# Carlsberg Breweries A/S

CVR No. 25 50 83 43

# Annual Report for 2007

(8th 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<br>Ny Carlsberg Vej 100<br>1760 København V<br>Denmark<br><br>Municipality of reg. office: Copenhagen |
| Board of Directors: | Jens Bigum (chairman), Managing Director<br>Povl Krogsgaard-Larsen (Deputy Chairman), Professor, D. Pharm<br>Jørgen Buhl Rasmussen, Executive Vice President<br>Eva Vilstrup Decker (Employee Board member), Customer Service Manager<br>Morten Ibsen, Project manager<br>Jørn P. Jensen, Executive Vice President and CFO<br>Hans Andersen (Employee Board member), brewery worker |
| Executive Board: | Jørgen Buhl Rasmussen, Executive Vice President<br>Jørn P. Jensen, Executive Vice President and CFO |
| Auditor: | KPMG C. Jespersen<br>Statsautoriseret Revisionsinteressentskab<br>Borups Alle 177<br>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 2007.

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 2007 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2007.

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

Copenhagen, 10 March 2008.

**Executive Board of Carlsberg Breweries A/S**

| | |
|---|---|
| Jørgen Buhl Rasmusen | Jørn P. Jensen |

**Board of Directors of Carlsberg Breweries A/S**

| | | |
|---|---|---|
| Jens Bigum<br>Chairman | Povl Krogsgaard-Larsen<br>Deputy Chairman | Hans Andersen |
| Jørgen Buhl Rasmussen | Eva Vilstrup Decker | Morten Ibsen |
| Jørn P. Jensen | | |

# The independent auditors' report

### To the shareholder 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 2007, 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. 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 2007 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 2007 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

Copenhagen, 10 March 2008.

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

| DKK million | | 2003 | 2004 | 2004 IFRS | 2005 IFRS | 2006 IFRS | 2007 IFRS |
|---|---|---|---|---|---|---|---|
| **Sales volumes (million hl)** | | | | | | | |
| Beer | | 81.4 | 92.0 | 92.0 | 101.6 | 100.7 | 115.2 |
| Soft drinks | | 21.2 | 19.4 | 19.4 | 19.1 | 20.2 | 20.8 |
| **Income statement** | | | | | | | |
| Net revenue | | 34,626 | 35,987 | 36,284 | 38,047 | 41,083 | 44,750 |
| Operating profit before special items | | 3,429 | 3,001 | 2,970 | 3,422 | 3,997 | 5,001 |
| Special items, net | | -401 | -301 | -598 | -636 | -160 | -427 |
| Financial items, net | | -637 | -742 | -816 | -1,014 | -728 | -971 |
| Profit before tax | | 2,001 | 1,440 | 1,556 | 1,772 | 3,109 | 3,603 |
| Corporation tax | | -493 | -537 | -426 | -519 | -920 | -1,190 |
| Amortisation and impairment of goodwill[1] | | -390 | -518 | - | - | - | - |
| Consolidated profit | | 1,508 | 903 | 1,130 | 1,253 | 2,189 | 2,413 |
| Attributable to: | | | | | | | |
| Minority interests | | 266 | 243 | 242 | 259 | 282 | 294 |
| Shareholders in Carlsberg Breweries A/S | | 1,242 | 660 | 888 | 994 | 1,907 | 2,119 |
| **Balance sheet** | | | | | | | |
| Total assets | | 42,518 | 44,490 | 44,835 | 50,206 | 45,834 | 49,830 |
| Invested capital | | 27,978 | 31,320 | 31,137 | 31,379 | 31,297 | 32,954 |
| Interest-bearing debt, net | | 11,289 | 15,884 | 15,884 | 16,316 | 14,800 | 14,937 |
| Equity, shareholders in Carlsberg Breweries A/S | | 12,511 | 9,569 | 9,471 | 11,798 | 10,956 | 11,723 |
| **Cash flow** | | | | | | | |
| Cash flow from operating activities | | 4,354 | 4,103 | 4,172 | 4,842 | 4,872 | 5,102 |
| Cash flow from investing activities | | -2,140 | -3,543 | -3,612 | -3,498 | 232 | -4,955 |
| Free cash flow | | 2,214 | 560 | 560 | 1,344 | 5,104 | 147 |
| **Financial ratios** | | | | | | | |
| Operating margin | % | 9.9 | 8.3 | 8.2 | 9.0 | 9.7 | 11.2 |
| Return on average invested capital (ROIC) | % | 12.3 | 9.6 | 9.4 | 10.2 | 12.3 | 15.2 |
| Equity ratio | % | 33.2 | 25.0 | 24.6 | 26.5 | 26.9 | 26.1 |
| Debt/equity (financial gearing) | x | 0.80 | 1.43 | 1.44 | 1.23 | 1.20 | 1.15 |
| Interest cover | x | 5.38 | 4.04 | 3.64 | 3.37 | 5.48 | 5.15 |
| **Stock market ratios** | | | | | | | |
| Earnings per share (EPS) | DKK | 2,484 | 1,320 | 1,776 | 1,988 | 3,814 | 4,238 |
| Cash flow from operating activities per share (CFPS) | DKK | 8,708 | 8,206 | 8,344 | 9,684 | 9,744 | 10,204 |
| Free cash flow per share (FCFPS) | DKK | 4,428 | 1,120 | 1,120 | 2,688 | 10,208 | 294 |
| Dividend per share (proposed) | DKK | 6,600 | 1,500 | 1,500 | 1,800 | 890 | 2,600 |
| Pay-out ratio | % | 266 | 114 | 84 | 91 | 23 | 61 |
| **Employees** | | | | | | | |
| Full-time employees (average) | | 31,375 | 30,043 | 30,043 | 30,336 | 31,537 | 33,276 |

[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.

The accounting policies were amended with effect from 2005, cf. the section of the 2005 Annual Report on the transition to IFRS. The comparative figures for 2004 were restated accordingly, but those for previous years were not. Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2005".
The calculation of some financial ratios has been adjusted in 2007, and comparative figures have been restated.

## 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 climbed 9% to a total of DKK 44,750m (DKK 41,083m in 2006). DKK 170m of this revenue derives from acquisitions, primarily in China and Belarus. Organic growth was DKK 4,122m (+10%), driven by progress in all regions, and in particular by a positive volume development in BBH and a generally positive mix effect. Net revenue per hl showed a positive trend in all regions except for Asia, where there has been strong volume development in the low-price markets. Exchange rate movements had a negative effect of DKK 626m (-1%). Beer sales represented DKK 32,479m of total sales (DKK 29,047m in 2006), equivalent to 72.6% (70.7% in 2006).

Cost of sales amounted to DKK 22,423m (DKK 20,151m in 2006), an increase of 11% (DKK 2,272m). This development reflects volume growth in particular (+11% pro rata) but also a general increase in raw material costs. Overall, the price trend for the key raw material categories (malt, aluminium and energy) is considered to have had a total negative effect of DKK 600-700m.

Gross profit rose by 7% to DKK 22,327m (DKK 20,932m in 2006). The gross margin was 49.9%, which was 1.1 percentage points lower than in 2006. This trend can be attributed to rising raw material prices.

Sales and distribution expenses rose by DKK 355m to DKK 14,528m (DKK 14,173m in 2006). This development was driven by an increasing level of activity in BBH, Eastern Europe and Asia, while rationalisations and efficiency gains in Western Europe have reduced sales and distribution expenses by DKK 429m. Sales and distribution expenses also include marketing expenses of DKK 4,321m (DKK 4,178m in 2006), an increase of 3%, primarily as a result of increased market-oriented activities in BBH and Asia.

Administrative expenses were DKK 3,120m, an increase of 2% on 2006 as a result of increased activity on the growth markets in BBH, Eastern Europe and Asia. Administrative expenses in Western Europe fell by 8%.

Other operating income was DKK 524m and other operating expenses DKK 296m, or DKK 228m net against DKK 202m in 2006, an increase of DKK 26m.

Profit from associates was DKK 94m (DKK 79m in 2006).

Operating profit before special items was DKK 5,001m, against DKK 3,997m in 2006, an increase of 25%. The overall operating margin was 11.2% (9.7% in 2006), which is an improvement of 1.5 percentage points on last year.

Net special items were DKK -427m against DKK -160m in 2006 and concerned write-down of non-current assets in Turkey and termination costs etc. in connection with restructurings and Logistic Excellence programmes. Special items in 2006 included gains on the sale of shares in Hite Brewery Co. Ltd. (DKK 602m).

Net financial items were DKK -971m against DKK -728m in 2006. Net interest was DKK -854m against DKK -831m in 2006, and due to rising interest rates, which more than outweighed the lower average level of net interest-bearing debt. Other net financial items were DKK -117m against DKK 103m in 2006. This change is due in particular to currency translation adjustments on debt (DKK -175m compared with 2006) and the fact that the figure for 2006 included gains from sale of financial assets.

Tax on profit for the year was DKK -1,190 against DKK -920m in 2006. The effective tax rate was 33.0% against 29.6% in 2006.

Consolidated profit was DKK 2,413m against DKK 2,189m in 2006. Minority interests' share of this was DKK 294m (DKK 282m in 2006). In particular the increase in minority interests reflects the positive trend in BBH.

Carlsberg Breweries's share was DKK 2,119m against DKK 1,907 in 2006. This positive development can be attributed in particular to growth in operating profit from beverage activities.

## Balance sheet

Carlsberg Breweries had total assets of DKK 49,830m at year-end 2007, an increase of DKK 3,996m on 2006.

## Assets

Intangible assets totalled DKK 9,998m against DKK 10,072m in 2006.

Property, plant and equipment totalled DKK 21,168m (DKK 19,595m in 2006). This increase primarily reflects extraordinarily high capital expenditure as a result of capacity expansions in the growth markets, investments in Western Europe, with capacity efficiency projects in Denmark, Finland and Italy as a result of brewery closures as well as investments in real estate/"other activities".

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, it was decided to write down the carrying amount of non-current assets in Turkey by DKK 100m.

Other non-current assets amounted to DKK 2,804m, which was on a par with 2006.

Current assets rose by DKK 2,294m to a total of DKK 15,826m (DKK 13,532m in 2006), primarily as a result of higher other receivables higher intercompany receivables and higher inventories.

## Equity and liabilities

Total equity was DKK 13,019m, of which DKK 1,296m can be attributed to minority interests and DKK 11,723m to shareholders in Carlsberg Breweries A/S. Compared with 2006, equity was increased by DKK 695m. Financial gearing was 1.15.

Besides the profit for the year (DKK 2,413m), the movement in equity before minority interests was due to currency translation adjustments (DKK -521m), value adjustments of securities and hedging instruments (DKK 86m), and adjustment of actuarial losses on retirement benefit obligations etc. (DKK -526m). The dividend to shareholders was DKK 445m.

Total obligations were DKK 36,811m (DKK 33,510m in 2006). The increase is due to higher interest-bearing debt at the end of the year (DKK 1,791m) and the increase in trade payables from DKK 5,071m in 2006 to DKK 5,904m in 2007. Other liabilities have risen from DKK 4,607m in 2006 to DKK 5,293m in 2007.

## Cash flow and interest-bearing debt

Cash flow from operating activities was DKK 5,102m against DKK 4,872m in 2006.

Operating profit before depreciation and amortisation rose by DKK 884m, while restructuring costs paid were DKK 98m lower than in 2006. Working capital fell by DKK 199m (DKK +241m in 2006), primarily due to the high level of activity in BBH.

Cash flow from investing activities was DKK -4,955m against DKK +232m in 2006. The difference of DKK -5,187m can essentially be attributed to the fact that the cash flow for 2006 included proceeds from the sale of shares in Hite Brewery Co. Ltd. (approx. DKK 3.3bn) and an increase in operational investments of DKK 1,650m in 2007. The increase in - and the furthermore extraordinarily high level of - operational investments in 2007 can be attributed in particular to capacity expansions and brewery constructions in BBH (Russia, Ukraine and Uzbekistan), capacity efficiency projects in Denmark, Finland and Italy as a result of brewery closures as well as somewhat higher investments in real estate/"other activities".

Acquisition and divestment of entities, net, was DKK -179m (DKK +18m in 2006) and include acquisitions in Belarus (Olivaria), China (Ninqxia) and Laos (Lao Soft Drinks Co. Ltd.). In 2006 cash flow from investing activities was positively affected by the sale of the shareholding in Hite Brewery Co. Ltd. (approx. DKK 3.3bn).

After this, free cash flow was DKK 147m against DKK 5,104m in 2006.

Net interest-bearing debt was DKK 14,937m at year-end 2007 against DKK 14,800m at year-end 2006, an increase of DKK 137.

## 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.

Every second year Carlsberg publishes an Environmental Report with detailed information on the business's overall environmental impact. The most recent Environmental Report was published in 2007 and can be found on the Group's website along with previous reports.

## Expectations for 2008

It is important to bear in mind that compared to 2007, earnings in 2008 will be phased differently over the year. This is mainly due to the exceptionally warm weather in the BBH countries during the beginning of 2007 and to the poor summer weather in Western Europe in 2007, both of which will result in higher comparative figures in the first six months of 2008.

Based on the current business, Carlsberg Breweries anticipates growth of approx. 10% in net revenue for 2008, driven by continuing strong growth in BBH, Eastern Europe and Asia.

Operating profit is expected to increase to approx. DKK 5.6bn. Beverage activities are expected to show organic growth of approx. 12% compared with the figure of DKK 5,001m for 2007. Progress is expected in all geographic segments. As before, the earnings expectations include significant central expenses (in the segment "Not distributed") for marketing, for standardisation of processes, procedures, IT systems etc. and for other Group-related costs.

Special items are expected to be approx. DKK -200m, including most significantly redundancy payments etc. in connection with restructuring projects.

Financial expenses are expected to be higher than in 2007.

The overall effective tax rate for 2008 is expected at present to be around 27%.

The minority interests' share is expected to rise, primarily as a result of the expected positive development in BBH's activities in Russia.

Net profit in 2008 is now expected to increase by approx. 20%.

In addition to the above, the announcement of the offer for S&N brings with it particular expectations for the development of BBH.

The forward-looking statements contained herein, including forecasts on sales and earnings performance, reflect management's current expectations based on information available at the date of this document and are subject to risks and uncertainty. Such statements are made on the basis of assumptions and expectations which the Company believes to be reasonable at this time, but may prove to be erroneous. 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, economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, competition from other breweries, the availability and pricing of raw materials and packaging materials, production and distribution related problems, breach or unexpected termination of contracts, price reductions resulting from market driven price reductions, market acceptance of new products, launches of rival products and other unforeseen factors. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

Carlsberg Breweries assumes no obligation to update such forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in such forward-looking statements.

## Consolidated financial statements 2007

## Carlsberg Breweries Group

## Income statement

| Note | | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|---|
| | Revenue | 60,111 | 55,753 |
| | Excise duties on beer and soft drinks etc. | -15,361 | -14,670 |
| | **Net revenue** | **44,750** | **41,083** |
| 3 | Cost of sales | -22,423 | -20,151 |
| | **Gross profit** | **22,327** | **20,932** |
| 4 | Sales and distribution expenses | -14,528 | -14,173 |
| 5 | Administrative expenses | -3,120 | -3,043 |
| 6 | Other operating income | 524 | 450 |
| 6 | Other operating expenses | -296 | -248 |
| 18 | Share of profit after tax, associates | 94 | 79 |
| | **Operating profit before special items** | **5,001** | **3,997** |
| 7 | Special items, income | - | 602 |
| 7 | Special items, costs | -427 | -762 |
| | **Operating profit** | **4,574** | **3,837** |
| 8 | Financial income | 627 | 634 |
| 9 | Financial expenses | -1,598 | -1,362 |
| | **Profit before tax** | **3,603** | **3,109** |
| 10 | Corporation tax | -1,190 | -920 |
| | **Consolidated profit** | **2,413** | **2,189** |
| | Attributable to: | | |
| 11 | Minority interests | 294 | 282 |
| | Shareholders in Carlsberg Breweries A/S | 2,119 | 1,907 |
| 12 | **Earnings per share** | | |
| | Earnings per share | 4,238 | 3,814 |
| | Earnings per share, diluted | 4,238 | 3,814 |

## Carlsberg Breweries Group

### Statement of recognised income and expenses for the year

| | Note | Currency translation | Fair value adjustments | Retained earnings | Shareholders in Carlsberg Breweries A/S, total | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | **2007** DKK million |
| **Profit for the year** | | **-** | **-** | **2,119** | **2,119** | **294** | **2,413** |
| **Foreign exchange adjustments:** | | | | | | | |
| Foreign entities | 36 | -600 | - | - | -600 | -70 | -670 |
| **Value adjustments:** | | | | | | | |
| Hedging instruments, value adjustment for the year | 35, 36 | 148 | 83 | - | 231 | - | 231 |
| Hedging instruments, transferred to financial items | | -33 | - | - | -33 | - | -33 |
| Securities | | - | 42 | - | 42 | 4 | 46 |
| Securities, transferred to income statement on disposal | | - | -3 | - | -3 | -1 | -4 |
| Retirement benefit obligations | 26 | - | - | -526 | -526 | - | -526 |
| **Other adjustments:** | | | | | | | |
| Share-based payment | 14 | - | - | 19 | 19 | - | 19 |
| Other | | - | - | -10 | -10 | 1 | -9 |
| Tax on changes in equity | | -36 | -36 | 169 | 97 | - | 97 |
| **Net amount recognised directly in equity** | | **-521** | **86** | **-348** | **-783** | **-66** | **-849** |
| **Total recognised income and expenses** | | **-521** | **86** | **1,771** | **1,336** | **228** | **1,564** |

| | Note | Currency translation | Fair value adjustments | Retained earnings | Shareholders in Carlsberg Breweries A/S, total | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | **2006** DKK million |
| **Profit for the year** | | **-** | **-** | **1,907** | **1,907** | **282** | **2,189** |
| **Foreign exchange adjustments:** | | | | | | | |
| Foreign entities | 36 | -347 | - | - | -347 | -72 | -419 |
| **Value adjustments:** | | | | | | | |
| Hedging instruments, value adjustment for the year | 35, 36 | 108 | 170 | - | 278 | - | 278 |
| Hedging instruments, transferred to financial items | | -39 | - | - | -39 | - | -39 |
| Securities | | - | -1,085 | - | -1,085 | - | -1,085 |
| Securities, transferred to income statement on disposal | | - | -624 | - | -624 | - | -624 |
| Retirement benefit obligations | 26 | - | - | -97 | -97 | - | -97 |
| **Other adjustments:** | | | | | | | |
| Share-based payment | 14 | - | - | 9 | 9 | - | 9 |
| Other | | - | - | 5 | 5 | -10 | -5 |
| Tax on changes in equity | | -7 | 4 | 61 | 58 | - | 58 |
| **Net amount recognised directly in equity** | | **-285** | **-1,535** | **-22** | **-1,842** | **-82** | **-1,924** |
| **Total recognised income and expenses** | | **-285** | **-1,535** | **1,885** | **65** | **200** | **265** |

Currency translation comprises foreign exchange adjustments arising on the translation of the financial statements of foreign entities with a functional currency other than the Group's presentation currency, foreign exchange adjustment of assets and liabilities which constitute part of the Group's net investment in a foreign entity and foreign exchange adjustments of hedging transactions related to the Group's net investment in a foreign entity.

