. The individual Group companies monitor and control these loans as well as ordinary trade credit in accordance with central guidelines. It is estimated that the provisions made are sufficient to cover expected losses.

Liquidity risk

Liquidity risk is the risk of the Carlsberg Group failing to honour its contractual obligations due to insufficient liquidity. Carlsberg's policy is for the sourcing of capital and investment of liquidity to be managed centrally. It is therefore Corporate Treasury's task to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources. At 31 December 2005 Carlsberg had unutilised long-term committed credit facilities of DKK 8,700m.

Note 34 Financial instruments

The fair value of financial instruments is calculated on the basis of observable market data using methods consistent with normal practice in the field.

Carlsberg uses three forms of financial hedging:

Hedging of fair value
Changes in the fair value of financial instruments used as fair value hedges are recognised in the income statement. These are mainly instruments to hedge financial risks relating to borrowings and hedges of transaction risks.

DKK million	**2005**	2004
Recognised in income statement:		
Interest rate instruments	13	-2
Exchange rate instruments	22	-
Total	35	-2

Hedging of future cash flows
A negative fair value for financial instruments reported in line with the principles for the hedging of future cash flows is recognised in equity.

These principles are applied to interest rate and currency swaps. The fair value adjustments in equity are amortised and recognised in the income statement, and will be written down to zero on the maturity of the swaps. If the hedged future cash flows are no longer considered probable, the associated fair values will be reclassified to the income statement. The fair value adjustments recognised relate primarily to hedges of interest rate and currency exposure on borrowings.

DKK million	**2005**	2004
Recognised in equity:		
Interest rate instruments	-6	-179
Exchange rate instruments	-14	-
Total	-20	-179

Hedging of net investments in foreign subsidiaries
A fair value for financial instruments (both derivatives and debt instruments) used to hedge the foreign exchange risk associated with investments in foreign currency is recognised in equity.

Where the fair value adjustments do not exceed adjustments to the value of the investment, the adjustments of the financial instruments are recognised directly in equity; otherwise the fair value adjustments are recognised in the income statement.

Recognition of fair value adjustments:

DKK million			**2005**		2004
	Net investment hedges	Equity	Income statement	Equity	Income statement
SEK	-715	25	-	-51	-
NOK	-520	-35	-	43	-
CHF	-500	17	-	7	-
GBP	-188	-75	-	17	-
MYR [1]	-540	-116	-	34	-
EUR	-898	-14	-	13	-
RUB	-2,078	-5	-	-	-
KRW	-184,984	-86	-	-	-
Total		-289	-	63	-

The accumulated value of hedges of net investments in foreign currency at 31 December was DKK -226m (2004: DKK 63m).

[1] The exchange rate risk associated with MYR has been hedged by taking out a USD-denominated loan of USD 120m. The correlation between the MYR and USD is high, and so the loan is classified as a net investment hedge.

Note 35 Related parties

Related parties with a controlling influence
The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V, Denmark, holds 51.3% of the shares in Carlsberg A/S, excluding treasury shares. Apart from payments of dividends and grants, there were no transactions with the Carlsberg Foundation during the year.

Related parties with a significant influence
The Group was not involved in any transactions during the year with major shareholders, members of the Board of Directors, members of the Executive Board, other senior employees, or companies outside the Carlsberg Group in which these parties have interests.

Associates

DKK million	**2005**	2004
The income statement and balance sheet include the following transactions with associates:		
Net revenue	200	248
Cost of sales	314	37
Borrowings, net	198	518
Receivables	57	46
Payables	3	50

No losses on loans to or receivables from associates were recognised, nor provisions made for such, in either 2004 or 2005.

Emoluments to the Board of Directors and Executive Board are presented in note 12.

Note 36 Contingent liabilities and other commitments

Carlsberg Breweries A/S has issued guarantees for loans of DKK 9,160m (2004: DKK 18,544m) raised by subsidiaries and associates.

Guarantees for loans etc. of DKK 958m (2004: DKK 1,125m) have been issued by other subsidiaries and joint ventures.

Commitments related to significant service contracts amount to DKK 1,064m (2004: DKK 921m).

Carlsberg A/S is jointly registered for Danish value-added tax and excise duties with Carlsberg Breweries A/S, Carlsberg Danmark A/S and various other minor Danish subsidiaries, and is jointly and severally responsible for the payment thereof.

Carlsberg A/S as the administration company and the other companies covered by the Danish joint taxation scheme are jointly and severally responsible for the payment of corporation tax for the 2004 and previous tax years.

The Carlsberg Group is party to certain lawsuits etc. The management does not expect the outcome of such cases to have a material negative impact on the financial position of the Group beyond what has been recognised in the balance sheet.

Until the end of 2006 Orkla will be entitled to a proportionate share of any gains arising from Carlsberg A/S' sale of all or part of Carlsberg Breweries A/S or its 50% stake in BBH. Carlsberg A/S currently has no intention of selling Carlsberg Breweries A/S or its 50% stake in BBH.

DKK million	**2005**	2004
Capital commitments		
Capital expenditure agreed on the balance sheet date but not recognised in the consolidated financial statements:		
Property, plant and equipment	296	612
Total	296	612
Operating lease commitments		
Aggregate future lease payments under non-cancellable operating leases:		
Within one year	376	360
Between one and five years	756	700
After more than five years	411	462
Total	1,543	1,522
Operating lease expenses recognised in the income statement	388	451
Expected future income under non-cancellable subleases (property rentals)	180	178

Note 36 Contingent liabilities and other commitments – continued

The Carlsberg Group has entered into operating leases which relate primarily to properties, IT equipment and transport equipment (cars, trucks and forklifts). These leases contain no special purchase rights etc.

Post-balance-sheet events
There have been no post-balance-sheet events material to this Annual Report which have not been recognised or mentioned.

Note 37 Accounting estimates and judgements

Estimation uncertainty
When calculating the carrying amount of some assets and liabilities, estimates must be made of how future events will impact on the value of these assets and liabilities on the balance sheet date. Estimates material to the financial statements are made, for example, when calculating depreciation and impairment losses, goodwill, loans to the on-trade, retirement benefits and similar obligations, provisions, and contingent liabilities and assets.

The estimates used are based on assumptions which management believes to be reasonable but are by their very nature uncertain and unpredictable. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. Furthermore the business is subject to risks and uncertainties which may cause the actual outcome to depart from these estimates. Particular risks for the Carlsberg Group are discussed in the relevant section of the Annual Report.

Information is provided in the notes on assumptions about the future and other sources of estimation uncertainty on the balance sheet date where there is a significant risk of changes which could result in material adjustments to the carrying amounts of assets or liabilities within the next financial year.

