Carlsberg Breweries A/S

CVR No. 25 50 83 43

Annual Report for 2006

(7th financial year)

Contents:

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

Company information

Company:	Carlsberg Breweries A/S Ny Carlsberg Vej 100 1760 København V Denmark Municipality of reg. office: Copenhagen
Board of Directors:	Jens Bigum (chairman), Managing Director Povl Krogsgaard-Larsen (Deputy Chairman), Professor, D. Pharm Nils S. Andersen, President and CEO Eva Vilstrup Decker (Employee Board member), Customer Service Manager Morten Ibsen, Project manager Jørn P. Jensen, Executive Vice President and CFO Hans Andersen (Employee Board member), brewery worker
Executive Board:	Nils S. Andersen, President and CEO Jørgen Buhl Rasmussen, Executive Vice President Jørn P. Jensen, Executive Vice President and CFO
Auditor:	KPMG C. Jespersen Statsautoriseret Revisionsinteressentskab Borups Alle 177 2000 Frederiksberg

Management statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Carlsberg Breweries Group and the Parent Company for 2006.

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. 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 assets, liabilities and financial position at 31 December 2005 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2006.

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

Copenhagen, 8 May 2007.

Executive Board of Carlsberg Breweries A/S

Nils S. Andersen	Jørgen Buhl Rasmusen	Jørn P. Jensen

Board of Directors of Carlsberg Breweries A/S

Jens Bigum Chairman	Povl Krogsgaard-Larsen Deputy Chairman	Hans Andersen
Nils S. Andersen	Eva Vilstrup Decker	Morten Ibsen
Jørn P. Jensen		

The independent auditors' report

To the shareholders of Carlsberg Breweries A/S

We have audited the annual report of the Carlsberg Breweries Group and the Parent Company for the financial year 1 January - 31 December 2006, which comprises the statement by the Board of Directors and Board of Executives, operating and financial review, accounting policies, income statement, statement of recognised income and expenses, balance sheet, statement of changes in equity, cash flow statement and notes. The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of the annual report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Breweries Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2006 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

Copenhagen, 8 May 2007.

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab

Finn L. Meyer	Jesper Koefoed
State Authorized Public Accountant	State Authorized Public Accountant

Management Review

Five-year summary - Carlsberg Breweries Group

	IFRS 2006	IFRS 2005	IFRS 2004	2004	2003	2002
Sales volumes (million hl)						
Beer	**100.7**	101.6	92.0	92.0	81.4	78.6
Soft drinks	**20.2**	19.1	19.4	19.4	21.2	20.9
Income statement (DKK million)						
Net revenue	**41,083**	38,047	36,284	35,987	34,626	35,544
Operating profit before special items	**3,997**	3,422	2,970	3,001	3,429	3,585
Special items, net	**-160**	-636	-598	-301	- 401	- 24
Financials, net *)	**-728**	-1,014	-816	-742	- 637	- 1,084
Profit before tax	**3,109**	1,772	1,556	1,440	2,001	2,091
Corporation tax	**-920**	-519	-426	-537	-493	-697
Goodwill amortisation and impairments [1]	**-**	-	-	-518	- 390	- 386
Consolidated profit	**2,189**	1,253	1,130	903	1,508	1,394
Shareholders in Carlsberg Breweries A/S	**1,907**	994	888	660	1,242	1,052
Balance sheet (DKK million)						
Total assets	**45,834**	50,206	44,835	44,490	42,518	42,491
Invested capital	**31,429**	31,379	31,137	31,320	27,978	30,027
Interest-bearing debt, net	**14,800**	16,316	15,884	15,884	11,289	13,070
Equity, shareholders in Carlsberg Breweries A/S	**10,956**	11,798	9,471	9,569	12,511	11,878
Cash flow (DKK million)						
Cash flow from operating activities	**4,872**	4,842	4,172	4,103	4,354	4,824
Cash flow from investing activities	**232**	-3,498	-3,612	-3,543	-2,140	- 3,777
Free cash flow	**5,104**	1,344	560	560	2,214	1,047
Financial ratios						
Operating margin (before special items)	**9.7%**	9.0%	8.2%	8.3%	9.9%	10.1%
Return on average invested capital (ROIC)	**12.3%**	10.2%	9.4%	9.6%	12.3%	11.9%
Equity ratio	**23.9%**	23.5%	21.1%	21.5%	29.4%	28.0%
Debt/equity (financial gearing)	**135%**	138%	168%	166%	90%	110%
Interest cover	**5.48**	3.37	3.64	4.04	5.38	3.31
Employees						
Number of employees	**31,537**	30,336	30,043	30,043	31,375	28,316

The accounting policies have been amended with effect from 2005, cf. section of the Annual Report on the transition to IFRS in the Annual report for 2005. The comparative figures for 2004 have been restated accordingly, but those for other years have not. The key figures have been prepared in accordance with Danish Society of Financial Analysts' publication "Financial Rations & Key Figures 2005".

[1] Presentation in accordance with policies applied up to and including 2004. Since the transition to IFRs in 2005, impairment of goodwill is included in special items.

Activities of the Group

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

The parent company's main activities are investments in national and international breweries as well as license and export business

Income statement

Net revenue totalled DKK 41,083m in 2006 (2005: DKK 38,047m), an increase of 8% on 2005 (2005: 5%). Growth of DKK 522m (1,4 percentage points) was due to acquisitions, primarily due to increased shareholdings in Wusu Beer Group, China and the consequent pro-rata consolidation. Organic growth was DKK 2,359m (6,2 percentage points), driven by progress in Western Europe and Asia, and a particularly positive development in BBH. Added to this is a positive effect of DKK 155m from exchange rate movements. Sales of beer totalled DKK 29,047m (2005: DKK27,177m) or 70.7% of total revenue (2005: 71.4%).

Cost of sales amounted to DKK 20,151m (DKK 18,879m in 2005), an increase of 7% (DKK 1,272m) including increased cost of sales related to activities acquired in Asia of DKK 241m. This development reflects the volume growth (+5% pro rata) and rising costs in Western Europe as a result of the shift to more expensive types of packaging. Seen in isolation, the rationalisation programmes plus realised synergies from the merger of the Russian breweries have reduced costs.

Gross profit rose by 9% to a total of DKK 20,932m (DKK 19,168m in 2005). The gross margin rose by 0.6 percentage points to 51.0% (50.4% in 2005).

Sales and distribution expenses grew by 6% to DKK 14,173m (DKK 13,332m in 2005). This development follows the increasing scope of business in the Carlsberg Breweries Group, acquisitions made and particularly high impairments for bad and doubtful debts for customers in the United Kingdom and Sweden. Sales and distribution expenses also include marketing expenses of DKK 4,178m (DKK 3,718m in 2005), equivalent to an increase of 12%, partly as a result of increased market-oriented activities in BBH.

Administrative expenses were DKK 3,043m against DKK 2,943m in 2005, an increase of 4%.

Other operating income was DKK 450m and other operating expenses DKK -248m, or DKK 202m net against DKK 304m net in 2005, a fall of DKK 102m, DKK 51m of which can be attributed to smaller gains on the sale of real estate and other assets.

Profit from associates was DKK 79m (DKK 225m in 2005). This development is due primarily to the sale of shares in Hite Brewery Co. Ltd. in 2005, as a result of which the profit from this (DKK +116m in 2005) is no longer included.

Operating profit before special items was DKK 3,997m against DKK 3,422m in 2005 (DKK 3,306m in 2005 excluding share of profit from the then associate Hite Brewery Co. Ltd.), equivalent to an increase of 21% on the previous year for continuing operations. This increase is the result of broadly based progress, including growth in earnings in both Western Europe and Asia and particularly high earnings in BBH, which can partly be attributed to an extraordinarily high demand for beer in the third quarter due to problems with the supply of wine and spirits in Russia. The overall operating margin was 9.7% (9.0% in 2005) which is an improvement of 0.7 percentage points on last year.

Net special items were DKK -160m against DKK -336m in 2005. The major special items in 2006 were the gain on the sale of shares in Hite Brewery Co. Ltd., redundancy costs etc. in connection with the Operational Excellence programmes and closure of the Valby brewery, and impairment losses etc. in Turkey and Italy.

Net financial items were DKK -728m against DKK -1,014m in 2005. Net interest was DKK -831m against DKK -828m in 2005. Despite a reduction of DKK 1.5bn in average net interest-bearing debt, the higher interest rate level meant that this figure was only slightly lower than 2005. Other net financial items were DKK +103m against DKK -186m in 2005. This change was due in particular to currency translation adjustments (DKK +222m compared with 2005) on debt in USD.

Tax on profit for the year was DKK -920m against DKK -519m in 2005. The effective tax rate was thus 29.6% against 29.3% in 2005, and therefore in line with the current rate of corporation tax in Denmark.

Consolidated profit was DKK 2,189m against DKK 1,253m in 2005, and minority interests' share of this was DKK 282m (DKK 259m in 2005). In particular the increase in minority interests reflects the positive trend in BBH.

Carlsberg Breweries' share was DKK 1,907m against DKK 994m in 2005. This positive development can be attributed in particular to growth in operating profit from beverage activities, a reduction in special items, and positive currency translation adjustments under financial items.

Balance sheet

Carlsberg Breweries Group had total assets of DKK 45,834m at year-end 2006, a fall of DKK 4,372m compared with 2005.

Assets

Intangible assets totalled DKK 10,072m (DKK 9,465m in 2005). The increase of DKK 607m can primarily be attributed to goodwill.

Goodwill on acquisition of minority interests was DKK 374m (DKK 1,383m in 2005) and goodwill on acquisition of entities DKK 456m (DKK 417m in 2005).

Property, plant and equipment totalled DKK 19,595m (DKK 19,980m in 2005), which is on a par with 2005 and i.a. reflects the fact that total capital expenditure was only on a par with depreciation despite capacity expansion in the growth markets.

At the closing of the accounts, impairment tests were carried out on cash-generating units, including goodwill and trademarks with an indefinite useful life. As a result, the carrying amount of goodwill in Italy has been impaired by DKK 94m and property, plant and equipment in Turkey have been impaired by DKK 80m.

Other non-current assets fell from DKK 5,860m to DKK 2,526m at year-end 2006, mainly as a result of the sale of shares in Hite Brewery Co. Ltd.

Current assets fell by DKK 1,250m to a total of DKK 13,532m (DKK 14,782m in 2005) as a result of lower other receivables. At year-end 2005 this figure included a receivable of DKK 1,928m from the sale of shares in Hite Brewery Co. Ltd.

Equity and liabilities

Total equity was DKK 12,324m, of which DKK 1,368m can be attributed to minority interests and DKK 10,956m to shareholders in Carlsberg Breweries A/S. Compared with 2005, equity was reduced by DKK 985m and equity attributable to shareholders in Carlsberg Breweries A/S by DKK 842m. Financial gearing was reduced from 1.38 to 1.35 as a result of the continued reduction in net interest-bearing debt.

Besides the profit for the year (DKK 1,907m), the movement in equity before minority interests was due to currency translation adjustments (DKK -347m), value adjustments of securities and hedging instruments (DKK -

1,470m) and adjustment of retirement benefit obligations etc. (DKK -32m). The dividend to shareholders was DKK 900m.

Total obligations were DKK 35,510m (DKK 36,897m in 2005). The reduction is due to the repayment of debt, reducing both current and non-current borrowings. The proportion of non-current borrowings has fallen from 68% to 66%.

Cash flow and interest-bearing debt

Cash flow from operating activities was DKK 4,872m against DKK 4,842m in 2005.

Operating profit before depreciation and amortisation, adjusted for other non-cash items, rose by DKK 897m, while restructuring costs paid were DKK 60m lower than in 2005. The development in working capital made a positive contribution of DKK 241m, although this was less than the particularly positive development in 2005. Interest etc. paid reduced operating profit by DKK 37m. Corporation tax paid rose by DKK 265m.

Cash flow from investing activities was DKK +232m (DKK-3,498m in 2005).

Acquisition and divestment of entities, net, was lower than in 2005, with these items having a net effect of DKK 18m (DKK -738m in 2005). The sale of the shareholding in Hite Brewery Co. Ltd. in 2005 and 2006 had a positive effect on cash flow of approx. DKK 3.3bn in 2006.

Free cash flow was DKK 5,104m against DKK 1,344m in 2005.

Net interest-bearing debt was DKK 14.8bn at year-end against DKK 16.3bn at year-end 2005, a reduction of approx. DKK 1.5bn. The development in net interest bearing debt reflects, on the one hand, the development in free cash flow (excluding the shares in Hite Brewery Co. Ltd. sold in 2005, where the receivable of DKK 1,928m was included in net interest-bearing debt at year-end 2005 but in free cash flow in 2006 after payment was received) and currency translation adjustment of debt, primarily issued in USD and CHF, totalling approx. DKK -0.3bn and, on the other hand, payment of dividends to Carlsberg A/S and minority interests totalling approx. DKK 01.0bn and acquisition of minority interests (primarily in BBH) totalling approx. DKK 0.6bn.

Financial risks

Carlsberg Breweries' 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 Group Treasury, which is responsible to the business's Executive Board and Board of Directors, on the basis of principles approved by the Board of Directors. The Group's foreign exchange, interest rate, credit and liquidity risks are presented in the notes to the consolidated financial statements.

The environment at Carlsberg Breweries

The Carlsberg Breweries 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.

This commitment to the environment is anchored in Carlsberg Breweries' Environmental Policy, which is supplemented with and implemented through the local companies' own environmental policies. The Environmental Policy is presented on the Group's website. One element of the policy is to encourage suppliers and other business partners to shoulder their own environmental responsibility and act accordingly.

In line with its Environmental Policy, the Carlsberg Breweries Group strives constantly to minimise its environmental impact and reduce the consumption of resources in the course of its activities. Carlsberg Breweries believes that continuously reducing the consumption of water and energy in production has great potential both environmentally and financially.

Against this background, an energy management project was launched in 2006 to systematically review the Group's production sites and identify and implement ways of optimising resource consumption.

The legislation on CO_2 emission allowances introduced by the EU has not led to any major changes, and overall Carlsberg Breweries Group had unused allowances available to sell in 2006.

Expectations for 2007

For 2007 Carlsberg Breweries anticipates growth of around 5% in net revenue. Operating profit is expected to increase to approx. DKK 4.3bn (DKK 3,997m in 2006), with progress in all regions. However, the profit increase in 2007 is expected to be lower than the increase realised in 2006, due partly to the particularly strong progress in 2006 and partly to the fact that the profit in 2007 will be reduced by significant central expenses (in the segment "Not distributed") for marketing and for standardisation of processes, business processes, IT systems etc. to support the ongoing productivity improvements necessary within all functional areas.

In 2007 special items are expected to be on a par with the reported figure for 2006.

Financial expenses are expected to be somewhat higher than in 2006, mainly because other financial items (currency translation adjustments etc.) were DKK +103m in 2006. At present a small negative figure is expected for other financial items in 2007. Interest expenses in 2007 are expected to be higher than in 2006, due to the significant investment programme in 2007, cf. below.

Minority interests are expected to rise in 2007 as a result of an anticipated positive development, i.a. in BBH.

Net profit in 2007 is expected to show a small improvement on the reported figure for 2006.

Investments in continued capacity expansion in BBH and investments in connection with the establishment of a new production structure, i.a. in Denmark and Finland, mean that total investments will be fairly high, which, taking 2007 in isolation, will have a negative impact on free cash flow. By their very nature, one of the aims of these investments is to increase free cash flow over time.

The above forward-looking statements, including the forecasts of future revenue, profit and cash flow etc. 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 – matters presented in previously published material from Carlsberg Breweries A/S and in the 2006 annual Report.

Carlsberg Breweries Group

Consolidated Accounts 2006

Carlsberg Breweries Group

Income statement

Note		2006 DKK Million	2005 DKK Million
	Revenue	55,753	51,847
	Excise duties on beer and soft drinks etc.	-14,670	-13,800
	Net revenue	**41,083**	**38,047**
3	Cost of sales	-20,151	-18,879
	Gross profit	20,932	19,168
4	Sales and distribution expenses	-14,173	-13,332
5	Administrative expenses	-3,043	-2,943
6	Other operating income	450	605
6	Other operating expenses	-248	-301
17	Share of profit after tax, associates	79	225
	Operating profit before special items	**3,997**	**3,422**
7	Special items, net	-160	-636
8	Financial income	634	504
9	Financial expenses	-1,362	-1,518
	Profit before tax	**3,109**	**1,772**
10	Corporation tax	-920	-519
	Consolidated profit	2,189	**1,253**
	Attributable to:		
11	Minority interests	282	259
	Shareholders in Carlsberg Breweries A/S	**1,907**	**994**
12	**Earnings per share**		
	Earnings per share	3,814	1,988
	Earnings per share, diluted	3,814	1,988

Carlsberg Breweries Group

Statement of recognised income and expenses for the year

2006

DKK Million

	Currency translation	Fair value adjustments[1]	Retained earnings	Shareholders in Carlsberg Breweries A/S, total	Minority interests	Total
Profit for the year	**-**	**-**	**1,907**	**1,907**	**282**	**2,189**
Currency translation adjustments:						
Foreign entities	-347	-	-	-347	-72	-419
Value adjustments:						
Hedging instruments	69	170	-	239	-	239
Securities	-	-1,085	-	-1,085	-	-1,085
Securities, transferred to income statement on sale	-	-624	-	-624	-	-624
Retirement benefit obligations	-	-	-98	-98	-	-98
Other adjustments:						
Share-based payment	-	-	-3	-3	-	-3
Other	-	-	7	7	-10	-3
Tax on changes in equity	-7	4	61	58	-	58
Net amount recognised directly in equity	**-285**	**-1,535**	**-33**	**-1,853**	**-82**	**-1,935**
Total recognised income and expenses	**-285**	**-1,535**	**1,874**	**54**	**200**	**254**

2005

DKK Million

	Currency translation	Fair value adjustments[1]	Retained earnings	Shareholders in Carlsberg Breweries A/S, total	Minority interests	Total
Profit for the year	**-**	**-**	**994**	**994**	**259**	**1,253**
Currency translation adjustments:						
Foreign entities	1,096	-	-	1,096	132	1,228
Transferred to income statement on sale	-128	-	-	-128	-	-128
Value adjustments:						
Hedging instruments	-289	-14	-	-303	-	-303
Hedging instruments, transferred to income statement on sale	-	-6	-	-6	-	-6
Securities	-143	1,673	-	1,530	-	1,530
Retirement benefit obligations	-	-	-166	-166	-1	-167
Other adjustments:						
Share-based payment	-	-	3	3	-	3
Other	-	-	-21	-21	50	29
Tax on changes in equity	68	-31	41	78	-11	67
Net amount recognised directly in equity	**604**	**1,622**	**-143**	**2,083**	**170**	**2,253**
Total recognised income and expenses	**604**	**1,622**	**851**	**3,077**	**429**	**3,506**

[1] Fair value adjustments comprise a reserve for securities available for sale and a reserve for hedging transactions.