Fair value adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges, where the hedged transaction has not yet been realised. Fair value adjustments also comprise a reserve for securities available for sale.

## Carlsberg Breweries Group

## Balance sheet

| Note | Assets | 31 Dec. 2007 DKK million | 31 Dec. 2006 DKK million |
|---|---|---|---|
| | **Non-current assets** | | |
| 15, 16 | Intangible assets | 9,998 | 10,072 |
| 16, 17 | Property, plant and equipment | 21,168 | 19,595 |
| 18 | Investments in associates | 591 | 551 |
| 19 | Securities | 100 | 107 |
| 20 | Receivables | 1,476 | 1,139 |
| 27 | Deferred tax assets | 626 | 715 |
| 26 | Retirement benefit plan assets | 11 | 14 |
| | **Total non-current assets** | **33,970** | **32,193** |
| | **Current assets** | | |
| 21 | Inventories | 3,818 | 3,220 |
| 20 | Trade receivables | 6,300 | 6,110 |
| | Tax receivables | 62 | 84 |
| 20 | Other receivables | 2,695 | 925 |
| 20 | Prepayments | 891 | 918 |
| 19 | Securities | 34 | 8 |
| 22 | Cash and cash equivalents | 2,026 | 2,267 |
| | **Total current assets** | **15,826** | **13,532** |
| 23 | Assets held for sale | 34 | 109 |
| | **Total assets** | **49,830** | **45,834** |

## Carlsberg Breweries Group

## Balance sheet

| Note | Equity and liabilities | 31 Dec. 2007 DKK million | 31 Dec. 2006 DKK million |
|---|---|---|---|
| | **Equity** | | |
| 24 | Share capital | 500 | 500 |
| | Reserves | 11,223 | 10,456 |
| | **Equity, shareholders in Carlsberg Breweries A/S** | **11,723** | **10,956** |
| | Minority interests | 1,296 | 1,368 |
| | **Total equity** | **13,019** | **12,324** |
| | **Non-current liabilities** | | |
| 25 | Borrowings | 16,162 | 11,865 |
| 26 | Retirement benefit obligations and similar obligations | 2,191 | 1,978 |
| 27 | Deferred tax liabilities | 1,439 | 1,578 |
| 28 | Provisions | 223 | 342 |
| 29 | Other liabilities | 20 | 54 |
| | **Total non-current liabilities** | **20,035** | **15,817** |
| | **Current liabilities** | | |
| 25 | Borrowings | 3,711 | 6,217 |
| | Trade payables | 5,904 | 5,071 |
| | Deposits on returnable packaging | 1,207 | 1,159 |
| 28 | Provisions | 477 | 451 |
| | Corporation tax | 184 | 187 |
| 29 | Other liabilities etc. | 5,293 | 4,607 |
| | **Total current liabilities** | **16,776** | **17,692** |
| 23 | Liabilities associated with assets held for sale | - | 1 |
| | **Total liabilities** | **36,811** | **33,510** |
| | **Total equity and liabilities** | **49,830** | **45,834** |

## Carlsberg Breweries Group

### Statement of changes in equity

**2007**
DKK million

| | Shareholders in Carlsberg Breweries A/S | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Currency translation | Fair value adjustments | Retained earnings | Total reserves | Total share capital and reserves | Minority interests | Total equity |
| Equity at 1 January 2007 | 500 | 288 | -21 | 10,189 | 10,456 | 10,956 | 1,368 | 12,324 |
| Total recognised income and expenses for the year, cf. the statement on page 13 | - | -521 | 86 | 1,771 | 1,336 | 1,336 | 228 | 1,564 |
| Capital increase | - | - | - | - | - | - | 43 | 43 |
| Other | - | - | - | 2 | 2 | 2 | - | 2 |
| Repurchase of shares | - | - | - | 30 | 30 | 30 | -198 | -168 |
| Share-based payment | - | - | - | -156 | -156 | -156 | - | -156 |
| Dividends paid to shareholders | - | - | - | -445 | -445 | -445 | -227 | -672 |
| Acquisition of entities | - | - | - | - | - | - | 82 | 82 |
| **Total changes in equity** | **-** | **-521** | **86** | **1,202** | **767** | **767** | **-72** | **695** |
| **Equity at 31 December 2007** | **500** | **-233** | **65** | **11,391** | **11,223** | **11,723** | **1,296** | **13,019** |

**2006**
DKK million

| | Shareholders in Carlsberg Breweries A/S | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Currency translation | Fair value adjustments | Retained earnings | Total reserves | Total share 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 13 | - | -285 | -1,535 | 1,885 | 65 | 65 | 200 | 265 |
| Capital increase | - | - | - | - | - | - | 23 | 23 |
| Other | - | - | - | 4 | 4 | 4 | - | 4 |
| Share-based payment | - | - | - | -11 | -11 | -11 | - | -11 |
| Dividends paid to shareholders | - | - | - | -900 | -900 | -900 | -148 | -1,048 |
| Acquisition of minority interests | - | - | - | - | - | - | -271 | -271 |
| Acquisition of entities | - | - | - | - | - | - | 53 | 53 |
| **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** |

The proposed dividend of DKK 2,600 per share, in total DKK 1,300m (2006: DKK 890 per share, in total DKK 445m), is included in retained earnings at 31 Decembe

Currency translation comprises accumulated foreign exchange adjustments arising on the translation of the financial statements of foreign entities with a functional currency other than the Group's presentation currency, foreign exchange adjustment of assets and liabilities which constitute part of the Group's net investment in a foreign entity and foreign exchange adjustments of hedging transactions related to the Group's net investment in a foreign entity.

Fair value adjustments comprise accumulated changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges, where the hedged transaction has not yet been realised. Fair value adjustments also comprise a reserve for securities available for sale.

## Carlsberg Breweries Group

### Cash flow statement

| Note | | 2007 DKK million | 2006 DKK million |
|---|---|---|---|
| | Operating profit before special items | 5,001 | 3,997 |
| | Adjustment for depreciation and amortisation | 2,752 | 2,940 |
| | Adjustment for impairment losses | 104 | 36 |
| | Operating profit before depreciation, amortisation and impairment losses | 7,857 | 6,973 |
| 30 | Adjustment for other non-cash items | -45 | -6 |
| 30 | Change in working capital | -199 | 241 |
| | Restructuring costs paid | -379 | -477 |
| | Interest etc. received | 162 | 174 |
| | Interest etc. paid | -1,257 | -1,104 |
| | Corporation tax paid | -1,037 | -929 |
| | **Cash flow from operating activities** | **5,102** | **4,872** |
| | Acquisition of property, plant and equipment and intangible assets | -4,929 | -3,188 |
| | Disposal of property, plant and equipment and intangible assets | 339 | 305 |
| 30 | Change in trade loans | -143 | -200 |
| | **Total operational investments** | **-4,733** | **-3,083** |
| 31 | Acquisition and disposal of entities, net | -179 | 18 |
| | Acquisition of financial assets | -40 | -82 |
| | Disposal of financial assets | 37 | 1,420 |
| 30 | Change in financial receivables [1] | -122 | 1,894 |
| | Dividends received | 82 | 65 |
| | **Total financial investments** | **-222** | **3,315** |
| | **Cash flow from investing activities** | **-4,955** | **232** |
| | **Free cash flow** | **147** | **5,104** |
| 30 | Shareholders in Carlsberg Breweries A/S | -421 | -3,337 |
| 30 | Minority interests | -451 | -701 |
| 30 | External financing | 308 | -1,033 |
| | **Cash flow from financing activities** | **-564** | **-5,071** |
| | **Net cash flow** | **-417** | **33** |
| | Cash and cash equivalents at 1 January | 1,778 | 1,822 |
| | Foreign exchange adjustment of cash and cash equivalents at 1 January | -82 | -77 |
| 22 | **Cash and cash equivalents at 31 December** | **1,279** | **1,778** |

[1] Includes DKK 1,928 received on the sale of shares in Hite Brewery Co. Ltd. in 2006.

# Note 1 Significant accounting estimates and judgements

The 2007 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 and the statutory 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 International Financial Reporting Standards (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 40 to the consolidated financial statements.

## 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 applicable and 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.

**Business combinations**
For acquisitions of new entities, the assets, liabilities and contingent liabilities of the acquiree are recognised using the purchase method. The most significant assets acquired generally comprise trademarks, customer agreements and non-current assets. For the determination of fair value, no active market exists for the majority of acquired assets, in particular in respect of acquired intangible assets. Accordingly, management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently within 12 months.

The unallocated purchase price (positive amounts) is recognised in the balance sheet as goodwill, which is allocated to the Group's cash-generating units. Management makes estimates of the acquired cash-generating units and the allocation of goodwill. Considering the uncertainties associated with the determination of the acquired cash-generating units, it is the assessment of management that the allocation made is based on documented estimates. Negative goodwill is recognised in the income statement at the acquisition date.

The difference between the carrying amounts in the acquired entities and the fair value of identifiable assets and liabilities is specified in note 31.

**Trademarks**
In business combinations, the value of the trademarks acquired and their expected useful lives are assessed based on the trademarks' market position, expected long-term developments in the relevant markets and the trademarks' profitability.

When the value of a well-established trademark is expected to be maintained for an indefinite period in the relevant markets, 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 reducing the useful life of trademarks, primarily due to the respective market share in each market and the 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 whether the current market situation in the relevant market has reduced the value or useful lives of trademarks. When there is an indication of a reduction in the value or useful life, the trademark is written down or amortisation is increased in line with the trademark’s shorter useful life.

**Customer agreements and portfolios**
In business combinations, the value of acquired customer agreements 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 agreements 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 agreements will be recognised in these cases, as customer relations are closely associated with the value of the acquired trademarks.

Measurement is based on expected future cash flows for the customer agreements 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 agreements.

**Impairment testing**
In performing the annual impairment test of *goodwill*, an assessment is made as to whether the individual units of the entity (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 and other net assets of the entity.

The estimates of future net free cash flows (value in use) are based on budgets and business plans for the next three years and projections for subsequent years. Key parameters are revenue 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 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. Budgets and business plans do not incorporate the effect of future restructurings and non-contracted capacity increases.

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 16.

Estimates of future earnings from *trademarks* with an indefinite useful life are made using the same model as is used to measure trademarks in business combinations, cf. above. Assessment of indications of impairment of trademarks with indefinite useful lives is made at Group level, as royalty income is earned globally across segments.

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 2007, and therefore trademarks with a finite useful life have not been impairment-tested.

**Useful lives and residual values for intangible assets and property, plant and equipment**
Intangible assets and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment. Amortisation and depreciation are recognised on a straight-line basis over the expected useful lives, taking into account any residual value. The expected useful lives and residual values are determined based on past experience and expectations of the future use of the assets. The expected future use and residual values may not be realised, which will require reassessment of useful lives and residual values and recognition of impairment losses or losses on disposal of non-current assets. The amortisation and depreciation periods used are described in the accounting policies in note 40 and the value of non-current assets is specified in notes 15 and 17.

For operating equipment in the on-trade, a physical inspection of assets is made annually and the continuing use evaluated in order to assess any indications of impairment.

**Restructurings**
In connection with restructurings management reassesses useful lives and residual values for non-current assets used in the entity undergoing restructuring. The extent and amount of onerous contracts as well as employee and other obligations arising in connection with the restructuring are also estimated.

**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 626m (2006: DKK 715m), of which DKK 139m is expected to be realised within 12 months and DKK 487m 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 805m (2006: DKK 552m) and is not expected to be realised in the foreseeable future.

For a more detailed presentation of the Group’s tax assets, see note 27.

**Receivables**
Receivables are measured at amortised cost less impairment.

Write-downs are made for bad debt losses due to lacking ability to pay. If the ability to pay deteriorates in the future, further write-downs may be necessary. Management performs analyses on the basis of customers’ expected ability to pay, historical information on payment patterns and doubtful debts, and customer concentrations, customers’ creditworthiness, collateral received and the financial situation 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.

Write-downs made are expected to be sufficient to cover losses. The financial uncertainty associated with write-downs for bad debt losses is considered to be limited.

**Retirement benefit obligations and similar obligations**
When calculating the value of the Carlsberg Breweries Group’s defined benefit retirement benefit plans, a number of significant actuarial assumptions are made, including discount rates, expected return on plan assets and expected growth in wages and salaries and retirement benefits. The range and weighted average for these assumptions are disclosed in note 26. Changes in actuarial assumptions (gains or losses) are recognised directly in equity, and amounted to an accumulated net loss of DKK 587m at 31 December 2007 (2006: a loss of DKK 162m).

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

**Provisions and contingencies**
Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or probable lawsuits etc. on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents. In connection with large restructurings management assesses the timing of costs to be incurred, which influences the classification as current or non-current liabilities respectively.

## Accounting policies applied
In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognised in the annual report.

Such judgements include the classification of shareholdings, including joint ventures, the recognition of revenue and excise duties, 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 etc. stipulating the actual level of influence over the entity.

This classification is significant, as the recognition of proportionally consolidated joint ventures impacts differently on the financial statements from 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. Key figures for proportionally consolidated entities are disclosed in note 34.

**Revenue recognition**
Revenue from the sale of finished goods and goods for resale is recognised when the risk has been transferred to the buyer. Revenue is measured excl. 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 revenue, or as part of cost of sales.

Customer discounts are recognised in the same period as the sales to which they relate. Customer discounts are deducted from 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, sales up to that date and other current information about trading with the customer. These calculations are performed by management in cooperation with sales managers.

**Loans to the on-trade**
Under certain circumstances the Carlsberg Breweries Group grants 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 income and expenses for each of these agreements, including the allocation of revenue from the loan between income, customer discounts and other operating income.

**Special items**
The use of special items entails management judgement in the separation from other items in the income statement, cf. the accounting policies. When using special items, it is crucial that these constitute significant items of income and expenses which cannot be attributed directly to the Group's ordinary operating activities but concern fundamental structural or process-related changes in the Group and any associated gains or losses on disposal. Management carefully considers such changes in order to ensure the correct distinction

between the Group's operating activities and restructuring of the Group made 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 wages and salaries as well as maintenance and depreciation of the machinery, plant and equipment used for production, and costs of plant administration and management. Entities 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 pertaining 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. The Group’s leases and significant service contracts are disclosed in note 38.

For leases an assessment is 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 information

The Carlsberg Breweries Group's activities comprise 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. Intra-segment revenue is based on arm's length prices.

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

Non-current segment assets comprise intangible assets and property, plant and equipment used directly in the operating activities of the segment. Current segment assets are allocated to the segments to the extent that they can be allocated directly to the individual segment, including inventories, trade receivables, other receivables and prepayments.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including trade payables and other payables.

**2007**
DKK million

| | Western Europe | BBH Group (50%) | Eastern Europe excl. BBH | Asia | Not allocated | Beverages, total |
|---|---|---|---|---|---|---|
| **Income statement:** | | | | | | |
| Net revenue | 27,394 | 10,430 | 4,210 | 2,535 | 181 | 44,750 |
| Intra-segment revenue | 105 | 5 | 57 | - | -167 | - |
| **Total revenue** | **27,499** | **10,435** | **4,267** | **2,535** | **14** | **44,750** |
| Allocated | 61% | 23% | 10% | 6% | - | 100% |
| Segment profit/loss | 2,732 | 2,336 | 430 | 291 | -882 | 4,907 |
| Share of profit/loss after tax in associates | 6 | 2 | 47 | 39 | - | 94 |
| **Operating profit before special items** | **2,738** | **2,338** | **477** | **330** | **-882** | **5,001** |
| Special items, net | | | | | | -427 |
| Financial items, net | | | | | | -971 |
| **Profit before tax** | | | | | | **3,603** |
| Corporation tax | | | | | | -1,190 |
| **Consolidated profit** | | | | | | 2,413 |
| **Balance sheet:** | | | | | | |
| Segment assets, non-current | 17,514 | 8,092 | 3,913 | 2,763 | 471 | 32,753 |
| Segment assets, current | 7,155 | 1,907 | 1,517 | 943 | 558 | 12,080 |
| Investments in associates | 112 | 28 | 152 | 299 | - | 591 |
| Assets held for sale | 28 | - | 6 | - | - | 34 |
| Other assets | | | | | | 4,372 |
| **Total assets** | | | | | | **49,830** |
| Segment liabilities, non-current | 2,380 | 11 | 22 | 20 | 1 | 2,434 |
| Segment liabilities, current | 8,424 | 1,406 | 1,329 | 904 | 819 | 12,881 |
| Liabilities associated with assets held for sale | - | - | - | - | - | - |
| Interest-bearing debt, gross | | | | | | 19,873 |
| Other liabilities | | | | | | 1,623 |
| Equity | | | | | | 13,019 |
| **Total equity and liabilities** | | | | | | **49,830** |
| **Other items:** | | | | | | |
| Acquisition of property, plant and equipment and intangible assets | 2,004 | 1,657 | 669 | 517 | 82 | 4,929 |
| Depreciation and amortisation | 1,551 | 642 | 405 | 132 | 111 | 2,841 |
| Impairment losses | 8 | - | 101 | - | 4 | 113 |

## Notes

### 2 Segment information

| 2006 DKK million | Western Europe | BBH Group (50%) | Eastern Europe excl. BBH | Asia | Not allocated | Beverages, total |
|---|---|---|---|---|---|---|
| **Income statement:** | | | | | | |
| Net revenue | 27,221 | 7,949 | 3,486 | 2,298 | 129 | 41,083 |
| Intra-segment revenue | 86 | 4 | 23 | 1 | -114 | - |
| **Total revenue** | **27,307** | **7,953** | **3,509** | **2,299** | **15** | **41,083** |
| Allocated | 66% | 19% | 9% | 6% | - | 100% |
| Segment profit/loss | 2,416 | 1,804 | 100 | 297 | -699 | 3,918 |
| Share of profit/loss after tax in associates | 9 | - | 35 | 35 | - | 79 |
| **Operating profit before special items** | **2,425** | **1,804** | **135** | **332** | **-699** | **3,997** |
| Special items, net | | | | | | -160 |
| Financial items, 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 | | | | | | 3,066 |
| **Total assets** | | | | | | **45,834** |
| Segment liabilities, non-current | 2,324 | 11 | 17 | 20 | 2 | 2,374 |
| Segment liabilities, current | 7,637 | 1,094 | 1,111 | 771 | 675 | 11,288 |
| Liabilities associated with assets held for sale | 1 | - | - | - | - | 1 |
| Interest-bearing debt, gross | | | | | | 18,082 |
| Other liabilities | | | | | | 1,765 |
| Equity | | | | | | 12,324 |
| **Total equity and liabilities** | | | | | | **45,834** |
| **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 losses | 295 | - | 55 | - | - | 350 |

## Carlsberg Breweries Group

## Notes

### 3 Cost of sales

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Cost of materials | 11,822 | 9,709 |
| Direct staff costs | 1,239 | 1,105 |
| Machinery costs | 759 | 755 |
| Depreciation, amortisation and impairment losses | 1,647 | 1,731 |
| Indirect production overheads | 2,491 | 2,324 |
| Purchased finished goods and other costs | 4,465 | 4,527 |
| **Total** | **22,423** | **20,151** |
| Of which staff costs, see note 13 | 2,019 | 1,986 |

### 4 Sales and distribution expenses

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Marketing expenses | 4,321 | 4,178 |
| Sales expenses | 4,099 | 4,124 |
| Distribution expenses | 6,108 | 5,871 |
| **Total** | **14,528** | **14,173** |
| Of which staff costs, see note 13 | 4,028 | 4,016 |

### 5 Fees to auditors appointed by the Annual General Meeting

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **KPMG:** | | |
| Audit | 21 | 19 |
| Non-audit services | 25 | 11 |

Non-audit services include fees for assistance in planning of acquisitions, tax consultancy and due diligence in connection with acquisitions.