For the Carlsberg Group, the measurement of intangible assets, including goodwill, could be affected significantly by material changes in the estimates and assumptions underlying the calculation of their value. A description of the impairment testing of intangible assets can be found in note 14.

Accounting policies applied
As part of the application of the Group's accounting policies, management makes judgements as well as estimates which may have a material impact on the amounts recognised in the financial statements.

Such judgements include when revenue and expenses relating to loans to the on-trade and sponsorship activities are to be recognised, and whether leases are to be treated as operating or finance leases.

Group companies

			Holding	Nominal share capital (1,000)	Cur-rency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe, excl. BBH	Asia	Other activities
Carlsberg A/S											
VersaMatrix A/S, Copenhagen, Denmark		●	100%	1,750	DKK	100.00					○
Ejendomsaktieselskabet Tuborg Nord B, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					○
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen, Denmark		●	100%	10,000	DKK	100.00					○
Ejendomsaktieselskabet Tuborg Nord D, Copenhagen, Denmark		●	100%	10,000	DKK	100.00					○
Ejendomsaktieselskabet af 4. Marts 1982, Copenhagen, Denmark		●	100%	9,500	DKK	100.00					○
Investeringsselskabet af 17. Januar 1991, Copenhagen, Denmark		●	100%	14,500	DKK	100.00					○
Carlsberg Breweries A/S, Copenhagen, Denmark		●	100%	500,000	DKK	100.00					○
Carlsberg Danmark A/S, Copenhagen, Denmark	3 subsidiaries	●	100%	100,000	DKK	100.00	○				
Oy Sinebrychoff Ab, Helsinki, Finland		●	100%	96,707	EUR	746.05	○				
Carlsberg Holding Sverige AB, Falkenberg, Sweden	2 subsidiaries	●	100%	150,000	SEK	79.46	○				
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary	●	100%	287,457	SEK	79.46	○				
Ringnes a.s., Oslo, Norway	4 subsidiaries	●	100%	238,714	NOK	93.43	○				
BBH - Baltic Beverages Holding AB, Stockholm, Sweden		◆	50%	12,000	EUR	746.05		○			
Saku Brewery AS, Estonia [1]		◆	75%	80,000	EEK	47.68		○			
A/S Aldaris, Latvia		◆	85%	7,500	LVL	1,071.60		○			
Baltic Beverages Invest AB, Stockholm, Sweden		◆	100%	12,000	EUR	746.05		○			
Baltic Beverages Holding Oy, Helsinki, Finland		◆	100%	10	EUR	746.05		○			
Svyturys-Utenos Alus AB, Lithuania		◆	75%	118,000	LTL	216.07		○			
Yarpivo PLC. Company, Russia		◆	87%	74,320	RUB	21.99		○			
Pikra, Russia		◆	70%	34,636	RUB	21.99		○			
Slavutich Brewery, Ukraine		◆	92%	197,692	UAH	124.74		○			
Lvivska Brewery, Ukraine		◆	100%	81,909	UAH	124.74		○			
Baltic Beverages Eesti, Estonia		◆	100%	400	EEK	47.68		○			
Baltika Brewery, St. Petersburg, Russia [1]		◆	81%	130,704	RUB	21.99		○			
JSC Vena, St. Petersburg, Russia		◆	93%	1,319,166	RUB	21.99		○			
Derbes Company Ltd. Liability Partnership, Kazakhstan		◆	90%	2,143,176	KZT	4.71		○			
UAB BBH Baltics, Lithuania		◆	100%	10	LTL	216.07		○			
Carlsberg Italia S.p.A, Lainate, Italy	20 subsidiaries	●	100%	82,400	EUR	746.05	○				
Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal	12 subsidiaries	◆	44%	50,000	EUR	746.05	○				
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	3 subsidiaries	●	100%	95,000	CHF	479.74	○				
Carlsberg Deutschland GmbH, Mönchengladbach, Germany	7 subsidiaries	●	100%	26,897	EUR	746.05	○				
Göttsche Getränke GmbH, Germany		●	100%	2,000	EUR	746.05	○				
Holsten-Brauerei AG, Hamburg, Germany	18 subsidiaries [1]	●	98%	41,250	EUR	746.05	○				
Carlsberg GB Limited, Northampton, UK		●	100%	692	GBP	1,088.65	○				
Carlsberg UK Holdings PLC, Northampton, UK	1 subsidiary	●	100%	90,004	GBP	1,088.65	○				
Carlsberg Polska S. A., Warsaw, Poland	5 subsidiaries	●	100%	28,721	PLN	193.28			○		
Dyland BV, Bussum, Netherlands	1 subsidiary	●	100%	18,198	EUR	746.05			○		
Carlsberg Croatia d.o.o., Koprivnica, Croatia		●	80%	239,932	HRK	101.21			○		
Bottling and Brewing Group Ltd., Blantyre, Malawi	2 subsidiaries [2]	●	44%	1,267,128	MWK	5.02			○		
Nuuk Imeq A/S, Nuuk, Greenland		■	32%	45,679	DKK	100.00			○		
Israel Beer Breweries Ltd, Ashkelon, Israel		■	20%	15,670	ILS	136.72			○		
International Breweries (Netherlands) B.V., Bussum, Netherlands	2 subsidiaries	■	16%	2,523	USD	632.41			○		
Türk Tuborg Bira ve Malt Sanayii A.S., Izmir, Turkey	1 subsidiary [1]	●	96%	324,111	TRY	468.51			○		
Carlsberg Bulgaria AD, Mladost, Bulgaria		●	80%	37,325	BGN	381.36			○		
B to B Distribution EOOD, Mladost, Bulgaria		●	100%	10	BGN	381.36			○		
Carlsberg Serbia d.o.o., Serbia		●	80%	757,688	CSD	8.69			○		
Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary		●	100%	25,200	HUF	2.95			○		
Carlsberg International A/S, Copenhagen, Denmark		●	100%	1,000	DKK	100.00					○
South-East Asia Brewery Ltd., Hanoi, Vietnam		●	60%	212,705,000	VND	0.04				○	
International Beverages Distributors Ltd., Hanoi, Vietnam		●	60%	10,778,000	VND	0.04				○	
Hue Brewery Ltd., Hue, Vietnam		◆	50%	216,788,000	VND	0.04				○	
Tibet Lhasa Brewery Company Limited, Lhasa, Tibet, China		■	33%	380,000	CNY	78.36				○	
Wusu Beer, Urumqi, Xinjiang, China		■	50%	105,480	CNY	78.36				○	
Lanzhou Huanghe Jianjiang Brewery Company Limited, China		■	30%	210,000	CNY	78.36				○	
Qinghai Huanghe Jianjiang Brewery Company Ltd., Xining, Qinghai, China		■	33%	60,000	CNY	78.36				○	
Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China		■	30%	15,000	CNY	78.36				○	
Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China		■	30%	16,620	CNY	78.36				○	
Xinjiang Lanjian Jianiang Investment Co. Ltd, China		■	49%	383,000	CNY	78.36				○	
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia [1]		●	51%	154,039	MYR	167.34				○	
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		●	100%	10,000	MYR	167.34				○	
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		●	100%	100	MYR	167.34				○	
The Lion Brewery Ceylon, Biyagama, Sri Lanka [1]		■	25%	850,000	LKR	6.17				○	
Carlsberg Asia Pte Ltd., Singapore		●	100%	57,914	SGD	380.09				○	