Carlsberg Breweries Group

Balance sheet

Note	Assets	31.12.2006 DKK Million	31.12.2005 DKK Million
	Non-current assets		
15	Intangible assets	10,072	9,465
16	Property, plant and equipment	19,595	19,980
17	Investments in associates	551	1,081
18	Securities	107	2,641
19	Receivables	1,139	1,235
26	Deferred tax assets	715	882
25	Retirement benefit net assets	14	21
	Total non-current assets	**32,193**	**35,305**
	Current assets		
20	Inventories	3,220	2,866
19	Trade receivables	6,110	5,979
	Tax receivables	84	132
19	Other receivables	925	2,989
	Prepayments	918	587
18	Securities	8	109
21	Cash and cash equivalents	2,267	2,120
	Total current assets	**13,532**	**14,782**
22	Assets held for sale	109	119
	Total assets	**45,834**	**50,206**

Carlsberg Breweries Group

Balance

Note	Equity and liabilities	31.12.2006 DKK Million	31.12.2005 DKK Million
	Equity		
23	Share capital	500	500
	Reserves	10,456	11,298
	Equity, shareholders in Carlsberg Breweries A/S	10,956	11,798
	Minority interests	1,368	1,511
	Total equity	**12,324**	**13,309**
	Non-current liabilities		
24	Borrowings	11,865	14,671
25	Retirement benefit obligations and similar obligations	1,978	2,037
26	Deferred tax liabilities	1,578	1,522
27	Provisions	342	185
28	Other liabilities	54	65
	Total non-current liabilities	**15,817**	**18,480**
	Current liabilities		
24	Borrowings	6,217	6,749
	Trade payables	5,071	4,481
	Deposits on returnable packaging	1,159	1,224
27	Provisions	451	561
	Corporation tax	187	574
28	Other liabilities etc.	4,607	4,818
	Total current liabilities	**17,692**	**18,407**
22	Liabilities associated with assets held for sale	1	10
	Total liabilities	**33,510**	**36,897**
	Total equity and liabilities	**45,834**	**50,206**

Carlsberg Breweries Group

Statement of changes in equity

2006

DKK Million

	Shareholders in Carlsberg Breweries A/S							
	Share capital	Currency translation	Fair value adjustments[1]	Retained earnings	Total reserves	Total capital and reserves	Minority interests	Total equity
Equity at 1 January 2006	500	573	1,514	9,211	11,298	11,798	1,511	13,309
Total recognised income and expenses for the year, cf. the statement on page 11	-	-285	-1,535	1,874	54	54	200	254
Capital increase	-	-	-	-	-	-	23	23
Purchase/sale of treasury shares	-	-	-	-	-	-	-	-
Other	-	-	-	4	4	4	-	4
Dividends paid to shareholders	-	-	-	-900	-900	-900	-148	-1,048
Acquisition of minority interests and entities	-	-	-	-	-	-	-218	-218
Total changes in equity	**-**	**-285**	**-1,535**	**978**	**-842**	**-842**	**-143**	**-985**
Equity at 31 December 2006	**500**	**288**	**-21**	**10,189**	**10,456**	**10,956**	**1,368**	**12,324**

2005

DKK Million

	Shareholders in Carlsberg Breweries A/S							
	Share capital	Currency translation	Fair value adjustments[1]	Retained earnings	Total reserves	Total capital and reserves	Minority interests	Total equity
Equity at 1 January 2005	500	-31	-108	9,110	8,971	9,471	1,581	11,052
Total recognised income and expenses for the year, cf. the statement on page 11	-	604	1,622	851	3,077	3,077	429	3,506
Capital increase	-	-	-	-	-	-	8	8
Dividends paid to shareholders	-	-	-	-750	-750	-750	-202	-952
Acquisition of minority interests	-	-	-	-	-	-	-305	-305
Total changes in equity	**-**	**604**	**1,622**	**101**	**2,327**	**2,327**	**-70**	**2,257**
Equity at 31 December 2005	**500**	**573**	**1,514**	**9,211**	**11,298**	**11,798**	**1,511**	**13,309**

The proposed dividend of DKK 890.00 per share, in total DKK 445m (2005: DKK 1,800.00 per share, in total DKK 900m), is included in retained earnings at 31 December 2006.

[1] Fair value adjustments comprise a reserve for securities available for sale and a reserve for hedging transactions.

Carlsberg Breweries Group

Cash flow statement

Note		2006 DKK Million	2005 DKK Million
	Operating profit before special items	3,997	3,422
	Adjustment for depreciation and amortisation	2,940	2,773
	Adjustment for impairment	36	-
	Operating profit before depreciation, amortisation and impairment	6,973	6,195
29	Adjustment for other non-cash items	-6	-125
29	Change in working capital	241	940
	Restructuring costs paid	-477	-537
	Interest etc. received	174	122
	Interest etc. paid	-1,104	-1,089
	Corporation tax paid	-929	-664
	Cash flow from operating activities	**4,872**	**4,842**
	Acquisition of property, plant and equipment, and intangible assets	-3,188	-3,010
	Disposal of property, plant and equipment, and intangible assets	305	490
29	Change in trade loans	-200	-32
	Total operational investments	-3,083	-2,552
30	Acquisition and divestment of entities, net	18	-738
	Acquisition of financial assets [1]	-82	-680
	Disposal of financial assets	1,420	2,016
29	Change in financial receivables [2]	1,894	-1,622
	Dividends received	65	78
	Total financial investments	3,315	-946
	Cash flow from investing activities	**232**	**-3,498**
	Free cash flow	**5,104**	**1,344**
29	Shareholders in Carlsberg Breweries A/S	-3,337	10
29	Minority interests	-701	-1,581
29	External financing	-1,033	512
	Cash flow from financing activities	**-5,071**	**-1,059**
	Net cash flow	**33**	**285**
	Cash and cash equivalents at 1 January	1,822	1,487
	Currency translation adjustments	-77	50
21	Cash and cash equivalents at 31 December	1,778	1,822

[1] Includes payment of DKK 253m for value adjustment of shares in connection with the Asia settlement in 2005.

[2] Includes DKK 1,928m received on the sale of shares in Hite Brewery Co. Ltd. in 2006, and the corresponding receivable in 2005.

Note 1 Significant accounting estimates and judgements

The 2006 Annual Report of the Carlsberg Breweries Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the executive order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act. In addition, the Annual Report has been prepared in compliance with the IFRS issued by the IASB.

In preparing the Carlsberg Breweries Group's Annual Report, management makes various accounting estimates and assumptions which form the basis of recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are presented below. The Group's accounting policies are described in detail in note 38.

Estimation uncertainty

Determining the carrying amount of some assets and liabilities requires judgements, estimates and assumptions concerning future events.

The judgements, estimates and assumptions made are based on historical experience and other factors, including judgements by consultants and specialists which management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The Company is also subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Specific risks for the Carlsberg Breweries Group are discussed in the relevant section of the Management review and in the notes.

Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Trademarks

In business combinations, the value of the trademarks acquired and their expected useful life are assessed based on the trademarks' market position, expected long-term developments in the relevant markets, the trademarks' profitability, and management's intentions for the trademarks.

When the value of a well-established trademark is expected to be maintained for an indefinite period in the markets in question, and these markets are expected to be profitable for a long period, the useful life of the trademark is determined to be indefinite. In the opinion of management, there is only a minimal risk of the current situation in the markets in question reducing the useful life of these trademarks. This is primarily due to their respective market share in each market and to current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

Measurement is based on expected future cash flows for the trademarks on the basis of key assumptions about expected useful life and royalty rate and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of specific and estimated future risks associated with the particular trademark.

Management performs an annual assessment of the risk of the current market situation in the markets in question reducing the value or requiring adjustment of the useful life of the trademarks. When there is an indication of a reduction in the value or useful life, the trademark is written down or the amortisation is increased in line with the trademark's shorter useful life.

Customer lists

In business combinations, the value of acquired customer lists and customer portfolios is assessed based on the local market and trading conditions. The relationship between trademarks and customers is carefully considered so that trademarks and customer lists are not both recognised on the basis of the same underlying cash flows. In the case of breweries in Asia, there is a particularly close relationship between trademark and sales, as geographical location and local trading are significant. Therefore, normally no separate value for customer lists will be recognised in these cases.

Measurement is based on expected future cash flows for the customer lists on the basis of key assumptions about sales growth, operating margin, customer retention rate and theoretically calculated tax and contributions to other assets. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of specific and future risks associated with the customer lists.

Impairment testing
In performing the annual impairment test of goodwill, an assessment is made as to whether the individual units of the company (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill, trademarks with an indefinite useful life and other net assets of the entity.

The estimates of future net free cash flows are based on budgets and business plans for the next three years and projections for subsequent years. Key parameters are sales growth, operating margin, future capital expenditure and growth expectations beyond the next three years. Budgets and business plans for the next three years are based on concrete future commercial initiatives, and the risks associated with the key parameters are assessed and incorporated in expected future free cash flows. Projections beyond the next three years are based on general expectations and risks.

Pre-tax discount rates which reflect the risk-free interest rate with the addition of specific risks in each particular geographical segment are used to calculate recoverable amounts. The cash flows used already incorporate the effect of relevant future risks, and accordingly these risks are not incorporated in the discount rates used.

For a description of impairment testing for intangible assets, see note 15.

Estimates of future earnings from trademarks with an indefinite useful life are made using the same model as used to measure trademarks in business combinations, cf. above.

Management performs an annual test for indications of impairment of trademarks with a finite useful life other than the decrease in value reflected by amortisation. Impairment tests are conducted in the same way as for trademarks with an indefinite useful life when there is an indication that the assets may be impaired. Management is of the opinion that there were no such indications at the end of 2006, and therefore trademarks with a finite useful life have not been impairment-tested.

Deferred tax assets
The Carlsberg Breweries Group recognises deferred tax assets, including the tax base of tax loss carryforwards, if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

The value of recognised deferred tax assets is DKK 715m (2005: DKK 882m), of which DKK 430m is expected to be realised within 12 months and DKK 285m is expected to be realised more than 12 months after the balance sheet date. The value of unrecognised tax assets (primarily tax loss carryforwards) is DKK 552m (2005: DKK 719m) and is not expected to be realised in the foreseeable future.

For a more detailed presentation of the Group's tax assets, see note 26.

Receivables
Receivables are measured at amortised cost less impairment.

When a receivable is uncollectible, impairment is recognised to reflect losses. If capacity to pay deteriorates in the future, further impairment may be necessary. Management performs analyses on the basis of customers' expected capacity to pay, historical information on payment patterns and doubtful debts, and customer concentrations, customers' creditworthiness, collateral received and the economic climate in the company's sales channels.

As regards loans to the on-trade, the individual Group companies ensure management and control of these loans as well as standard trade credit in accordance with Group guidelines.

Provisions made are expected to be sufficient to cover losses. The economic uncertainty associated with impairment to reflect losses on doubtful debts is considered to be limited.

Retirement benefit obligations and similar obligations
When calculating the value of the Carlsberg Breweries Group's defined benefit pension plans, a number of significant actuarial assumptions are made, including discount rates, expected return on plan assets and expected growth in wages and pensions. The range and weighted average for these assumptions are presented in note 25. Changes in actuarial assumptions (gains or losses) are recognised directly in equity, and amounted to an accumulated net loss of DKK 162m at 31 December 2006 (2005: DKK 180m).

The value of the Group's defined benefit pension plans is based on valuations from external actuaries.

Accounting policies applied

In applying the Group's accounting policies, management makes judgements as well as accounting estimates which may have a material impact on the amounts recognised in the financial statements.

Such judgements include the classification of shareholdings (including joint ventures), the recognition of revenue and excise duties, the recognition of revenue from property projects, and the timing of the recognition of revenue and costs relating to loans to the on-trade and sponsorship activities.

Business combinations

When accounting for business combinations and new cooperation agreements, a judgement is made concerning the classification of the acquired entity as a subsidiary, joint venture or associate. This judgement is made on the basis of the agreements entered into on the acquisition of ownership or voting rights in the entity and on the basis of shareholder agreements and the like entered into stipulating the actual level of influence over the entity.

This classification is significant, as the recognition of proportionally consolidated joint ventures impacts on the financial statements in a different way to full consolidation of subsidiaries or recognition of associates using the equity method. Any amendment of IFRS preventing the use of proportional consolidation would therefore have an impact on the consolidated financial statements. Note 33 presents key figures for proportionally consolidated entities.

Revenue recognition

Revenue from the sale of finished goods is recognised when the risk has been transferred to the buyer. Net revenue is measured exclusive of VAT and duties, including excise duties on beer and soft drinks, and discounts.

Management assesses the local rules on the imposition of duties for the purpose of classification either as sales-related duties, which are deducted from net revenue, or as part of the cost of sales.

Customer discounts are recognised in the same period as the sales to which they relate. Customer discounts are deducted from net revenue.. Customer discounts based on accumulated sales volumes over a period of time are calculated on the basis of expected total sales, based on experience from previous sales up to that date and other current information about trading with the customer in question. These calculations are performed by management in cooperation with sales managers.

Loans to the on-trade

Under certain circumstances the Carlsberg Breweries Group issues loans to customers in the on-trade in some markets. The agreements are typically complex and cover several aspects of the relationship between the parties. Management assesses the recognition and classification of revenue and expenses for each of these agreements, including the distribution of revenue from the loan between net revenue, customer discounts and other operating income.

Special items

The use of special items entails management judgement in their segregation from other items in the income statement, cf. accounting policies. When using special items, it is crucial that these constitute significant items of revenue and expenses which cannot be attributed directly to the Group's operating activities but concern fundamental structural or process-related changes in the Group and any associated divestment gains or losses. Management carefully considers such changes in order to ensure the correct distinction between the Group's operating activities and restructuring of the Group to enhance the Group's future earnings potential.

Special items also include other significant non-recurring items, such as impairment of goodwill.

Inventories

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. Companies in the Carlsberg Breweries Group which use standard costs in the measurement of inventories review these costs at least once a year. The standard cost is also revised if it deviates by more than 5% from the actual cost of the individual product.

Indirect production overheads are calculated on the basis of relevant assumptions as to capacity utilisation, production time and other factors pertinent to the individual product.

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. The calculation of net realisable value is mainly relevant to packing materials, packaging and spare parts. Net realisable value is not normally calculated for beer and soft drinks because their limited shelf-life means that slow-moving goods must instead be scrapped.

Leases and service contracts

The Carlsberg Breweries Group has entered into a number of leases and service contracts. When entering into these agreements, management considers the substance of the service being rendered in order to classify the agreement as either a lease or a service contract. In making this judgement, particular importance is attached to whether fulfilment of the agreement depends on the use of specific assets. Information on the Group's leases and contracts can be found in note 37.

For leases assessment is subsequently made as to whether the lease is a finance lease or an operating lease. The Carlsberg Breweries Group has mainly entered into operating leases for standardised assets with a short duration relative to the life of the assets, and accordingly the leases are classified as operating leases.

Notes

2 Segment reporting

The Carlsberg Breweries Group's main activity is the production and sale of beer and other beverages.

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.

As discussed in the accounting policies, note 38, the specification of segment reporting has changed, and the comparative figures have been restated.

Carlsberg Breweries Group

Notes

2 Segment reporting

2006

DKK Million

	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Carlsberg Breweries Group, total
Income statement:						
Net revenue	27,221	7,949	3,486	2,298	129	41,083
Internal revenue	86	4	23	1	-114	-
Total net revenue	**27,307**	**7,953**	**3,509**	**2,299**	**15**	**41,083**
Distribution	66%	19%	9%	6%	-	100%
Segment result	2,416	1,804	100	297	-699	3,918
Share of profit after tax, associates	9	-	35	35	-	79
Operating profit before special items	**2,425**	**1,804**	**135**	**332**	**-699**	**3,997**
Special items, net						-160
Financials, net						-728
Profit before tax						**3,109**
Corporation tax						-920
Consolidated profit						2,189
Balance sheet:						
Segment assets, non-current	17,519	6,872	3,633	2,386	517	30,927
Segment assets, current	7,131	1,476	1,338	762	474	11,181
Investments in associates	118	29	124	280	-	551
Assets held for sale	27	-	40	38	4	109
Other assets						3,074
Total assets						**45,843**
Segment liabilities, non-current	2,324	11	17	20	2	2,374
Segment liabilities, current	7,637	1,094	1,111	771	672	11,285
Liabilities associated with assets held for sale	1	-	-	-	-	1
Interest-bearing debt, gross						18,082
Other liabilities						1,777
Equity						12,324
Total equity and liabilities						**45,843**
Other items:						
Acquisition of property, plant and equipment, and intangible assets	1,328	1,061	514	140	145	3,188
Depreciation and amortisation	1,667	619	396	120	138	2,940
Impairment	295	-	55	-	-	350

Carlsberg Breweries Group

Notes

2 Segment reporting

2005

DKK Million

	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Carlsberg Breweries Group, total
Income statement:						
Net revenue	26,261	6,565	3,372	1,638	211	38,047
Internal revenue	45	3	20	1	-69	-
Total net revenue	**26,306**	**6,568**	**3,392**	**1,639**	**142**	**38,047**
Distribution	69%	17%	9%	4%	1%	100%
Segment result	2,010	1,314	282	205	-614	3,197
Share of profit after tax, associates	17	2	20	186	-	225
Operating profit before special items	**2,027**	**1,316**	**302**	**391**	**-614**	**3,422**
Special items, net						-636
Financials, net						-1,014
Profit before tax						**1,772**
Corporation tax						-519
Consolidated profit						**1,253**
Balance sheet:						
Segment assets, non-current	18,410	6,313	3,699	4,199	721	33,342
Segment assets, current	6,915	1,132	1,346	639	2,498	12,530
Investments in associates	117	32	113	819	-	1,081
Assets held for sale	77	-	2	40	-	119
Other assets						3,134
Total assets						**50,206**
Segment liabilities, non-current	2,215	26	20	25	-	2,286
Segment liabilities, current	7,424	907	1,092	641	1,019	11,083
Liabilities associated with assets held for sale	10	-	-	-	-	10
Interest-bearing debt, gross						21,420
Other liabilities						2,098
Equity						13,309
Total equity and liabilities						**50,206**
Other items:						
Acquisition of property, plant and equipment, and intangible assets	1,562	725	464	107	152	3,010
Depreciation and amortisation	1,694	498	348	107	126	2,773
Impairment	433	-	578	57	105	1,173

Carlsberg Breweries Group

Notes

3 Cost of sales

	2006 DKK Million	2005 DKK Million
Cost of materials	9,354	8,824
Direct staff costs	1,099	1,338
Machinery costs	754	677
Depreciation and amortisation	1,731	1,666
Production overheads	2,041	1,884
Purchases of finished goods and other costs	5,172	4,490
Total	20,151	18,879
Of which staff costs, cf. note 12	1,986	1,983

4 Sales and distribution expenses

	2006 DKK Million	2005 DKK Million
Marketing expenses	4,178	3,718
Sales expenses	4,124	3,971
Distribution expenses	5,871	5,643
Total	14,173	13,332
Of which staff costs, cf. note 13	4,016	4,111

5 Fees to auditors appointed by the Annual General Meeting

	2006 DKK Million	2005 DKK Million
KPMG:		
Audit	19	18
Other services	11	4

Other services include fees for tax consultancy and due diligence in connection with acquisitions.

Carlsberg Breweries Group

Notes

6 Other operating income and expenses

	2006 DKK Million	2005 DKK Million
Other operating income:		
Gains on sale of real estate	79	126
Gains on disposal of other property, plant and equipment, and intangible assets within beverage activities	66	70
Interest and amortisation of on-trade loans	124	147
Rental income, real estate	88	94
Distributions from brewery organisations	-	6
Compensation for termination of licence agreement	-	31
Other, incl. grants received	93	131
Total	450	605
Other operating expenses:		
Loss on disposal of other property, plant and equipment, and intangible assets within beverage activities	-46	-77
Losses and provisions for on-trade loans	-30	-55
Real estate expenses	-86	-101
Other	-86	-68
Total	-248	-301
Of which staff costs, cf. note 13	24	-

Carlsberg Breweries Group

Notes

7 Special items, net

	2006 DKK Million	2005 DKK Million
Special items, income:		
Gain on sale of shares in Hite Brewery Co. Ltd.	602	1,215
Gain on sale of shares in Danbrew Ltd. A/S	-	14
Total	602	1,229
Special items, costs:		
Impairment of goodwill etc., Türk Tuborg	-80	-563
Impairment of goodwill, Carlsberg Italia	-144	-277
Value adjustment for purchase price of shares in Beer Lao and Hite Brewery in connection with settlement of the Carlsberg Asia case	-	-253
Impairment of software at Carlsberg IT A/S	-	-105
Impairments and expenses relating to withdrawal from the market for discount soft drinks in Denmark	-55	-
Other impairments of non-current assets	-12	-67
Loss on disposal of mineral water bottling plant, Passugger, Switzerland	-	-35
Loss on sale of Landskron Brauerei, Germany	-21	-
Loss from outsourcing of Carlsberg UK's servicing of draught beer equipment, reversal of provision	18	-81
Redundancy costs and impairment of non-current assets in connection with new production structure in Denmark	-74	-153
Redundancy costs and impairment of non-current assets in connection with new production structure at Sinebrychoff, Finland	-59	-
Redundancy costs etc. in connection with Operational Excellence programmes	-188	-184
Redundancy costs and expenses, establishment of Accounting Shared Service Center in Poland	-60	-
Restructuring, Carlsberg Italia	-58	-34
Restructuring, BBH	-	-44
Costs associated with the outsourcing of IT	-	-22
Other restructuring costs etc., other entities	-29	-47
Total	-762	-1,865
Special items, net	-160	-636

Carlsberg Breweries Group

Notes

8 Financial income

	2006 DKK Million	2005 DKK Million
Interest	148	114
Dividends	31	12
Fair value adjustments, net	34	35
Currency translation gains, net	58	-
Realised gains on sale of securities	13	4
Expected return on assets, defined benefit plans	333	328
Other financial income	17	11
Total	634	504

9 Financial expenses

	2006 DKK Million	2005 DKK Million
Interest	979	942
Currency translation losses, net	-	164
Write-down of financial assets	-	3
Interest cost on obligations, defined benefit plans	321	328
Other financial expenses	62	81
Total	1,362	1,518

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

Net currency translation losses include losses of DKK 0m (2005: DKK 7m) on monetary net assets in hyperinflationary economies.