## 6 Other operating income and expenses

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Other operating income** | | |
| Gains on disposal of real estate | 150 | 79 |
| Gains on disposal of other property, plant and equipment and intangible assets | 38 | 66 |
| Interest and amortisation of on-trade loans | 128 | 124 |
| Rental income, real estate | 76 | 88 |
| Other, incl. grants received and repaid property tax | 132 | 93 |
| **Total** | **524** | **450** |
| **Other operating expenses** | | |
| Loss on disposal of other property, plant and equipment and intangible assets | -84 | -46 |
| Losses and write-downs on on-trade loans | -34 | -30 |
| Real estate costs | -76 | -86 |
| Other | -102 | -86 |
| **Total** | **-296** | **-248** |
| Of which staff costs, see note 13 | 25 | 24 |

**Carlsberg Breweries Group**

## Notes

### 7 Special items

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Special items, income:** | | |
| Gain on disposal of shares in Hite Brewery Co. Ltd. | - | 602 |
| **Total** | **-** | **602** |
| | | |
| **Special items, costs:** | | |
| Impairment loss, Türk Tuborg | -100 | -80 |
| Impairment of goodwill, Carlsberg Italia | - | -144 |
| Impairment losses and expenses relating to withdrawal from the market for discount soft drinks in Denmark (2007: reversal of provision) | 7 | -55 |
| Other impairment losses, non-current assets | - | -12 |
| Loss on disposal of Landskron Brauerei, Germany | - | -21 |
| Loss on outsourcing of Carlsberg UK's servicing of draught beer equipment, reversal of provision | - | 18 |
| Termination benefits and impairment of non-current assets in connection with new production structure in Denmark (2007: reversal of provision) | 14 | -74 |
| Termination benefits and impairment of non-current assets in connection with new production structure at Sinebrychoff, Finland | -3 | -59 |
| Termination benefits etc. in connection with Operational Excellence programmes | -190 | -188 |
| Termination benefits and expenses, establishment of Accounting Shared Service Center in Poland | -29 | -60 |
| Restructuring, Carlsberg Italia | -67 | -58 |
| Costs in connection with outsourcing of distribution, Carlsberg Sweden | -26 | - |
| Other restructuring costs etc., other entities | -33 | -29 |
| **Total** | **-427** | **-762** |
| | | |
| **Special items, net** | **-427** | **-160** |

**If special items had been recognised in operating profit/loss before special items, they would have been included in the following items:**

| | 2007 | 2006 |
|---|---|---|
| Cost of sales | -145 | -415 |
| Sales and distribution expenses | -135 | -170 |
| Administrative expenses | -44 | -60 |
| Other operating income | -126 | 602 |
| Other operating expenses | 29 | -21 |
| | -421 | -64 |
| Impairment of goodwill | -6 | -96 |
| **Special items, net** | **-427** | **-160** |

## Carlsberg Breweries Group

## Notes

### 8 Financial income

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest income | 156 | 148 |
| Dividends | 19 | 31 |
| Fair value adjustments of financial instruments, net | - | 35 |
| Foreign exchange gains, net | 56 | 58 |
| Realised gains on disposal of securities | 43 | 13 |
| Expected return on plan assets, defined benefit plans | 321 | 333 |
| Other financial income | 32 | 16 |
| **Total** | **627** | **634** |

### 9 Financial expenses

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest expenses | 1,010 | 979 |
| Fair value adjustments of financial instruments, net | 66 | - |
| Realised losses on disposal of securities | 20 | - |
| Impairment of financial assets | 4 | - |
| Interest cost on obligations, defined benefit plans | 322 | 321 |
| Loss on other financial instruments | 73 | - |
| Other financial expenses | 103 | 62 |
| **Total** | **1,598** | **1,362** |

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

## Notes

### 10 Corporation tax

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Tax for the year comprises:** | | |
| Current tax on profit for the year | 939 | 819 |
| Change in deferred tax liabilities during the year | 160 | 183 |
| Change in tax rate | -16 | -21 |
| Adjustments to tax for previous years | 10 | -119 |
| **Total tax for the year** | **1,093** | **862** |
| **Of which recognised in equity:** | | |
| Deferred tax on items recognised directly in equity | 113 | 68 |
| Tax for the year on items recognised directly in equity | -16 | -10 |
| **Tax on profit for the year** | **1,190** | **920** |
| | | |
| **Reconciliation of the effective tax rate for the year:** | | |
| Tax rate in Denmark | 25.0% | 28.0% |
| Change in tax rate, Danish subsidiaries | 0.8% | 0.0% |
| Change in tax rate, foreign subsidiaries | -0.8% | -0.8% |
| Differences in tax rates, foreign subsidiaries | -2.0% | -2.2% |
| Adjustments to tax for previous years | -0.5% | -4.0% |
| Non-capitalised tax losses, net | 5.3% | 11.5% |
| Non-taxable income | -1.1% | -2.0% |
| Non-deductible expenses | 4.6% | 2.3% |
| Tax, associates | -0.1% | 0.0% |
| Special items | -0.4% | -5.3% |
| Other | 2.2% | 2.1% |
| **Effective tax rate for the year** | **33.0%** | **29.6%** |
| | | |
| **The change in deferred tax liabilities recognised in the income statement can be broken down as follows:** | | |
| Tax losses | -198 | 114 |
| Change in tax rate | -16 | -21 |
| Intangible assets and property, plant and equipment etc. | 471 | 137 |
| **Deferred tax liabilities recognised in income statement** | **257** | **230** |

## Carlsberg Breweries Group

## Notes

### 11 Minority interests

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Minority interests' share of profit for the year relates to the following:** | | |
| BBH Group | 254 | 238 |
| Carlsberg Brewery Malaysia Berhad | 60 | 68 |
| Other | -20 | -24 |
| **Total** | **294** | **282** |

### 12 Earnings per share

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Consolidated profit | 2,413 | 2,189 |
| Minority interests | -294 | -282 |
| **Shareholders in Carlsberg Breweries A/S** | **2,119** | **1,907** |
| | 1,000 shares | 1,000 shares |
| Average number of shares | 500 | 500 |
| Average number of treasury shares | - | - |
| Average number of shares outstanding | 500 | 500 |
| Average dilutive effect of outstanding share options | - | - |
| **Diluted average number of shares outstanding** | **500** | **500** |
| | DKK | DKK |
| Earnings per share of DKK 1,000 (EPS) | 4,238 | 3,814 |
| Diluted earnings per share of DKK 1,000 (EPS-D) | 4,238 | 3,814 |

## Notes

### 13 Staff costs and remuneration of the Board of Directors, the Executive Board and other executive employees

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Salaries and other remuneration | 5,971 | 5,708 |
| Termination benefits | 176 | 116 |
| Social security costs | 839 | 816 |
| Retirement benefit costs - defined contribution plans | 184 | 221 |
| Retirement benefit costs - defined benefit plans | 158 | 189 |
| Share-based payment[1] | 19 | 9 |
| Other employee benefits | 97 | 153 |
| **Total** | **7,444** | **7,212** |
| | | |
| **Staff costs are included in the following items in the income statement:** | | |
| Cost of sales | 2,019 | 1,986 |
| Sales and distribution expenses | 4,028 | 4,016 |
| Administrative expenses | 1,158 | 1,082 |
| Other operating expenses | 25 | 24 |
| Special items (restructuring) | 214 | 104 |
| **Total** | **7,444** | **7,212** |

The Group had an average of 33,276 (2006: 31,537) full-time employees during the year.

| **Remuneration of key management personnel:** | 2007 DKK million | | 2006 DKK million | |
|---|---|---|---|---|
| | Executive Board | Executive employees | Executive Board | Executive employees |
| Salaries and other remuneration | 26 | 25 | 22 | 16 |
| Retirement benefit costs | - | 2 | - | 2 |
| Share-based payment[1] | 6 | 2 | 1 | 1 |
| **Total** | **32** | **29** | **23** | **19** |

[1] Share-based payment comprises the cost of options granted to the Group's former CEO, which are expensed prematurely in connection with resignation. Share-based payment is specified in note 14.

Remuneration of the Group Executive Board and executive employees is based on a fixed salary and cash bonus payments of up to 50% of the fixed salary and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes are established for the Group Executive Board and executive employees.

Employment contracts for members of the Group Executive Board contain terms and conditions that are common to executive board members in subsidiaries of Danish listed group companies, including terms of notice and non-competition clauses.

In respect of other benefits and bonus schemes, the remuneration of directors in foreign subsidiaries is based on local terms and conditions.

Executive employees comprise Senior Vice Presidents and Vice Presidents engaged in Carlsberg Breweries's headquarters in Copenhagen, a total of 14 persons (2006: 12 persons), who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the Group's activities.

The Board of Directors of Carlsberg Breweries A/S received emoluments of DKK 0m (2006: DKK 0m).

### 14 Share-based payment

The Carlsberg Breweries Group has set up a share option programme to attract, retain and motivate the Group's key management personnel and to align their interests with those of shareholders. Key management personnel comprises the Group Executive Board, executive employees and the managements of significant subsidiaries. No share option programme has been set up for Carlsberg A/S's Board of Directors.

In 2007, a total of 212,600 (2006: 215,750) share options were granted to 143 (2006: 150) key employees. The grant date fair value of these options was a total of DKK 28 million (2006: DKK 19 million). Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares (equity-settled scheme).

Share options vest currently over a period of three years from the grant date. The options may be exercised no earlier than three years and no later than eight years after the grant date. Upon resignation, a proportion of the options may be exercised within one to three months. Special terms and conditions apply in the case of retirement, illness, death and changes in Carlsberg A/S' capital resources.

The total cost of share-based payment is DKK 19 million (2006: DKK 9 million), which is recognised in the income statement and included in staff costs. Refunds etc. between Carlsberg A/S, Carlsberg Breweries A/S and subsidiaries in the Carlsberg Breweries Group are recognised directly in equity and total DKK 48 million (2006: DKK 11 million). Expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK 108 million (2006: DKK 0 million).

| | | Number | | | | | | | Exercise price | Fair value | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grant year | Exercise year | 1 Jan. 2007 | Granted | Expired/ forfeited | Exercised | Transferred[1] | 31 Dec. 2007 | For exercise 31 Dec. | Fixed | Per option | 31 Dec. 2007 | 31 Dec. 2006 |
| **Executive Board** | | | | | | | | | | | | |
| 2001 | 2004-2009 | 14,700 | - | - | - | -7,350 | 7,350 | 7,350 | 386.54 | 236.05 | 2 | 3 |
| 2002 | 2005-2010 | 14,700 | - | - | - | -7,350 | 7,350 | 7,350 | 323.82 | 300.95 | 2 | 4 |
| 2003 | 2006-2011 | 21,000 | - | - | - | -10,500 | 10,500 | 10,500 | 214.47 | 406.42 | 4 | 7 |
| 2004 | 2007-2012 | 26,250 | - | - | - | -15,750 | 10,500 | 10,500 | 268.39 | 357.27 | 4 | 8 |
| 2005 | 2008-2013 | 25,000 | - | - | - | -15,000 | 10,000 | - | 288.29 | 341.41 | 3 | 7 |
| 2006 | 2009-2014 | 30,000 | - | - | - | -20,000 | 10,000 | - | 380.18 | 270.30 | 3 | 7 |
| 2007 | 2010-2015 | - | 40,000 | - | - | -20,000 | 20,000 | - | 584.86 | 153.95 | 3 | - |
| **Total** | | **131,650** | **40,000** | **-** | **-** | **-95,950** | **75,700** | **35,700** | | | **21** | **36** |
| **Key management personnel** | | | | | | | | | | | | |
| 2001 | 2004-2009 | 32,000 | - | - | -22,050 | -1,575 | 8,375 | 8,375 | 386.54 | 236.05 | 2 | 5 |
| 2002 | 2005-2010 | 23,775 | - | - | -14,325 | -1,575 | 7,875 | 7,875 | 323.82 | 300.95 | 2 | 6 |
| 2003 | 2006-2011 | 19,625 | - | - | -8,025 | -1,575 | 10,025 | 10,025 | 214.47 | 406.42 | 4 | 7 |
| 2004 | 2007-2012 | 114,450 | - | -350 | -80,163 | -1,575 | 32,362 | 32,362 | 268.39 | 357.27 | 12 | 35 |
| 2005 | 2008-2013 | 134,500 | - | -11,001 | -15,916 | -1,167 | 106,416 | - | 288.29 | 341.41 | 36 | 40 |
| 2006 | 2009-2014 | 176,250 | - | -25,417 | -9,166 | -833 | 140,834 | - | 380.18 | 270.30 | 38 | 40 |
| 2007 | 2010-2015 | - | 172,600 | -15,750 | - | -1,500 | 155,350 | - | 584.86 | 153.95 | 24 | - |
| **Total** | | **500,600** | **172,600** | **-52,518** | **-149,645** | **-9,800** | **461,237** | **58,637** | | | **118** | **133** |
| **Retired employees** | | | | | | | | | | | | |
| 2001 | 2004-2009 | 12,100 | - | - | - | 8,925 | 21,025 | 21,025 | 386.54 | 236.05 | 5 | 2 |
| 2002 | 2005-2010 | 7,875 | - | - | - | 8,925 | 16,800 | 16,800 | 323.82 | 300.95 | 5 | 2 |
| 2003 | 2006-2011 | 12,075 | - | - | - | 12,075 | 24,150 | 24,150 | 214.47 | 406.42 | 10 | 4 |
| 2004 | 2007-2012 | 13,125 | - | - | - | 16,800 | 29,925 | 29,925 | 268.39 | 357.27 | 11 | 4 |
| 2005 | 2008-2013 | 7,500 | - | - | - | 16,167 | 23,667 | - | 288.29 | 341.41 | 8 | 2 |
| 2006 | 2009-2014 | 3,000 | - | - | - | 20,833 | 23,833 | - | 380.18 | 270.30 | 7 | 1 |
| 2007 | 2010-2015 | - | - | - | - | 21,500 | 21,500 | - | 584.86 | 153.95 | 3 | - |
| **Total** | | **55,675** | **-** | **-** | **-** | **105,225** | **160,900** | **91,900** | | | **49** | **15** |
| **Total** | | **687,925** | **212,600** | **-52,518** | **-149,645** | **-525** | **697,837** | **186,237** | | | **188** | **184** |

[1] The number of transferred options relates to employees relocated internally in the Group and where granted options therefore vest in another entity than the entity originally granting the options.

## 14 Share-based payment

| | 2007 | | | | | 2006 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Executive Board | Other | Resigned | Total | Average exercise price | Executive Board | Other | Resigned | Total | Average exercise price |
| Share options outstanding at 1 January | 131,650 | 500,600 | 55,675 | 687,925 | 316.96 | 101,650 | 489,325 | - | 590,975 | 288.24 |
| Granted | 40,000 | 172,600 | - | 212,600 | 584.86 | 30,000 | 185,750 | - | 215,750 | 380.18 |
| Expired/forfeited | - | -52,518 | - | -52,518 | 421.57 | - | -25,867 | - | -25,867 | 308.09 |
| Exercised | - | -149,645 | - | -149,645 | 297.18 | - | -92,933 | - | -92,933 | 287.47 |
| Transferred | -95,950 | -9,800 | 105,225 | -525 | 366.29 | - | -55,150 | 55,150 | - | 299.21 |
| **Share options outstanding at 31 December** | **75,700** | **461,237** | **160,900** | **697,837** | **394.95** | **131,650** | **501,125** | **55,150** | **687,925** | **316.96** |
| Exercisable at 31 December | 35,700 | 58,637 | 91,900 | 186,237 | 288.30 | 50,400 | 75,400 | 32,050 | 157,850 | 307.26 |

The average share price at the exercise date for share options was DKK 631 (2006: DKK 445).

At 31 December 2007 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 584.86 (2006: DKK 214.47 to DKK 386.54). The average remaining contractual life was 5.4 years (2006: 5.5 years).

The fair value of granted share options is estimated using the Black-Scholes call option pricing model based on the exercise price.

The assumptions underlying the calculation of the grant date fair value for share options granted in 2007 and 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| Fair value per option | 136.67 | 89.37 |
| Share price | 584.86 | 380.18 |
| Exercise price | 584.86 | 380.18 |
| Volatility | 19% | 19% |
| Risk-free interest rate | 3.9% | 3.3% |
| Dividend yield | 1.0% | 1.3% |
| 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's class B shares on OMX Nordic Exchange Copenhagen A/S the first five trading days after the publication of Carlsberg A/S's annual financial statement following the granting of the options.