			Holding	Nominal share capital (1,000)	Currency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe, excl. BBH	Asia	Other activities
Brewery Invest Pte. Ltd, Singapore		●	100%	4,200	SGD	380.09				○	
Carlsberg Brewery Hong Kong Ltd., Hong Kong, China		●	100%	260,000	HKD	81.56				○	
Carlsberg Brewery Guangdong Ltd., Huizhou, China		●	99%	442,330	CNY	632.41				○	
Tsingtao Beer Shanghai Songjiang Co. Ltd., Shanghai, China		■	25%	303,659	CNY	632.41				○	
Carlsberg Hong Kong Ltd., Hong Kong, China		●	100%	-	HKD	81.56				○	
Kunming Huashi Brewery Company Ltd., Kunming, China		●	100%	60,000	CNY	632.41				○	
Lao Brewery Co. Ltd., Vientiane, Laos		◆	50%	14,400,000	LAK	0.06				○	
Carlsberg Singapore Pte. Ltd., Singapore		●	100%	1,000	SGD	380.09				○	
Carlsberg Marketing (Singapore) Pte Ltd., Singapore		●	100%	1,000	SGD	380.09				○	
Gorkha Brewery Pvt. Ltd., Kathmandu, Nepal		■	50%	466,325	NPR	8.75				○	
Dali Beer (Group) Limited Company, Dali, China	3 subsidiaries	●	100%	97,799	CNY	632.41				○	
Danish Malting Group A/S, Vordingborg, Denmark		●	100%	100,000	DKK	100.00					○
Danish Malting Group Polska Sp. z o.o., Sierpc, Poland		●	100%	20,000	PLN	193.28					○
Carlsberg Finans A/S, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					○
Carlsberg Invest A/S, Copenhagen, Denmark		●	100%	52,847	DKK	100.00					○
Carlsberg Canada Inc., Mississauga, Ontario, Canada		●	100%	750	CAD	543.57			○		
CTDD Beer Imports Ltd., Quebec, Canada		●	100%	-	CAD	543.57			○		
Carlsberg USA Inc., New York, USA		●	100%	1,260	USD	632.41			○		
Carlsberg IT A/S, Copenhagen, Denmark		●	100%	50,000	DKK	100.00					○
Carlsberg Breweries Insurance A/S, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					○
Carlsberg Accounting Service Centre A/S, Copenhagen, Denmark		●	100%	504	DKK	100.00					○

● Subsidiary
◆ Proportionally consolidated associate
■ Associate

[1] Listed company
[2] Managed by Carlsberg

Financial statements
Parent Company Carlsberg A/S

Parent Company Carlsberg A/S

Income statement

DKK million	Note	2005	2004
Administrative expenses	1	-34	-36
Other operating income, net	2	84	414
Operating profit		**50**	**378**
Financial income	3	876	3,391
Financial expenses	4	-298	-415
Profit before tax		**628**	**3,354**
Corporation tax	5	63	52
Profit for the year		**691**	**3,406**
Proposed appropriation:			
Dividend to shareholders		381	381
Taken to reserves		310	3,025
Profit for the year		691	3,406
Earnings per share	6		
Earnings per share		9.1	48.0
Earnings per share, diluted		9.1	48.0

Balance sheet

Assets

DKK million	Note	31 Dec. 2005	31 Dec. 2004
Non-current assets			
Property, plant and equipment	9	418	267
Investments in subsidiaries	10	21,662	21,704
Investments in associates	11	-	128
Securities	12	7	1
Deferred tax asset	19	183	121
Total non-current assets		**22,270**	**22,221**
Current assets			
Tax receivables		-	14
Other receivables	13	2,533	1,795
Securities	12	-	6
Cash and cash equivalents	14	111	11
Total current assets		**2,644**	**1,826**
Assets held for sale	15	100	216
Total assets		**25,014**	**24,263**

Equity and liabilities

DKK million	Note	31 Dec. 2005	31 Dec. 2004
Equity			
Share capital	16	1,526	1,526
Reserves		15,286	14,981
Total equity		**16,812**	**16,507**
Non-current liabilities			
Borrowings	17	3,094	6,920
Retirement benefit obligations and similar obligations	18	24	20
Provisions	20	10	20
Total non-current liabilities		**3,128**	**6,960**
Current liabilities			
Borrowings	17	4,675	425
Trade payables		40	4
Corporation tax		27	-
Other liabilities	21	332	367
Total current liabilities		**5,074**	**796**
Total liabilities		**8,202**	**7,756**
Total equity and liabilities		**25,014**	**24,263**

Statement of recognised income and expenses and changes in equity

DKK million			2005
	Share capital	Retained earnings	Total equity
Statement of recognised income and expenses:			
Profit for the year	**-**	**691**	**691**
Adjustments, retirement benefit obligations	-	-7	-7
Share-based payment	-	1	1
Tax on changes in equity	-	1	1
Net income recognised directly in equity	-	-5	-5
Total recognised income and expenses	**-**	**686**	**686**
Statement of changes in equity:			
Equity at 1 January 2005	1,526	14,981	16,507
Total recognised income and expenses for the year	-	686	686
Dividend paid to shareholders [1]	-	-381	-381
Total changes in equity	**-**	**305**	**305**
Equity at 31 December 2005	**1,526**	**15,286**	**16,812**

[1] Including dividend on shares in Carlsberg A/S owned by subsidiaries.

The proposed dividend of DKK 381m (DKK 5.00 per share) is included in retained earnings at 31 December 2005.

DKK million			2004
	Share capital	Retained earnings	Total equity
Statement of recognised income and expenses:			
Profit for the year	**-**	**3,406**	**3,406**
Adjustments, retirement benefit obligations	-	-3	-3
Share-based payment	-	3	3
Other	-	-8	-8
Tax on changes in equity	-	-	-
Net income recognised directly in equity	-	-8	-8
Total recognised income and expenses	**-**	**3,398**	**3,398**
Statement of changes in equity:			
Equity at 1 January 2004	1,278	8,773	10,051
Total recognised income and expenses for the year	-	3,398	3,398
Capital increase	305	3,119	3,424
Transaction costs	-	-61	-61
Cancellation of treasury shares	-57	57	-
Dividend paid to shareholders [1]	-	-305	-305
Total changes in equity	**248**	**6,208**	**6,456**
Equity at 31 December 2004	**1,526**	**14,981**	**16,507**

[1] Including dividend on shares in Carlsberg A/S owned by subsidiaries.