Notes

10 Corporation tax

	2006 DKK Million	2005 DKK Million
Tax for the year comprises:		
Current tax on profit for the year	819	748
Change in deferred tax during the year	168	-196
Adjustments to tax for previous years	-125	-111
Total tax for the year	862	441
Deferred tax on items recognised directly in equity	68	78
Tax for the year on items recognised directly in equity	-10	-
Tax on profit for the year	920	519
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	28.0%	28.0%
Change in tax rate	-0.8%	0.5%
Differences in tax rates, foreign entities	-2.2%	-2.3%
Adjustments to tax for previous years	-4.0%	0.1%
Non-capitalised tax losses, net	11.5%	11.0%
Non-taxable income	-2.0%	-3.7%
Non-deductible expenses	2.3%	5.4%
Tax, associates	-	2.5%
Special items	-5.3%	-13.2%
Other	2.1%	1.0%
Effective tax rate for the year	29.6%	29.3%

The change in deferred tax recognised in the income statement can be broken down as follows:

	2006	2005
Tax losses	114	-277
Intangible assets and property, plant and equipment etc.	116	159
Deferred tax recognised in income statement	230	-118

Notes

11 Minority interests

	2006 DKK Million	2005 DKK Million
Minority interests' share of profit for the year relates to the following:		
BBH Group	238	198
Carlsberg Brewery Malaysia Berhad	68	72
Other	-24	-11
Total	282	259

12 Earnings per share

	2006 DKK Million	2005 DKK Million
Consolidated profit	2,189	1,253
Minority interests	-282	-259
Shareholders in Carlsberg Breweries A/S	1,907	994
	1.000 stk	1.000 stk
Average number of shares	500	500
Average number of treasury shares	-	-
Average number of shares in circulation	500	500
Average dilution effect of outstanding share options	-	-
Diluted average number of shares in circulation	500	500
	Kr.	Kr.
Earnings per share of DKK 20 (EPS)	3,814	1,988
Diluted earnings per share of DKK 20 (EPS-D)	3,814	1,988

Carlsberg Breweries Group

Notes

13

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

	2006 DKK Million	2005 DKK Million
Wages, salaries and other remuneration	5,708	5,822
Termination benefits	116	129
Social security costs	816	833
Pension costs - defined contribution plans	221	232
Pension costs - defined benefit plans	189	221
Share-based payment	9	3
Other benefits	153	145
Total	7,212	7,385

Staff costs are included in the following items in the income statement:

Cost of sales	1,986	1,983
Sales and distribution expenses	4,016	4,111
Administrative expenses	1,082	1,175
Other operating expenses	24	-
Special items (restructuring)	104	116
Total	7,212	7,385

The Group had an average of 31,537 (2005: 30,336) full-time employees during the year.

Carlsberg Breweries Group

Notes

13

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

Remuneration of key management personnel:

	2006		**2005**	
	DKK Million		DKK Million	
	Parent Company's Executive Board	Other senior executives	Parent Company's Executive Board	Other senior executives
Salaries and other remuneration	22	26	19	20
Pension costs	-	2	1	2
Share-based payment [1]	1	1	-	-
Total	23	29	20	22

[1] Share-based payment is specified in note 14.

Remuneration of the Executive Board comprises total remuneration of members of the Executive Board, some of which is paid by other entities in the Carlsberg Group. 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 Group's activities. This group is limited to Senior Vice Presidents and Vice Presidents engaged in Carlsberg's headquarters in Copenhagen, a total of 12 people (2005: 12 people).

The Board of Directors of Carlsberg Breweries A/S received emoluments of DKK 0m (2005: DKK 0m).

Notes

14 Share-based payment

In coorporation with Carlsberg A/S the Carlsberg Breweries 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 2006, a total of 215,750 (2005: 196,750) share options were granted to 150 (2005: 131) key employees. The fair value of these options when granted was a total of DKK 19m (2005: DKK 15m). Each option entitles the holder to purchase one B-share in Carlsberg A/S. The options may be settled only in shares (equity-settled scheme).

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 9m (2005: DKK 3m), which has been recognised in the income statement and is included in staff costs. Refunds etc. between Carlsberg A/S, Carlsberg Breweries A/S and its subsidiaries are recognised directly in equity with DKK 12m (2005: DKK 0m).

	Exercise period		Number					Exercise price	Fair value	
Year granted	First year	Last year	1 Jan. 2006	Granted	Expired/ forfeited	Exercised	31 Dec. 2006	Fixed	31 Dec. 2006	31 Dec. 2005
Executive Board										
2001	2004	2009	14,700	-	-	-	14,700	386.54	3	-
2002	2005	2010	14,700	-	-	-	14,700	323.82	4	1
2003	2006	2011	21,000	-	-	-	21,000	214.47	7	3
2004	2007	2012	26,250	-	-	-	26,250	268.39	8	2
2005	2008	2013	25,000	-	-	-	25,000	288.29	7	2
2006	2009	2014	-	30,000	-	-	30,000	380.18	7	-
Total			101,650	30,000	-	-	131,650		36	8
Other senior executives										
2001	2004	2009	58,275	-	-	14,175	44,100	386.54	8	-
2002	2005	2010	53,550	-	150	21,750	31,650	323.82	7	3
2003	2006	2011	62,475	-	-	30,775	31,700	214.47	11	8
2004	2007	2012	147,525	-	4,550	15,400	127,575	268.39	39	13
2005	2008	2013	167,500	-	14,667	10,833	142,000	288.29	42	14
2006	2009	2014	-	185,750	6,500	-	179,250	380.18	41	-
Total			489,325	185,750	25,867	92,933	556,275		148	38
Total			590,975	215,750	25,867	92,933	687,925		184	46

14 Share-based payment

	2006				2005			
	Executive Board	Others	Total	Average exercise price	Executive Board	Others	Total	Average exercise price
Share options outstanding at 1 January	101,650	489,325	590,975	288.24	76,650	354,113	430,763	286.34
Granted	30,000	185,750	215,750	380.18	25,000	171,750	196,750	288.29
Expired/forfeited	-	-25,867	-25,867	308.09	-	-22,855	-22,855	271.74
Exercised	-	-92,933	-92,933	287.47	-	-13,683	-13,683	256.57
Share options outstanding at 31 December	131,650	556,275	687,925	316.93	101,650	489,325	590,975	288.24
Exercisable at 31 December	50,400	107,450	157,850	307.26	29,400	111,825	141,225	356.23

The average share price at the time the share options were exercised was DKK 445 (2005: DKK 314).

At 31 December 2006 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 386.54 (2005: DKK 214.47 to DKK 386.54). The average remaining contractual life was 5.5 years (2005: 5.7 years).

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

The assumptions underlying the calculation of the fair value at the time of grant of share options granted in 2006 and 2005 are as follows:

	2006	2005
Fair value per option	89.37	74.27
Share price	380.18	288.29
Exercise price	380.18	288.29
Volatility	19%	27%
Risk-free interest rate	3.3%	3.1%
Dividend yield	1.3%	1.7%
Expected life of share options	5,5 år	5,5 år

The **share price** and the **exercise price** are calculated as the average price of Carlsberg A/S' B-shares on the OMX Copenhagen Stock Exchange the first five trading days after the publication of Carlsberg A/S' announcement of the annual financial statements 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 Danish government bonds of the relevant maturity, while the **dividend yield** is calculated as DKK 5 per share divided by the share price.

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

15 Intangible assets

	Goodwill	Trademarks [1]	Other intangible assets [2]	Advance payments	2006 DKK Million Total
Cost:					
Cost at 1 January 2006	8,407	843	1,406	54	10,710
Acquisition of entities	456	69	21	-	546
Additions	374	-	112	101	587
Divestment of entities	-	-	-4	-	-4
Disposals	-385	-	-56	-	-441
Currency translation adjustments etc.	-120	-10	-16	-	-146
Transfers	-	-	6	-6	-
Cost at 31 December 2006	8,732	902	1,469	149	11,252
Amortisation and impairment:					
Amortisation and impairment at 1 January 2006	275	74	896	-	1,245
Amortisation	-	16	240	-	256
Impairment	96	16	-	-	112
Divestment of entities	-	-	-3	-	-3
Disposals	-385	-	-48	-	-433
Currency translation adjustments etc.	18	-2	-13	-	3
Amortisation and impairment at 31 December 2006	4	104	1,072	-	1,180
Carrying amount at 31 December 2006	8,728	798	397	149	10,072

	2006 DKK Million	2005 DKK Million
Amortisation and impairment losses for the year are included in:		
Cost of sales	6	5
Sales and distribution expenses	61	45
Administrative expenses	189	192
Special items	112	842
Total	368	1,084

15 Intangible assets

	Goodwill	Trademarks [1]	Other intangible assets [2]	Advance payments	Total
					2005 DKK Million
Cost:					
Cost at 1 January 2005	6,803	842	1,378	124	9,147
Additions	1,800	-	158	50	2,008
Disposals	-465	-6	-299	-	-770
Currency translation adjustments etc.	275	7	39	-	321
Transfers	-6	-	130	-120	4
Cost at 31 December 2005	8,407	843	1,406	54	10,710
Amortisation and impairment:					
Amortisation and impairment at 1 January 2005	-	66	841	-	907
Amortisation	-	11	231	-	242
Impairment	737	-	105	-	842
Disposals	-	-4	-267	-	-271
Disposals of goodwill fully impaired during the year	-465	-	-	-	-465
Currency translation adjustments etc.	-	1	-7	-	-6
Transfers	3	-	-7	-	-4
Amortisation and impairment at 31 December 2005	275	74	896	-	1,245
Carrying amount at 31 December 2005	8,132	769	510	54	9,465

Additions to goodwill during the year can be specified as follows:	**2006** DKK Million	**2005** DKK Million
Acquisition of minority shareholdings:		
BBH Group	348	1,084
Carlsberg Brewery Hong Kong	-	173
Carlsberg Brewery Malaysia Berhad	-	21
Carlsberg Polska	-	43
Carlsberg Deutschland	26	-
Others	-	62
	374	1,383
Acquisition of entities, cf. note 30	456	417
Total	830	1,800

Goodwill in 2005 includes additions relating to the acquisition of minority shareholdings which may be reduced by up to DKK 187m until the end of 2007.

1

The carrying amount of trademarks which have an indefinite useful life and are therefore not amortised was DKK 654m (2005: DKK 670m) at 31 December 2006, equivalent to 82% (2005: 87%) of the capitalised trademarks - primarily the Holsten trademark. Management considers that the value of these trademarks can be maintained for an indefinite period, as these are well-established trademarks in the markets concerned and these markets are expected to be profitable in the longer term. In the opinion of management, there is only a minimal risk of the current situation in the markets in question reducing the useful life of these trademarks. This is primarily due to their respective market share in each market and to current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

2 The carrying amount of other intangible assets at 31 December 2006 includes capitalised software costs of DKK 205m (2005: DKK 290m) and beer delivery rights of DKK 103m (2005: DKK 106m).

Research and development costs of DKK 35m (2005: DKK 42m) have been charged to the income statement.

Notes

15 Intangible assets

Goodwill and trademarks with an indefinite useful life

The Carlsberg BreweriesGroup 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 country level.

At 31 December 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:

				2006
			DKK million	
	Goodwill	Trademarks	Total	%
Western Europe	4,195	652	4,847	52%
BBH Group (50%)	1,946	-	1,946	21%
Eastern Europe excl. BBH	1,143	2	1,145	12%
Asia	1,444	-	1,444	15%
Total	8,728	654	9,382	100%

				2005
			DKK million	
	Goodwill	Trademarks	Total	%
Western Europe	4,206	670	4,876	55%
BBH Group (50%)	1,717	-	1,717	20%
Eastern Europe excl. BBH	1,118	-	1,118	13%
Asia	1,091	-	1,091	12%
Total	8,132	670	8,802	100%

General assumptions:

The Carlsberg Group performed impairment tests on the carrying amount of goodwill and trademarks with an indefinite useful life as at 31 December 2006. 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.

In the case of trademarks with an indefinite useful life, estimates of future earnings from the trademark are made using the same model used for valuing trademarks in connection with business combinations, cf. note 1.

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.

Expected future free cash flow is based on budgets and business plans for the next three years and projections for subsequent years. Key parameters include trend in revenue, operating margin, future capital expenditure and growth expectations beyond the next three years.

Budgets and business plans for the next three years are based on concrete future business measures, assessing risks in the key parameters and incorporating these in expected future free cash flows. Projections beyond the next three years are based on general expectations and risks. The value for the terminal period beyond the next three years takes account of general growth expectations for the brewing industry in the segments in question. Growth rates are not expected to exceed the average long-term growth rate for the Group's individual geographical segments. The average growth rates for the terminal period are shown below.

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 effect of the future risks associated with this is incorporated in the cash flows used, which is why these risks are not included in the discount rates used.

15 Intangible assets

	Growth in the terminal period		Discount rates	
Significant assumptions:	**2006**	**2005**	**2006**	**2005**
Western Europe	0.5%	0.5%	4%-6%	3.5%-5.5%
BBH Group	2.5%	1.5%	8.5%	8%
Eastern Europe excl. BBH	1.5%	1.5%	6.5%-18%	5.5%-11%
Asia	2.5%	2.5%	4.5%-10.5%	4%-11%

Western Europe is characterised by stable volumes but also by continuing stiff competition, requiring ongoing optimisation of cost structures and use of capital. A slight increase in net revenue is expected in Western Europe in the next three years, while the ongoing Excellence programmes, including Commercial Excellence, and restructuring initiatives already implemented in key countries, are expected to contribute to productivity improvements and cost savings, and thus an improved operating margin. Some countries will continue to be characterised by a high level of investment as a result of changes to production structure.

The BBH Group is characterised both by growth in the market and increasing market shares, driven among other things by significant investments in marketing, innovation and the introduction of new products. Net revenue in the BBH Group is expected to rise, with costs expected to rise in line with this, resulting in a stable operating margin. The level of investment is expected to be maintained at a high level to support growth.

Eastern Europe excl. BBH is among the Group’s growth markets, with increases expected in both net revenue and operating 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 continue to be influenced by a high level of investment.

Asia, which is the Group’s third growth area, is also expected to achieve increases in net revenue and operating margin on the emerging markets, while stable earnings are expected on the mature markets. The ongoing introduction and marketing of the Carlsberg Chill brand is expected to make a positive contribution to the volume trend.

Impairment:

Based on the impairment tests performed, goodwill and trademarks with indefinite useful life have been impaired as follows:

	2006	**2005**
	DKK Million	DKK Million
Türk Tuborg	-	446
Carlsberg Italia	94	277
Others	18	14
I alt	112	737

The impairment in Carlsberg Italia is due to continuing difficult market conditions on a declining market, and thus an unsatisfactory earnings performance, leading to lower expectations for future earnings. Total goodwill relating to Carlsberg Italia has been fully impaired as a result. An impairment was carried out in Türk Tuborg in 2005 as a result of a deterioration in business conditions, mainly relating to ongoing increases in excise duties. Total goodwill relating to Türk Tuborg was fully impaired as a result.

Impairment is recognised under special items in the income statement and is 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 2006 for further impairments of goodwill and trademarks with an indefinite useful life. 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.

16 Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Other assets, vehicles etc. [1]	Construction in progress	Total
					2006 DKK Million
Cost:					
Kostpris pr. 1. januar 2006	12,125	21,888	8,504	1,049	43,566
Acquisition of entities	43	93	14	1	151
Divestment of entities	-38	-121	-40	-	-199
Additions	260	1,002	799	924	2,985
Disposals	-216	-899	-1,078	-3	-2,196
Currency translation adjustments etc.	-167	-381	-167	-13	-728
Transfers	247	395	228	-821	49
Transfers to/from assets held for sale	-72	-	-	-	-72
Cost at 31 December 2006	12,182	21,977	8,260	1,137	43,556
Depreciation and impairment:					
Depreciation and impairment at 1 January 2006	4,040	13,616	5,930	-	23,586
Divestment of entities	-22	-70	-34	-	-126
Disposals	-69	-902	-975	-	-1,946
Currency translation adjustments etc.	-103	-250	-119	-	-472
Depreciation	365	1,409	910	-	2,684
Impairment	55	153	30	-	238
Reversal of impairment	-22	-	-5	-	-27
Transfers	23	-46	74	-	51
Transfers to/from assets held for sale	-27	-	-	-	-27
Depreciation and impairment at 31 December 2006	4,240	13,910	5,811	-	23,961
Carrying amount at 31 December 2006	7,942	8,067	2,449	1,137	19,595
Of which held under finance leases: [2]					
Cost	10	132	66	-	208
Depreciation and impairment	-2	-60	-49	-	-111
Carrying amount at 31 December 2006	8	72	17	-	97
Carrying amount of assets pledged as security for borrowings	508	63	-	-	571

	2006 DKK Million	**2005** DKK Million
Depreciation and impairment are included in:		
Cost of sales	1,725	1,661
Sales and distribution expenses	856	709
Administrative expenses	139	161
Special items	202	209
Total	2,922	2,740

16 Property, plant and equipment

2005 DKK Million	Land and buildings	Plant, machinery and equipment	Other assets, vehicles etc. [1]	Construction in progress	Total
Cost:					
Kostpris pr. 1. januar 2005	11,637	20,191	8,267	821	40,916
Acquisition of entities	67	50	66	34	217
Divestment of entities	-	-	-8	-	-8
Additions	165	777	756	1,107	2,805
Disposals	-298	-525	-1,066	-8	-1,897
Currency translation adjustments etc.	315	738	220	51	1,324
Transfers	216	588	235	-961	78
Transfers to/from assets held for sale	-32	-	-	-	-32
Effect of hyperinflation adjustments	55	69	34	5	163
Cost at 31 December 2005	12,125	21,888	8,504	1,049	43,566
Depreciation and impairment:					
Depreciation and impairment at 1 January 2005	3,727	12,209	5,679	10	21,625
Acquisition of entities	9	14	32	-	55
Divestment of entities	-	-	-8	-	-8
Disposals	-140	-483	-906	-10	-1,539
Currency translation adjustments etc.	86	356	152	-	594
Depreciation	327	1,286	918	-	2,531
Impairment	24	176	9	-	209
Transfers	10	19	53	-	82
Transfers to assets held for sale	-10	-	-	-	-10
Effect of hyperinflation adjustments	7	39	1	-	47
Depreciation and impairment at 31 December 2005	4,040	13,616	5,930	-	23,586
Carrying amount at 31 December 2005	8,085	8,272	2,574	1,049	19,980
Of which held under finance leases: [2]					
Cost	-	126	60	-	186
Depreciation and impairment	-	-49	-55	-	-104
Carrying amount at 31 December 2005	-	77	5	-	82
Carrying amount of assets pledged as security for borrowings	366	25	-	-	391

[1] Other assets, vehicles etc. include rolling equipment such as cars and trucks, draught beer equipment, coolers, returnable packaging and office equipment.

[2] Leased assets with a carrying amount of DKK 97m (2005: DKK 82m) have been pledged as security for lease liabilities totalling DKK 87m (2005: DKK 134m).