The expected **volatility** is based on the historical volatility in the price of Carlsberg A/S's class 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 | Other intangible assets | Prepayments | Total |
|---|---|---|---|---|---|
| | | | | | 2007 DKK million |
| **Cost:** | | | | | |
| Cost at 1 January 2007 | 8,732 | 902 | 1,469 | 149 | 11,252 |
| Acquisition of entities | 87 | 20 | 32 | - | 139 |
| Additions | 83 | 1 | 84 | 6 | 174 |
| Disposals | -1 | - | -54 | 2 | -53 |
| Foreign exchange adjustments etc. | -152 | 3 | -10 | -2 | -161 |
| Transfers | - | - | 9 | -9 | - |
| **Cost at 31 December 2007** | **8,749** | **926** | **1,530** | **146** | **11,351** |
| **Amortisation and impairment losses:** | | | | | |
| Amortisation and impairment losses at 1 January 2007 | 4 | 104 | 1,072 | - | 1,180 |
| Amortisation | - | 17 | 191 | 2 | 210 |
| Impairment losses | 6 | - | - | - | 6 |
| Disposals | - | - | -41 | - | -41 |
| Foreign exchange adjustments etc. | - | 1 | -3 | - | -2 |
| **Amortisation and impairment losses at 31 December 2007** | **10** | **122** | **1,219** | **2** | **1,353** |
| **Carrying amount at 31 December 2007** | **8,739** | **804** | **311** | **144** | **9,998** |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Amortisation and impairment losses for the year are included in:** | | |
| Cost of sales | 11 | 6 |
| Sales and distribution expenses | 47 | 61 |
| Administrative expenses | 152 | 189 |
| Special items | 6 | 112 |
| **Total** | **216** | **368** |

**15 Intangible assets**

| | Goodwill | Trademarks | Other intangible assets | Prepayments | Total |
|---|---|---|---|---|---|
| | | | | | **2006** DKK million |
| **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 |
| Disposal of entities | - | - | -4 | - | -4 |
| Disposals | -385 | - | -56 | - | -441 |
| Foreign exchange 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 losses:** | | | | | |
| Amortisation and impairment losses at 1 Januar 2006 | 275 | 74 | 896 | - | 1,245 |
| Amortisation | - | 16 | 240 | - | 256 |
| Impairment losses | 96 | 16 | - | - | 112 |
| Disposal of entities | - | - | -3 | - | -3 |
| Disposals | -385 | - | -48 | - | -433 |
| Foreign exchange adjustments etc. | 18 | -2 | -13 | - | 3 |
| **Amortisation and impairment losses at 31 December 2006** | **4** | **104** | **1,072** | **-** | **1,180** |
| **Carrying amount at 31 December 2006** | **8,728** | **798** | **397** | **149** | **10,072** |

| **Additions to goodwill during the year can be specified as follows:** | **2007** DKK million | **2006** DKK million |
|---|---|---|
| **Acquisition of minority shareholdings:** | | |
| BBH Group | 83 | 348 |
| Carlsberg Deutschland | - | 26 |
| | 83 | 374 |
| Acquisition of entities, see note 31 | 87 | 456 |
| **Total** | **170** | **830** |

The carrying amount of trademarks which have an indefinite useful life and are therefore not amortised was DKK 654m (2006: DKK 654m) at 31 December 2007, equivalent to 81% (2006: 82%) of the capitalised trademarks - primarily the Carlsberg, Tuborg and Holsten trademarks. Management assesses 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 reducing the useful life of these trademarks, primarily due to the respective market share in each market and the current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

The carrying amount of other intangible assets at 31 December 2007 includes capitalised software costs of DKK 125m (2006: DKK 205m) and beer delivery rights of DKK 77m (2006: DKK 103m).

Research and development costs of DKK 45m (2006: DKK 35m) have been recognised in the income statement.

## 16 Impairment test

### Goodwill and trademarks with an indefinite useful life

The Carlsberg Breweries Group performs impairment tests for the Group's cash-generating units. The cash-generating units are based on the management structure. Internal financial control is generally carried out at country level. Impairment test of goodwill is performed at country level and not segment level.

Trademarks are impairment-tested at Group level, as royalty income is earned globally across segments.

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

| 2007 DKK million | Goodwill | Trademarks[1] | Total | % |
|---|---|---|---|---|
| Western Europe | 4,159 | 654 | 4,813 | 51% |
| BBH Group (50%) | 1,999 | - | 1,999 | 21% |
| Eastern Europe excl. BBH | 1,190 | - | 1,190 | 13% |
| Asia | 1,391 | - | 1,391 | 15% |
| **Total** | **8,739** | **654** | **9,393** | **100%** |

| 2006 DKK million | Goodwill | Trademarks[1] | 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%** |

[1] The trademark is allocated to the segment that owns the trademark. Royalty income generated by the trademark is earned globally and across segments.

### General assumptions

At 31 December 2007 no goodwill was associated with cash-generating units comprising 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life.

The Carlsberg Breweries Group performed impairment tests of the carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2007. 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.

### Trademarks

Trademarks are impairment-tested at Group level. The impairment test is based on expected future free cash flows primarily from the royalty income generated by the individual trademark. Key assumptions include royalty rate, useful life 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.

The impairment test of trademarks is based on a comparison of the recoverable amount, corresponding to the discounted value of the expected future free cash flow, with the carrying amount of the individual trademark.

## 16 Impairment test

### Goodwill

The impairment test of goodwill is based on the discounted value of expected future free cash flows from the cash-generating unit. The 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 developments in revenue, operating margin, future capital expenditure and growth expectations beyond the next three years. Budgets and business plans do not incorporate the effect of future restructurings and non-contracted capacity increases.

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. The terminal value beyond the next three years takes account of general growth expectations for the brewery industry in the relevant segments. 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.

Pre-tax discount rates are applied in calculating the recoverable amounts and reflect the risk-free interest rate with the addition of specific risks in the individual geographical segments. The effect of the estimated future risks is incorporated in the cash flows used, and these risks are not included in the discount rates used.

The impairment test of cash-generating units is based on a comparison of the recoverable amount, corresponding to the discounted value of the expected future free cash flow, with the carrying amount of the individual cash-generating unit. The carrying amount comprises goodwill and other net assets.

| | Growth in the terminal period | | Discount rates[1] | |
|---|---|---|---|---|
| **Significant assumptions:** | **2007** | **2006** | **2007** | **2006** |
| **Goodwill** | | | | |
| Western Europe | 0,5% | 0,5% | 4,2-6,5% | 4-6% |
| BBH Group | 2.5% | 2.5% | 8,3% | 8,5% |
| Eastern Europe excl. BBH | 1,5% | 1,5% | 7-16% | 6,5-18% |
| Asia | 2,5% | 2,5% | 4,5-10,9% | 4,5-10,5% |
| **Trademarks** | 0-3% | 0-3% | 4-7% | 4-7% |

[1] Pre-tax discount rates are used for goodwill, whereas post-tax discount rates are used for trademarks.

**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 revenue is expected in Western Europe in the next three years, while the ongoing Excellence programmes, including Logistic 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 increased capacity, marketing, innovation and the introduction of new products. 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 revenue and operating margin. The Group's Excellence programmes and product innovation are expected to contribute to improved earnings. The free cash flow in the coming years will continue to be influenced by a high level of investment.

**Asia** is also a growth area, with significant growth in China and Indochina in particular. Increases in revenue and operating margin on the emerging markets are expected, while stable earnings are expected on the mature markets. The ongoing marketing of the Carlsberg Chill brand is expected to make a positive contribution to sales and earnings.

## 16 Impairment test

**Impairment losses:**
Based on the impairment tests performed, the following impairment losses have been recognised in respect of goodwill, trademarks with an indefinite useful life and other non-current assets:

| | **2007** DKK million | **2006** DKK million |
|---|---|---|
| **Goodwill** | | |
| Carlsberg Italia | - | 94 |
| Other | 6 | 2 |
| **Trademarks** | | |
| Other | - | 16 |
| **Property, plant and equipment** | | |
| Türk Tuborg | 100 | 80 |
| Carlsberg Italia | - | 41 |
| Carlsberg Danmark | - | 71 |
| Other | 7 | 46 |
| **Total** | **113** | **350** |

**Türk Tuborg** continues to operate under difficult market conditions on a declining market, resulting in an unsatisfactory development in earnings and lower expectations of future earnings. The impairment test of Türk Tuborg still results in a negative net present value of future cash flows, which led to write-downs of non-current assets by DKK 100m in 2007 (2006: DKK 80m). In 2005 all goodwill related to Türk Tuborg was written off.

In 2006 impairment losses were recognised in respect of **Carlsberg Italia** due to difficult market conditions on a declining market, resulting in an unsatisfactory development in earnings and lower expectations of future earnings. The total goodwill relating to Carlsberg Italia was written off as a result.

Other impairment losses in respect of property, plant and equipment in 2006 and 2007 relate to restructuring projects.

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

Based on the impairment tests performed, there were no indications of further impairment of goodwill and trademarks with an indefinite useful life at 31 December 2007.

According to sensitivity analyses, growth in the terminal period can be reduced by up to 0.5 percentage points or the discount rate can be increased by up to 3.8 percentage points without resulting in any impairment losses in respect of Western Europe, the BBH Group and Eastern Europe. In Asia growth in the terminal period can be reduced by up to 2.5 percentage points or the discount rate can be increased by up to 6 percentage points without resulting in any impairment losses.

## 17 Property, plant and equipment

| 2007 DKK million | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Cost at 1 January 2007 | 12,182 | 21,977 | 8,260 | 1,137 | 43,556 |
| Acquisition of entities | 53 | 97 | 10 | 7 | 167 |
| Additions | 165 | 1,542 | 935 | 2,093 | 4,735 |
| Disposals | -334 | -498 | -730 | -1 | -1,563 |
| Foreign exchange adjustments etc. | -190 | -284 | -5 | -38 | -517 |
| Transfers | 224 | 608 | 230 | -1,062 | - |
| Transfer to/from assets held for sale | 13 | - | - | - | 13 |
| **Cost at 31 December 2007** | **12,113** | **23,442** | **8,700** | **2,136** | **46,391** |
| **Depreciation and impairment losses:** | | | | | |
| Depreciation and impairment losses at 1 January 2007 | 4,240 | 13,910 | 5,811 | - | 23,961 |
| Disposals | -214 | -439 | -708 | - | -1,361 |
| Foreign exchange adjustments etc. | -25 | -103 | 13 | - | -115 |
| Depreciation | 324 | 1,383 | 924 | - | 2,631 |
| Impairment losses | 2 | 105 | - | - | 107 |
| **Depreciation and impairment losses at 31 December 2007** | **4,327** | **14,856** | **6,040** | **-** | **25,223** |
| **Carrying amount at 31 December 2007** | **7,786** | **8,586** | **2,660** | **2,136** | **21,168** |
| **Assets held under finance leases:** | | | | | |
| Cost | 10 | 126 | 36 | - | 172 |
| Depreciation and impairment losses | -2 | -71 | -29 | - | -102 |
| **Carrying amount at 31 December 2007** | **8** | **55** | **7** | **-** | **70** |
| Carrying amount of assets pledged as security for loans | 325 | - | - | - | 325 |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Depreciation and impairment losses are included in:** | | |
| Cost of sales | 1,636 | 1,725 |
| Sales and distribution expenses | 860 | 856 |
| Administrative expenses | 139 | 139 |
| Special items | 103 | 202 |
| **Total** | **2,738** | **2,922** |

## Carlsberg Breweries Group

## Notes

### 17 Property, plant and equipment

| | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Construc-tion in progress | 2006 DKK million Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Cost at 1 January 2006 | 12,125 | 21,888 | 8,504 | 1,049 | 43,566 |
| Acquisition of entities | 43 | 93 | 14 | 1 | 151 |
| Disposal of entities | -38 | -121 | -40 | - | -199 |
| Additions | 260 | 1,002 | 799 | 924 | 2,985 |
| Disposals | -193 | -945 | -1,006 | -3 | -2,147 |
| Foreign exchange adjustments etc. | -167 | -381 | -167 | -13 | -728 |
| Transfers | 224 | 441 | 156 | -821 | - |
| Transfer 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 losses:** | | | | | |
| Af- og nedskrivninger pr. 1. januar 2006 | 4,040 | 13,616 | 5,930 | - | 23,586 |
| Disposal of entities | -22 | -70 | -34 | - | -126 |
| Disposals | -46 | -948 | -901 | - | -1,895 |
| Foreign exchange adjustments etc. | -103 | -250 | -119 | - | -472 |
| Depreciation | 365 | 1,409 | 910 | - | 2,684 |
| Impairment losses | 55 | 153 | 30 | - | 238 |
| Reversal of impairment losses | -22 | - | -5 | - | -27 |
| Transfer to/from assets held for sale | -27 | - | - | - | -27 |
| **Depreciation and impairment losses 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** |
| **Assets held under finance leases:** | | | | | |
| Cost | 10 | 132 | 66 | - | 208 |
| Depreciation and impairment losses | -2 | -60 | -49 | - | -111 |
| **Carrying amount at 31 December 2007** | **8** | **72** | **17** | **-** | **97** |
| Carrying amount of assets pledged as security for loans | 283 | 32 | - | - | 315 |

Fixtures and fittings, other plant and equipment include rolling equipment such as cars and trucks, draught beer equipment, coolers, returnable packaging and office equipment.

Leased assets with a carrying amount of DKK 70m (2006: DKK 97m) have been pledged as security for lease liabilities totalling DKK 65m (2006: DKK 87m).

**18 Investments in associates**

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Cost:** | | |
| Cost at 1 January | 415 | 1,041 |
| Acquisition of entities | - | 11 |
| Additions | 31 | 5 |
| Disposals | -20 | -66 |
| Foreign exchange adjustments etc. | -15 | -44 |
| Transfers incl. prepayments in connection with business combinations | - | -532 |
| **Cost at 31 December** | **411** | **415** |
| **Value adjustments:** | | |
| Value adjustments at 1 January | 136 | 40 |
| Disposals | 14 | 66 |
| Dividends | -60 | -32 |
| Share of profit after tax | 94 | 79 |
| Foreign exchange adjustments etc. | -4 | -9 |
| Transfers | - | -8 |
| **Value adjustments at 31 December** | **180** | **136** |
| **Carrying amount at 31 December** | **591** | **551** |

2007 DKK million

| | | | | | Carlsberg Breweries Group share | | |
|---|---|---|---|---|---|---|---|
| | Net revenue | Profit for the year after tax | Assets | Liabilities | Ownership interest | Profit for the year after tax | Equity |
| **Key figures for associates:** | | | | | | | |
| Tibet Lhasa Brewery Co. Ltd. | 166 | 45 | 322 | 50 | 33% | 15 | 99 |
| Lanzhou Huanghe Jianjiang Brewery Company | 313 | 33 | 345 | 108 | 30% | 10 | 69 |
| Other associates, Asia (4 entities) | 298 | 34 | 294 | 100 | 30-49,8% | 16 | 77 |
| International Breweries BV | 481 | 52 | 628 | 404 | 16% | 11 | 42 |
| Nuuk Imeq A/S | 152 | 27 | 225 | 72 | 31.9% | 9 | 22 |
| Other | 2,017 | 114 | 2,406 | 371 | 20-25% | 33 | 282 |
| | | | | | | **94** | **591** |

## 18 Investments in associates

2006 DKK million

| | | | | | Carlsberg Breweries Group share | | |
|---|---|---|---|---|---|---|---|
| | Net revenue | Profit for the year after tax | Assets | Liabilities | Ownership interest | Profit for the year after tax | 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 |
| Other | 2,138 | 93 | 2,441 | 1,940 | 20-25% | 29 | 243 |
| | | | | | | **79** | **551** |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Fair value of investments in listed associates:** | | |
| The Lion Brewery Ceylon, Biyagama, Sri Lanka | 26 | 40 |
| **Total** | **26** | **40** |

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

## 19 Securities

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Securities are classified in the balance sheet as follows:** | | |
| Non-current assets | 100 | 107 |
| Current assets | 34 | 8 |
| **Total** | **134** | **115** |
| **Types of security:** | | |
| Unlisted shares | 134 | 115 |
| **Total** | **134** | **115** |

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 recognised at fair value as the fair value cannot be calculated on an objective basis. Instead the assets are recognised at cost.

## 20 Receivables

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Receivables are included in the balance sheet as follows:** | | |
| Trade receivables | 6,300 | 6,110 |
| Other receivables | 2,695 | 925 |
| **Total current receivables** | **8,995** | **7,035** |
| Non-current receivables | 1,476 | 1,139 |
| **Total** | **10,471** | **8,174** |

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.

Non-current receivables consist mainly of on-trade loans. Non-current receivables fall due more than one year from the balance sheet date, of which DKK 478m (2006: DKK 122m) falls due more than five years from the balance sheet date.

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Receivables by origin:** | | |
| Receivables from the sale of goods and services | 5,715 | 5,437 |
| On-trade loans | 1,626 | 1,711 |
| Loans to associates | 4 | 161 |
| Loans to group enterprises | 1,658 | - |
| Fair value of hedging instruments | 118 | 36 |
| Other receivables | 1,350 | 829 |
| **Total** | **10,471** | **8,174** |

**Receivables from the sale of goods and services fall due as follows:**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Not fallen due or written down | 4,470 | 4,302 |
| Falling due in less than 30 days | 781 | 721 |
| Falling due between 30 and 90 days | 316 | 294 |
| Falling due in more than 90 days | 148 | 120 |
| **Carrying amount at 31 December** | **5,715** | **5,437** |

Receivables from the sale of goods and services and loans are recognised net of write-downs for bad debt losses.

## 20 Receivables

**Write-downs are specified as follows:**

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Write-downs at 1 January | -860 | -887 |
| Write-downs for the year | -191 | -431 |
| Realised bad debt losses | 163 | 393 |
| Reversed write-downs | 38 | 65 |
| **Write-downs at 31 December** | **-850** | **-860** |

No significant losses were incurred in respect of an individual trade receivable or on-trade loan in 2007 (2006: DKK 105m in respect of receivables in the UK and Sweden).

In a number of cases the Group receives security for sales on credit and loans to the on-trade. Such security is taken into account when assessing the necessary write-downs for bad debt losses. Security may comprise financial guarantees or pledges. The maximum credit risk is reflected in the carrying amounts of the individual receivables.

In 2006 a loan was granted 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. Apart from these, there is no concentration of credit risk.