The proposed dividend of DKK 381m (DKK 5.00 per share) is included in retained earnings at 31 December 2004.

Cash flow statement

DKK million	Note	2005	2004
Operating profit		50	378
Adjustment for non-cash items	22	-169	-423
Change in working capital	22	70	-95
Financial receipts incl. dividends received		836	3,386
Financial payments		-189	-236
Corporation tax paid		40	-22
Cash flow from operating activities		**638**	**2,988**
Investments in subsidiaries		-	-15,135
Acquisition of property, plant and equipment		-174	-76
Disposal of property, plant and equipment		227	1,105
Acquisition of financial assets		-	-14
Disposal of financial assets		41	252
Loans to subsidiaries, net		-793	-1,641
Distribution, Coca-Cola Nordic Beverages a/s		167	-
Cash flow from investing activities		**-532**	**-15,509**
Free cash flow		**106**	**-12,521**
Shareholders in Carlsberg A/S	22	-381	3,058
Other financing activities	22	375	6,938
Cash flow from financing activities		**-6**	**9,996**
Cash flow for the year		**100**	**-2,525**
Cash and cash equivalents at 1 January		11	2,536
Cash and cash equivalents at 31 December		111	11

Notes

Note 1 Fees to auditors appointed by the Annual General Meeting

DKK million	2005	2004
KPMG:		
Audit	0.5	0.5
Other services	-	3.0
PricewaterhouseCoopers:		
Audit	-	0.3
Other services	-	5.0

Other services include fees for tax consultancy, capital increase etc.

Note 2 Other operating income, net

DKK million	2005	2004
Other operating income:		
Gains on disposal of properties	148	456
Property rental income	13	42
Other	65	94
Total	226	592
Other operating expenses:		
Property expenses	-22	-18
Other	-120	-160
Total	-142	-178
Other operating income, net	84	414

Note 3 Financial income

DKK million	2005	2004
Interest	46	63
Dividends	789	3,300
Realised gains on sale of securities	41	20
Other financial income	-	8
Total	876	3,391

Interest income from subsidiaries amounts to DKK 44m (2004: DKK 20m).

Note 4 Financial expenses

DKK million	2005	2004
Interest	271	253
Write-down of financial assets	2	22
Interest cost on obligations, defined benefit plans	-	1
Other financial expenses	25	139
Total	298	415

Interest paid to subsidiaries amounts to DKK 9m (2004: DKK 5m).

Other financial expenses consist mainly of payments to establish credit facilities and fees for unutilised drawdowns on these facilities.

Note 5 Corporation tax

DKK million	**2005**	2004
Tax for the year comprises:		
Current tax on profit for the year	1	7
Change in deferred tax during the year	-72	-56
Adjustments to tax for previous years	7	-3
Total tax for the year	-64	-52
Deferred tax on items recognised directly in equity	1	-
Tax on profit for the year	-63	-52
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	28.0%	30.0%
Change in Danish tax rate	1.3%	-
Adjustments to tax for previous years	0.5%	-0.7%
Non-taxable income	-6.8%	-0.8%
Non-deductible expenses	0.1%	0.1%
Tax-free dividend	-33.4%	-29.7%
Other	0.3%	-0.5%
Effective tax rate for the year	-10.0%	-1.6%
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	-61	-109
Current assets etc.	-10	53
Deferred tax recognised in income statement	-71	-56

Note 6 Earnings per share

DKK million	**2005**	2004
Profit for the year	691	3,406
Average number of shares	76,278	72,154
Average number of treasury shares	-50	-1,148
Average number of shares in circulation	76,228	71,006
Average dilution effect of outstanding share options	14	1
Diluted average number of shares in circulation	76,242	71,007
Earnings per share of DKK 20 (EPS)	9.1	48.0
Diluted earnings per share of DKK 20 (EPS-D)	9.1	48.0

Note 7 Staff costs and remuneration of the Board of Directors, the Executive Board and other senior executives

DKK million	**2005**	2004
Wages, salaries and other remuneration	84	90
Social security costs	1	1
Pension costs - defined contribution plans	9	8
Pension costs - defined benefit plans	-	-33
Share-based payment	1	3
Other benefits	-	1
Total	95	70
Staff costs are included in the following items in the income statement:		
Administrative expenses	26	26
Other operating income, net	69	44
Total	95	70

The average number of full-time employees in the Parent Company during the year was 146 (2004: 155).

Note 7 Staff costs and remuneration of the Board of Directors, the Executive Board and other senior executives – continued

Remuneration of key management personnel:

DKK million	2005		2004	
	Parent Company's Executive Board	Other senior executives	Parent Company's Executive Board	Other senior executives
Salaries and other remuneration	19	3	18	3
Share-based payment	1	-	2	1
Total	20	3	20	4

Other senior executives are key personnel outside the Executive Board who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the Parent Company's activities.

The Board of Directors of Carlsberg A/S received emoluments of DKK 6m (2004: DKK 6m). The Board of Directors is not included in share option programmes, pension plans and other schemes, and no termination benefits were paid to its members.

Note 8 Share-based payment

In 2005 29,500 share options were granted to 4 key employees. The fair value of these options when granted was a total of DKK 2m (2004: DKK 3m). The total cost of share-based payment was DKK 1m (2004: DKK 3m), which has been recognised in the income statement and is included in staff costs. Refunds etc. between Carlsberg A/S and its subsidiaries are recognised directly in equity.

		Exercise period		Number					Exercise price
Year granted	Fair value 31.12.2005 (DKK million)	First year	Last year	01.01.2005	Granted	Expired/ forfeited	Exercised	31.12.2005	Fixed
Executive Board									
2001	-	2004	2009	14,700	-	-	-	14,700	386.54
2002	1	2005	2010	14,700	-	-	-	14,700	323.82
2003	3	2006	2011	21,000	-	-	-	21,000	214.47
2004	2	2007	2012	26,250	-	-	-	26,250	268.39
2005	2	2008	2013	-	25,000	-	-	25,000	288.29
Total	8			76,650	25,000	-	-	101,650	
Others									
2001	-	2004	2009	6,300	-	-	-	6,300	386.54
2002	-	2005	2010	7,875	-	-	-	7,875	323.82
2003	1	2006	2011	9,975	-	-	-	9,975	214.47
2004	1	2007	2012	6,825	-	-	-	6,825	268.39
2005	1	2008	2013	-	4,500	-	-	4,500	288.29
Total	3			30,975	4,500	-	-	35,475	
Total	11			107,625	29,500	-	-	137,125	

	2005		2004	
	Number	Average exercise price	Number	Average exercise price
Share options outstanding at 1 January	107,625	287.55	74,550	296.05
Granted	29,500	288.29	33,075	268.39
Expired/forfeited	-	-	-	-
Exercised	-	-	-	-
Share options outstanding at 31 December	137,125	287.71	107,625	287.55
Exercisable at 31 December	43,575	354.05	21,000	386.54

At 31 December 2005 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 386.54 (2004: DKK 214.47 to DKK 386.54), while the average remaining contractual life was 5.3 years (2004: 5.9 years).