17 Investments in associates

	2006 DKK Million	2005 DKK Million
Cost:		
Cost at 1 January	1,041	1,279
Acquisition of entities	11	400
Additions	5	672
Disposals	-66	-727
Currency translation adjustments etc.	-44	223
Transfers to assets held for sale	-	-41
Transfers to securities	-	-755
Transfers incl. advance payments in connection with business combinations	-532	-10
Cost at 31 December	415	1,041
Revaluation:		
Revaluation at 1 January	40	307
Disposals	66	-507
Dividends	-32	-79
Share of profit after tax	79	225
Currency translation adjustments etc.	-9	84
Transfers	-8	10
Revaluation at 31 December	136	40
Carrying amount at 31 December	551	1,081

2006 DKK Million

					Carlsberg Breweries Group share		
	Net revenue	Net profit for the year	Assets	Liabilities	Holding	Net profit for the year	Equity
Key figures for associates:							
Tibet Lhasa Brewery Co. Ltd.	138	38	336	17	33%	13	117
Lanzhou Huanghe Jianjiang Brewery Company	299	22	336	144	30%	7	61
Other associates, Asia (4 entities)	226	26	268	121	30-49%	12	66
International Breweries BV	416	67	562	471	16%	8	36
Nuuk Imeq A/S	140	20	264	88	31.9%	10	28
Others	2,138	93	2,441	1,940	20-25%	29	243
						79	551

17 Investments in associates

	2005 DKK Million				Carlsberg Breweries Group share		
	Net revenue	Net profit for the year	Assets	Liabilities	Holding	Net profit for the year	Equity
Key figures for associates:							
Hite Brewery Co. Ltd., Seoul, Sydkorea[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	2,888	165	3,760	2,615		52	543
						225	1,081

1 The sale of shares in Hite Brewery Co. Ltd. reduced the holding to 13.1%, as a result of which the remaining shares were transferred to securities. The shares were sold in 2006.
2 Lao Brewery has been recognised as a proportionally consolidated entity with effect from 1 November 2005 following the acquisition of an additional 25% holding.

	2006 DKK Million	2005 DKK Million
Fair value of investments in listed associates:		
The Lion Brewery Ceylon, Biyagama, Sri Lanka	40	57
Total	40	57

The Carlsberg Breweries Group also has minor investments in associates where the Group is unable to exercise significant influence, as a result of which these investments are classified as securities.

Notes

18 Securities

	2006 DKK Million	2005 DKK Million
Securities are classified in the balance sheet as follows:		
Non-current assets	107	2,641
Current assets	8	109
Total	115	2,750
Types of security:		
Listed shares	-	2,620
Unlisted shares	115	130
Total	115	2,750

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.

Listed shares in 2005 included the holding of shares in Hite Brewery Co. Ltd., which was sold in 2006.

19 Receivables

	2006 DKK Million	2005 DKK Million
Receivables are included in the balance sheet as follows:		
Trade receivables	6,110	5,979
Other receivables	925	2,989
Total current receivables	7,035	8,968
Non-current receivables	1,139	1,235
Total	8,174	10,203

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 included a 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 122m (2005: DKK 259m) falls due more than five years from the balance sheet date.

	2006 DKK Million	2005 DKK Million
Receivables by origin:		
Receivables from the sale of goods and services	5,437	5,417
On-trade loans	1,711	1,712
Loans to associates	161	209
Fair value of hedging instruments	36	24
Other receivables	829	2,841
Total	8,174	10,203

Trade receivables and loans are shown net of provisions for bad and doubtful debts. A charge of DKK 366m (2005: DKK 130m) has been recognised in profit for the year.

In a number of cases the Group receives collateral for sales on credit, and this is taken into account when assessing the necessary provisions for bad and doubtful debts. This collateral may comprise financial guarantees or pledges. The maximum credit risk is reflected in the carrying amounts of the individual receivables.

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 collateral. 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 1,806m (2005: DKK 1,790m). For other receivables, the carrying amount essentially corresponds to fair value.

	2006 %	2005 %
The average rates of interest are as follows:		
Loans to associates	4.3	3.4
On-trade loans	7.8	7.8

Notes

20 Inventories

	2006 DKK Million	2005 DKK Million
Raw materials and consumables	1,542	1,235
Work in progress	233	217
Finished goods	1,445	1,414
Total	3,220	2,866

21 Cash and cash equivalents

	2006 DKK Million	2005 DKK Million
Cash at bank and in hand	2,264	2,115
Readily convertible securities with a maturity of less than three months	3	5
Total	2,267	2,120

In the cash flow statement, bank overdrafts are offset against cash as follows:

Cash and cash equivalents	2,267	2,120
Bank overdrafts	-489	-298
Cash and cash equivalents, net	1,778	1,822
Of which pledged as security	210	313

Short-term bank deposits amounted to DKK 1,456m (2005: DKK 1,495m). The average interest rate on these deposits was 5.8% (2005: 5.1%), and the average duration was 72 days (2005: 67 days).

Proportionally consolidated entities' share of cash and cash equivalents is set out in note 33.

22 Assets held for sale and associated liabilities

	2006 DKK Million	2005 DKK Million
Assets held for sale comprise the following:		
Individual assets:		
Property, plant and equipment	72	77
Financial assets	37	42
Total	109	119
Liabilities associated with assets held for sale:		
Deferred tax	1	10
Total	1	10

Assets held for sale primarily comprise land and property which are disposed of as part of the Carlsberg Breweries Group's strategy to optimise production and logistics and reduce the amount of capital tied up. Identification of and negotiations with buyers have begun, and sales agreements are expected to be entered into in 2007.

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. A previous impairment on a property which has been transferred to assets held for sale was reversed in 2006. This involved an amount of DKK 22m and is recognised under special items in the income statement, as the original impairment on the property was recognised under special items in 2004.

Gains on the sale of assets held for sale are recognised in the income statement under other operating income. The gains taken up as income essentially relate to disposal of depots and real estate, and total DKK 43m (2005: DKK 12m).

Op Information on the segment in which assets held for sale are included appears in note 2.

23 Share capital

The share capital amounted to DKK 500m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is owned by Carlsberg A/S, Copenhagen, Denmark.

In 2001 the share capital was increased by DKK 200m through cash/non-cash contribution. No further changes to share captital has taken place.

Carlsberg Breweries A/S is included in the consolidated accounts for Carlsberg A/S.

24 Borrowings

	2006 DKK Million	2005 DKK Million
Non-current borrowings:		
Issued bonds	4,960	8,776
Mortgages	205	370
Bank borrowings	6,116	4,756
Finance lease liabilities	60	94
Other non-current borrowings	524	675
Total	11,865	14,671
Current borrowings:		
Issued bonds	3,873	-
Current portion of non-current borrowings	331	583
Bank borrowings	1,092	2,977
Finance lease liabilities	27	40
Borrowings from shareholder	-	2,425
Other non-current borrowings	894	724
Total	6,217	6,749
Total non-current and current borrowings	18,082	21,420
Fair value	18,294	21,951

All borrowings are measured at amortised cost.

Time to maturity for non-current borrowings:

2006 DKK Million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	-	-	-	2,737	2,223	4,960
Mortgages	4	4	197	-	-	205
Bank borrowings	284	2,856	84	52	2,840	6,116
Finance lease liabilities	30	18	9	3	-	60
Other non-current borrowings	329	1	182	-	12	524
Total	647	2,879	472	2,792	5,075	11,865

2005 DKK Million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	3,943	-	-	-	4,833	8,776
Mortgages	3	12	4	198	153	370
Bank borrowings	467	43	31	4,210	5	4,756
Finance lease liabilities	86	8	-	-	-	94
Other non-current borrowings	18	328	-	329	-	675
Total	4,517	391	35	4,737	4,991	14,671

Notes

24 Borrowings

Interest rate risk at 31 December:

2006

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
GBP 250m maturing 12 December 2011 [1]	Fixed	6.63%	4-5 years	2,737	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	> 5 years	2,223	Fair value
EUR 500m maturing 5 July 2007	Fixed	5.63%	0-1 year	3,763	Fair value
RUB 1bn maturing 20 November 2007	Fixed	8.75%	0-1 year	110	Fair value
Total	Fixed	6.00%		8,833	

[1] Swaps have been used to change the interest rate to a fixed EUR rate of 5.43%.

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
Fixed rate	Fair value	5.21%	205	4	4	197	-	-
Total		5.21%	205	4	4	197	-	-

Currency profile of borrowings before and after derivatives			Next interest rate fixing (of principal before currency swaps)					
	Original principal	After swap	2007	2008	2009	2010	2011	2012-
CHF	1,816	2,214	421	3	1,392	-	-	-
DKK	335	-854	129	4	4	198	-	-
EUR	8,160	11,103	4,159	208	13	3,766	-	14
GBP	5,270	1,802	310	-	-	-	2,737	2,223
NOK	548	714	548	-	-	-	-	-
PLN	737	1,340	721	2	2	2	2	8
RUB	144	144	144	-	-	-	-	-
SEK	117	-6	117	-	-	-	-	-
TRY	103	103	103	-	-	-	-	-
USD	492	1,059	437	55	-	-	-	-
Others	360	463	360	-	-	-	-	-
Total	18,082	18,082	7,449	272	1,411	3,966	2,739	2,245

24 Borrowings

Interest rate risk at 31 December:

2005

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
GBP 250m maturing 12 December 2011 [2]	Fixed	6.63%	> 5 years	2,665	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	> 5 years	2,169	Fair value
EUR 500m maturing 5 July 2007	Fixed	5.63%	1-2 years	3,832	Fair value
RUB 1bn maturing 20 November 2007	Fixed	8.75%	1-2 years	110	Fair value
Total	Fixed	6.31%		8,776	

[2] Swaps have been used to change the interest rate to a fixed EUR rate of 5.43%.

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%	153	-	-	-	-	153
Fixed rate	Fair value	6.22%	217	3	12	4	198	-
Total		4.75%	370	3	12	4	198	153

The interest rates on the floating-rate loans were adjusted between January and March 2006.

Currency profile of borrowings before and after derivatives			Next interest rate fixing (of principal before currency swaps)					
	Original principal	After swap	2006	2007	2008	2009	2010	2011-
CHF	1,445	2,248	3	3	3	1,436	-	-
DKK	3,149	1,739	2,932	3	12	4	198	-
EUR	7,226	8,526	3,376	-	5	-	3,845	-
GBP	4,835	2,104	-	-	-	-	-	4,835
NOK	521	691	521	-	-	-	-	-
PLN	559	554	546	2	2	2	1	6
RUB	158	612	48	110	-	-	-	-
SEK	63	214	63	-	-	-	-	-
USD	3,314	2,541	3,224	46	-	31	13	-
Others	150	2,191	112	-	38	-	-	-
Total	21,420	21,420	10,825	164	60	1,473	4,057	4,841

The date for interest rate fixing in the financial statements for 2005 was based on the post-swap amount. This has been corrected in the comparative figure to refer to the original principal.

25 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 55% of the Group's pension costs relate to defined contribution plans, which do not entail any obligations beyond payment of contributions.

The other plans are defined benefit plans, most of which are funded through independent pension 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 16% (2005: 14%) of the total gross obligations.

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

	2006 DKK Million	2005 DKK Million
Defined benefit plans are presented in the balance sheet as follows:		
Retirement benefit obligations and similar obligations	1,978	2,037
Retirement benefit net assets	14	21
Net obligations	1,964	2,016
Specification of net obligations:		
Present value of funded plans	6,841	6,940
Fair value of plan assets	-6,334	-6,105
Net obligation for funded plans	507	835
Present value of unfunded plans	1,265	1,101
Assets not recognised due to asset ceiling	192	80
Net obligations recognised	1,964	2,016
Specification of total obligations:		
Present value of funded plans	6,841	6,940
Present value of unfunded plans	1,265	1,101
Total obligations	8,106	8,041
Movements in obligations:		
Total obligations at 1 January	8,041	7,413
Current service cost	200	221
Interest cost	321	328
Actuarial losses	105	411
Benefits paid	-468	-441
Curtailments and settlements	-11	-
Additions due to acquisition of entities	4	1
Currency translation adjustment etc.	-86	108
Total obligations at 31 December	8,106	8,041

25 Retirement benefit obligations and similar obligations

	2006 DKK Million	2005 DKK Million
Movements in plan assets:		
Fair value of assets at 1 January	6,105	5,604
Expected return	333	328
Actuarial gains	123	264
Contributions to plans	238	203
Benefits paid	-380	-358
Assets distributed on settlements	-	-16
Currency translation adjustment etc.	-85	80
Fair value of assets at 31 December	6,334	6,105

The Group expects to contribute DKK 172m (2005: DKK 162m) to the plans in 2007.

The actual return on plan assets was as follows:

	2006	2005
Expected return	333	328
Actuarial gains	123	264
Actual return	456	592

Breakdown of plan assets:

	2006		2005	
	DKK Million	%	DKK Million	%
Equities	2,364	37%	2,077	34%
Bonds and other securities	2,965	47%	3,044	50%
Real estate	830	13%	779	13%
Cash	175	3%	205	3%
Total	6,334	100%	6,105	100%

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

	2006		2005	
Assumptions applied:	Range	Weighted average, %	Range	Weighted average, %
Discount rate	3,3 - 5,7 %	4.2%	3,3 - 5,5 %	4.1%
Expected return on plan assets	4,3 - 7,0 %	5.4%	4,3 - 8,5 %	5.9%
Future salary increases	1,5 - 5,0 %	2.8%	1,5 - 4,0 %	2.4%
Future pension increases	0,5 - 3,5 %	2.0%	0,5 - 3,0 %	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 real estate expected to give a higher return, but reduced to reflect the increased risk associated with these investments.

Notes

25 Retirement benefit obligations and similar obligations

	2006 DKK Million	2005 DKK Million
Recognised in income statement:		
Current service cost	200	221
Expected return on plan assets	-333	-328
Interest cost on obligations	321	328
Gain on curtailments and settlements	-11	-
Total recognised in income statement	177	221
The cost is presented in the income statement as follows:		
Cost of sales	43	48
Sales and distribution expenses	120	136
Administrative expenses	26	34
Special items (restructuring)	-	3
Total staff costs, cf. note 13	189	221
Financial income	-333	-328
Financial expenses	321	328
Total	177	221
Recognised in equity:		
Recognised at 1 January	-185	-19
Actuarial gains/losses during the period	18	-147
Effect of asset ceiling	-115	-20
Currency translation adjustment, foreign entities	-	1
Total recognised in equity during the period	-97	-166
Recognised at 31 December	-282	-185
Of which accumulated actuarial gains/losses	-162	-180

	2006 DKK Million	2005 DKK Million	2004 DKK Million
Five-year overview (from 1 January 2004):			
Obligations	8,106	8,041	7,413
Plan assets	-6,334	-6,105	-5,604
Underfunding	1,772	1,936	1,809
Experience adjustments to obligations	-56	-96	-26
Experience adjustments to plan assets	123	242	-22

26 Deferred tax assets and deferred tax liabilities

	2006 DKK Million	2005 DKK Million
Deferred tax at 1 January, net	640	705
Currency translation adjustments	-44	3
Adjustments to previous years	98	137
Additions due to acquisition of entities, net	8	1
Recognised in equity	-68	-78
Recognised in income statement	221	-118
	855	650
Of which transferred to assets held for sale	-1	-10
Deferred tax at 31 December, net	854	640
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	1,578	1,522
Deferred tax assets	723	882
Deferred tax at 31 December, net	855	640

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

	2006 DKK Million	2005 DKK Million	2006 DKK Million	2005 DKK Million
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	158	91	398	381
Property, plant and equipment	175	131	1,730	1,699
Current assets	94	131	60	27
Provisions and retirement benefit obligations	486	414	81	39
Fair value adjustments	53	23	75	73
Tax losses etc.	753	887	231	108
Total before netting	1,719	1,677	2,575	2,327
Netting	-996	-795	-996	-795
Total after netting	723	882	1,579	1,532
Transferred to assets held for sale	-	-	-1	-10
Deferred tax at 31 December, net	723	882	1,578	1,522
Expected to be recovered as follows:				
Within 12 months of balance sheet date	414	176	187	189
More than 12 months after balance sheet date	310	706	1,391	1,333
Total	724	882	1,578	1,522

Of the total deferred tax assets recognised, DKK 556m (2005: DKK 432m) 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 2005 or 2006.

Tax assets of DKK 552m (2005: DKK 719m) 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 2007 to 2011.

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

Deferred tax of DKK 78m (2005: 56m) has been recognised in respect of earnings in the BBH Group which are intended for distribution in the short term, 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.

27 Provisions

The provisions for restructuring totalling DKK 327m (2005: DKK 379m) relate primarily to restructuring in connection with the Operational Excellence programmes and restructuring at Carlsberg Danmark and Carlsberg Italia.

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

Other provisions totalling DKK 466m (2005: DKK 367m) 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.

2006

DKK Million

	Restructuring	Other	Total
Provisions at 1 January	379	367	746
Additions during the year	288	183	471
Utilisation during the year	-333	-36	-369
Reversals of unused provisions	-17	-53	-70
Acquisition of entities	-	8	8
Transfers	-3	15	12
Changes in discount rate	-	8	8
Currency translation adjustments etc.	13	-26	-13
Provisions at 31 December	327	466	793

Provisions are presented in the balance sheet as follows:

	Restructuring	Other	Total
Non-current provisions	129	213	342
Current provisions	198	253	451
Total	327	466	793

The non-current provisions are expected to mature within two to three years of the balance sheet date.

2005

DKK Million

	Restructuring	Other	Total
Provisions at 1 January	594	46	640
Additions during the year	265	279	544
Utilisation during the year	-402	-18	-420
Reversals of unused provisions	-60	-3	-63
Acquisition of entities	-	7	7
Divestment of entities	-	-1	-1
Transfers	-11	59	48
Currency translation adjustments etc.	-7	-2	-9
Provisions at 31 December	379	367	746

Provisions are presented in the balance sheet as follows:

	Restructuring	Other	Total
Non-current provisions	70	115	185
Current provisions	309	252	561
Total	379	367	746

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

Notes

28 Other liabilities etc.

	2006 DKK Million	2005 DKK Million
Other liabilities are presented in the balance sheet as follows:		
Non-current liabilities	54	65
Current liabilities	4,607	4,818
Total	4,661	4,883
Other liabilities by origin:		
Duties and VAT payable	1,845	1,726
Staff costs payable	1,028	991
Interest payable	269	266
Fair value of hedging instruments	360	605
Liabilities related to the acquisition of entities	112	118
Amounts owed to associates	5	6
Deferred income	104	98
Other accrued expenses etc.	938	1,073
Total	4,661	4,883

Carlsberg Breweries Group

Notes

29 Cash flows

	2006 DKK Million	2005 DKK Million
Adjustment for other non-cash items:		
Share of profit after tax, associates	-79	-225
Gains on disposal of property, plant and equipment, and intangibl	-99	-115
Amortisation of on-trade loans etc.	172	215
Total	-6	-125
Change in working capital:		
Inventories	-288	93
Receivables	-142	295
Trade payables and other liabilities	720	281
Retirement benefit obligations and other provisions related to operating activities before special items	-44	208
Adjustment for unrealised foreign exchange gains/losses	-5	63
Total	241	940
Change in trade loans:		
Loans provided	-735	-707
Repayments	535	675
Total	-200	-32
Change in financial receivables:		
Loans and other receivables	-153	-2,025
Repayments	2,047	403
Total	1,894	-1,622
Shareholders in Carlsberg Breweries A/S:		
Dividends to shareholders	-900	-750
Loans from shareholder	-2,425	760
Refunds, Share-based payment	-12	-
Total	-3,337	10
Minority interests:		
Acquisition of minority interests	-576	-1,387
Minority interests' share of capital increase in subsidiaries	23	8
Dividends to minority interests	-148	-202
Total	-701	-1,581
External financing:		
Proceeds from borrowings	3,347	4,258
Repayment of borrowings	-4,465	-4,212
Current borrowings, net	146	487
Repayment of finance lease liabilities	-61	-21
Total	-1,033	512

30 Acquisition and divestment of entities

Acquisition of entities

Name of business	Primary activity	Acquisition date	Holding acquired	Cost
				2006
				DKK Million
Wusu Beer Group	Brewery	1 Jan. 2006	60.1%	351
Caretech Ltd.	Brewery	1 Jan. 2006	50.0%	214
Others	Brewery and beverage wholesalers	-	-	21
				586

	Wusu Beer 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	21	82	3	8	24	90
Property, plant and equipment	143	115	34	36	177	151
Financial assets, non-current	11	11	5	5	16	16
Inventories	79	75	33	33	112	108
Receivables	33	14	50	49	83	63
Cash and cash equivalents	39	39	6	6	45	45
Provisions, excl. deferred tax	-4	-4	-6	-8	-10	-12
Deferred tax, net	-	-	3	1	3	1
Borrowings	-121	-121	-35	-36	-156	-157
Bank overdrafts	-	-	-8	-8	-8	-8
Trade payables and other liabilities etc.	-109	-115	-37	-40	-146	-155
Net assets	92	96	48	46	140	142
Minority interests	-12	-12	-	-	-12	-12
Equity, Carlsberg Breweries' andel	80	84	48	46	128	130
Goodwill		267		189		456
Cash consideration paid		351		235		586
Transferred from other financial assets (advance payments)		-309		-223		-532
		42		12		54
Cash and cash equivalents, acquired		39		6		45
Bank overdrafts, acquired		-		-8		-8
Cash outflow, net		3		14		17
Elements of cash consideration paid:						
Cash		345		235		580
Directly attributable acquisition costs		6		-		6
Total		351		235		586

Wusu Beer Group

Wusu Beer Group has a strong position in Xinjiang province, providing a solid foundation for expanding the Carlsberg Group's activities in China. The intention is to retain the local brands as a supplement to the Carlsberg Group's current brands. As geographical location and local trade are important, with a close correlation between brand and sales, no separate valuation of customer lists etc. has been carried out.