On-trade loans are recognised at amortised cost. Based on discounted cash flows using the interest rates at the balance sheet date, these loans have a fair value of DKK 1,687m (2006: DKK 1,806m). For other receivables, the carrying amount essentially corresponds to fair value.

| | 2007 % | 2006 % |
|---|---|---|
| **Average effective interest rates:** | | |
| Loans to associates | 5.2 | 4.3 |
| On-trade loans | 8.6 | 7.8 |

**Prepayments**
Costs of DKK 72m related to the offer for Scottish & Newcastle plc are included in prepayments.

## Notes

### 21 Inventories

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Raw materials and consumables | 2,015 | 1,542 |
| Work in progress | 289 | 233 |
| Finished goods | 1,514 | 1,445 |
| **Total** | **3,818** | **3,220** |

Production costs of inventories sold amount to DKK 22,048m (2006: DKK 19,757m).

Packing materials, packaging and spare parts are measured at the lower of net realisable value and cost. Write-downs of inventories to net realisable value amount to DKK 3m (2006: DKK 4m) and are included in cost of sales.

Obsolete beer and soft drinks and raw materials are generally scrapped because of their limited shelf-life and written down to DKK 0. Scrapped goods are included in production costs.

### 22 Cash and cash equivalents

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Cash at bank and in hand | 2,026 | 2,264 |
| Short-term marketable securities with a term of three months or less | - | 3 |
| **Total** | **2,026** | **2,267** |

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

| | 2007 | 2006 |
|---|---|---|
| Cash and cash equivalents | 2,026 | 2,267 |
| Bank overdrafts | -747 | -489 |
| **Cash and cash equivalents, net** | **1,279** | **1,778** |
| Of which pledged as security | 310 | 210 |

Short-term bank deposits amounted to DKK 1,213m (2006: DKK 1,456m). The average interest rate on these deposits was 5.4% (2006: 5.8%), and the average duration was 60 days (2006: 72 days).

The maximum credit risk on cash and cash equivalents is reflected in the carrying amount.

Proportionally consolidated entities' share of cash and cash equivalents is specified in note 34.

## 23 Assets held for sale and associated liabilities

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Assets held for sale comprise the following individual assets:** | | |
| Immaterielle aktiver | 34 | 72 |
| Property, plant and equipment | - | 37 |
| **Total** | **34** | **109** |
| **Liabilities associated with assets held for sale:** | | |
| Deferred tax liabilities | - | 1 |
| **Total** | **-** | **1** |

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 have been entered into or are expected to be entered into in 2008.

The selling price is expected to exceed the carrying amount of assets held for sale. Accordingly, no depreciation or impairment losses have been recognised in the income statement.

Assets (properties) which no longer qualify for recognition as assets held for sale have been transferred to property, plant and equipment in 2007 as a result of ongoing sales negotiations not proceeding as expected. This involves an amount of DKK 13m and has affected the income statement by a total of DKK 0.5m in depreciation.

Assets (shares) which no longer qualify for recognition as assets held for sale have been transferred to financial assets in 2007 as a result of ongoing sales negotiations not proceeding as expected. This involves an amount of DKK 37m.

Gains on the disposal of assets held for sale are recognised in the income statement under other operating income. The gains recognised as income in all material respects relate to disposal of depots and properties and total DKK 54m (2006: DKK 43m).

Information on the segment in which assets held for sale are included is provided in note 2.

## 24 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.

**Provisions governing alterations to the Articles of Association**

In order to pass a resolution for the alteration of the Articles of Association, it is required that at least two-thirds of the possible number of votes representing the total share capital shall be represented at the general meeting and that the resolution shall be passed by two-thirds of both the total number of votes cast and of the voting share capital represented at the general meeting.

If the prescribed portion of the voting share capital is not sufficiently represented at the general meeting, but a resolution is nonetheless passed by the above qualified majority, such resolution may be finally passed at an extraordinary general meeting convened by the Board of Directors within fourteen days after the first general meeting. For the resolution to be validly passed at this second general meeting it is required that two-thirds of both the total number of votes cast and of the voting share capital represented at the general meeting shall vote in favour of the resolution, notwithstanding the size of the share capital represented at the meeting.

## 25 Borrowings

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Non-current borrowings:** | | |
| Issued bonds | 4,539 | 4,960 |
| Mortgages | 1,451 | 205 |
| Bank borrowings | 9,588 | 6,116 |
| Lease liabilities | 38 | 60 |
| Other non-current borrowings[1] | 546 | 524 |
| **Total** | **16,162** | **11,865** |
| **Current borrowings:** | | |
| Issued bonds | - | 3,873 |
| Current portion of other non-current borrowings | 196 | 331 |
| Bank borrowings | 2,493 | 1,092 |
| Lease liabilities | 28 | 27 |
| Other current borrowings | 994 | 894 |
| **Total** | **3,711** | **6,217** |
| **Total non-current and current borrowings** | **19,873** | **18,082** |
| Fair value | 20,024 | 18,294 |

[1] Other non-current borrowings include loans from associates of DKK 373m (2006: DKK 0m).

All borrowings are measured at amortised cost.

**Time to maturity for non-current borrowings:**

| 2007 DKK million | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Issued bonds | - | - | 2,507 | 1 | 2,031 | 4,539 |
| Mortgages | 203 | 1 | - | - | 1,247 | 1,451 |
| Bank borrowings | 480 | 5,619 | 61 | 408 | 3,020 | 9,588 |
| Lease liabilities | 24 | 11 | 1 | 1 | 1 | 38 |
| Other non-current borrowings | 2 | 156 | 1 | - | 387 | 546 |
| **Total** | **709** | **5,787** | **2,570** | **410** | **6,686** | **16,162** |

| 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 |
| 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** |

**Interest rate risk at 31 December:**

| 2007 DKK million | Interest rate | Average effective interest rate | Fixed for | Carrying amount | Interest rate risk |
|---|---|---|---|---|---|
| **Issued bonds:** | | | | | |
| GBP 250m maturing 12 December 2011 [2] | Fixed | 6.63% | 3-4 years | 2,507 | Fair value |
| GBP 200m maturing 26 February 2013 | Fixed | 7.01% | > 5 years | 2,032 | Fair value |
| **Total issued bonds** | | **6.80%** | | **4,539** | |
| **Mortgages:** | | | | | |
| Floating rate [3] | Floating | 4.06% | 0-1 year | 1,246 | Cash flows |
| Fixed rate | Fixed | 6.21% | 2-3 years | 205 | Fair value |
| **Total mortgages** | | **4.36%** | | **1,451** | |

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

[3] The floating-rate loans will be repriced in January 2008 at a rate of 4.92%.

## Notes

### 25 Borrowings

2007

| Currency profile of borrowings before and after derivative financial instruments | | | | Next repricing (of principal before currency swaps) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| DKK million | Original principal | Effect of swap | After swap | 2008 | 2009 | 2010 | 2011 | 2012 | 2013- |
| CHF | 1,734 | 494 | 2,228 | 387 | 1,347 | - | - | - | - |
| DKK | 1,734 | -2,748 | -1,014 | 1,529 | 205 | - | - | - | - |
| EUR | 8,521 | 706 | 9,227 | 4,290 | 19 | 3,732 | 94 | 1 | 385 |
| GBP | 4,711 | -2,157 | 2,554 | 170 | 1 | 1 | 2,507 | - | 2,032 |
| NOK | 203 | 816 | 1,019 | 203 | - | - | - | - | - |
| PLN | 668 | 1,838 | 2,506 | 658 | 2 | 2 | 2 | 2 | 2 |
| RUB | 111 | - | 111 | 111 | - | - | - | - | - |
| SEK | 116 | 79 | 195 | 116 | - | - | - | - | - |
| TRY | 316 | - | 316 | 316 | - | - | - | - | - |
| USD | 1,365 | 143 | 1,508 | 1,119 | 45 | 45 | 156 | - | - |
| Other | 394 | 829 | 1,223 | 365 | 5 | - | 24 | - | - |
| **Total** | **19,873** | **-** | **19,873** | **9,264** | **1,624** | **3,780** | **2,783** | **3** | **2,419** |

See also note 35 Financial risks.

**Interest rate risk at 31 December:**

2006

| DKK million | Interest rate | Average effective interest rate | Fixed for | Carrying amount | Interest rate risk |
|---|---|---|---|---|---|
| **Issued bonds:** | | | | | |
| GBP 250m maturing 12 December 2011 [4] | Fixed | 6.63% | 4-5 year | 2,737 | Fair value |
| GBP 200m maturing 26 February 2013 | Fixed | 7.01% | > 5 year | 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 issued bonds** | | **6.33%** | | **8,833** | |
| **Mortgages:** | | | | | |
| Fixed rate | Fixed | 5.21% | 3-4 years | 205 | |
| **Total mortgages** | | **5.21%** | | **205** | |

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

2006

| Currency profile of borrowings before and after derivative financial instruments | | | | Next repricing (of principal before currency swaps) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| DKK million | Original principal | Effect of swap | After swap | 2007 | 2008 | 2009 | 2010 | 2011 | 2012- |
| CHF | 1,816 | 398 | 2,214 | 421 | 3 | 1,392 | - | - | - |
| DKK | 335 | -1,189 | -854 | 129 | 4 | 4 | 198 | - | - |
| EUR | 8,160 | 2,943 | 11,103 | 4,159 | 208 | 13 | 3,766 | - | 14 |
| GBP | 5,270 | -3,468 | 1,802 | 310 | - | - | - | 2,737 | 2,223 |
| NOK | 548 | 166 | 714 | 548 | - | - | - | - | - |
| PLN | 737 | 603 | 1,340 | 721 | 2 | 2 | 2 | 2 | 8 |
| RUB | 144 | - | 144 | 144 | - | - | - | - | - |
| SEK | 117 | -123 | -6 | 117 | - | - | - | - | - |
| TRY | 103 | - | 103 | 103 | - | - | - | - | - |
| USD | 492 | 567 | 1,059 | 437 | 55 | - | - | - | - |
| Other | 360 | 103 | 463 | 360 | - | - | - | - | - |
| **Total** | **18,082** | **-** | **18,082** | **7,449** | **272** | **1,411** | **3,966** | **2,739** | **2,245** |

## 26 Retirement benefit obligations and similar obligations

The majority of the Group's employees are covered by retirement benefit plans. The nature of retirement benefit plans varies depending on labour market conditions, legal requirements, tax legislation and economic conditions in the countries in which the Group's employees work. Benefits are generally based on wages and salaries and length of employment. Retirement benefit obligations cover both present and future retirees' entitlement to retirement benefits.

Approximately 55% of the Group's retirement benefit costs relate to defined contribution plans, which limits the Company's obligation to the contributions paid. The retirement benefit plans are funded by payments from the Group's companies and employees to funds that are independent of the Group.

The other plans are defined benefit plans, and a retirement benefit obligation is recognised in the balance sheet based on an actuarial calculation of the present value at the balance sheet date less the plan assets. For defined benefit plans the Group assumes the risk associated with future developments in interest rates, inflation, mortality and disability.

The retirement benefit plans in among other Switzerland, Norway, the UK and Hong Kong have assets placed in independent pension funds.

In 2006 and 2007 a number of changes were agreed to the plan in the UK in order to reduce the net liability in the plan. In 2006 and 2007 Carlsberg made extraordinary payments of GBP 20m to the plan. The employees contribute by means of increased payments or reduction of the retirement benefit in proportion to the final salary at retirement.

The plans in Germany, Sweden, Italy etc. are unfunded. For these plans the retirement benefit obligations amount to approximately 15% (2006: 16%) of the total gross liability.

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

| | **2007**<br>DKK million | **2006**<br>DKK million |
|---|---|---|
| **Defined benefit plans are recognised in the balance sheet as follows:** | | |
| Retirement benefit obligations and similar obligations | 2,191 | 1,978 |
| Plan assets | 11 | 14 |
| **Net obligations** | **2,180** | **1,964** |
| | | |
| **Specification of net obligations:** | | |
| Present value of funded plans | 6,923 | 6,841 |
| Fair value of plan assets | -6,234 | -6,334 |
| **Net obligation for funded plans** | **689** | **507** |
| Present value of unfunded plans | 1,199 | 1,265 |
| Assets not recognised due to asset ceiling | 292 | 192 |
| **Net obligations recognised** | **2,180** | **1,964** |

### 26 Retirement benefit obligations and similar obligations

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Specification of total obligations:** | | |
| Present value of funded plans | 6,923 | 6,841 |
| Present value of unfunded plans | 1,199 | 1,265 |
| **Total obligations** | **8,122** | **8,106** |
| **Changes in obligations:** | | |
| Total obligations at 1 January | 8,106 | 8,041 |
| Current service cost | 162 | 200 |
| Interest cost | 322 | 321 |
| Actuarial losses | 339 | 105 |
| Benefits paid | -420 | -468 |
| Curtailments and settlements | -4 | -11 |
| Additions due to acquisition of entities | - | 4 |
| Foreign exchange adjustments etc. | -383 | -86 |
| **Total obligations at 31 December** | **8,122** | **8,106** |
| **Changes in plan assets:** | | |
| Fair value of assets at 1 January | 6,334 | 6,105 |
| Expected return | 321 | 333 |
| Actuarial gains/losses | -86 | 123 |
| Contributions to plans | 318 | 238 |
| Benefits paid | -333 | -380 |
| Foreign exchange adjustments etc. | -320 | -85 |
| **Fair value of assets at 31 December** | **6,234** | **6,334** |

The Group expects to contribute DKK 153m (2006: DKK 172m) to the plan assets in 2008.

| | 2007 | 2006 |
|---|---|---|
| **Actual return on plan assets:** | | |
| Expected return | 321 | 333 |
| Actuarial gains/losses | -86 | 123 |
| **Actual return** | **235** | **456** |

**Breakdown of plan assets:**

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | DKK million | % | DKK million | % |
| Shares | 2,314 | 37% | 2,364 | 37% |
| Bonds and other securities | 2,835 | 46% | 2,965 | 47% |
| Real estate | 837 | 13% | 830 | 13% |
| Cash and cash equivalents | 248 | 4% | 175 | 3% |
| **Total** | **6,234** | **100%** | **6,334** | **100%** |

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

**26 Retirement benefit obligations and similar obligations**

**Actuarial assumptions**

The actuarial assumptions underlying the calculations and valuations vary from country to country due to local economic conditions and labour market conditions.

Calculation of the expected return on plan assets is based on a low-risk investment in bonds in the relevant countries. The rate of return is increased if the plan assets comprise shares and properties, which are expected to provide a higher rate of return, but reduced by the increased risks associated with these investments.

| | 2007 | | 2006 | |
|---|---|---|---|---|
| **Assumptions applied:** | Range | Weighted average | Range | Weighted average |
| Discount rate | 3,3 - 5,7 % | 4.7% | 3,3 - 5,7 % | 4.2% |
| Expected return on plan assets | 4,3 - 6,8 % | 5.4% | 4,3 - 7,0 % | 5.4% |
| Future salary increases | 2,0 - 6,0 % | 3.1% | 1,5 - 5,0 % | 2.8% |
| Future retirement benefit increases | 0,5 - 3,5 % | 2.1% | 0,5 - 3,5 % | 2.0% |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Recognised in income statement:** | | |
| Current service cost | 162 | 200 |
| Expected return on plan assets | -321 | -333 |
| Interest cost on obligations | 322 | 321 |
| Curtailments and settlements | -4 | -11 |
| **Total recognised in income statement** | **159** | **177** |
| | | |
| **The cost is recognised in the income statement as follows:** | | |
| Cost of sales | 31 | 43 |
| Sales and distribution expenses | 97 | 120 |
| Administrative expenses | 24 | 26 |
| Special items (restructuring) | 6 | - |
| **Total staff costs, cf. note 13** | **158** | **189** |
| Financial income | -321 | -333 |
| Financial expenses | 322 | 321 |
| **Total** | **159** | **177** |
| | | |
| **Recognised in equity:** | | |
| Recognised at 1 January | -282 | -185 |
| Actuarial gains/losses | -426 | 18 |
| Effect of asset ceiling | -100 | -115 |
| Foreign exchange adjustment of foreign entities | 14 | - |
| **Recognised in equity during the period** | **-512** | **-97** |
| **Recognised at 31 December** | **-794** | **-282** |
| Of which accumulated actuarial gains/losses | -587 | -162 |

| DKK million | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| **Five-year overview (from 1 January 2004):** | | | | |
| Obligations | 8,122 | 8,106 | 8,041 | 7,413 |
| Plan assets | -6,234 | -6,334 | -6,105 | -5,604 |
| **Deficit** | **1,888** | **1,772** | **1,936** | **1,809** |
| Experience adjustments to obligations | 29 | -56 | -96 | -26 |
| Experience adjustments to plan assets | -86 | 123 | 242 | -22 |

## 27 Deferred tax assets and deferred tax liabilities

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Deferred tax at 1 January, net | 863 | 640 |
| Foreign exchange adjustments | -54 | -44 |
| Adjustments to previous years | -146 | 98 |
| Additions due to acquisition/disposal of entities, net | 6 | 8 |
| Recognised in equity | -113 | -68 |
| Recognised in income statement | 273 | 251 |
| Change in tax rate | -16 | -21 |
| | 813 | 864 |
| Of which transferred to assets held for sale | - | -1 |
| **Deferred tax at 31 December, net** | **813** | **863** |
| **Specified as follows:** | | |
| Deferred tax liabilities | 1,439 | 1,578 |
| Deferred tax assets | 626 | 715 |
| **Deferred tax at 31 December, net** | **813** | **863** |

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

| | 2007 DKK million | 2006 DKK million | 2007 DKK million | 2006 DKK million |
|---|---|---|---|---|
| | **Deferred tax assets** | | **Deferred tax liabilities** | |
| Intangible assets | 132 | 143 | 343 | 398 |
| Property, plant and equipment | 185 | 175 | 1,591 | 1,730 |
| Current assets | 66 | 94 | 52 | 60 |
| Provisions and retirement benefit obligations | 522 | 486 | 83 | 81 |
| Fair value adjustments | 12 | 53 | 41 | 75 |
| Tax losses etc. | 689 | 760 | 309 | 231 |
| **Total before set-off** | **1,606** | **1,711** | **2,419** | **2,575** |
| Set-off | -980 | -996 | -980 | -996 |
| **Total after set-off** | **626** | **715** | **1,439** | **1,579** |
| Transferred to assets held for sale | - | - | - | -1 |
| **Deferred tax assets and deferred tax liabilities at 31 December** | **626** | **715** | **1,439** | **1,578** |
| **Expected to be used as follows:** | | | | |
| Within 12 months of balance sheet date | 139 | 420 | 123 | 187 |
| More than 12 months after balance sheet date | 487 | 295 | 1,316 | 1,391 |
| **Total** | **626** | **715** | **1,439** | **1,578** |

Deferred tax assets and tax liabilities are offset in the consolidated balance sheet if the Group has a legally enforceable right to set off current tax liabilities, and the deferred tax assets and tax liabilities relate to the same legal tax entity.