The assumptions underlying the calculation of the fair value of share options are set out in note 13 in the consolidated financial statements.

Note 9 Property, plant and equipment

DKK million					2005
	Land and buildings	Plant, machinery and equipment	Other assets, vehicles etc.	Construction in progress	Total
Cost:					
Cost at 1 January 2005	595	90	6	2	693
Additions during the year	-	-	-	174	174
Disposals during the year	-4	-2	-	-	-6
Transfers	5	3	-	-8	-
Cost at 31 December 2005	596	91	6	168	861
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2005	340	80	6	-	426
Disposals during the year	-4	-2	-	-	-6
Depreciation during the year	13	5	-	-	18
Transfers to assets held for sale	5	-	-	-	5
Depreciation and impairment losses at 31 December 2005	354	83	6	-	443
Carrying amount at 31 December 2005	242	8	-	168	418
Carrying amount of assets pledged as security for borrowings	237	-	-	168	405

Depreciation for the year of DKK 18m is included in administrative expenses.

DKK million					2004
	Land and buildings	Plant, machinery and equipment	Other assets, vehicles etc.	Construction in progress	Total
Cost:					
Cost at 1 January 2004	593	86	6	4	689
Additions during the year	-	-	-	7	7
Disposals during the year	-	-3	-	-	-3
Transfers	2	7	-	-9	-
Cost at 31 December 2004	595	90	6	2	693
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2004	310	80	6	-	396
Disposals during the year	-	-3	-	-	-3
Depreciation during the year	30	3	-	-	33
Depreciation and impairment losses at 31 December 2004	340	80	6	-	426
Carrying amount at 31 December 2004	255	10	-	2	267
Carrying amount of assets pledged as security for borrowings	250	-	-	-	250

Depreciation for the year of DKK 33m is included in administrative expenses at DKK 18m and other operating costs at DKK 15m.

Note 10 Investments in subsidiaries

DKK million	2005	2004
Cost:		
Cost at 1 January	21,704	6,569
Additions during the year [1]	-42	15,135
Cost at 31 December	21,662	21,704
Carrying amount at 31 December	21,662	21,704

[1] Adjustment of cost for acquisition of subsidiaries relates to unutilised provision for costs. The carrying amount at 31 December includes goodwill of DKK 11,208m (2004: DKK 11,250m) on acquisition of subsidiaries.

Note 11 Investments in associates

DKK million	2005	2004
Cost:		
Cost at 1 January	128	128
Disposal during the year [1]	-128	-
Cost at 31 December 2005	-	128
Carrying amount at 31 December	-	128

[1] The disposal relates to the liquidation of Coca-Cola Nordic Beverages a/s.

Note 12 Securities

DKK million	2005	2004
Securities are presented in the balance sheet as follows:		
Non-current assets	7	1
Current assets	-	6
Total	7	7
Types of security:		
Unlisted shares	7	7
Total	7	7

Securities classified as current assets are those expected to be sold within one year of the balance sheet date.

Shares in unlisted entities comprise a number of small holdings. These assets are not carried at fair value as this cannot be calculated on an objective basis. Instead they are carried at cost.

Shares in unlisted entities were sold during the year at a gain of DKK 41m (2004: DKK 0m). The carrying amount at the time of sale was DKK 0m (2004: 0m).

Note 13 Receivables

DKK million	2005	2004
Receivables by origin:		
Receivables from subsidiaries	2,508	1,715
Other receivables	25	80
Total	2,533	1,795

The fair value of receivables essentially corresponds to the carrying amount.

The average rate of interest is as follows:		
Loans to subsidiaries	2.3%	2.1%

Note 14 Cash and cash equivalents

DKK million	2005	2004
Cash at bank and in hand	111	11

Note 15 Assets held for sale and associated liabilities

DKK million	2005	2004
Assets held for sale comprise the following:		
Individual assets:		
Property, plant and equipment	98	216
Deferred tax	2	-
Total	100	216

Assets held for sale relate to properties. Identification of and negotiations with buyers are under way, and so sales agreements are expected to be concluded in 2006.

The selling price is expected to exceed the carrying amount of assets held for sale, and so no write-downs have been recognised in the income statement.

Gains on disposals of assets held for sale are recognised in the income statement under other operating income, net.

Note 16 Share capital

	A-shares		B-shares		Total share capital	
	Shares of DKK 20	Nominal value	Shares of DKK 20	Nominal value	Shares of DKK 20	Nominal value
1 January 2004	35,257,090	705	28,649,192	573	63,906,282	1,278
Share capital increase	-	-	15,215,680	305	15,215,680	305
Cancellation of treasury shares	-1,557,838	-31	-1,285,721	-26	-2,843,559	-57
31 December 2004	33,699,252	674	42,579,151	852	76,278,403	1,526
No changes in 2005						
31 December 2005	33,699,252	674	42,579,151	852	76,278,403	1,526

Each A-share of DKK 20 carries 20 votes. Each B-share of DKK 20 carries 2 votes.

	Treasury shares		
	Shares of DKK 20	Nominal value	% of share capital
1 January 2004	3,043,559	61	4.8%
Cancellation of treasury shares	-2,843,559	-57	-4.5%
31 December 2004	200,000	4	0.3%
Purchase of treasury shares	8,600	-	-
Sale of treasury shares	-208,433	-4	-0.3%
31 December 2005	167	-	-

The fair value of treasury shares at 31 December 2005 was DKK 0m (2004: DKK 56m).

Note 17 Borrowings and financial risks

DKK million	**2005**	2004
Current borrowings:		
Current portion of non-current borrowings	29	28
Bank borrowings	-	63
Borrowings from subsidiaries	846	334
Other current borrowings	3,800	-
Total	4,675	425
Non-current borrowings:		
Issued bonds	2,489	2,486
Mortgages	605	634
Other non-current borrowings	-	3,800
Total	3,094	6,920

The fair value of the above borrowings at the end of 2005 was DKK 7,873m (2004: DKK 7,445m).