Goodwill therefore represents the value of customer lists, the workforce acquired and access to favourable distribution and sales channels, plus expected synergies resulting from these.

As the above balance sheet shows, the most important fair value adjustments in connection with the acquisition are the recognition of trademarks and adjustments of property, plant and equipment and trade receivables to fair value. Principles for valuation of trademarks are set out in note 1.

Wusu Beer Group is included in the results of the Carlsberg Group from 1 January 2006. The share of net revenue is DKK 274m, and operating profit before special items DKK 61m. The share of consolidated profit is DKK 56m.

Other

The Carlsberg Group made minor acquisitions during the year, including in Cambodia (Caretech Ltd.) and Germany (beverage wholesaler).

The value of goodwill in Cambodia represents access to new markets and the importance of the geographical location in relation to the distance between production and customers. The value of goodwill in Germany represents access to distribution and sales channels, and expected synergies as a result, including expected reductions in logistics and transport expenses.

Other acquisitions' share of net revenue is DKK 248m, and operating profit before special items is DKK 2m. The share of consolidated profit is DKK 6m.

Acquisition of entities after the balance sheet date

No acquisitions were made after the balance sheet date. During 2006 agreements were entered into concerning the acquisition of minor entities in China and Belarus, but the acquisitions have not yet taken place. This is expected to happen in the first quarter of 2007.

30 Acquisition and divestment of entities

Acquisition of entities - continued

Name of business	Primary activity	Acquisition date	Holding acquired	Cost
				2005
				DKK Million
Göttsche Getränke Gruppe	Beverage wholesaler	1 July 2005	100.0%	207
Lao Brewery Co. Ltd.	Brewery	1 Nov. 2005	25.0%	326
Brewery Invest Pte. Ltd.	Holding company	1 Aug. 2005	50.0%	243
				776

	Göttsche Getränke Gruppe		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, excl. deferred tax	-6	-6	-1	-1	-7	-7
Deferred tax, net	-2	-1	-	-	-2	-1
Borrowings	-48	-43	-151	-144	-199	-187
Trade payables and other liabilities etc.	-51	-52	-13	-15	-64	-67
Net assets	57	56	118	363	175	419
Minority interests	1	1	-	-	1	1
Equity, Carlsberg Breweries' andel	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

Notes

30 Acquisition and divestment of entities

Göttsche Getränke Gruppe

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

The acquisition of the Göttsche Getränke Gruppe 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 synergies expected as a result.

Other

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

Goodwill represents expected synergies 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.

Divestment of entities

Divestments comprise Landskron Brauerei in 2006 and Danbrew Ltd. A/S in 2005.

	2006 DKK Million	2005 DKK Million
Intangible assets	1	-
Property, plant and equipment	73	1
Non-current financial assets	4	-
Inventories	6	-
Receivables	11	18
Cash and cash equivalents	-	1
Provisions, excl. deferred tax	-	-1
Deferred tax, net	-9	2
Borrowings, net	-3	38
Trade payables and other liabilities	-27	-52
Net assets	56	7
Minority interests	-	-
Total equity, Carlsberg Breweries' andel	56	7
Gain/loss - recognised under special items	-21	14
Cash consideration received	35	21
Cash and cash equivalents, divested	-	1
Cash inflow, net	35	20

Acquisition and divestment of entities, net

	2006 DKK Million	2005 DKK Million
Acquisition, cash outflow	-17	-758
Divestment, cash inflow	35	20
Net	18	-738

31 Specification of invested capital

	2006	2005
	DKK Million	DKK Million
Invested capital is calculated as follows:		
Total assets	45,834	50,206
Less:		
Deferred tax assets	-723	-882
Current loans to associates	-161	-209
Interest receivable, fair value of hedging instruments and financial receivables	-36	-1,957
Securities (current and non-current)	-115	-2,750
Cash and cash equivalents	-2,267	-2,120
Assets held for sale	-109	-119
Total assets included	42,423	42,169
Trade payables	-5,071	-4,481
Deposits on returnable packaging	-1,159	-1,224
Provisions, excluding restructuring	-466	-367
Corporation tax	-187	-574
Deferred income	-104	-98
Liabilities related to finance leases, included in borrowings	-87	-134
Other liabilities, excluding interest payable and fair value of hedging instruments	-4,060	-3,912
Total liabilities offset	-11,135	-10,790
Total invested capital	31,289	31,379

Notes

32 Specification of net interest-bearing debt

	2006 DKK Million	2005 DKK Million
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	11,865	14,671
Current borrowings	6,217	6,749
Gross interest-bearing debt	18,082	21,420
Cash and cash equivalents	-2,267	-2,120
Loans to associates	-161	-209
On-trade loans	-1,711	-1,712
Less non-interest-bearing portion	927	977
Other receivables	-829	-2,841
Less non-interest-bearing portion	759	801
Net interest-bearing debt	14,800	16,316
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	16,316	15,884
Cash flow from operating activities	-4,872	-4,842
Cash flow from investing activities	-232	3,498
Dividends to shareholders and minority interests	1,048	952
Acquisition of minority interests	576	1,387
Purchase/sale of treasury shares	12	-
Additions due to acquisition of entities, net	146	238
Change in interest-bearing lending	1,892	-1,375
Currency translation effects	-272	731
Other	186	-157
Total change	-1,516	432
Net interest-bearing debt at 31 December	14,800	16,316

Notes

33 Investments in proportionally consolidated entities

The amounts shown below represent the Group’s share of the assets and liabilities, net revenue and profit of proportionally consolidated entities, as shown in the overview of Group companies. These amounts are included in the consolidated balance sheet, inclusive of goodwill, and in the income statement.

	2006 DKK Million	2005 DKK Million
Net revenue	9,990	7,992
Total costs	-7,882	-6,468
Operating profit before special items	2,108	1,524
Consolidated profit	1,448	919
Non-current assets	8,572	7,534
Current assets	3,313	2,579
Non-current liabilities	-4,090	-1,542
Current liabilities	-2,558	-4,139
Net assets	5,237	4,432
	-	
Free cash flow	920	911
Net cash flow	340	486
Cash and cash equivalents at end of period	1,095	802
Contingent liabilities	682	590
Capital commitments	559	-

An average of 10,962 (2005: 8,575) full-time employees were employed in proportionally consolidated entities in 2006.

Besides the above, the Group has not assumed any contingent liabilities or financial commitments relating to proportionally consolidated entities.

34 Financial risks

The Carlsberg Group's activities mean that the Group's profit, debt 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 Group Treasury on the basis of written principles approved by the Board of Directors, primarily through currency and interest rate swaps and, to a lesser extent, raw material contracts.

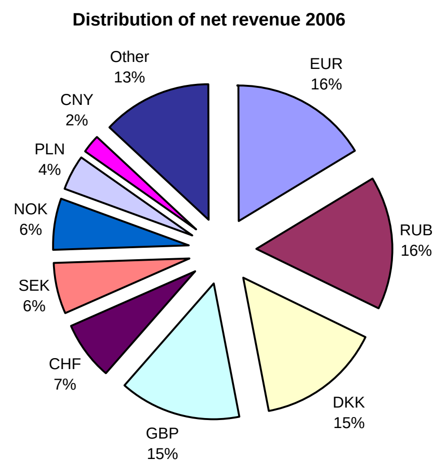
Foreign exchange risk
As an international business the Carlsberg Breweries Group is exposed to foreign exchange risks from currency translation, as the predominant part of revenue originates from foreign entities and is translated into DKK. The Group is exposed mainly to the following currencies: RUB, EUR, NOK, SEK, CHF and GBP. There is also some exposure to a number of Asian currencies, which in total represent 10-15% of the Group's operating profit.

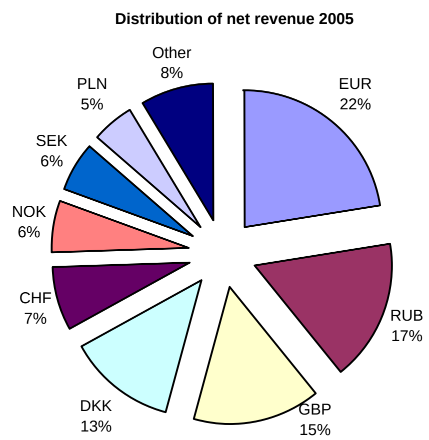
The Carlsberg Breweries Group has a foreign exchange risk on balance sheet items, partly in terms of translation of debt taken up in a currency other than the functional currency for the Group entity in question, and partly in terms of translation of net investments in entities with a functional currency other than DKK. The former risk impacts operating profit, with the exception of cases where the debt is classified as hedging of net investments in foreign subsidiaries, where fair value adjustments will be recognised directly in equity.

Impact of exchange rates on operating profit
Developments in the exchange rates between the DKK and the reporting currencies of Group companies are having an increasing impact on the Carlsberg Breweries Group's operating profit measured in DKK. In a number of countries (particularly in Asia) where Carlsberg Breweries has activities, the currency strongly correlates with developments in the USD. The average USD rate (5.96) has, however, been largely unchanged in 2006 compared with 2005 (6.00), which is why the foreign exchange effect of the USD is considered extremely modest for 2006 compared with 2005. Operating profit has been weakened as a result of a fall in the average RUB rate (-3% compared with 2005) and CHF rate (-1.4% compared with 2005). The other currencies in which a high proportion of operating profit is earned were also relatively stable.

The Carlsberg Breweries Group has chosen not to hedge revenue or earnings in foreign currencies, but does in certain cases hedge dividends received in foreign currencies.

Carlsberg Breweries Group 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 Breweries and so the hedging of projected cash flows in foreign currency is also limited. An exception here is the purchase of certain raw materials, which is described in greater detail in the section on raw material risk.





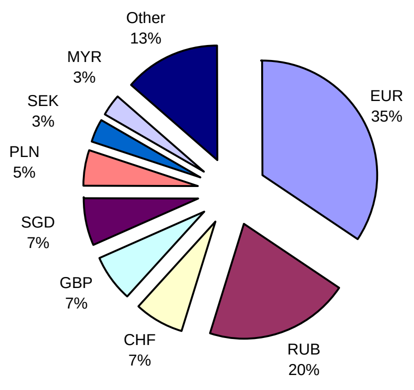
In some Group entities debt has been taken up in a currency other than the Group entity's functional currency without the foreign exchange risk being hedged. This applies primarily to Group entities in Eastern Europe, and is based on assessment of the alternative cost of financing the entity in the local currency. For the countries concerned, the interest rate level in the local currency, and thus the additional cost of financing in local currency, will be high enough to justify a foreign exchange risk. For 2006 gains have been realised on debt taken up in USD in entities in the BBH Group, and debt taken up in EUR in Carlsberg Serbia. There have also been losses on Türk Tuborg's debt in EUR. The movements in the three currencies (USD, CSD and TRY) relative to the DKK between 1 January and 31 December 2006 were -10%, +8% and -15% respectively.

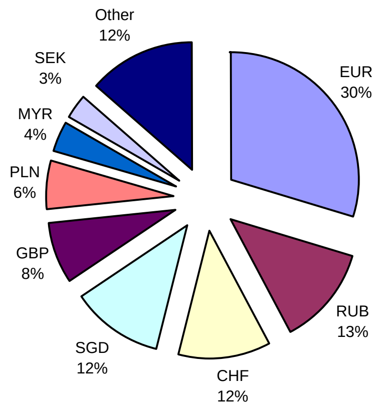
Impact of exchange rates on balance sheet and equity

Carlsberg Breweries holds a number of investments in foreign entities, where the translation of equity to DKK 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, RUB, PLN and MYR. The last of these is a proxy hedge, i.e. with USD being sold forward. There is a strong correlation in fluctuations between the USD and MYR.

34 Financial risks

Distribution of equity, including loans viewed as an addition to net investment in foreign currencies (Carlsberg Breweries' share):





The Carlsberg Breweries Group's net investment in foreign currencies has increased by a total of DKK 3,569m, primarily in EUR (DKK 2,389m) and RUB (DKK 2,542m). The net investment in CHF (DKK 873m) and SGD (DKK 970m) has fallen. The table below shows the breakdown of the net investments and the impact on equity (incl. loans which are viewed as an addition to net investment). Adjustments for the year relating to hedging of net investments are DKK 194m (2005: DKK -289m), excl. adjustment relating to loans in addition to net investment of DKK 125m (2005: DKK 0m).

DKK Million									**2006**
	Carlsberg Breweries' share of net investment in foreign subsidiary	Minorities' share	Currency translation adjustment for the year recognised in equity	Hedging of net investment	Fair value adjustment of hedging instruments for the year recognised in equity	Net risk with respect to foreign currency	Net impact recognised in equity	Net impact on minorities' share	Net impact on Carlsberg Breweries' share
RUB	5,588	697	-149	-838	5	5,447	-144	-	-144
EUR	9,623	13	-2	-6,694	-8	2,942	-10	-	-10
CHF	1,959	-	-75	-1,392	55	567	-20	-	-20
GBP	1,868	-	37	-1,443	-37	425	0	-	0
SGD	1,847	-	-86	-	-	1,847	-86	-	-86
PLN	1,377	-	11	-335	2	1,042	13	-	13
SEK	956	-	16	-590	9	366	25	-	25
MYR	890	375	-60	-679	64	586	4	-20	24
NOK	712	-	-21	-661	18	51	-3	-	-3
LAK	441	-	-13	-	-	441	-13	-	-13
CSD	412	-	23	-	-	412	23	-	23
Other	2,193	305	-225	-	86	2,498	-139	-52	-87
Total	**27,866**	**1,390**	**-544**		**194**		**-350**	**-72**	-278

34 Financial risks

DKK Million									2005
	Carlsberg Breweries' share of net investment in foreign subsidiary	Minorities' share	Currency translation adjustment for the year recognised in equity	Hedging of net investment	Fair value adjustment of hedging instruments for the year recognised in equity	Net risk with respect to foreign currency	Net impact recognised in equity	Net impact on minorities' share	Net impact on Carlsberg Breweries' share
RUB	3,047	767	486	-228	-5	3,587	481	65	416
EUR	7,234	63	20	-6,694	-14	603	6	-	6
CHF	2,832	-	-12	-2,399	18	433	6	-	6
GBP	1,886	-	70	-2,047	-76	-161	-6	-	-6
SGD	2,817	-	-48	-	-	2,817	-48	-	-48
PLN	1,502	-	80	-	-	1,502	80	-	80
SEK	728	-	-33	-568	25	160	-8	-	-8
MYR	944	406	179	-759	-116	591	63	55	8
NOK	624	-	25	-486	-35	138	-10	-	-10
LAK	435	-	12	-	-	435	12	-	12
CSD	254	-	-20	-	-	254	-20	-	-20
Other	1,992	292	469	-	-86	2,284	383	12	371
Total	**24,295**	**1,528**	**1,228**		**-289**		**939**	132	807

The biggest net risk relates to currency translation adjustment of equity in RUB. Hedging of the risk in RUB was increased in 2006 relative to 2005, reflecting the management focus.

The exposure of equity to SGD is offset by an intercompany loan which is adjusted via the income statement.

The major change in 'Others' in 2005 primarily relates to the investment in KRW (South Korea) and TRY (Turkey).

Borrowings taken up in foreign currencies impact on interest-bearing debt measured in DKK, even if the foreign exchange risk is hedged by a financial instrument and there is no net impact on profit or equity. The change in fair value of the financial instrument is included under other receivables/other liabilities. Net interest-bearing debt fell by approx. DKK 300m in 2006 as a result of exchange rate movements during the year primarily the fall in the USD and CHF.

Interest rate risk
The most significant interest rate risk in the Carlsberg Group relates to interest-bearing debt.

The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2006 gross debt (non-current and current borrowings) amounted to DKK 18,082m (2005: DKK 21,420m). After deducting cash and cash equivalents, net debt is DKK 15,815m (2005: 19,300m), a reduction of DKK 3,485m.

Interest rate risk is managed mainly using interest rate swaps, fixed-rate bonds and mortgages. Besides hedging interest rate exposure on existing loans, an interest rate swap of EUR 500m has been taken out starting in 2007 and maturing in 2010 with a fixed rate of 4.79%.

A breakdown of the Carlsberg Breweries Group's gross debt, including the financial instruments used to manage exchange and interest rate risk, can be found in note 35.

At the end of the year 67% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2005: 66%). A fall in interest rates will increase the fair value of the debt but only part of this increase will be reflected in the income statement and equity. This is because fixed-rate non-current borrowings are stated at amortised cost and are therefore not adjusted to fair value. It is assessed that an interest rate rise of 1 percentage point would lead to an increase in interest costs of DKK 52m (2005: DKK 52m). Carlsberg's exposure to an increase in short-term interest rates is primarily in EUR and DKK, and secondarily in PLN and NOK. The table below shows the breakdown of currencies and interest rate fixing for the net debt.

	Net debt before swaps						Next interest rate fixing
		2007	2008	2009	2010	2011	2012-
CHF	1,816	421	3	1,392	-	-	-
DKK	298	91	5	4	198	-	-
EUR	7,836	3,835	208	13	3,766	-	14
GBP	5,270	310	-	-	-	2,737	2,223
NOK	456	456	-	-	-	-	-
PLN	718	702	2	2	2	2	9
RUB	-613	-613	-	-	-	-	-
SEK	94	94	-	-	-	-	-
USD	258	203	55	-	-	-	-
Other	-327	-327	-	-	-	-	-
Total	15,807	5,171	274	1,411	3,966	2,739	2,246

Notes

34 Financial risks

Credit risk
Credit risk is the risk of a counterparty failing to honour its contractual obligations and so inflicting a loss on the Carlsberg Breweries 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 Breweries Group advances loans to the on-trade in certain countries. The individual Group entities monitor and control these loans as well as ordinary trade credit in accordance with central guidelines. It is estimated that the provisions made, cf. note 19, are sufficient to cover expected losses.

Liquidity risk
Liquidity risk is the risk of the Carlsberg Breweries 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 Group Treasury’s task to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources. At 31 December 2006 Carlsberg had unutilised long-term committed credit facilities of DKK 9,485m (2005: DKK 8,700m).

For day-to-day liquidity management cash pools are used, covering most of Western Europe, or intercompany loans between Group Treasury and subsidiaries. As a result of withholding tax, the majority-owned entities in Poland and Turkey have their own credit facilities and borrowings from local banks, as is also the case for joint ventures in Portugal (Unicer) and BBH

Capital structure and management
Management's strategy and overall goal is to ensure a continued development and strengthening of the Group's capital structure which supports long-term profitable growth and a healthy increase in key earnings and balance sheet ratios. In 2006 the Carlsberg Breweries Group was awarded investment-grade ratings by Moody's Investor Service and Fitch Ratings

Management regularly assesses whether the Group's capital structure is in the interests of the Group and its shareholders. At 31 December 2006 the Carlsberg Breweries Group had net interest-bearing debt totalling DKK 14,800m (2005: DKK 16,316m), which is considered reasonable in the light of its current needs in terms of financial flexibility. In the coming years management aims to develop and expand the business in Asia, investing cash flows from the mature markets in the growth markets.