Of the total deferred tax assets recognised, DKK 257m (2006: DKK 556m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Tax assets of DKK 805m (2006: DKK 552m) were not recognised. These relate primarily to tax losses which are not expected to be utilised in the foreseeable future. Tax losses that will not expire amount to DKK 210m.

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 disposed of within the foreseeable future and are therefore not expected to entail tax on disposal.

Deferred tax of DKK 79m (2006: 78m) 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 distributable reserves are planned to be distributed, any distribution of earnings will not entail a significant tax liability based on current tax legislation.

## 28 Provisions

Restructuring provisions totalling DKK 263m (2006: DKK 327m) relate primarily to restructurings in connection with the Operational Excellence programmes and restructuring at Carlsberg Danmark A/S, Carlsberg Sverige AB, Ringnes a.s., Carlsberg Deutschland GmbH and Carlsberg Italia S.p.A.

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 437m (2006: DKK 466m) 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.

| | | | 2007<br>DKK million |
|---|---|---|---|
| | Restructuring | Other | Total |
| Provisions at 1 January | 327 | 466 | 793 |
| Additional provisions recognised | 210 | 76 | 286 |
| Used during the year | -229 | -67 | -296 |
| Reversal of unused provisions | -31 | -47 | -78 |
| Transfers | - | 2 | 2 |
| Foreign exchange adjustments etc. | -14 | 7 | -7 |
| **Provisions at 31 December** | **263** | **437** | **700** |
| **Provisions are recognised in the balance sheet as follows:** | | | |
| Non-current provisions | 41 | 182 | 223 |
| Current provisions | 222 | 255 | 477 |
| **Total** | **263** | **437** | **700** |

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

| | | | 2006<br>DKK million |
|---|---|---|---|
| | Restructuring | Other | Total |
| Provisions at 1 January | 379 | 367 | 746 |
| Additional provisions recognised | 288 | 183 | 471 |
| Used during the year | -333 | -36 | -369 |
| Reversal of unused provisions | -17 | -53 | -70 |
| Acquisition of entities | - | 8 | 8 |
| Transfers | -3 | 15 | 12 |
| Change in discount rate | - | 8 | 8 |
| Foreign exchange adjustments etc. | 13 | -26 | -13 |
| **Provisions at 31 December** | **327** | **466** | **793** |
| **Provisions are recognised in the balance sheet as follows:** | | | |
| Non-current provisions | 129 | 213 | 342 |
| Current provisions | 198 | 253 | 451 |
| **Total** | **327** | **466** | **793** |

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

## 29 Other liabilities etc.

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Other liabilities are recognised in the balance sheet as follows:** | | |
| Non-current liabilities | 20 | 54 |
| Current liabilities | 5,293 | 4,607 |
| **Total** | **5,313** | **4,661** |
| **Other liabilities by origin:** | | |
| Excise duties and VAT payable | 1,889 | 1,845 |
| Staff costs payable | 968 | 1,028 |
| Interest payable | 252 | 269 |
| Fair value of hedging instruments | 596 | 360 |
| Liabilities related to the acquisition of entities | 90 | 112 |
| Amounts owed to associates | 2 | 5 |
| Deferred income | 107 | 104 |
| Other | 1,409 | 938 |
| **Total** | **5,313** | **4,661** |

## 30 Cash flows

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Adjustment for other non-cash items:** | | |
| Share of profit after tax, associates | -94 | -79 |
| Gains on disposal of property, plant and equipment and intangible assets, net | -105 | -99 |
| Amortisation of on-trade loans etc. | 154 | 172 |
| **Total** | **-45** | **-6** |
| **Change in working capital:** | | |
| Inventories | -639 | -288 |
| Receivables | -632 | -142 |
| Trade payables and other liabilities | 1,372 | 720 |
| Retirement benefit obligations and other liabilities related to operating activities before special items | -294 | -44 |
| Adjustment for unrealised foreign exchange gains/losses | -6 | -5 |
| **Total** | **-199** | **241** |
| **Change in on-trade loans:** | | |
| Loans provided | -665 | -735 |
| Repayments | 522 | 535 |
| **Total** | **-143** | **-200** |
| **Change in financial receivables:** | | |
| Loans and other receivables | -199 | -153 |
| Repayments | 77 | 2,047 |
| **Total** | **-122** | **1,894** |
| **Shareholders in Carlsberg Breweries A/S:** | | |
| Dividends to shareholders | -445 | -900 |
| Repurchase of investments | 24 | - |
| Loans from shareholders | - | -2,425 |
| Refunds etc. related to share options | - | -12 |
| **Total** | **-421** | **-3,337** |
| **Minority interests:** | | |
| Acquisition of minority interests | -69 | -576 |
| Minority interests' share of capital increase in subsidiaries | 43 | 23 |
| Dividends to minority interests | -227 | -148 |
| Repurchase of investments from minority interests | -198 | - |
| **Total** | **-451** | **-701** |
| **External financing:** | | |
| Proceeds from borrowings | 5,219 | 3,347 |
| Repayment of borrowings | -4,790 | -4,465 |
| Current borrowings, net | -102 | 146 |
| Repayment of finance lease liabilities | -19 | -61 |
| **Total** | **308** | **-1,033** |

## 31 Acquisition and disposal of entities

### Acquisition of entities

| Name of acquired entities | Main activity | Acquisition date | Acquired ownership interest | 2007 DKK million Cost |
|---|---|---|---|---|
| Brewery Olivaria[1] | Brewery | 1 Jan. 2007 | 70.0% | 127 |
| Ningxia Brewery Ltd. | Brewery | 1 Jan. 2007 | 70.0% | 102 |
| Lao Soft Drink Co. Ltd[2] | Soft drinks | 1 Dec. 2007 | 65.0% | 45 |
| | | | | **274** |

| | Other | | Total | |
|---|---|---|---|---|
| DKK million | Carrying amount prior to acquisition | Fair value at acqui-sition date | Carrying amount prior to acquisition | Fair value at acqui-sition date |
| Intangible assets | 35 | 52 | 35 | 52 |
| Property, plant and equipment | 157 | 167 | 157 | 167 |
| Financial assets, non-current | 3 | 3 | 3 | 3 |
| Inventories | 44 | 41 | 44 | 41 |
| Receivables | 57 | 57 | 57 | 57 |
| Cash and cash equivalents | 94 | 94 | 94 | 94 |
| Provisions, excl. deferred tax liabilities | - | - | - | - |
| Deferred tax liabilities, net | 2 | -6 | 2 | -6 |
| Borrowings | -64 | -64 | -64 | -64 |
| Bank overdrafts | - | - | - | - |
| Trade payables and other liabilities etc. | -46 | -75 | -46 | -75 |
| **Net assets** | **282** | **269** | **282** | **269** |
| Minority interests | -43 | -82 | -43 | -82 |
| **Equity, Carlsberg Breweries's share** | **239** | **187** | **239** | **187** |
| Goodwill | | 87 | | 87 |
| **Cash consideration paid** | | **274** | | **274** |
| Transferred from other financial assets (prepayments) | | -1 | | -1 |
| | | 273 | | 273 |
| Cash and cash equivalents, acquired | | 94 | | 94 |
| Bank overdrafts, acquired | | - | | - |
| **Cash outflow, net** | | **179** | | **179** |
| **Elements of cash consideration paid:** | | | | |
| Cash | | 271 | | 271 |
| Directly attributable acquisition costs | | 3 | | 3 |
| **Total** | | **274** | | **274** |

[1] Carlsberg Breweries owns Brewery Olivaria through BBH AB, which is consolidated 50%. BBH AB owns 30% of the share capital in Brewery Olivaria and as at the acquisition date has an option to purchase an additional 21% of Brewery Olivaria's share capital. Other shareholders in Brewery Olivaria have put options on 40% of the share capital exercisable against BBH AB. The put options are exercisable from the purchase date. Accordingly, BBH AB is able to exercise control over Brewery Olivaria by way of 70% of the share capital. The purchase price of the put options is determined based on the expected price at exercise and is included in the cost of the acquisition. Any change to the expected price at exercise is adjusted in goodwill.

[2] The balance sheet for Lao Soft Drink Co. Ltd is based on a preliminary estimate of the fair value of acquired assets and liabilities, which may be adjusted in 2008.

The acquisition of Ningxia is in line with Carlsberg Breweries's strategy and strengthens the position in western China. Goodwill represents the expected synergies and expectations of increased growth in China. Ningxia is included in the earnings of the Carlsberg Breweries Group from 1 January 2007. The share of revenue is DKK 95m, and the share of operating profit before special items DKK 7m. The share of consolidated profit is DKK 4m.

The acquisition of Lao Soft Drink Co. Ltd has strengthened Carlsberg Breweries's position on the beverage market in Laos. The company has a market share of approximately 90% in the soft drinks market. Goodwill represents the acquired workforce and expected synergies. If Lao Soft Drink Co. Ltd had been included in the earnings of the Carlsberg Breweries Group from 1 January 2007, the share of revenue would have been DKK 60m, and operating profit before special items DKK 8m. The share of consolidated profit would have been DKK 7m.

Strategically the acquisition of Brewery Olivaria is in line with other acquisitions made by BBH AB aimed at potential growth markets. Brewery Olivaria has a 10% market share in Belarus and Olivaria is one of the country's most recognised brands. Goodwill represents the acquired workforce and expected synergies. Brewery Olivaria is included in the earnings of the Carlsberg Breweries Group from 1 January 2007. The share of revenue is DKK 70m, and the share of operating profit before special items DKK 1m. The share of consolidated profit is a negative DKK 2m.

**Acquisition of entities after the balance sheet date**
No entities have been acquired after the balance sheet date. In 2007 analyses and legal arrangements were carried out in preparation for the cash offer for Scottish & Newcastle plc, see description under Events after the balance sheet date.

## 31 Acquisition and disposal of entities

### Acquisition of entities

| Name of acquired entities | Main activity | Acquisition date | Acquired ownership interest | 2006 DKK million Cost |
|---|---|---|---|---|
| Wusu Beer Group | Brewery | 1 Jan. 2006 | 60.1% | 351 |
| Caretech Ltd. | Brewery | 1 Jan. 2006 | 50.0% | 214 |
| Other | Brewery and beverage wholesalers | - | - | 21 |
| | | | | **586** |

| | Wusu Beer Group | | Other | | Total | |
|---|---|---|---|---|---|---|
| | Carrying amount prior to acquisition | Fair value at acqui-sition date | Carrying amount prior to acquisition | Fair value at acqui-sition date | Carrying amount prior to acquisition | Fair value at acqui-sition 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 liabilities | -4 | -4 | -6 | -8 | -10 | -12 |
| Deferred tax liabilities, 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's share** | **80** | **84** | **48** | **46** | **128** | **130** |
| Goodwill | | 267 | | 189 | | 456 |
| **Cash consideration paid** | | **351** | | **235** | | **586** |
| Transferred from other financial assets (prepayments) | | -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 Breweries Group's activities in China. The intention is to retain the local brands as a supplement to the Carlsberg Breweries Group's current brands. As geographical location and local trade are important, with a close correlation between brand and sales, no separate measurement of customer agreements etc. has been carried out.

Goodwill therefore represents the value of customer agreements, the workforce acquired and access to favourable distribution and sales channels, plus expected synergies.
As stated above, 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. The measurement principles for trademarks are described in note 1.

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

**Other**

The Carlsberg Breweries 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, including expected reductions in logistics and transport expenses.

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

## Carlsberg Breweries Group

## Notes

**31 Acquisition and disposal of entities**

**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. The acquisitions are expected to be made in the first quarter of 2007.

**Disposal of entities**

Disposals relate to Landskron Brauerei in 2006.

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Intangible assets | - | 1 |
| Property, plant and equipment | - | 73 |
| Financial assets, non-current | - | 4 |
| Inventories | - | 6 |
| Receivables | - | 11 |
| Deferred tax liabilities, net | - | -9 |
| Borrowings, net | - | -3 |
| Trade payables and other liabilities etc. | - | -27 |
| **Net assets** | **-** | **56** |
| Minority interests | - | - |
| **Equity, Carlsberg Breweries's share** | **-** | **56** |
| Gain/loss - recognised under special items | - | -21 |
| **Cash consideration received** | **-** | **35** |
| Cash and cash equivalents, disposed of | - | - |
| **Cash inflow, net** | **-** | **35** |

**Acquisition and disposal of entities, net**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Acquisitions, cash outflow | -179 | -17 |
| Disposals, cash inflow | - | 35 |
| **Net** | **-179** | **18** |

## 32 Specification of invested capital

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Invested capital is calculated as follows:** | | |
| Total assets | 49,830 | 45,834 |
| **Less:** | | |
| Deferred tax assets | -626 | -715 |
| Loans to associates | -4 | -161 |
| Loans to group enterprises | -1,658 | - |
| Interest income receivable, fair value of hedging instruments and financial receivables | -135 | -44 |
| Securities (current and non-current) | -134 | -115 |
| Cash and cash equivalents | -2,026 | -2,267 |
| Assets held for sale | -34 | -109 |
| **Total assets included** | **45,213** | **42,423** |
| Trade payables | -5,904 | -5,071 |
| Deposits on returnable packaging | -1,207 | -1,159 |
| Provisions, excluding restructuring | -437 | -466 |
| Corporation tax | -184 | -187 |
| Deferred income | -107 | -104 |
| Finance lease liabilities, included in borrowings | -66 | -87 |
| Other liabilities, excluding interest payable and fair value of hedging instruments | -4,354 | -4,052 |
| **Total liabilities offset** | **-12,259** | **-11,126** |
| **Total invested capital** | **32,954** | **31,297** |

## 33 Specification of net interest-bearing debt

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Net interest-bearing debt is calculated as follows:** | | |
| Non-current borrowings | 16,162 | 11,865 |
| Current borrowings | 3,711 | 6,217 |
| **Gross interest-bearing debt** | **19,873** | **18,082** |
| Cash and cash equivalents | -2,026 | -2,267 |
| Loans to associates | -4 | -161 |
| Loans to group enterprises | -1,658 | - |
| On-trade loans | -1,626 | -1,711 |
| Non-interest-bearing portion | 820 | 927 |
| Other receivables | -1,350 | -829 |
| Non-interest-bearing portion | 908 | 759 |
| **Net interest-bearing debt** | **14,937** | **14,800** |
| **Changes in net interest-bearing debt:** | | |
| Net interest-bearing debt at 1 January | 14,800 | 16,316 |
| Cash flow from operating activities | -5,102 | -4,872 |
| Cash flow from investing activities | 4,955 | -232 |
| Dividends to shareholders and minority interests | 672 | 1,048 |
| Acquisition of minority interests | 69 | 576 |
| Refunds etc. related to share options | - | 12 |
| Acquisition of entities, net | 54 | 146 |
| Change in interest-bearing lending | -245 | 1,892 |
| Effect of currency translation | -325 | -272 |
| Other | 59 | 186 |
| **Total change** | **137** | **-1,516** |
| **Net interest-bearing debt at 31 December** | **14,937** | **14,800** |

### 34 Investments in proportionally consolidated entities

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

| | **2007** DKK million | **2006** DKK million |
|---|---|---|
| Revenue | 12,615 | 9,990 |
| Total costs | -9,909 | -7,882 |
| **Operating profit before special items** | **2,706** | **2,108** |
| **Consolidated profit** | **1,698** | **1,448** |
| Non-current assets | 10,410 | 8,572 |
| Current assets | 3,243 | 3,313 |
| Non-current liabilities | -3,906 | -4,090 |
| Current liabilities | -4,083 | -2,558 |
| **Net assets** | **5,664** | **5,237** |
| | | - |
| Free cash flow | 13 | 920 |
| Net cash flow | -699 | 340 |
| Cash and cash equivalents, year end | 368 | 1,095 |
| Contingent liabilities | 95 | 682 |
| Capital commitments | 405 | 559 |

An average of 12,686 (2006: 10,962) full-time employees were employed in proportionally consolidated entities in 2007.
The Group has not assumed any separate contingent liabilities or financial commitments relating to proportionally consolidated entities.

## 35 Financial risks

As a result of the Carlsberg Breweries Group's activities, 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 in accordance with 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.

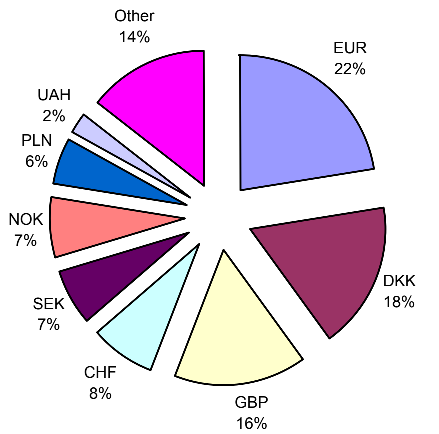
The Carlsberg Breweries Group has a foreign exchange risk on balance sheet items, partly in terms of translation of debt taken up in a currency other than the functional currency for the relevant Group entity, and partly in terms of translation of net investments in entities with a functional currency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

**Impact of exchange rates on operating profit**
Developments in the exchange rates between the DKK and the reporting currencies of subsidiaries have an increasing impact on the Carlsberg Breweries Group's operating profit measured in DKK. In a number of countries (particularly in Asia) where the Carlsberg Breweries Group has activities, the currency correlates with developments in the USD. In 2007 the average USD rate (5.45) was 8.5% lower than the 2006 level (5.96). Operating profit has been weakened as a result of a fall in the average RUB rate (a negative 3% compared with 2006) and CHF rate (a negative 4.5% compared with 2006). The other currencies in which a high proportion of operating profit is generated were  relatively stable.

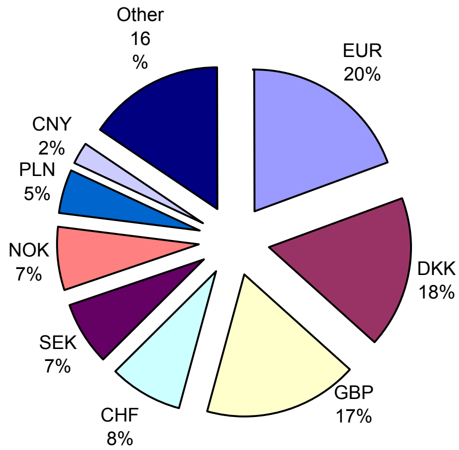
The Carlsberg Breweries Group has chosen not to hedge revenue or earnings in foreign currencies, but does in certain cases hedge dividends received in foreign currencies.