Time to maturity of non-current borrowings:

DKK million					**2005**
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	-	-	2,489	-	-
Mortgages	30	32	33	34	476
Total	30	32	2,522	34	476

Time to maturity of non-current borrowings:

DKK million					2004
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	-	-	-	2,486	-
Mortgages	29	30	32	33	510
Other non-current borrowings	3,800	-	-	-	-
Total	3,829	30	32	2,519	510

Interest rate risk on non-current borrowings at 31 December 2005:

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk	Risk after any hedging
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	3-4 years	2,489	Fair value	Fixed, DKK 4.88%

Mortgages	Interest rate risk	Average effective interest rate	Carrying amount	Time to maturity from balance sheet date				
				1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Floating rate	Cash flow	2.67%	184	-	-	-	-	184
Fixed rate	Fair value	4.10%	421	30	32	33	34	292
Total		3.67%	605	30	32	33	34	476

Currency profile of borrowings		Next reprice					
	Original principal	2006	2007	2008	2009	2010	2011-
DKK	7,769	4,883	25	26	2,516	28	291

Financial risks comprise the interest rate risk on fixed-rate non-current borowings. The risk is primarily linked to the bond issue worth DKK 2,500m maturing in June 2009. DKK 2,910m of the total non-current borrowings of DKK 3,094m is at fixed rates. There is no exchange rate risk.

Note 18 Retirement benefit obligations and similar obligations

Retirement benefit obligations and similar obligations comprise payments to retired directors who are not covered by the insurance company. No assets are linked to the plan.

DKK million	**2005**	2004
Total obligations at 1 January	20	51
Interest cost	-	1
Actuarial losses	7	3
Benefits paid	-3	-2
Curtailments and settlements	-	-33
Total obligations at 31 December	24	20
Assumptions applied:		
Discount rate	2.0%	2.0%
Future pension increases	3.5%	4.0%
Recognised in income statement:		
Interest cost on obligations	-	1
Gain on curtailments and settlements	-	-33
Total	-	-32
The income is presented in the income statement as follows:		
Other operating income	-	-33
Total staff costs, cf. note 7	-	-33
Financial expenses	-	1
Total	-	-32
Recognised in equity:		
Recognised at 1 January	-3	-
Actuarial losses during the period	-7	-3
Recognised at 31 December	-10	-3
Five-year overview (from January 2004):		
Underfunding	24	20
Experience adjustments to obligations at 31 December	-1	-

Note 19 Deferred tax asset

DKK million	**2005**	2004
Deferred tax asset at 1 January, net	121	61
Adjustments to previous years	-8	4
Recognised in equity	1	-
Recognised in income statement	71	56
	185	121
Of which transferred to assets held for sale	-2	-
Deferred tax asset at 31 December, net	183	121

Note 19 Deferred tax asset – continued

DKK million	2005	2004	2005	2004
	Deferred tax asset		Deferred tax liability	
Specification of deferred tax asset at 31 December:				
Property, plant and equipment	-	-	3	5
Current assets	7	-	-	-
Provisions and retirement benefit obligations	10	12	-	-
Fair value adjustments	2	5	-	-
Tax losses etc.	169	109	-	-
Total before netting	188	126	3	5
Netting	-3	-5	-3	-5
Total after netting	185	121	-	-
Transferred to assets held for sale	-2	-	-	-
Deferred tax asset at 31 December	183	121	-	-
Expected to be recovered as follows:				
Within 12 months of balance sheet date	2	11	-	-
More than 12 months after balance sheet date	181	110	-	-
Total	183	121	-	-

Of the total deferred tax recognised, DKK 169m (2004: DKK 109m) is tax loss carryforward, where utilisation depends on future positive taxable income over and above the settlement of deferred tax.

Note 20 Provisions

The provisions primarily comprise provisions for ongoing disputes and lawsuits etc.

DKK million	2005	2004
Movements in provisions:		
Provisions at 1 January	20	10
Additions during the year	-	10
Utilisation during the year	-	-
Reversal of unused provisions	-10	-
Provisions at 31 December	10	20

The provisions mature within two years of the balance sheet date.

Note 21 Other liabilities

DKK million	2005	2004
Other liabilities by origin:		
Staff costs	10	11
Interest payables	261	155
Liabilities related to the acquisition of subsidiaries	-	43
Amounts owed to associates	-	45
Deferred income	7	21
Other accrued expenses	54	92
Total	332	367

Note 22 Cash flows

DKK million	**2005**	2004
Adjustment for non-cash items:		
Depreciation and amortisation	18	33
Gains on disposal of property, plant and equipment	-148	-456
Other non-cash adjustments	-39	-
Total	-169	-423
Change in working capital:		
Receivables	55	-53
Trade payables and other payables	15	-12
Retirement benefit obligations and other obligations	-	-30
Total	70	-95
Shareholders in Carlsberg A/S:		
Capital increase	-	3,363
Dividend to shareholders	-381	-305
Total	-381	3,058
Other financing:		
Proceeds from bond issue	-	2,485
Proceeds from other non-current borrowings	-	5,624
Repayment of non-current borrowings	-28	-4,962
Claim issued in connection with investment in Carlsberg Breweries A/S	-	3,800
Borrowings from subsidiaries, net	514	2
Other current borrowings, net	-111	-11
Total	375	6,938

Note 23 Specification of net interest-bearing debt

DKK million	**2005**	2004
Non-current borrowings	3,094	6,920
Current borrowings	4,675	425
Gross interest-bearing debt	7,769	7,345
Cash and cash equivalents	-111	-11
Receivables from subsidiaries	-2,508	-1,715
Net interest-bearing debt	5,150	5,619
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	5,619	-2,160
Cash flow from operating activities	-677	-2,988
Cash flow from investing activities	571	15,509
Dividend to shareholders	381	305
Capital increase, shareholders	-	-3,363
Change in interest-bearing loans	-793	-1,641
Other	49	-43
Total change	-469	7,779
Net interest-bearing debt at 31 December	5,150	5,619

Note 24 Related parties

Related parties with a controlling influence
The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V, Denmark, holds 51.3% of the shares in Carlsberg A/S, excluding treasury shares. Apart from payments of dividends and grants, there were no transactions with the Foundation during the year.

Related parties with a significant influence
Carlsberg A/S was not involved in any transactions during the year with major shareholders, members of the Board of Directors or the Executive Board, other senior employees, or companies outside the Carlsberg Group in which these parties have interests.

Associates
Dividends of DKK 167m (2004: DKK 0m) were received in the form of liquidation proceeds from Coca-Cola Nordic Beverages a/s. Trade payables amount to DKK 0m (2004: DKK 45m).