No changes have been made to the Group's guidelines and procedures for control of capital structure and management in 2006.

Raw material risk
Raw material risk is associated in particular with purchasing of cans (aluminium), malt (barley) and energy. Management of both raw material risk and foreign exchange risk is coordinated centrally by Carlsberg Breweries. The aim of the risk management process with respect to raw materials is to ensure stable and predictable raw material prices in the long term, and to avoid capital and liquidity being tied up unnecessarily.

As the underlying markets for the specifi ed categories of raw materials vary, so does the way in which they are hedged against price rises. The most common form of hedging is fi xed price agreements in local currencies with suppliers.

To hedge the implicit risk of rising aluminium prices associated with the purchase of cans, the Carlsberg Breweries Group contracted a number of fi nancial instruments in 2006. Measures have also been taken to hedge increases in the settlement currency for aluminium (USD) compared with the local currency in the country where the cans are used. In accounting terms, fair value adjustments are made directly in equity in the entities in question and recognised in the income statement as the hedged item is recognised in accordance with the principles for hedging future cash fl ows. The impact on equity is DKK 0 (2005: DKK 0).

Notes

35 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 Breweries uses three forms of financial hedging:

Fair value hedge
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.

Recognised in income statement:	2006 DKK Million	2005 DKK Million
Interest rate instruments	15	-
Exchange rate instruments	21	22
Other instruments	-1	-
Total	35	22

Cash flow hedge

A positive fair value for financial instruments reported in line with the principles for cash flow hedges is recognised in equity: these are primarily interest rate and currency swaps related to borrowings.

An interest rate swap from floating to fixed rate has been entered into on borrowings of CHF 300m, maturing in July 2009, and EUR 500m, running from July 2007 to 2010. The fair value is DKK -58m at 31 December 2006. An agreement has also been entered into to swap interest rates on issued bonds of GBP 250m, maturing in 2011, from GBP rate to a fixed DKK rate. The fair value is DKK -211m at 31 December 2006.

Recognised in equity:	2006 DKK Million	2005 DKK Million
Interest rate instruments	155	-6
Exchange rate instruments [1]	15	-14
Total	170	-20

[1] An exchange rate instrument was established to hedge the proceeds from the sale of the shares in Hite Brewery Co. Ltd. The loss on this hedging transaction relating to 2005 was reclassified from equity in 2006, and offset against proceeds of sale (income statement).

35 Financial instruments

Hedging of net investments in foreign entities

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.

In addition, in three cases loans have been given to entities and classified as additions to net investments. Currency translation adjustments related to these are taken directly to equity.

	2006 DKK Million				2005 DKK Million		
	Hedging of investment amount in currency	Addition to net investment amount in currency	Total adjustment to equity	Income statement	Hedging of investment amount in currency	Total adjustment to equity	Income statement
SEK	-715	2,288	14	-	-715	25	-
NOK	-730	3,182	-113	-	-520	-35	-
CHF	-385	-	55	-	-500	17	-
GBP	-130	-	-37	-2	-188	-75	-
USD/MYR [1]	-120	-	64	-	-540	-116	-
EUR	-898	635	-7	-	-898	-14	-
RUB	-3,858	-	5	-	-2,078	-5	-
PLN	-172	-	2	-	-	-	-
KRW [2]	-	-	86	-	-184,984	-86	-
Total			69	-2		-289	-

[1] The exchange rate risk associated with MYR has been hedged by selling USD 120m forward. The correlation between the MYR and USD is high, and so the instrument is classified as a net investment hedge.

[2] The investment in KRW was hedged until 2006. At the time of the sale of the shares in Hite Brewery Co. Ltd., the accumulated gain related to this hedging relationship was offset against the sales proceeds.

The accumulated value of hedging of investments in foreign currencies at 31 December 2006 is a negative amount of DKK 157m (2005: a negative amount of DKK 226m).

Fair value of financial instruments

		2006 DKK Million		2005 DKK Million	
		Positive	Negative	Positive	Negative
Cash flow hedge	Currency	-	-	-	-16
	Interest rate	36	-58	-	-177
Hedging of net investment	Currency	-	-17	14	-38
Instruments to hedge	Currency	-	-284	10	-367
fair value	Interest rate	-	-3	-	-7
Total		36	-362	24	-605

Notes

36 Related parties

Related parties with a controlling influence

Carlsberg A/S, Ny Carlsberg Vej 100, DK-1760 København V holds all shares in Carlsberg Breweries A/S. The Group conducted related party transactions with the Parent Company during the year. Intercompany transactions have been conducted at an arm's length basis. No further transactions have been undertaken with Carlsberg A/S except for dividend distribution.

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.

Emoluments to the Board of Directors and Executive Board are presented in note 13.

Associates

The income statement and balance sheet include the following transactions with associates:

	2006 DKK Million	2005 DKK Million
Net revenue	287	200
Cost of sales	349	314
Loans	4	36
Borrowings	5	6
Receivables	51	57
Trade payables	40	3

No losses on loans to or receivables from associates were recognised, nor provisions made for such, in either 2006 or 2005.

Proportionally consolidated entities

The income statement and balance sheet include the following transactions with proportionally consolidated entities:

	2006 DKK Million	2005 DKK Million
Net revenue	14	12
Costs	4	3
Interest income	7	7
Interest expenses	5	3
Loans	161	173
Receivables	8	8
Trade payables and other liabilities etc.	12	5

Notes

37 Contingent liabilities and other commitments

Carlsberg Breweries A/S have issued guarantees for borrowings of DKK 9,482m (2005: DKK 9,160m) raised by subsidiaries and associates. Subsidiaries and joint ventures have also issued guarantees for borrowings etc. of DKK 1,221m (2005: DKK 942m).

Commitments related to significant service contracts amount to DKK 827m (2005: DKK 1,064m).

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

Carlsberg Breweries A/S 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 Breweries Group is party to certain lawsuits etc. Management does not expect the outcome of such cases to have a material negative impact on the Group's financial position beyond what has been recognised in the balance sheet or stated in the Annual Report.

Certain guarantees etc. are issued in connection with divestment of entities and activities. These are not judged to have a material influence on the Group's financial position beyond what is recognised in the balance sheet or stated in the Annual Report.

Capital commitments

	2006 DKK Million	2005 DKK Million
Capital commitments agreed on the balance sheet date for later delivery and not recognised in the consolidated financial statements:		
Property, plant and equipment, and construction contracts	645	296
Total	645	296

37 Contingent liabilities and other commitments

Operating lease commitments

	2006	2005
	DKK Million	DKK Million
Aggregate future lease payments under non-cancellable operating leases:		
Within one year	371	376
Between one and five years	917	756
After more than five years	407	411
Total	1,695	1,543
Operating lease expenses recognised in the income statement	502	388
Expected future income under non-cancellable subleases (property rentals)	168	180

The Carlsberg Breweries 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 stated in the Annual Report.

Note 38 Accounting policies

The 2006 Annual Report of the Carlsberg Breweries Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the executive order on the adoption of IFRS issued with reference to the Danish Financial Statements Act.

The Annual Report also complies with the IFRS issued by the IASB.

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

New accounting standards

The following IFRS standards and interpretations as endorsed by the EU were implemented with effect from 1 January 2006 and are of relevance to the Carlsberg Breweries Group:

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"
- Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates"
- IFRIC 4 "Determining whether an Arrangement contains a Lease".

The implementation of these IFRS standards and interpretations has not resulted in changes in the accounting policies applied by the Carlsberg Breweries Group.

The EU has also adopted IFRS 7 "Financial Instruments: Disclosures" and amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures", which entered into force on 1 January 2007. In accordance with the provisions on the effective date of these standards, they have been implemented early with effect from the financial year 2006. The standards have not changed the accounting policies for recognition and measurement of financial instruments, only the disclosures in the notes are changed.

IFRS 8 "Operating Segments" and IFRIC 7-12 were also issued in 2006. IFRS 8 and IFRIC 10-12 have not yet been endorsed by the EU. The implementation of IFRS 8 and IFRIC 7-12 will not result in changes in the Group's accounting policies.

Segment reporting has changed in 2006, such that licensing income from associates and joint ventures and certain marketing expenses previously included in "Not distributed" are now included in segment reporting for the regions. The overall changes are relatively modest but will have an increasingly greater effect over time. The comparative figures have been restated.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company Carlsberg Breweries A/S and subsidiaries where Carlsberg Breweries A/S exercises a controlling influence over their financial and operating policies. A controlling influence is obtained by direct or indirect ownership of more than 50% of the voting rights, 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 Breweries A/S exercises a controlling or significant influence, potential voting rights are taken into account.

Entities 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 financial statements of the Parent Company, subsidiaries and proportionally consolidated entities 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 subsidiaries and proportionally consolidated entities are offset against the proportionate share of the subsidiaries' fair value of identifiable net assets including 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 or establishment. Divested or wound-up entities are recognised in the consolidated income statement until the date of divestment or winding-up. Comparative figures are not adjusted for newly acquired, divested or wound-up entities.

The purchase method is used for the acquisition of new subsidiaries, joint ventures and associates. 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.

The date of acquisition is the date when the Carlsberg Breweries Group effectively obtains control over the acquired subsidiary, enters the management of the joint venture or obtains significant influence over the associate.

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 Breweries Group 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.

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.

For business combinations made prior to 1 January 2004, the accounting classification has been maintained according to the accounting policies at that time, 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 accounting policies at that time (the Danish Financial Statements Act and Danish accounting standards) less amortisation and impairment until 31 December 2003. Goodwill has not been amortised after 1 January 2004. The accounting treatment of business combinations prior to 1 January 2004 was not changed in connection with the opening balance sheet at 1 January 2004.

Gains or losses on the divestment or winding-up of subsidiaries, joint ventures 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.

Acquisition and divestment of minority interests

When acquiring minority interests (i.e. subsequent to the Carlsberg Breweries Group obtaining a controlling influence), there is no restatement of the net assets acquired at fair value. The difference between the cost and the carrying amount of the minority shares acquired at the date of acquisition is recognised as goodwill.

When divesting minority interests, the difference between the proceeds and the carrying amount of the minority shares sold is deducted proportionally from the carrying amount of goodwill.

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 Breweries A/S (DKK) are recognised in the consolidated financial statements, the income statement and cash flow statement are 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 Breweries 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 associates with a functional currency that differs from Carlsberg Breweries A/S' presentation currency are recognised 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.

When a foreign entity is wholly or partly divested or the entity repays intercompany balances considered a part of the net investment, the portion of the accumulated exchange rate adjustments that is recognised directly in equity and can be attributed thereto is recognised in the income statement at the same time as any gain or loss arising on the divestment or repayment.

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 recognised in the balance sheet at cost on the transaction date and subsequently at fair value.

The fair value of derivative financial instruments is included in other receivables and other 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 current market data and recognised valuation methods.

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, joint ventures or associates, and which effectively hedge against exchange rate changes in these entities, is recognised in the consolidated financial statements 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.

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 depreciation of production plant and returnable packaging.

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 of sales equipment.

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 construction contracts (property projects), 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. The effective interest on on-trade loans calculated on the basis of amortised cost is 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.

Special items

This item includes significant income and costs of a special nature in terms of the Group's revenue-generating operating activities, such as the cost of extensive restructuring of processes and fundamental structural changes, 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 and gains on the divestment of activities.

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

Profit from investments in associates

The proportionate share of the profit after tax of associates is recognised in the consolidated income statement after elimination of the proportionate share of unrealised intercompany gains/losses.

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 (other than loans to customers in the on-trade, which are included in other operating income) 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 instruments are also included.

Tax on profit/loss for the year

Tax for the year – comprising current corporation tax for the year, joint taxation contributions for the year 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.

Carlsberg Breweries 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.

To the extent that the Carlsberg Breweries 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.

When divesting entities acquired prior to 1 January 2002, where goodwill according to previous accounting policies was immediately written off directly in equity and where no reversal has taken place in accordance with the exemption clause in IFRS 1, the amount of goodwill written off 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 and customer lists acquired in connection with business combinations are recognised at cost and amortised over their expected useful life. Trademarks with an indefinite useful life are not amortised but impairment-tested at least once a year.

CO_2 emission rights are measured at their nominal value at the date of allocation (i.e. normally DKK 0), while acquired rights are measured at cost. Acquired rights are amortised over the production period during which they are expected to be utilised. A liability is recognised (at fair value) only if actual emissions of CO_2 exceed allocated levels based on the holding of rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment.

Amortisation is carried out systematically over the expected useful lives of the assets as follows:

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

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

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.

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. 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 henceforth as a change in accounting estimates.

Depreciation and minor impairments 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 of a non-recurring nature is recognised in the income statement under special items.

Investments in associates

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.

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. Receivables are written down on the basis of customers’ anticipated capacity to pay and expectations of any changes therein, taking into account historical payment patterns, terms of payment, customer segment, creditworthiness and prevailing market conditions in the individual markets.

As regards loans to the on-trade, any difference between present value and the principal at the time of the advance is treated as a prepaid discount to the customer, which is taken to the income statement in accordance with the terms of the agreement. The market interest rate used for discounting corresponds to the money market rate based on the maturity of the loan with the addition of a risk margin. The effective interest on these loans is recognised in other operating income, and the amortisation of the difference arising on discounting is included as a customer discount in net revenue.

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

Securities
Shares not classified as shares in subsidiaries or associates, and bonds are classified as securities available for sale. These are recognised 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 valuation methods. Unrealised value adjustments are recognised directly in equity, except for write-downs for impairment and reversals of impairment 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 the income statement.

Securities available for sale are classified as current and non-current on the basis of management's selling plans. The Group has no securities classified as a trading portfolio.

Impairment of assets
Goodwill and trademarks 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 goodwill is tested for impairment together with other non-current assets in the cash-generating unit to which the goodwill is allocated, and is written down to the recoverable amount via the income statement if the carrying amount is higher. The recoverable amount is normally calculated as the present value of 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 other non-current assets is reviewed annually for indications of impairment. 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. Value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset forms part.

An impairment 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 impairments are recognised in the income statement under cost of sales, sales and distribution expenses, administrative expenses and other operating expenses. Major impairments and impairment in connection with extensive restructuring of processes and fundamental structural changes are, however, recognised 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.

Deferred tax assets are reviewed annually and recognised only where it is likely that they will be utilised.

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 Carlsberg Breweries A/S (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 on the same line as the gain/loss made.

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

Proposed dividend
A proposed dividend is recognised as a liability as soon as it has been approved by the Annual General Meeting (declaration date). The dividend recommended by the Board of Directors and therefore expected to be paid for the year is disclosed in the notes.

An interim dividend is recognised as a liability as soon as the decision has been taken.

Share-based payment
The value of services received in return for share options granted is measured at the fair value of the options.

The share option programme for the Executive Board and other Group key employees is an equity-settled scheme. 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.

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.

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.

Costs 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 on pension liabilities and expected return on pension assets are recognised under financials.

Realised gains and losses on the adjustment of retirement benefit obligations as a result of large-scale job losses in connection with restructuring are recognised in the income statement under special items.

Realised gains and losses on the curtailment or settlement of pension plans are recognised in the income statement under other operating income, net.

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 management's planned use of the asset or settlement of the liability, respectively.

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

Deferred tax assets, including the tax effect of tax loss carryforwards, are recognised under other non-current assets at their anticipated value either as an offset against tax on future income or as an offset 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 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. Other provisions are discounted where this has a material effect on the measurement of the liability. The Carlsberg Breweries Group's average borrowing rate is used for this discounting.

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 banks, 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

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

Deferred income
Deferred income comprises payments received concerning income in subsequent years.

Assets held for sale
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 management has decided to sell the asset or disposal group, and taken the necessary steps to carry out the sale, such that the 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 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 expected 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. Comparative figures are not restated.

If the sale is not completed as expected, the asset or disposal group is reclassified to the items in the balance sheet from which it was originally separated. This reclassification is performed at the carrying amount less the depreciation that would have been charged on the asset had it not been classified as "held for sale".

Presentation of discontinued operations
Discontinued operations are activities or cash flows that can be clearly distinguished from the rest of the business and have either been sold or been classified as "held for sale", and where the sale is expected to be completed within one year under a formal plan. Discontinued operations also include entities classified as "held for sale" in connection with acquisitions.

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. Comparative figures are restated.

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 before special items adjusted for non-cash operating items, changes in working capital, restructuring costs paid, 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 acquisition of minorities, borrowings, repayment of interest-bearing debt, purchase 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.

Key figures

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other key figures are calculated in accordance with the Danish Society of Financial Analysts' publication "Financial Ratios & Key Figures 2005".

The key figures presented in the five-year summary are calculated as follows:

Cash flow from operating activities per share
Cash flow from operating activities divided by the number of shares at year-end.

Debt/equity (financial gearing)
The Group's equity in relation to its interest-bearing debt.

Debt/operating profit before depreciation and amortisation
Net interest-bearing debt divided by operating profit before special items less depreciation and amortisation.

Earnings per share (EPS)
Net profit for the year divided by the average number of shares.

Earnings per share, diluted (EPS-D)
Consolidated profit for the year divided by the average number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33. The dilutive effect is calculated as the difference between the number of shares that could be acquired at fair value for the proceeds from the exercise of the share options and the number of shares that could be issued assuming that the options are exercised.

Equity ratio
Equity at year-end as a percentage of total liabilities at year-end.

Interest cover
Operating profit before special items divided by interest expenses, net.

Number of shares, average
Average number of shares in circulation, excluding treasury shares, during the year.

Number of shares, year-end
Total number of issued shares at the end of the financial year.

Operating margin
Net profit for the year as a percentage of revenue.

Pay-out ratio
Dividend for the year as a percentage of net profit for the year.

Return on invested capital (ROIC)
Operating profit before special items and after tax as a percentage of average invested capital.