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

**Distribution of revenue 2007**




**Distribution of revenue 2006**

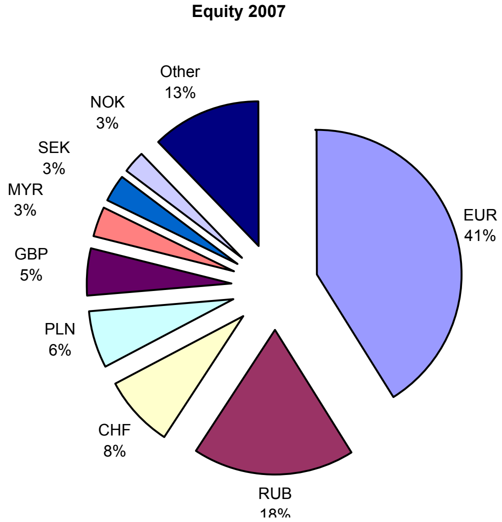


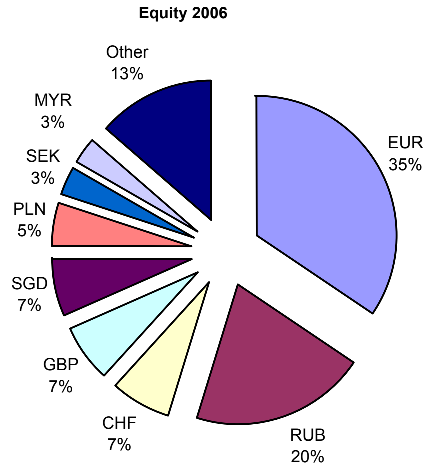

In some Group entities debt has been taken up in a currency other than the Group entity's functional currency without the foreign exchange risk being hedged. This applies primarily to Group entities in Eastern Europe, and is based on assessment of the alternative cost of financing the entity in the local 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 2007 gains have been realised on debt taken up in EUR in Türk Tuborg. The Turkish lire was strengthened by 9% compared with the EUR and DKK between 1 January and 31 December 2007.

**Impact of exchange rates on balance sheet and equity**
The Carlsberg Breweries Group holds a number of investments in foreign subsidiaries 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, SEK, EUR, RUB, PLN and MYR. In September 2007, Carlsberg Breweries stopped hedging its GBP risk. In May/June 2007, hedging of MYR was changed from a USD proxy hedge to a direct MYR hedge.
It is assessed that a 1 percentage point change in the exchange rate for the RUB would lead to a change in equity of DKK 45m, while a corresponding change for the GBP would lead to a change of DKK 14m.

## 35 Financial risks

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




The Carlsberg Breweries Group's net investment in foreign currencies has decreased by a total of DKK 1,740m, primarily in RUB (DKK 853m) and SGD (DKK 1,740m). The decrease in SGD is due to a repatriation of equity to DKK. 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 amount to DKK 135m (2006: DKK 194m), excl. adjustment relating to loans in addition to net investment of DKK 20m (2006: DKK 125m).

| DKK million | | | | | | | | | **2007** |
|---|---|---|---|---|---|---|---|---|---|
| | Carlsberg's share of net investment in foreign subsidiary | Minorities' share | Foreign exchange adjustment for the year, recognised in equity | Hedging of net invest-ment | Fair value adjustment of hedging instru-ments 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's share |
| EUR | 10,719 | - | 5 | -6,696 | -1 | 4,023 | 4 | - | 4 |
| RUB | 4,735 | 587 | -209 | -800 | 20 | 4,522 | -189 | - | -189 |
| CHF | 2,097 | - | -65 | -1,729 | 57 | 368 | -8 | - | -8 |
| PLN | 1,687 | - | 101 | -1,452 | -88 | 235 | 13 | - | 13 |
| GBP | 1,408 | - | -161 | - | 57 | 1,408 | -104 | - | -104 |
| MYR | 844 | 353 | -54 | -688 | 64 | 509 | 10 | -15 | 25 |
| SEK | 766 | - | -55 | -709 | 49 | 57 | -6 | - | -6 |
| NOK | 667 | - | 22 | -655 | -23 | 12 | -1 | - | -1 |
| UAH | 569 | - | -44 | - | - | 569 | -44 | - | -44 |
| CSD | 474 | 60 | -4 | - | - | 534 | -4 | - | -4 |
| LAK | 494 | - | -23 | - | - | 494 | -23 | - | -23 |
| Other | 1,666 | 296 | -203 | - | - | 1,962 | -203 | -55 | -148 |
| **Total** | **26,126** | **1,296** | **-690** | **-12,729** | **135** | **14,693** | **-555** | **-70** | **-485** |

### 35 Financial risks

| DKK million | | | | | | | | | 2006 |
|---|---|---|---|---|---|---|---|---|---|
| | Carlsberg's share of net investment in foreign subsidiary | Minorities' share | Foreign exchange adjustment for the year, recognised in equity | Hedging of net invest-ment | Fair value adjustment of hedging instru-ments 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's share |
| RUB | 5,588 | 697 | -149 | -838 | 5 | 5,447 | -144 | - | -144 |
| EUR | 9,623 | 13 | -2 | -6,694 | -8 | 2,942 | -9 | - | -9 |
| CHF | 1,959 | - | -75 | -1,392 | 55 | 567 | -20 | - | -20 |
| GBP | 1,868 | - | 37 | -1,443 | -37 | 425 | - | - | - |
| SGD | 1,847 | - | -86 | - | - | 1,847 | -86 | - | -86 |
| PLN | 1,377 | - | 11 | -335 | 2 | 1,042 | 12 | - | 12 |
| 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 | 283 | -225 | - | 86 | 2,476 | -139 | -52 | -87 |
| **Total** | **27,866** | **1,368** | **-544** | **-12,632** | **194** | **16,602** | **-350** | **-72** | **-278** |

The most significant net risk relates to foreign exchange adjustment of equity in RUB. Hedging of the risk in RUB was unchanged in 2007 compared with 2006.

Foreign exchange adjustment of the net investment in 2007 in "Other" relates to various Asian currencies.

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. Changes in the fair value of financial instruments are included under other receivables/other liabilities. Net interest-bearing debt fell by approx. DKK 325m in 2007 as a result of exchange rate movements during the year, primarily the fall in the GBP.

**Interest rate risk**
The most significant interest rate risk in the Carlsberg Breweries 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 2007 gross debt (non-current and current borrowings) amounted to DKK 19,873m (2006: DKK 18,082m). After deducting cash and cash equivalents, net debt is DKK 17,847m (2006: 15,815m), an increase of DKK 2,032m.

Interest rate risks are mainly managed using interest rate swaps and fixed-rate bonds.

A breakdown of the Carlsberg Breweries Group’s gross debt, including the financial instruments used to manage foreign exchange and interest rate risks, is provided in note 25.

At year-end 59% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2006: 67%). 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 72m (2006: DKK 52m). Carlsberg Breweries's exposure to an increase in short-term interest rates is primarily in EUR and DKK, and secondarily in PLN.

The table below shows the breakdown of currencies and interest rate fixing for the net debt.

| Net debt before swaps | | | | | | | Next repricing |
|---|---|---|---|---|---|---|---|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013- |
| CHF | 1,664 | 317 | 1,347 | - | - | - | - |
| DKK | 1,712 | 1,507 | 205 | - | - | - | - |
| EUR | 8,117 | 3,886 | 19 | 3,732 | 94 | 1 | 385 |
| GBP | 4,549 | 8 | 1 | 1 | 2,507 | - | 2,032 |
| NOK | 193 | 193 | - | - | - | - | - |
| PLN | 666 | 656 | 2 | 2 | 2 | 2 | 2 |
| RUB | -34 | -34 | - | - | - | - | - |
| SEK | 29 | 29 | - | - | - | - | - |
| USD | 932 | 686 | 45 | 45 | 156 | - | - |
| Other | 19 | -10 | 5 | - | 24 | - | - |
| **Total** | **17,847** | **7,238** | **1,624** | **3,780** | **2,783** | **3** | **2,419** |

## 35 Financial risks

**Credit risk**
Credit risk is the risk of a counterparty failing to meet 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 grants 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 20, are sufficient to cover expected losses.

Cash and cash equivalents are not associated with any significant credit risks.

**Liquidity risk**
Liquidity risk is the risk of the Carlsberg Breweries Group failing to meet its contractual obligations due to insufficient liquidity. Carlsberg Breweries's policy is for the raising 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 2007 Carlsberg Breweries had unutilised long-term committed credit facilities of DKK 5,025m (2006: DKK 9,485m).

For day-to-day liquidity management cash pools are used, covering most of Western Europe, or intra-group 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.

Refer to the description of events after the balance sheet date in note 39.

**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 solid 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 2007 the Carlsberg Group had net interest-bearing debt totalling DKK 14,937m (2006: DKK 14,800m), which is considered reasonable in the light of its current needs in terms of financial flexibility.

No changes have been made to the Group's guidelines and procedures for control of capital structure and management in 2007.

**Raw material risk**
Raw material risks are associated in particular with purchasing of cans (aluminium), malt (barley) and energy. Management of both raw material risks and foreign exchange risks 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 specified categories of raw materials vary, so does the way in which they are hedged against price rises. The most common form of hedging is fixed 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 entered into a number of financial instruments in 2006 and 2007. 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. For accounting purposes, fair value adjustments are recognised directly in equity in the relevant entities and recognised in the income statement as the hedged item is recognised in accordance with the hedge accounting rules for cash flow hedges. Complete or partial hedging has been made for the period 2008-2012. The impact on equity in 2007 was DKK -22m (2006: DKK 0).

## 36 Financial instruments

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods.

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. Transaction risks comprise both expected and potential risks.

**Recognised in the income statement:**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest rate instruments | 7 | 15 |
| Exchange rate instruments | -73 | 21 |
| Other instruments | - | -1 |
| **Total** | **-66** | **35** |

**Cash flow hedge**

A positive fair value for financial instruments is recognised in equity in accordance with hedge accounting rules for cash flow hedges, 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 was a negative DKK 14m at 31 December 2007 (2006: a negative DKK 58m). 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 was a negative DKK 385m at 31 December 2007 (2006: a negative DKK 211m). Only the fair value adjustment relating to the interest element (DKK 64m) is recognised in accordance with rules for cash flow hedges. The currency element is recognised in the income statement. Financial instruments have also been entered into to hedge aluminium. At 31 December 2007 the fair value of these instruments amounted to a negative DKK 22m (2006: DKK 0).

**Recognised in equity:**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest rate instruments | 108 | 155 |
| Exchange rate instruments | 2 | 15 |
| Other instruments | -27 | - |
| **Total** | **83** | **170** |

## 36 Financial instruments

### Hedging of net investments in foreign subsidiaries

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

Where the fair value adjustments do not exceed the value adjustments 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 granted to subsidiaries which are classified as additions to net investments. Foreign exchange adjustments of these loans are recognised directly in equity.

| | | | | 2007 DKK million | | | | 2006 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 | Addition to net investment, amount in currency | Total adjust-ment to equity | Income statement |
| SEK | -1,583 | 5,247 | -66 | - | -715 | 2,288 | 14 | - |
| NOK | -700 | 3,182 | 72 | - | -730 | 3,182 | -113 | - |
| CHF | -385 | - | 57 | - | -385 | - | 55 | - |
| GBP | - | - | 57 | - | -130 | - | -37 | -2 |
| USD/MYR [1] | -450 | - | 64 | - | -120 | - | 64 | - |
| EUR | -898 | 635 | -1 | - | -898 | 635 | -7 | - |
| RUB | -3,858 | - | 20 | - | -3,858 | - | 5 | - |
| PLN | -700 | - | -88 | - | -172 | - | 2 | - |
| KRW [2] | - | - | - | - | - | - | 86 | - |
| **Total** | | | **115** | **-** | | | **69** | **-2** |

[1] The exchange rate risk associated with MYR was hedged in the first half-year by selling USD 120m under forward contracts. The correlation between the MYR and USD is high, and accordingly the instrument is classified as a hedge of a net investment. In the second half-year the hedge was made directly in MYR and the hedged amount totalled MYR 450m.

[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. At 31 December 2007, the accumulated value of hedges of investments in foreign currency was a negative DKK 42 million (2006: a negative DKK 157 million).

### Fair value of financial instruments

| | | | 2007 DKK million | | 2006 DKK million |
|---|---|---|---|---|---|
| | | Positive | Negative | Positive | Negative |
| Cash flow hedge | Currency | - | - | - | - |
| | Interest rate | 5 | -16 | 36 | -58 |
| | Other | - | -22 | - | - |
| Hedging of net investment | Currency | 71 | -53 | - | -17 |
| Fair value hedge | Currency | 2 | -496 | - | -282 |
| | Interest rate | 40 | -9 | - | -3 |
| **Total** | | **118** | **-596** | **36** | **-360** |

## 37 Related party disclosures

**Related parties exercising control**

Carlsberg A/S, Ny Carlsberg Vej 100, DK-1760 København V, Denmark, holds all the shares in Carlsberg Breweries A/S. During the year, the Group had balances with the parent company. The balances were subject to arm's legth terms and prices. Apart from payments of dividends, no transactions were carried out with Carlsberg A/S during the year.

**Related parties exercising significant influence**

The Carlsberg Breweries 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 executive employees, or companies outside the Carlsberg Breweries Group in which these parties have interests.

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

**Associates**

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

| | **2007**<br>DKK million | **2006**<br>DKK million |
|---|---|---|
| Revenue | 213 | 287 |
| Cost of sales | 261 | 349 |
| Loans | 7 | 4 |
| Borrowings | 7 | 5 |
| Receivables from the sale of goods and services | 28 | 51 |
| Trade payables | 15 | 40 |

No losses on loans to or receivables from associates were recognised or provided for in either 2007 or 2006.

**Proportionally consolidated entities**

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

| | **2007**<br>DKK million | **2006**<br>DKK million |
|---|---|---|
| Revenue | 40 | 14 |
| Costs | 5 | 4 |
| Interest income | 1 | 7 |
| Interest expenses | 1 | 5 |
| Loans | - | 161 |
| Borrowings | 373 | - |
| Receivables | 19 | 8 |
| Trade payables and other liabilities etc. | 3 | 12 |

## 38 Contingent liabilities and other commitments

The Carlsberg Breweries Group has issued guarantees for loans etc. of DKK 5,919m (2006: DKK 9,482m) raised by subsidiaries and associates, which are recognised in the consolidated balance sheet. In addition, the Group has issued guarantees for loans etc. raised by joint ventures (non-consolidated share of loan) of DKK 60m and for loans etc. raised by third parties (non-consolidated entities) of DKK 245m (2006: DKK 231m).

The Carlsberg Breweries Group has entered into significant service contracts in respect of sales, logistics and IT. The total liabilities under these contracts amount to DKK 2,035m (2006: DKK 2,299m), and are recognised as the services are received.

Carlsberg Breweries A/S is jointly registered for Danish VAT and excise duties with Carlsberg A/S, Carlsberg Danmark A/S and various other minor Danish subsidiaries, and is jointly and severally liable for payment of VAT and excise duties.

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

The subsidiary Pripps Ringnes AB is party to an arbitration case brought against the subsidiary by the venture partner in Baltic Beverages Holding AB. It is the assessment of management and the company's legal advisors that the claim is unfounded.

The Carlsberg Breweries Group is party to certain lawsuits etc. In management's opinion, apart from as recognised in the balance sheet or disclosed in the Annual Report, the outcome of these lawsuits will not have a material negative effect on the Company's financial position.

Certain guarantees etc. are issued in connection with disposal of entities and activities etc. Apart from as recognised in the balance sheet or disclosed in the Annual Report, these guarantees etc. will not have a material effect on the Group's financial position.

### Capital commitments

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Capital commitments which at the balance sheet date are agreed to be made at a later date and therefore not recognised in the consolidated financial statements:** | | |
| Property, plant and equipment and construction contracts | 865 | 645 |
| **Total** | **865** | **645** |

### Operating lease liabilities

2007

| DKK million | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Non-current assets under construction | Total |
|---|---|---|---|---|---|
| **Future lease payments:** | | | | | |
| Within one year | 108 | 78 | 298 | - | 484 |
| Between one and five years | 246 | 22 | 444 | - | 712 |
| After more than five years | 286 | - | 45 | - | 331 |
| **Total** | **640** | **100** | **787** | **-** | **1,527** |

## 38 Contingent liabilities and other commitments

| DKK million | Land and buildings | Plant and machinery | Fixtures and fittings, other plant and equipment | Non-current assets under construction | Total |
|---|---|---|---|---|---|
| | | | | | **2006** |
| **Future lease payments:** | | | | | |
| Within one year | 77 | 21 | 271 | 2 | 371 |
| Between one and five years | 208 | 49 | 660 | - | 917 |
| After more than five years | 208 | - | 199 | - | 407 |
| **Total** | **493** | **70** | **1,130** | **2** | **1,695** |

| | **2007** DKK million | **2006** DKK million |
|---|---|---|
| Operating lease liabilities recognised in the income statement | 504 | 502 |
| Expected future income under non-cancellable subleases | 138 | 168 |

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.

## Notes

**39** **Events after the balance sheet date**

Apart from the events recognised or disclosed in the Annual Report, no events have occurred after the balance sheet date of importance to the Annual Report.

On 25 January 2008 a consortium of which Carlsberg is a member made a cash offer for the acquisition of Scottish & Newcastle plc (S&N). The offer is GBP 8 per share, corresponding to approximately GBP 10.7bn (approximately DKK 107bn) on a debt-free basis. Carlsberg's share is approximately GBP 5.8bn (approximately DKK 58.2bn). The offer is recommended by the Board of S&N. The acquisition is among other things subject to the approval of the competition authorities in various jurisdictions and the approval of the shareholders in S&N.

The financing of the acquisition has been secured through loan agreements with banks and a capital increase.

If the offer is accepted, Carlsberg Breweries will acquire 50% of BBH AB, which will become wholly owned. S&N's activities in France and Greece will also be acquired, together with joint ventures in China and Vietnam.

The cash offer is described in detail in a separate company announcement of 25 January 2008.

# Note 40 Accounting policies

The 2007 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, and the statutory 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 International Financial Reporting Standards (IFRS) issued by the IASB.

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

The Annual Report has been prepared on the historical cost basis except for the following assets and liabilities which are measured at fair value: derivative financial instruments, financial instruments in the trading portfolio and financial instruments classified as available for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

### *New International Financial Reporting Standards and Interpretations*

In 2007 the following IFRS Interpretations as adopted by the EU which are of relevance to the Carlsberg Breweries Group were adopted with effect from 1 January 2007:

- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions".