Subsidiaries

DKK million	**2005**	2004
The income statement and balance sheet include the following transactions with subsidiaries:		
Other operating income	26	-1
Interest, net	35	15
Borrowings, net	1,658	1,377
Receivables	3	4
Trade payables	4	12
Accrued interest income	-	2

Remuneration of the Board of Directors and the Executive Board are presented in note 7.

Note 25 Contingent liabilities and other liabilities

Carlsberg A/S is jointly registered for Danish value-added tax and excise duties with Carlsberg Breweries A/S, Carlsberg Danmark A/S and various other minor Danish subsidiaries, and is jointly and severally responsible for the payment thereof.

Carlsberg A/S as the administration company and the other companies covered by the Danish joint taxation scheme are jointly and severally responsible for the payment of corporation tax for the 2004 and previous tax years.

Carlsberg A/S is party to certain lawsuits etc. The management does not expect the outcome of such cases to have a material negative impact on the financial position of the Parent Company beyond what has been recognised in the balance sheet.

Until the end of 2006 Orkla will be entitled to a proportionate share of any gains arising from Carlsberg A/S' sale of all or part of Carlsberg Breweries A/S or its 50% stake in BBH. Carlsberg A/S currently has no intention of selling Carlsberg Breweries A/S or its 50% stake in BBH.

Capital commitments

DKK million	**2005**	2004
Capital expenditure agreed on the balance sheet date but not recognised in the Parent Company accounts:		
Property, plant and equipment	130	-
Total	130	-

Post-balance-sheet events
There have been no post-balance-sheet events material to this Annual Report which have not been recognised or mentioned.

Note 26 Accounting estimates and judgements

Estimation uncertainty
When calculating the carrying amount of some assets and liabilities, estimates must be made of how future events will impact on the value of these assets and liabilities on the balance sheet date.

For Carlsberg A/S the measurement of subsidiaries could be affected by material changes in the estimates and assumptions underlying calculation of these values.

Accounting policies applied
As part of the application of the Company's accounting policies, management makes judgements as well as estimates which may have a material impact on the amounts recognised in the financial statements.

Note 27 Transition to IFRS

With effect from 1 January 2005, the accounting policies were changed to comply with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure agreements for annual reports of listed companies.

The changes to accounting policies are set out in the section on Transition to IFRS in the Annual Report with the following addition for the Parent Company:

l) Investments in subsidiaries and associates were previously measured using the equity method. With effect from 1 January 2004 these investments are measured at cost, including the carrying amount of goodwill. Dividends received will in future be recognised in the income statement under financial income. Where cost exceeds recoverable value, the amount is written down to the lower value.

Income statement

Effect of transition to IFRS

DKK million			2004
	Previous policies	IFRS effect	IFRS
Administrative expenses	-33	-3	-36
Other operating income, net	414	-	414
Profit before tax, subsidiaries	822	-822	-
Profit before tax, associates	2	-2	-
Operating profit	**1,205**	**-827**	**378**
Financial income	91	3,300	3,391
Financial expenses	-415	-	-415
Profit before tax	**881**	**2,473**	**3,354**
Corporation tax	-404	456	52
Profit for the year	**477**	**2,929**	**3,406**

	DKK million	2004
	Operating profit, previous policies	**1,205**
h)	Share-based payment	-3
	Profit before tax, subsidiaries	-822
	Profit before tax, associates	-2
	Total effect on operating profit	**-827**
	Operating profit (IFRS)	**378**
	Profit for the year, previous policies	**477**
	Effect on operating profit, cf. above	-827
l)	Dividends from subsidiaries	3,300
l)	Tax on profit in subsidiaries	455
l)	Tax on profit in associates	1
	Total effect on profit for the year	**2,929**
	Profit for the year (IFRS)	**3,406**

Note 27 Transition to IFRS – continued

Balance sheet

DKK million		1 January 2004			31 December 2004		
Note		Previous policies	IFRS effect	IFRS	Previous policies	IFRS effect	IFRS
1	Property, plant and equipment	1,071	-776	295	483	-216	267
2	Investments in subsidiaries	7,771	-1,202	6,569	19,571	2,133	21,704
3	Investments in associates	151	-23	128	164	-36	128
	Other financial assets	233	-	233	1	-	1
	Deferred tax asset	61	-	61	121	-	121
	Total non-current assets	**9,287**	**-2,001**	**7,286**	**20,340**	**1,881**	**22,221**
	Other receivables etc.	112	-	112	1,815	-	1,815
	Cash and cash equivalents	2,536	-	2,536	11	-	11
	Total current assets	**2,648**	**-**	**2,648**	**1,826**	**-**	**1,826**
1	Assets held for sale	-	776	776	-	216	216
	Total assets	**11,935**	**-1,225**	**10,710**	**22,166**	**2,097**	**24,263**
	Total equity	**11,276**	**-1,225**	**10,051**	**14,410**	**2,097**	**16,507**
	Borrowings	-	-	-	6,920	-	6,920
	Retirement benefit obligations etc.	51	-	51	20	-	20
	Provisions	10	-	10	20	-	20
	Total non-current liabilities	**61**	**-**	**61**	**6,960**	**-**	**6,960**
	Borrowings	117	-	117	91	334	425
	Trade payables	3	-	3	4	-	4
	Payables to subsidiaries	366	-	366	334	-334	-
	Payables to associates	13	-	13	45	-45	-
	Other liabilities and corporation tax	99	-	99	322	45	367
	Total current liabilities	**598**	**-**	**598**	**796**	**-**	**796**
	Total equity and liabilities	**11,935**	**-1,225**	**10,710**	**22,166**	**2,097**	**24,263**

		1 January 2004	31 December 2004
	Equity, previous policies	**11,276**	**14,410**
I)	Subsidiaries valued at cost	-1,202	2,133
I)	Associates valued at cost	-23	-36
	Effect on equity	**-1,225**	**2,097**
	Equity (IFRS)	**10,051**	**16,507**

Notes		1 January 2004	31 December 2004
1	**Property, plant and equipment**		
	Separation of assets held for sale	776	216
	Total	776	216
2	**Investments in subsidiaries**		
	Valuation at cost	-1,422	1,950
	Adjustment to cost	220	183
	Total	-1,202	2,133
3	**Investments in associates**		
	Valuation at cost	23	36
	Total	23	36

Management statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of the Carlsberg Group and the Parent Company for 2005.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2005 and of the results of the Group's and the Parent Company's operations and cash flow for the financial year 2005.

We recommend that the Annual General Meeting approve the Annual Report.