Group companies

Company	Subsidiaries	Note	Holding	Nominal share capital (1,000)	Currency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe excl. BBH	Asia	Other activities
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	◇				
Investeringselskapet RH, Oslo, Norway			100%	49.900	NOK	90,51	◇				
Ringnes a.s., Oslo, Norway	6 subsidiaries		100%	238.714	NOK	90,51	◇				
Oy Sinebrychoff Ab, Helsinki, Finland			100%	96.707	EUR	745,60	◇				
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary		100%	287.457	SEK	82,47					◇
Carlsberg Sverige AB, Stockholm, Sweden	9 subsidiaries		100%	70.000	SEK	82,47	◇				
BBH - Baltic Beverages Holding AB, Stockholm, Sweden			50%	12.000	EUR	745,60		◇			
Saku Brewery AS, Estonia		1	75%	80.000	EEK	47,65		◇			
A/S Aldaris, Latvia			85%	7.500	LVL	1.069,40		◇			
Baltic Beverages Invest AB, Stockholm, Sweden			100%	12.000	EUR	745,60		◇			
Baltic Beverages Holding Oy, Helsinki, Finland			100%	10	EUR	745,60		◇			
Svyturys-Utenos Alus AB, Lithuania			75%	118.000	LTL	215,94		◇			
Slavutich Brewery, Ukraine			92%	197.692	UAH	112,14		◇			
Lvivska Brewery, Ukraine			100%	81.909	UAH	112,14		◇			
Baltic Beverages Eesti, Estonia			100%	400	EEK	47,65		◇			
Baltika Brewery, St. Petersburg, Russia		1	86%	175.083	RUB	21,47		◇			
Derbes Company Ltd. Liability Partnership, Kazakhstan			90%	2.143.176	KZT	4,47		◇			
UAB BBH Baltics, Lithuania			100%	10	LTL	215,94		◇			
Sarbast, Tashkent, Uzbekistan			75%	34.274.626	UZS	0,45		◇			
Carlsberg Italia S.p.A, Lainate, Italy	20 subsidiaries		100%	82.400	EUR	745,60	◇				
Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal	12 subsidiaries		44%	50.000	EUR	745,60	◇				
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	3 subsidiaries		100%	95.000	CHF	464,00	◇				
Carlsberg Deutschland GmbH, Mönchengladbach, Germany	7 subsidiaries		100%	26.897	EUR	745,60	◇				
Göttsche Getränke GmbH, Germany			100%	2.000	EUR	745,60	◇				
Holsten-Brauerei AG, Hamburg, Germany	18 subsidiaries		98%	41.250	EUR	745,60	◇				
Tuborg Deutschland GmbH, Mönchengladbach, Germany			100%	51	EUR	745,60	◇				
Carlsberg GB Limited, Northampton, UK			100%	692	GBP	1.110,35	◇				
Carlsberg UK Holdings PLC, Northampton, UK	1 subsidiary		100%	90.004	GBP	1.110,35	◇				
Carlsberg Polska S. A., Warsaw, Poland	5 subsidiaries		100%	28.721	PLN	194,62			◇		
Carlsberg Accounting Centre Sp.z.o.o., Poznan, Poland			100%	50	PLN	194,62					◇
Dyland BV, Bussum, Netherlands	1 subsidiary		100%	18.198	EUR	745,60			◇		
Carlsberg Croatia d.o.o., Koprivnica, Croatia			80%	239.932	HRK	101,49			◇		
Bottling and Brewing Group Ltd., Blantyre, Malawi	2 subsidiaries	2	44%	1.267.128	MWK	4,05			◇		
Nuuk Imeq A/S, Nuuk, Greenland			32%	45.679	DKK	100,00			◇		
Israel Beer Breweries Ltd, Ashkelon, Israel			20%	15.670	ILS	134,04			◇		
International Breweries (Netherlands) B.V., Bussum, Netherlands	2 subsidiaries		16%	2.523	USD	566,14			◇		
Türk Tuborg Bira ve Malt Sanayii A.S., Izmir, Turkey	1 subsidiary	1	96%	324.111	TRY	398,78			◇		
Carlsberg Bulgaria AD, Mladost, Bulgaria			80%	37.325	BGN	381,23			◇		
B to B Distribution EOOD, Mladost, Bulgaria			100%	10	BGN	381,23			◇		
Carlsberg Serbia d.o.o., Serbia			80%	1.943.679	CSD	9,40			◇		
Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary			100%	25.200	HUF	2,96			◇		
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	72,53		◇	
Xinjiang Wusu Beer Co. Ltd., Urumqi, Xinjiang, China		3 subsidiaries	■	60%	105.480	CNY	72,53		◇	
Lanzhou Huanghe Jianjiang Brewery Company Limited, China			■	30%	210.000	CNY	72,53		◇	
Qinghai Huanghe Jianjiang Brewery Company Ltd., Xining, Qinghai, China			■	33%	60.000	CNY	72,53		◇	
Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China			■	30%	15.000	CNY	72,53		◇	
Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China			■	30%	16.620	CNY	72,53		◇	
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia	1		●	51%	154.039	MYR	160,38		◇	
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia			■	100%	10.000	MYR	160,38		◇	
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia			●	100%	100	MYR	160,38		◇	
The Lion Brewery Ceylon, Biyagama, Sri Lanka	1		■	25%	850.000	LKR	5,26		◇	
Carlsberg Asia Pte Ltd., Singapore			●	100%	57.914	SGD	369,07		◇	
Brewery Invest Pte. Ltd, Singapore			●	100%	4.200	SGD	369,07		◇	
Carlsberg Brewery Hong Kong Ltd., Hong Kong, China			●	100%	260.000	HKD	72,81		◇	
Carlsberg Brewery Guangdong Ltd., Huizhou, China			●	99%	442.330	CNY	72,53		◇	
Tsingtao Beer Shanghai Songjiang Co. Ltd., Shanghai, China			■	25%	303.659	CNY	72,53		◇	
Carlsberg Hong Kong Ltd., Hong Kong, China			●	100%	-	HKD	72,81		◇	
Kunming Huashi Brewery Company Ltd., Kunming, China			●	100%	60.000	CNY	72,53		◇	
Lao Brewery Co. Ltd., Vientiane, Laos			◆	50%	14.400.000	LAK	0,06		◇	
Carlsberg Singapore Pte. Ltd., Singapore			●	100%	1.000	SGD	369,07		◇	
Carlsberg Marketing (Singapore) Pte Ltd., Singapore			●	100%	1.000	SGD	369,07		◇	
Caretech Ltd, Hong Kong, China			◆	50%	10.000	HKD	72,81		◇	
Cambrew Pte Ltd, Singapore			◆	100%	21.720	SGD	369,07		◇	
Cambrew Ltd, Phnom Penh, Cambodia			◆	100%	125.000	USD	566,14		◇	
South Asian Breweries Pvt Ltd, Singapore			●	100%	10.000	SGD	369,07		◇	
South Asian Breweries Pvt Ltd, India			●	100%	100.000	INR	12,81		◇	
Gorkha Brewery Pvt. Ltd., Kathmandu, Nepal			●	50%	466.325	NPR	8,07		◇	
Dali Beer (Group) Limited Company, Dali, China		3 subsidiaries	●	100%	97.799	CNY	72,53		◇	
Halong Beer and Beverage, Vietnam			■	100%	9.000.000.000	VND	0,04		◇	
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	194,62			◇
Carlsberg Finans A/S, Copenhagen, Denmark			●	100%	25.000	DKK	100,00			◇
Carlsberg Invest A/S, Copenhagen, Denmark			●	100%	52.847	DKK	100,00			◇
CTDD Beer Imports Ltd., Quebec, Canada			●	100%	-	CAD	487,93	◇		
Carlsberg USA Inc., New York, USA			●	100%	1.260	USD	566,14	◇		
Carlsberg Canada Inc., Mississauga, Ontario, Canada			●	100%	750	CAD	487,93	◇		
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 entity

■ Associate

1 Listed company

2 Carlsberg is responsible for management

3 In accordance with section 5, para. 1 of the Danish Financial Statements Act (exemption statement), a separate annual report is not prepared.

Carlsberg Breweries A/S - Parent Company

Carlsberg Breweries A/S - Parent Company

Income statement

Note		2006 DKK Million	2005 DKK Million
	Revenue	1,236	1,146
2	Cost of sales	-456	-427
	Gross profit	780	719
3	Sales and distribution expenses	-540	-487
4	Administrative expenses	-447	-407
5	Other operating income and expenses	353	180
	Operating profit	**146**	**5**
6	Special items, net	909	1,249
7	Financial income	6,522	2,750
8	Financial expenses	-947	-1,256
	Profit before tax	**6,630**	**2,748**
9	Corporation tax	32	324
	Profit for the year	**6,662**	**3,072**
	Proposed appropriation:		
	Dividend to shareholders	445	900
	Taken to reserves	6,217	2,172
	Proposed appropriation:	6,662	3,072
10	**Earnings per share**		
	Earnings per share	13,324	6,144
	Earnings per share, diluted	13,324	6,144

Carlsberg Breweries A/S - Parent Company

Statement of recognised income and expenses for the year

2006
DKK Million

	Fair value adjustments[1]	Retained earnings	Total
Profit for the year	**-**	**6,662**	**6,662**
Value adjustments:			
Hedging instruments	135	-	135
Other adjustments:			
Share-based payment	-	-1	-1
Other	-	8	8
Tax on changes in equity	-38	-	-38
Net amount recognised directly in equity	**97**	**7**	**104**
Total recognised income and expenses	**97**	**6,669**	**6,766**

2005
DKK Million

	Fair value adjustments[1]	Retained earnings	Total
Profit for the year	**-**	**3,072**	**3,072**
Value adjustments:			
Hedging instruments	-51	-	-51
Securities	-1	-	-1
Other adjustments:			
Share-based payment	-	1	1
Tax on changes in equity	12	-	12
Net amount recognised directly in equity	**-40**	**1**	**-39**
Total recognised income and expenses	**-40**	**3,073**	**3,033**

[1] Fair value adjustments comprise a reserve for securities available for sale and a reserve for hedging transactions.

Carlsberg Breweries A/S - Parent Company

Balance sheet

Note	Assets	31.12.2006 DKK Million	31.12.2005 DKK Million
	Non-current assets		
13	Intangible assets	150	149
14	Property, plant and equipment	80	89
15	Investments in subsidiaries	19,209	25,131
16	Investments in associates and joint ventures	2,804	2,711
17	Securities	40	21
18	Receivables	8,885	1,269
19	Deferred tax assets	384	462
	Total non-current assets	**31,552**	**29,832**
	Current assets		
	Trade receivables	448	363
18	Other receivables	5,660	8,375
	Prepayments	48	18
17	Securities	-	101
20	Cash and cash equivalents	14	104
	Total current assets	**6,171**	**8,961**
21	Assets held for sale	4	-
	Total assets	**37,726**	**38,793**

Carlsberg Breweries A/S - Parent Company

Balance sheet

Note	Equity and liabilities	31.12.2006 DKK Million	31.12.2005 DKK Million
	Equity		
22	Share capital	500	500
	Reserves	20,091	14,225
	Total equity	**20,591**	**14,725**
	Non-current liabilities		
23	Borrowings	8,007	13,246
	Total non-current liabilities	**8,007**	**13,246**
	Current liabilities		
23	Borrowings	8,355	9,697
	Trade payables	380	326
	Deposits on returnable packaging	32	30
24	Other liabilities etc.	362	769
	Total current liabilities	**9,129**	**10,822**
	Total liabilities	**17,136**	**24,068**
	Total equity and liabilities	**37,727**	**38,793**

Carlsberg Breweries A/S - Parent Company

Statement of changes in equity

2006

DKK Million

	Share capital	Fair value adjustments[1]	Retained earnings	Total reserves	Total equity
Equity at 1 January 2006	500	-139	14,364	14,225	14,725
Total recognised income and expenses for the year, cf. the statement on page 87	-	97	6,669	6,766	6,766
Dividend paid to shareholders	-	-	-900	-900	-900
Total changes in equity	**-**	**97**	**5,769**	**5,866**	**5,866**
Equity at 31 December 2006	**500**	**-42**	**20,133**	**20,091**	**20,591**

2005

DKK Million

	Share capital	Fair value adjustments[1]	Retained earnings	Total reserves	Total equity
Equity at 1 January 2005	500	-99	12,041	11,942	12,442
Total recognised income and expenses for the year, cf. the statement on page 87	-	-40	3,073	3,033	3,033
Dividend paid to shareholders	-	-	-750	-750	-750
Total changes in equity	**-**	**-40**	**2,323**	**2,283**	**2,283**
Equity at 31 December 2005	**500**	**-139**	**14,364**	**14,225**	**14,725**

The proposed dividend of DKK 890.00 per share, in total DKK 445m (2005: DKK 1,800.00 per share, in total DKK 900m), is included in retained earnings at 31 December 2006.

1 Fair value adjustments comprise a reserve for securities available for sale and a reserve for hedging transactions.

Carlsberg Breweries A/S - Parent Company

Cash flow statement

Note		2006 DKK Million	2005 DKK Million
	Operating profit before special items	146	5
	Adjustment for depreciation	13	8
	Operating profit before depreciation	159	13
	Adjustment for other non-cash items	3	-2
25	Change in working capital	49	108
	Restructuring costs paid	-2	-28
	Interest, dividends etc. received	6,276	2,742
	Interest etc. paid	-982	-692
	Corporation tax received	72	74
	Cash flow from operating activities	**5,575**	**2,215**
	Acquisition of property, plant and equipment	-6	-16
	Disposal of property, plant and equipment	-	4
	Total operational investments	-6	-12
	Acquisition of subsidiaries	-25	-1,845
	Divestment of subsidiaries[1]	4,841	29
	Capital injection in subsidiaries	-3,600	-1,158
	Acquisition of financial assets	-18	-788
	Disposal of financial assets	12	2,008
	Dividends exceeding accumulated earnings after the date of acquisition	5,603	-
	Loan to associate	-7,125	-1,615
	Change in financial receivables	1,939	-1,391
	Total financial investments	1,628	-4,760
	Cash flow from investing activities	**1,621**	**-4,772**
	Free cash flow	**7,197**	**-2,557**
25	Shareholders in Carlsberg Breweries A/S	-3,316	4
25	External financing	-3,997	2,436
	Cash flow from financing activities	**-7,313**	**2,440**
	Net cash flow	**-116**	**-117**
	Cash at 1 January	5	122
20	Cash at 31 december	-112	5

[1] Divestment of subsidiaries in 2006 is a intra group transaction.

Note 1 Significant accounting estimates and judgements

The 2006 Annual Report of Carlsberg Breweries A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the executive order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act. In addition, the Annual Report has been prepared in compliance with the IFRS issued by the IASB.

In preparing the Annual Report of Carlsberg Breweries A/S, management makes various accounting estimates and assumptions which form the basis of recognition and measurement of the Parent Company's assets and liabilities. The most significant accounting estimates and judgements are presented below. The most significant accounting estimates and judgements for the Carlsberg Breweries Group are presented in note 1 to the consolidated financial statements. The Parent Company's accounting policies are described in detail in note 27.

Estimation uncertainty

Determining the carrying amount of some assets and liabilities requires judgements, estimates and assumptions concerning future events.

The judgements, estimates and assumptions made are based on historical experience and other factors, including judgements by consultants and specialists which management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The company is also subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Specific risks are discussed in the relevant section of the management review.

Assumptions about the future and estimation uncertainty on the balance sheet date are described in the notes where there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are subject to an annual review by management for indications of impairment. If necessary, an impairment test is carried out in the same way as for goodwill in the Carlsberg Breweries Group, see note 38 to the consolidated financial statements. Shareholdings in Türk Yuborg and Carlsberg Italia have been impaired in 2006.

Deferred tax assets

Carlsberg Breweries A/S recognises deferred tax assets, including the tax base of tax loss carryforwards, if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

The value of recognised deferred tax assets is DKK 384m (2005: DKK 183m), of which DKK 180m is expected to be realised within 12 months and DKK 204m is expected to be realised more than 12 months after the balance sheet date.

For a more detailed presentation of Carlsberg A/S' tax assets, see note 18.

Accounting policies applied

In applying the Group's accounting policies, management makes judgements as well as accounting estimates which may have a material impact on the amounts recognised in the annual report.

Such judgements include the recognition of revenue, cf. the description in note 1 to the consolidated accounts, and recognition of dividends from subsidiaries and associated entities.

Dividends on investments in subsidiaries, joint ventures and associates

When dividends on investments in subsidiaries, joint ventures and associates are recognised it is assessed whether the distributed dividends exceed accumulated earnings after the date of acquisition. In such cases the dividend is recognised as reduction of the cost of the investment.

Carlsberg Breweries A/S - Parent Company

Notes

2 Cost of sales

	2006 DKK Million	2005 DKK Million
Purchases of finished goods and other costs	456	427

3 Sales and distribution expenses

	2006 DKK Million	2005 DKK Million
Marketing expenses	473	440
Sales expenses	27	8
Distribution expenses	40	39
Total	540	487
Of which staff costs, cf. note 11	82	73

4 Fees to auditors appointed by the Annual General Meeting

	2006 DKK Million	2005 DKK Million
KPMG:		
Audit	1.4	1.2
Other services	6.6	1.9

Other services include fees for tax consultancy and due diligence in connection with acquisitions.

5 Other operating income

	2006 DKK Million	2005 DKK Million
Managementfee from group companies	339	119
Gains on disposal of property, plant and equipment	-	4
Other, incl. grants received	14	57
Total	353	180

Carlsberg Breweries A/S - Parent Company

Notes

6 Special items, net

	2006 DKK Million	2005 DKK Million
Special items, income:		
Gain on sale of shares in Hite Brewery Co. Ltd.	-	1,640
Gain on sale of shares in Danbrew Ltd. A/S	-	27
Gain on sale of shares in Oy Sinebrychoff Ab	2,663	-
Gain on sale of shares in other subsidiaries	5	-
Total	2,668	1,667
Special items, costs:		
Impairment of shareholdings in subsidiaries	-1,759	-390
Restructuring etc.	-	-28
Total	-1,759	-418
Special items, net	909	1,249

7 Financial income

	2006 DKK Million	2005 DKK Million
Interest	542	235
Dividends	5,730	2,515
Currency translation gains, net	244	-
Other financial income	6	-
Total	6,522	2,750

8 Financial expenses

	2006 DKK Million	2005 DKK Million
Interest	856	823
Fair value adjustments, net	77	157
Currency translation losses, net	-	241
Realised loss on sale of securities	-	6
Other financial expenses	15	29
Total	948	1,256

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

Notes

9 Corporation tax

	2006 DKK Million	2005 DKK Million
Tax for the year comprises:		
Current tax on profit for the year	3	42
Change in deferred tax during the year	84	-290
Adjustments to tax for previous years	-81	-88
Total tax for the year	6	-336
Deferred tax on items recognised directly in equity	-38	12
Tax on profit for the year	-32	-324

	2006	2005
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	28.0%	28.0%
Change in tax rate	-	1.5%
Adjustments to tax for previous years	0.2%	-
Non-deductible expenses	0.1%	0.4%
Non-taxable dividends	-24.2%	-24.7%
Special items	-5.4%	-17.5%
Other	0.7%	0.5%
Effective tax rate for the year	-0.6%	-11.8%

The change in deferred tax recognised in the income statement can be broken down as follows:

	2006	2005
Tax losses	91	-329
Property, plant and equipment etc.	-45	51
Tax losses	46	-278

10 Earnings per share

	2006 DKK Million	2005 DKK Million
Profit for the year	6,662	3,072
	1.000 stk	1.000 stk
Average number of shares	500	500
Average number of treasury shares	-	-
Average number of shares in circulation	500	500
Average dilution effect of outstanding share options	-	-
Diluted average number of shares in circulation	500	500
	Kr.	Kr.
Earnings per share of DKK 20 (EPS)	13,324	6,144
Diluted earnings per share of DKK 20 (EPS-D)	13,324	6,144

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

	2006 DKK Million	2005 DKK Million
Wages, salaries and other remuneration	170	147
Termination benefits	6	3
Social security costs	1	1
Pension costs - defined contribution plans	14	14
Share-based payment	3	1
Other benefits	3	3
Total	197	169

	2006 DKK Million	2005 DKK Million
Staff costs are included in the following items in the income statement:		
Sales and distribution expenses	82	73
Administrative expenses	115	96
Total	197	169

The average number of full-time employees in the Parent Company during the year was 205 (2005: 208).

Remuneration of key management personnel:

	2006 DKK Million		2005 DKK Million	
	Executive Board	Other senior executives	Executive Board	Other senior executives
Salaries and other remuneration	22	17	19	20
Pension costs	-	2	-	2
Share-based payment	1	-	1	-
Total	23	19	20	22

Remuneration of the Executive Board comprises total remuneration of members of the Executive Board, some of which is paid by other entities in the Carlsberg Group.

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. This group is limited to Senior Vice Presidents and Vice Presidents engaged in Carlsberg’s headquarters in Copenhagen, a total of 12 people (2005: 12 people).

The Board of Directors of Carlsberg A/S received emoluments of DKK 0 m (2005: DKK 0 m).

Notes

12 Share-based payment

In 2006, a total of 61,500 (2005: 58,000) share options were granted to 22 (2005: 20) key employees. The fair value of these options when granted was a total of DKK 5m (2005: DKK 4m). The total cost of share-based payment was DKK 3m (2005: DKK 1m), which has been recognised in the income statement and is included in staff costs. Refunds etc. between Carlsberg A/S and Carlsberg Breweries A/S a total of DKK 4m (2005: DKK 0m) are recognised directly in equity.