Copenhagen, 21 February 2006

Executive Board of Carlsberg A/S

Nils S. Andersen	Paul Bergqvist	Jørn P. Jensen

Board of Directors of Carlsberg A/S

Povl Krogsgaard-Larsen Chairman	Jens Bigum Chairman	Hans Andersen
Flemming Besenbacher	Søren Bjerre-Nielsen	Henning Dyremose
Claes Gjermansen	Niels Kærgård	Axel Michelsen
Erik Dedenroth Olsen	Bent Ole Petersen	Per Øhrgaard

Auditor's report

To the shareholders of Carlsberg A/S

We have audited the Annual Report of the Carlsberg Group and the Parent Company for the financial year 2005, prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Annual Report is the responsibility of Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by Management, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Carlsberg Group's and the Parent Company's financial position at 31 December 2005 and of the results of the Carlsberg Group's and the Parent Company's operations and cash flow for the financial year 2005 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 21 February 2006

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer	Søren Thorup Sørensen
State Authorised	State Authorised
Public Accountant	Public Accountant

Board of Directors

Povl Krogsgaard-Larsen, Chairman *
Professor, D.Pharm. Born 1941. Chairman of the Carlsberg Foundation. Member of the Boards of Directors of Auriga A/S and Bioneer A/S. Elected 1993, 2004.

Jens J. Bigum, Deputy Chairman *
Managing Director. Born 1938. Member of the Boards of Directors of Arla Foods plc (Deputy Chairman), Per Aarsleff A/S, Toms Gruppen A/S (Chairman), Gerda og Victor B. Strands Fond, Chr. Hansen A/S (Chairman) and the University of Aarhus (Chairman). Elected 2001, 2004.

Hans S. Andersen **
Brewery Worker, Carlsberg Danmark A/S. Born 1955. Elected 1998, 2002.

Flemming Besenbacher
Professor, D.Sc. Born 1952. Member of the Executive Board of the Carlsberg Foundation and of the Boards of Directors of property companies affiliated to the Carlsberg Foundation. Elected 2005, 2005.

Søren Bjerre-Nielsen
Executive Vice President, Danisco A/S. Born 1952. Member of the Boards of Directors of companies in the Danisco Group as well as of VKR Holding A/S, VELUX A/S, Villum Kann Rasmussen Fonden and Danmarks Nationalbank. Elected 2003, 2003.

Henning Dyremose
President, Chief Executive Officer, TDC A/S. Born 1945. Member of the Boards of Directors of companies in the TDC Group as well as of Brødrene A & O Johansen A/S (Deputy Chairman). Chairman of the Confederation of Danish Industries. Elected 1999, 2005.

Claes Gjermansen **
Head of Section, Carlsberg Research Center. Born 1952. Elected 2002, 2002.

Niels Kærgård
Professor, D.Econ. Born 1942. Member of the Executive Board of the Carlsberg Foundation and Chairman of the Boards of Directors of property companies affiliated to the Carlsberg Foundation. Elected 2003, 2003.

Axel A. Michelsen
Professor, D.Phil. Born 1940. Member of the Executive Board of the Carlsberg Foundation. Elected 1986, 2005.

Erik Chr. Dedenroth Olsen **
IT Office Manager, Carlsberg Danmark A/S. Born 1949. Elected 1998, 2002.

Bent Ole Petersen **
Senior Manager, Carlsberg Research Center. Born 1954. Elected 2002, 2002.

Per Chr. Øhrgaard
Professor, D.Phil. Born 1944. Member of the Executive Board of the Carlsberg Foundation and of the Boards of Directors of JP/Politikens Hus A/S and of property companies affiliated to the Carlsberg Foundation. Elected 1993, 2003.

* Member of the chairmanship of the Board of Directors
** Elected by employees

Years given indicate first and most recent election to the Board.

Executive Board

Nils S. Andersen
President, Chief Executive Officer. Born 1958. Chairman or member of the Boards of Directors of companies in the Carlsberg Group as well as of A.P. Moller - Maersk A/S, William Demant Holding A/S and Oticon A/S. Appointed to the Executive Board of Carlsberg A/S in 1999, of Carlsberg Breweries A/S in 2001 and of Carlsberg A/S again in 2004.

Paul Bergqvist
(Until 31 March 2006)
Executive Vice President. Born 1946. Swedish citizen. Chairman or member of the Boards of Directors of companies in the Carlsberg Group, including Deputy Chairman of the Board of Directors of Baltic Beverages Holding AB, as well as member of the Boards of Directors of East Capital Private Equity AB, Sweden, CityMail Sweden AB, Sweden, Telenor ASA, Norway, and Pieno Zvaigzdes, Lithuania. Appointed to the Executive Board of Carlsberg Breweries A/S in 2001 and of Carlsberg A/S in 2004.

Jørn P. Jensen
Executive Vice President, Chief Financial Officer. Born 1964. Chairman or Deputy Chairman or member of the Boards of Directors of companies in the Carlsberg Group as well as of JL-Fondet/Vesterhavet A/S. Appointed to the Executive Board of Carlsberg A/S in 2000.

Jørgen Buhl Rasmussen
(From 1 April 2006)
Executive Vice President. Born 1955. Appointed to the Executive Board of Carlsberg A/S in 2006.

Country CEOs

Jørn Tolstrup Rohde, CEO, Carlsberg Danmark
Jan Bodd, CEO, Ringnes
Stig Sunde, CEO, Carlsberg Sverige
Mikael Aro, CEO, Sinebrychoff
Doug Clydesdale, CEO, Carlsberg UK
Wolfgang Burgard, CEO, Holsten-Brauerei
Thomas Amstutz, CEO, Feldschlösschen Getränke
Claudio Riva, CEO, Carlsberg Italia
Marcin Pirog, CEO, Carlsberg Polska
Jesper B. Jørgensen, CEO, Türk Tuborg
Alexander Grancharov, CEO, Carlsberg Bulgaria
Jørn Pedersen, CEO, Carlsberg Croatia
Isaac Sheps, CEO, Carlsberg Serbia
Mogens Jønck, CEO, Carlsberg Brewery Malaysia
Henrik Juel Andersen, CEO, SEAB, Vietnam
Søren Holm Jensen, CEO, Carlsberg Brewery Hong Kong
Hans Olaf Hallan, CEO, Carlsberg Singapore

Senior management

Alex Myers, SVP, UK, Germany, Switzerland, Portugal and Italy
Jesper Bjørn Madsen, SVP, Asia, Malawi and Export & License
Kasper Madsen, SVP, Supply Chain & Procurement
Sales & Marketing and Innovation (vacant)
Anne-Marie Skov, VP, Communications
Vibeke Frank, VP, Human Resources
Jan Thieme Rasmussen, VP, Accounting & Tax
Lars Larsen, VP, Controlling
Lars Vestergaard, VP, Treasury
Torben Larsen, VP, M&A and Business Development
Ulrik Andersen, VP, Legal Counselling and Risk Management
Torben Melskens, VP, IT
Orla Kristensen, VP, Carlsberg Properties
Klaus Bock, VP, Carlsberg Research Center

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