	Exercise period		Number					Exercise price	Fair value	
Year granted	First year	Last year	1 Jan. 2006	Granted	Expired/ forfeited	Exercised	31 Dec. 2006	Fixed	31 Dec. 2006	31 Dec. 2005
Executive Board										
2001	2004	2009	14,700	-	-	-	14,700	386.54	3	-
2002	2005	2010	14,700	-	-	-	14,700	323.82	4	1
2003	2006	2011	21,000	-	-	-	21,000	214.47	7	3
2004	2007	2012	26,250	-	-	-	26,250	268.39	8	2
2005	2008	2013	25,000	-	-	-	25,000	288.29	7	2
2006	2009	2014	-	30,000	-	-	30,000	380.18	7	-
Total			101,650	30,000	-	-	131,650		36	8
Other senior executives										
2001	2004	2009	39,375	-	-	6,300	33,075	386.54	6	-
2002	2005	2010	33,075	-	150	10,875	22,050	323.82	5	1
2003	2006	2011	34,125	-	-	7,875	26,250	214.47	9	4
2004	2007	2012	37,275	-	-	-	37,275	268.39	11	4
2005	2008	2013	33,000	-	3,000	-	30,000	288.29	10	3
2006	2009	2014	-	31,500	-	-	31,500	380.18	7	-
I alt			176,850	31,500	3,150	25,050	180,150		48	12
Total			278,500	61,500	3,150	25,050	311,800		84	20

12 Share-based payment

	2006				2005			
	Executive Board	Others	Total	Average exercise price	Executive Board	Others	Total	Average exercise price
Share options outstanding at 1 January	101,650	176,850	278,500	294.31	76,650	155,400	232,050	293.79
Granted	30,000	31,500	61,500	380.18	25,000	33,000	58,000	288.29
Expired/forfeited	-	-3,150	-3,150	289.98	-	-300	-300	241.43
Exercised	-	-25,050	-25,050	305.22	-	-11,250	-11,250	254.01
Share options outstanding at 31 December	131,650	180,150	311,800	310.42	101,650	176,850	278,500	294.31
Exercised options as % of share capital	50,400	81,375	131,775	307.35	29,400	72,450	101,850	357.12

The average share price at the time the share options were exercised was DKK 489 (2005: DKK 310).

At 31 December 2006 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 386.54 (2005: DKK 214.47 to DKK 386.54). The average remaining contractual life was 4.9 years (2005: 5.6 years).

The assumptions underlying the calculation of the fair value of share options are set out in note 14 to the consolidated financial statements.

Carlsberg Breweries A/S - Parent Company

Notes

13 Immaterielle aktiver

2006

DKK Million

	Trademarks [1]	Other intangible assets [2]	Advance payments	Total
Cost:				
Cost at 1 January 2006	137	11	2	150
Additions	-	5	1	6
Transfers	-	2	-2	-
Cost at 31 December 2006	137	18	1	156
Amortisation and impairment:				
Amortisation and impairment at 1 January 2006	-	1	-	1
Amortisation	-	5	-	5
Amortisation and impairment at 31 December 2006	-	6	-	6
Carrying amount at 31 December 2006	137	12	1	150

Amortisation and impairment losses for the year are included in administrative expense.

2005

DKK Million

	Trademarks [1]	Other intangible assets [2]	Advance payments	Total
Cost:				
Cost at 1 January 2006	137	-	-	137
Additions	-	11	2	13
Cost at 31 December 2005	137	11	2	150
Amortisation and impairment:				
Amortisation and impairment at 1 January 2005	-	-	-	-
Amortisation	-	1	-	1
Amortisation and impairment at 31 December 2006	-	1	-	1
Carrying amount at 31 December 2005	137	10	2	149

1 Management considers that the value of these trademarks can be maintained for an indefinite period, as these are well-established trademarks in the markets concerned and these markets are expected to be profitable in the longer term. In the opinion of management, there is only a minimal risk of the current situation in the markets in question reducing the useful life of these trademarks. This is primarily due to their respective market share in each market and to current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

2 The carrying amount of other intangible assets at 31 December 2006 includes capitalised software costs.

13 Immaterielle aktiver

Impairment test:
The carrying amount of trademarks with an indefinite useful life was impairment tested at 31 December 2006. Impairment tests are performed in the 4th quarter each year.

The impairment test compares the recoverable amount, equivalent to the present value of expected future free cash flow, with the carrying amount of the individual trademarks.

The impairment test is based on expected future cash flows for the trademarks on the basis of key assumptions about expected useful life and royalty rate and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of specific and estimated future risks associated with the particular trademark.

Based on the impairment tests performed, no grounds were found as at 31 December 2006 for impairments of trademarks with an indefinite useful life. Management further assesses that likely changes in the key parameters discussed will not cause the carrying amount of trademarks with an indefinite useful life to exceed the recoverable amount.

14 Property, plant and equipment

2006

DKK Million

	Land and buildings	Other assets, vehicles etc.	Construction in progress	Total
Cost:				
Cost at 1 January 2006	141	25	-	166
Additions	-	1	-	1
Cost at 31 December 2006	141	26	-	167
Depreciation and impairment:				
Depreciation and impairment at 1 January 2006	61	16	-	77
Depreciation	7	3	-	10
Depreciation and impairment at 31 December 2006	68	19	-	87
Carrying amount at 31 December 2006	73	7	-	80
Carrying amount of assets pledged as security for borrowings	-	-	-	-

Depreciation for the year of DKK 10m is included in administrative expenses.

2005

DKK Million

	Land and buildings	Other assets, vehicles etc.	Construction in progress	Total
Cost:				
Cost at 1 January 2005	141	25	3	169
Additions	-	3	-	3
Disposals	-	-3	-3	-6
Cost at 31 December 2005	141	25	-	166
Depreciation and impairment:				
			-	
Depreciation and impairment at 1 January 2006	55	17	-	72
Disposals	-	-2	-	-2
Depreciation	6	1	-	7
Depreciation and impairment at 31 December 2005	61	16	-	77
Carrying amount at 31 December 2005	80	9	-	89
Carrying amount of assets pledged as security for borrowings	80	-	-	80

Depreciation for the year of DKK 7m is included in administrative expenses.

Notes

15 Investments in subsidiaries

	2006 DKK Million	2005 DKK Million
Cost:		
Cost at 1 January	26,012	22,945
Additions during the year [1]	3,625	3,069
Dividends exceeding accumulated earnings after the date of acquisition	-5,603	-
Disposals	-2,185	-2
Cost at 31 December	21,849	26,012
Revaluations:		
Revaluations at 1 January	-881	-491
Impairment	-1,759	-390
Revaluations at 31 December	-2,640	-881
Carrying amount at 31 December	19,209	25,131

Revaluations:

Impairments in 2006 mainly relates to shareholdings in Türk Tuborg and Carlsberg Italia. Impairment of Türk Tuborg is a result of - as in 2005 - a deterioration in business conditions relating to ongoing increases in excise duties. The impairment of the shareholdings in Carlsberg Italia is due to continuing difficult market conditions on a declining market, and thus an unsatisfactory earnings performance, leading to lower expectations for future earnings. Total impairment of Türk Tuborg and Carlsberg Italia, DKK 1,710m, is recognised under special items in the income statement.

Impariment tests of shareholdings in subsidiaries are based on the same assumptions as for cash-generating units in the Carlsberg Group. The assumptions are stated in note 15 to the consolidated accounts.

16 Investments in associates and joint ventures

	2006 DKK Million	2005 DKK Million
Cost:		
Cost at 1 January	2,711	2,023
Additons	93	938
Disposals	-	-250
Cost at 31 December	2,804	2,711
Carrying amount at 31 December	2,804	2,711

There are no indication of impariment of shareholdings in associates and joint ventures. Hence no impairment test has been performed.

Notes

17 Securities

	2006 DKK Million	2005 DKK Million
Securities are classified in the balance sheet as follows:		
Non-current assets	40	21
Current assets	-	101
Total	40	122
Types of security:		
Listed shares	-	107
Unlisted shares	40	15
Total	40	122

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

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.

18 Receivables

	2006 DKK Million	2005 DKK Million
Receivables are included in the balance sheet as follows:		
Current receivables	8,885	1,269
Non-current receivables	5,660	8,375
Total	14,545	9,644
Receivables by origin:		
Loans to subsidiaries	14,346	7,240
Fair value of hedging instruments	35	153
Other receivables	164	2,251
Total	14,545	9,644

Trade receivables and loans are shown net of provisions for bad and doubtful debts. A charge of DKK 0m (2005: DKK 1m) has been recognised in profit for the year.

The carrying amount essentially corresponds to fair value.

	2006 %	2005 %
The average rates of interest are as follows:		
Loans to subsidiaries	4.7	3.1

Notes

19 Deferred tax assets and deferred tax liabilities

	2006 DKK Million	2005 DKK Million
Deferred tax at 1 January, net	462	268
Transfer of deferred tax assets to jointly taxed companies	-	-66
Adjustments to previous years	5	-30
Recognised in equity	-38	12
Recognised in income statement	-45	278
	384	462
Of which transferred to assets held for sale	-	-
Deferred tax at 31 December, net	384	462

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

	2006 DKK Million	2005 DKK Million	2006 DKK Million	2005 DKK Million
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	14	20	40	37
Property, plant and equipment	2	2	12	14
Current assets	1	1	-	-
Tax losses etc.	419	493	-	3
Total before netting	436	516	52	54
Netting	-52	-54	-52	-54
Total after netting	384	462	-	-
Transferred to assets held for sale	-	-	-	-
Deferred tax at 31 December, net	384	462	-	-
Expected to be recovered as follows:				
Within 12 months of balance sheet date	180	2	-	-
More than 12 months after balance sheet date	204	460	-	-
Total	384	462	-	-

Of the total deferred tax assets recognised, DKK 412m (2005: DKK 493m) is tax loss carryforward, utilisation of which depends on future positive taxable income over and above the settlement of deferred tax liabilities.

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

Notes

20 Cash and cash equivalents

	2006 DKK Million	2005 DKK Million
Cash at bank and in hand	14	104

In the cash flow statement, bank overdrafts are offset against cash as follows:

	2006	2005
Cash and cash equivalents	14	104
Bank overdrafts	-125	-99
Cash and cash equivalents, net	-111	5

21 Assets held for sale

	2006 DKK Million	2005 DKK Million
Assets held for sale comprise the following:		
Individual assets:		
Property, plant and equipment	4	-
Total	4	-

22 Share capital

The share capital amounted to DKK 500m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is owned by Carlsberg A/S, Copenhagen, Denmark.

In 2001 the share capital was increased by DKK 200m through cash/non-cash contribution. No further changes to share captital has taken place.

Carlsberg Breweries A/S is included in the consolidated accounts for Carlsberg A/S.

Carlsberg Breweries A/S - Parent Company

Notes

23 Borrowings and financial risks

	2006 DKK Million	2005 DKK Million
Non-current borrowings:		
Mortgages	-	153
Bank borrowings	2,841	4,251
Borrowings from subsidiaries	5,166	8,842
Total	8,007	13,246
Current borrowings:		
Bank borrowings	125	117
Borrowings from shareholder	-	2,416
Borrowings from subsidiaries	8,230	7,164
Total	8,355	9,697
Total non-current and current borrowings	16,361	22,943
Fair value	16,560	23,541

All borrowings are measured at amortised cost.

Time to maturity of non-current borrowings:

2006 DKK Million

	1-2 år	2-3 år	3-4 år	4-5 år	> 5 år	I alt
Bank borrowings	108	-	-	-	2,733	0
Borrowings from subsidiaries	-	-	-	2,964	2,202	0
Total	108	-	-	2,964	4,935	8,007

2005 DKK Million

	1-2 år	2-3 år	3-4 år	4-5 år	> 5 år	I alt
Mortgages	-	-	-	-	153	153
Bank borrowings	282	-	-	3,969	-	4,251
Borrowings from subsidiaries	3,729	-	-	-	5,113	8,842
Total	4,011	-	-	3,969	5,266	13,246

23 Borrowings and financial risks

Foreign exchange risk

Carlsberg Breweries A/S has a foreign exchange risk on debt and financial instruments taken up in a currency other than the functional currency. In both cases it primarily relates to hedge of investments in foreign currency.

Interest rate risk

The most significant interest rate risk in the Carlsberg Breweries A/S relates to interest-bearing debt.

The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2006 gross debt (non-current and current borrowings) amounted to DKK 16,362m (2005: DKK 22,943m). After deducting cash and cash equivalents, net debt is DKK 16,347m (2005: 22,839m), a reduction of DKK 6,492m.

Interest rate risk is managed mainly using interest rate swaps, fixed-rate bonds and mortgages. Besides hedging interest rate exposure on existing loans, an interest rate swap of EUR 500m has been taken out starting in 2007 and maturing in 2010 with a fixed rate of 4.79%. A breakdown of the gross debt, including the financial instruments used to manage exchange and interest rate risk, can be found in note 23.

At the end of the year 67% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2005: 55%). Carlsberg Breweries issues loans to the subsidiaries. Net interest bearing debt amounted to DKK 2,036m (2005: DKK 13,607m), mainly with fixed interest rate. The interest rate risk is therefore limited.

Interest rate risk at 31 December 2006:

								2005
Mortgages	Interest rate risk	Average effective interest rate	Carrying amount	Time to maturity from balance sheet date				
				1-2 år	2-3 år	3-4 år	4-5 år	> 5 år
Floating rate	Cash flow	2.67%	153	-	-	-	-	153

The interest rates on the floating-rate loans were set in March 2006.

								2006
Currency profile of borrowings before and after derivatives			Next interest rate fixing (of principal before currency swaps)					
	Original principal	After swap	2007	2008	2009	2010	2011	2012-
CHF	1,810	2,208	-	-	1,810	-	-	-
DKK	3,054	1,864	90	-	-	-	2,964	-
EUR	6,596	6,802	2,680	188	-	3,728	-	-
GBP	2,263	1,532	61	-	-	-	-	2,202
NOK	548	714	548	-	-	-	-	-
PLN	13	616	13	-	-	-	-	-
SEK	117	-6	117	-	-	-	-	-
SGD	1,940	2,508	1,940	-	-	-	-	-
Other	20	124	20	-	-	-	-	-
Total	16,361	16,362	5,469	188	1,810	3,728	2,964	2,202

								2005
Currency profile of borrowings before and after derivatives			Next interest rate fixing (of principal before currency swaps)					
	Original principal	After swap	2006	2007	2008	2009	2010	2011-
CHF	1,555	2,239	119	-	-	1,436	-	-
DKK	7,700	6,576	4,736	-	-	-	-	2,964
EUR	6,623	5,862	2,893	-	-	-	3,730	-
GBP	2,694	2,082	546	-	-	-	-	2,148
NOK	521	691	521	-	-	-	-	-
SEK	366	517	366	-	-	-	-	-
USD	3,484	2,940	3,484	-	-	-	-	-
Other	-	2,036	-	-	-	-	-	-
Total	22,943	22,943	12,665	-	-	1,436	3,730	5,112

The financial risk is the the interest rate risk on the non-current loans with fixed interest rate. The risk primarily relates to the issued bond DKK 2,500m mautring June 2009. Non-current loans amounts to DKK 3,094m of which DKK 2,910m has a fixed interest rate. There are no currency rate risk.

Notes

24 Other liabilities etc.

	2006 DKK Million	2005 DKK Million
Other liabilities by origin:		
Duties and VAT payable	11	22
Staff costs payable	43	32
Interest payable	158	268
Fair value of hedging instruments	130	269
Liabilities related to the acquisition of entities	6	104
Other accrued expenses etc.	14	74
Total	362	769

25 Cash flows

	2006 DKK Million	2005 DKK Million
Change in working capital:		
Inventories	-	25
Receivables	75	-144
Trade payables and other liabilities	-26	227
Total	49	108
Shareholders in Carlsberg Breweries A/S:		
Dividends to shareholder	-900	-750
Loans from shareholder	-2,416	754
Total	-3,316	4
Loans		
Proceeds from borrowings	-	3,679
Repayment of borrowings	-1,563	-
Borrowings from subsidiaries	-2,338	-1,076
Other current financing, net	-96	-167
Total	-3,997	2,436

Notes

26 Specification of net interest-bearing debt

	2006 DKK Million	2005 DKK Million
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	8,007	13,246
Current borrowings	8,355	9,697
Gross interest-bearing debt	16,362	22,943
Cash and cash equivalents	-14	-104
Current loans to associates	-14,346	-7,240
Other receivables	-164	-2,251
Less non-interest-bearing portion	130	259
Net interest-bearing debt	2,002	13,607
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	13,607	13,014
Cash flow from operating activities	-5,575	-2,215
Cash flow from investing activities	-1,621	4,772
Dividend to shareholders	900	750
Change in interest-bearing lending	-5,186	-3,006
Currency translation effects	-290	459
Other	168	-167
Total change	-11,605	593
Net interest-bearing debt at 31 December	2,002	13,607

27 Related parties

Related parties with a controlling influence

Carlsberg A/S, Ny Carlsberg Vej 100, DK-1760 København V holds 100% of the shares in Carlsberg Breweries A/S.

Carlsberg Breweries A/S har paid dividends of DKK 900m (2005: DKK 750m) to Carlsberg A/S.

The income statement and balance sheet include the following transactions with Carlsberg A/S:

	2006 DKK Million	2005 DKK Million
Other operating income	12	-
Administrative expenses	3	6
Interest expenses	-8	-42
Loans	-	2,416
Receivables	-	2
Trade payables	4	2

Related parties with a significant influence

Carlsberg Breweries A/S was not involved in any transactions during the year with members of the Board of Directors or the Executive Board, other senior executives, or companies outside the Carlsberg Group in which these parties have interests.

Emoluments to the Board of Directors and Executive Board are presented in note 10.

Associates

Dividends of DKK 552m (2005: DKK 509m) were received from associates.

The income statement and balance sheet include the following transactions with associates:

	2006 DKK Million	2005 DKK Million
Net revenue	28	22
Interest income	14	14
Interest expenses	-9	-2
Loans	313	365
Receivables	10	16
Trade payables and other liabilities etc.	15	1

Subsidiaries

DIvidends of DKK 10,735m (2005: DKK 2,002m) were received from subsidiaries.

The income statement and balance sheet include the following transactions with subsidiaries:

	2006 DKK Million	2005 DKK Million
Net revenue	281	307
Cost of sales	459	444
Other operating income	327	119
Sales and distribution expenses	-14	46
Administrative expenses	-24	-17
Interest income	490	211
Interest expenses	-687	-716
Loans provided	13,999	6,875
Loans	13,396	16,006
Receivables	293	481
Trade payables and other liabilities etc.	368	560

Transactions with the associated companies are based on market prices.

Notes

28 Contingent liabilities and other commitments

Carlsberg Breweries A/S have issued guarantees for borrowings of DKK 9,482m (2005: DKK 9,160m) raised by subsidiaries and associates.

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

Carlsberg Breweries A/S 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 Breweries A/S is party to certain lawsuits etc. Management does not expect the outcome of such cases to have a material negative impact on the companys financial position beyond what has been recognised in the balance sheet or stated in the Annual Report.

Certain guarantees etc. are issued in connection with divestment of entities and activities. These are not judged to have a material influence on the Group's financial position beyond what is recognised in the balance sheet or stated in the Annual Report.

Operating lease commitments

	2006 DKK Million	2005 DKK Million
Aggregate future lease payments under non-cancellable operating leases:		
Within one year	2	2
Between one and five years	2	9
After more than five years	-	-
Total	4	11
Operating lease expenses recognised in the income statement	3	3

The Carlsberg Breweries A/S has entered into operating leases which relate primarily to IT equipment and cars. 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 stated in the Annual Report.

Note 29 Accounting policies

The 2006 Annual Report of Carlsberg Breweries A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the executive order on the adoption of IFRS issued with reference to the Danish Financial Statements Act.

The Annual Report also complies with the IFRS issued by the IASB.

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

The accounting policies for the Parent Company are the same as for the Carlsberg Breweries Group, cf. note 38 to the consolidated financial statements, with the exception of the items below.

Income statement

Dividends on investments in subsidiaries, joint ventures and associates
Dividends on investments in subsidiaries, joint ventures and associates are recognised as income in the income statement of the Parent Company in the financial year in which the dividend is declared. If distributed dividends exceed accumulated earnings after the date of acquisition, the dividend is not recognised as income but as a reduction of the cost of the investment.

Financial items
Translation adjustments of balances with foreign entities which are considered part of the total net investment in the entity concerned are recognised in the income statement of the Parent Company.

Balance sheet

Investments in subsidiaries, joint ventures and associates
Investments in subsidiaries, joint ventures and associates are measured at cost. Cost is written down to recoverable amount if this is lower.

Cost is written down by the amount by which the dividend distributed exceeds accumulated earnings after the date of acquisition.