IFRIC 11 has been adopted before the effective date in accordance with the commencement provisions of the Interpretation.

The adoption of these Standards and Interpretations has not affected recognition and measurement, and accordingly the accounting policies used in the preparation of the Annual Report are consistent with those of last year. The new Standards and Interpretations only result in changes to note disclosures. Comparative figures in the notes have been restated accordingly.

IFRS 8 "Operating Segments" was also adopted by the EU in 2007. The Standard will be adopted by the Carlsberg Breweries Group effective for 2009.

In addition, the following Standards and Interpretations have been issued but not yet adopted by the EU:

- IAS 1 "Presentation of Financial Statements" on the presentation of financial statements
- IAS 23 "Borrowing Costs", requiring that borrowing costs are included in the cost of qualifying assets
- IFRS 12 "Service Concession Agreements" on concession agreements, which is not relevant for the Carlsberg Breweries Group
- IFRS 13 "Customer Loyalty Programmes"
- IFRS 14 "IAS 19 – The Limit on a Defined Benefit Asset" on retirement benefit plans limited by the asset ceiling, and introducing minimum funding requirements.

The Interpretations are effective from 1 January 2008, whereas the Standards are effective from 1 January 2009. The Standards and Interpretations are not expected to significantly affect recognition and measurement in the Carlsberg Breweries Group.

## *Consolidated financial statements*

The consolidated financial statements comprise the Parent Company Carlsberg Breweries A/S and subsidiaries in which Carlsberg Breweries A/S has control, i.e. the power to govern the financial and operating policies. Control is obtained when Carlsberg Breweries A/S directly or indirectly owns or controls more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

Entities over which the Group exercises a significant influence, but which it does not control, are considered associates. Significant influence is generally obtained 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 control or significant influence, potential voting rights exercisable at the balance sheet date are taken into account.

Entities which by agreement are managed jointly with one or more other parties (joint ventures) are consolidated proportionally, and the individual accounting entries are recognised in proportion to the ownership share.

A group chart is included on page 87.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company, subsidiaries and proportionally consolidated entities prepared according to the Group accounting policies. On consolidation, intra-group income and expenses, shareholdings etc., intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of 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 set off against the proportionate share of the subsidiaries' fair value of identifiable net assets, including recognised contingent liabilities, at the acquisition date.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Minority interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly owned is included in the Group's profit/loss and equity respectively, but is disclosed separately.

### *Business combinations*

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognised in the consolidated income statement until the date of disposal or winding-up. The comparative figures are not restated for entities acquired, disposed of or wound up. Discontinued operations are presented separately, cf. below.

For acquisitions of new subsidiaries, joint ventures and associates the purchase method is used. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be reliably measured. Deferred tax on revaluations is recognised.

The acquisition date is the date when the Carlsberg Breweries Group effectively obtains control of 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 excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised but is tested annually for impairment. 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.

The cost of a business combination comprises the fair value of the consideration agreed upon and costs directly attributable to the acquisition. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the event is probable and the adjustment can be measured reliably.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in 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 at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

If uncertainties regarding measurement of acquired identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary 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 up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error. However, subsequent realisation of the acquired entity's deferred tax assets not recognised at the acquisition date will require recognition of the tax benefit in the income statement and simultaneous write-down 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 acquisition date.

For business combinations made prior to 1 January 2004, the accounting classification is maintained according to the former accounting policies, except that trademarks are now presented in a separate line in the balance sheet. Accordingly, goodwill is recognised on the basis of the cost recognised in accordance with the former policies (the Danish Financial Statements Act and Danish Accounting Standards) less amortisation and impairment losses up until 31 December 2003. Goodwill is not 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 disposal or winding-up of subsidiaries, joint ventures and associates are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal or winding-up, foreign exchange adjustments recognised directly in equity plus costs to sell or winding-up expenses.

On disposal of entities acquired prior to 1 January 2002 where goodwill in accordance with the former accounting policies was written off directly in equity and where in accordance with the exemption in IFRS 1 goodwill is not recognised in the balance sheet, the goodwill written off is recognised at a carrying amount of DKK 0 in determining any gains and losses on the disposal of the entity.

### *Acquisition and disposal of minority interests*

On acquisition of minority interests (i.e. subsequent to the Carlsberg Breweries Group obtaining control) acquired net assets are not revalued at fair value. The difference between the cost and the carrying amount of acquired minority interests at the acquisition date is recognised as goodwill.

On disposal of minority interests, the difference between the sales amount and the carrying amount of the minority interests 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 primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or the exchange rate in the latest annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of Carlsberg Breweries A/S (DKK), the income statements and cash flow statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

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

On recognition in the consolidated financial statements of associates with a functional currency other than the presentation currency of Carlsberg Breweries A/S, the share of profit/loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the balance sheet date, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the balance sheet date, are recognised directly in a separate translation reserve in equity.

On complete or partial disposal of a foreign entity or on repayment of balances which constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognised directly in equity relating to that foreign entity is recognised in the income statement when the gain or loss on disposal is recognised.

Prior to translation of the financial statements of foreign entities in countries with hyperinflation, the financial 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 values of derivative financial instruments are included in other receivables and other payables respectively, and set-off of positive and negative values is only made when the Company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted 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 with respect to the hedged portion. Hedging of future cash flows according to agreement, except for foreign currency hedges, is treated as a fair value hedge of a recognised asset or liability.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge and which effectively hedge changes in the value of the hedged item are recognised in equity. If the hedged transaction results in gains or losses, amounts previously recognised in equity are transferred to the same item as the hedged item. Gains or losses from hedges of proceeds from future borrowings are, however, transferred from equity over the term of the loan.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries, joint ventures or associates and which effectively hedge currency fluctuations in these entities are recognised in the consolidated financial statements directly in a separate translation reserve in equity.

Certain contracts contain characteristics of derivative financial instruments. Such embedded derivatives are recognised separately and measured currently at fair value if they differ significantly from the host contract, unless the entire host contract is recognised and measured at fair value.

## *Income statement*

### *Revenue*

Revenue from the sale of finished goods and goods for resale is recognised in the income statement provided that transfer of risk to the buyer has taken place and that the income can be reliably measured and is expected to be received.

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

Revenue is measured excl. VAT and duties, including excise duties on beer and soft drinks, and discounts.

### *Cost of sales*

Cost of sales comprises costs incurred in generating the revenue for the year and development costs. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant and returnable packaging.

### *Sales and distribution expenses*

Costs incurred in distributing goods sold during the year and in conducting sales campaigns etc. during the year are recognised as distribution expenses. Also included are costs relating to sales staff, sponsorships, advertising and in-store display expenses, as well as depreciation and impairment of sales equipment.

### *Administrative expenses*

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and write-downs for bad debt losses.

### *Other operating income and expenses*

Other operating income and costs comprise items secondary to the principal activities of the entities, including gains and losses on the disposal of intangible assets and property, plant and equipment. Gains and losses on the disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the disposal date. Also included in this item are the effective interest rate on on-trade loans calculated on the basis of amortised cost.

### *Government grants*

Government grants relate to grants and funding for development activities, investment grants, etc.

Grants for development activities which are recognised directly in the income statement are recognised as other operating income.

Grants for the acquisition of assets and development projects are recognised in the balance sheet as deferred income and transferred to other operating income in the income statement as the assets for which the grants were awarded are amortised.

### *Operating profit before special items*

Operating profit before special items is an important financial ratio for year-to-year comparison and for comparison of companies in the brewing 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 gains or losses arising from disposals in this connection. This item also includes significant non-recurring items, including impairment of goodwill and gains on the disposal of activities.

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

### *Profits/losses from investments in associates*

The proportionate share of the results of associates after tax and minority interests is recognised in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

### *Financial income and expenses*

Financial income and expenses comprise interest income and expenses, gains and losses on securities and impairment 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 retirement benefit plans, surcharges and refunds under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements are also included.

### *Tax on profit/loss for the year*

Tax for the year comprises current tax, joint taxation contributions and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity. Carlsberg Breweries A/S is subject to the Danish rules on mandatory joint taxation of the Carlsberg Group's Danish companies. Subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Carlsberg A/S is the administrative company under the joint taxation and accordingly pays all corporation taxes to the tax authorities. The jointly taxed companies are taxed under the on-account tax scheme.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit (full absorption).

If the Carlsberg Breweries Group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment programmes, the tax effect of the programmes is recognised in tax on the profit/loss for the year. However, if the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognised directly in equity.

## *Balance sheet*

### *Intangible assets*

*Goodwill*

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

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

*Other intangible assets*

Research costs are recognised in the income statement as they are incurred. Development costs are recognised as intangible assets if the costs are 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 agreements/portfolios 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 annually.

$CO_2$ emission rights are measured at cost 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 losses.

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

| | |
|---|---|
| Trademarks with finite useful lives | Useful life, normally maximum 20 years |
| Software etc. | 3-5 years |
| Delivery rights | Depending on contract,<br>but not exceeding 5 years |
| Customer agreements/portfolios | Depending on retention rate |

The useful life is reassessed annually. When changing the amortisation period due to a change in the useful life, the effect on the amortisation is recognised prospectively as a change in accounting estimates.

***Property, plant and equipment***

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and wages and salaries. The present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost of self-constructed assets. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The cost of assets held under finance leases is stated at the lower of fair value of the assets and the present value of the future minimum lease payments. For the calculation of the net 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 replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

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

| | |
|---|---|
| Buildings | 20-40 years |
| Technical installations | 15 years |
| Brewery equipment | 15 years |
| Filling and bottling equipment | 8-15 years |
| Technical installations in warehouses | 8 years |
| On-trade and distribution equipment | 5 years |
| Fixtures and fittings, other plant and equipment | 5-8 years |
| Returnable packaging | 3-10 years |
| Hardware | 3 years |

Land is not depreciated.

The basis of depreciation is calculated on the basis of the residual value less impairment losses. The residual value is determined at the acquisition date 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 on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation and minor impairment losses are recognised in the income statement under cost of sales, sales and distribution costs and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

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

### *Investments in associates*

Investments in associates are recognised according to the equity method and measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus the carrying amount of goodwill.

Investments in associates with negative net asset values are measured at DKK 0. If the Group has a legal or constructive obligation to cover a deficit in the associate, the deficit is recognised under provisions.

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

On acquisition of investments in associates, the purchase method is used, see the description under Business combinations.

### *Inventories*

Inventories are measured at the lower of weighted average cost and the net realisable value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries, and maintenance and depreciation of production machinery, buildings and equipment. amd factory administration and management.

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

### *Receivables*

Receivables are measured at amortised cost less impairment losses. Receivables are written down for bad debt losses on the basis of customers' anticipated ability to pay and expectations of any changes to this ability, 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 nominal amount at the loan date is treated as a prepaid discount to the customer, which is recognised in the income statement in accordance with the terms of the agreement. The market interest rate is used as the discount rate, corresponding to the money market rate based on the maturity of the loan with the addition of a risk premium. The effective interest rate on these loans is recognised in other operating income, and the amortisation of the difference between the discount rate and the effective interest rate is included as a discount in revenue.

### *Prepayments*

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

### *Securities*

Shares not classified as shares in subsidiaries or associates and bonds are classified as securities available for sale. Such securities are recognised at cost at the trade date and are subsequently measured at fair value corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of market data and generally accepted valuation methods. Unrealised value adjustments are recognised directly in equity except for impairment losses and foreign exchange adjustments of bonds denominated in foreign currencies, which are recognised in the income statement as financial income or financial expenses. On realisation, the accumulated value adjustment recognised in equity is 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 indefinite useful lives are subject to an annual impairment test, initially before the end of the acquisition year.

The carrying amount of goodwill is tested for impairment, together with the other non-current assets in the cash-generating unit to which goodwill is allocated, and written down to the recoverable amount via the income statement if the carrying amount is higher. The recoverable amount is generally calculated as the present value of expected future net cash flows (value in use) 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 trademarks with indefinite useful lives is subject to an impairment test and written down to the recoverable amount via the income statement if the carrying amount is higher. The recoverable amount is generally calculated as the present value of expected future net cash flows from the trademark in the form of royalties. Impairment of trademarks is recognised under special items in the income statement.

The carrying amount of other non-current assets is subject to an annual impairment test for indications of impairment. When there is an indication that assets may be impaired, 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 the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Minor impairment losses are recognised in the income statement under cost of sales, sales and distribution costs, administrative expenses and other operating costs. Significant impairment losses and impairment losses arising on 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 of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation had the asset not been impaired.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

### *Equity*

*Translation reserve*

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign entities from their functional currencies into the presentation currency used by Carlsberg Breweries A/S (DKK), balances considered to be part of the total net investment in foreign entities, and financial instruments used to hedge net investments in foreign entities.

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement in the same item as the gain/loss.

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

*Proposed dividends*

Proposed dividends are recognised as a liability at the date when they are adopted at 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.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

### *Share-based payment*

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

The share option programme for the Executive Board and other key employees in the Group is an equity-settled scheme. The share options are measured at fair value at the grant date and recognised in the income statement under staff costs over the vesting period with a set-off directly against equity.

On initial recognition of the share options, an estimate is made of the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest. Accordingly, recognition is based on the number of options that ultimately vested.

The fair value of granted share options is estimated using the Black & Scholes call option pricing model, taking into account the terms and conditions upon which the options were 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 renders the related service.

### *Retirement benefit obligations and similar obligations*

The Group has entered into retirement benefit schemes and similar arrangements with the majority of the Group's employees.

Contributions to defined contribution plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the balance sheet as other payables.

For defined benefit plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from 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.

Any difference between the expected development in retirement benefit plan assets and liabilities and realised amounts constitutes actuarial gains or losses and is recognised directly in the balance sheet with a set-off directly against equity.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately, provided employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a retirement benefit plan constitutes a net asset, the asset is only recognised if it off-sets future refunds from the plan or will lead to reduced future payments to the plan.

Interest on retirement benefit obligations and the expected return on plan assets are recognised under financial income or financial expenses.

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

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

***Corporation tax and deferred tax***

Current tax payable and receivable 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 on all temporary differences is measured using the balance sheet liability method 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 or on office premises and other items where temporary differences, apart from business combinations, arise at the acquisition date without affecting either profit/loss for the year or taxable income. 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 specific dividend plans exist for subsidiaries, joint ventures and associates in countries levying withholding tax on distributions, deferred tax is recognised on profit generated.

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

Deferred tax assets and tax liabilities are offset if the Company has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement. Changes to deferred tax recognised in equity are, however, recognised in equity.

### *Other provisions*

Other provisions are recognised when, as a result of events arising before or at the balance sheet date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Other provisions are discounted if the effect is material to the measurement of the liability. The Carlsberg Breweries Group's average borrowing rate is used as the discount rate.

Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan has been announced to the persons affected no later than at the balance sheet date. On acquisition of entities, restructuring provisions in the acquiree are only included in goodwill when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs.

### *Financial liabilities*

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

Financial liabilities also include the capitalised residual obligation on finance leases, which is measured at amortised cost.

Other liabilities are measured at amortised cost.

### Deposits on returnable packaging

The refund obligation in respect of deposits on returnable packaging is stated on the basis of deposit price as well as an estimate of the number of bottles, kegs, cans and crates in circulation.

### *Leases*

For accounting purposes lease obligations are divided into finance and operating leases.

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease obligations is described under Property, plant and equipment and Financial liabilities respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

### *Deferred income*

Deferred income comprises payments received concerning income in subsequent years and is measured at cost.

### *Assets held for sale*

Assets held for sale comprises non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction and those liabilities directly associated with the assets that will be transferred in 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 recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount or fair value less costs to sell. Assets are not depreciated or amortised from the date when they are reclassified as held for sale.

Impairment losses on initial recognition as held for sale and gains and losses on subsequent remeasurement at the lower of carrying amount and fair value less costs to sell are recognised in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and liabilities are recognised separately in the balance sheet and main items are specified in the notes. Comparative figures are not restated.

If a sale is not completed as expected, the asset or disposal group is reclassified to the items in the balance sheet from which the asset or disposal group was originally separated. This reclassification is made at the carrying amount less any depreciation charges that would have been recognised if the asset had not been classified as held for sale.

***Presentation of discontinued operations***

Discontinued operations comprise activities and cash flows that can be clearly distinguished from the other business areas and have either been disposed of or are held for sale, and the sale is expected to be carried out within twelve months in accordance with a formal plan. Discontinued operations also include entities which are classified as held for sale in connection with an acquisition.

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 main items are specified in the notes. Comparative figures are restated.

*Cash flow statement*

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

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

***Cash flow from operating activities***

Cash flows from operating activities are calculated using the indirect method as the 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 flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Acquisitions of assets by means of finance leases are treated as non-cash transactions.

***Cash flow from financing activities***

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the acquisition of minority interests, raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash flows from assets held under finance leases are recognised as payment of interest and repayment of debt.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash, less bank overdrafts, and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviate significantly from the exchange rate at the transaction date.

## *Segment information*

The Group's activity is the 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. Segment information is provided only on the Group's primary segments.

A segment's operating profit/loss includes revenue, operating costs and share of profit/loss in associates to the extent that they can be allocated directly to the individual segment. Income and expenses related to Group functions have not been allocated and, as is the case with eliminations and other activities, are not included in the operating profit/loss of the segments.

Non-current segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment, and investments in associates. Current segment assets are allocated to the segments to the extent that they can be allocated directly to the individual segment, including inventories, trade receivables, other receivables and prepayments.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including provisions, trade payables and other payables.

## *Financial ratios*

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

Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2005".

The key figures and financial ratios stated in the annual report have been calculated as follows:

**Cash flow per share (CFPS)**
Cash flow from operating activities divided by the number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[3].

**Debt/operating profit before depreciation, amortisation and impairment***
Net interest-bearing debt[2] divided by operating profit before special items adjusted for depreciation, amortisation and impairment.

**Earnings per share (EPS)**
Consolidated profit for the year, excluding minority interests, divided by the average number of shares outstanding.

**Earnings per share, diluted (EPS-D)**
Consolidated profit for the year, excluding minority interests, divided by the average number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[3].

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

**Financial gearing**
Net interest-bearing debt[2] at year-end divided by total equity at year-end.

**Free cash flow per share (FCFPS)***
Free cash flow[4] divided by average number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[3].

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

**Number of shares, average**
The number of issued shares, excluding treasury shares, as an average for the year (= average number of shares outstanding).

**Number of shares, year-end**
Total number of issued shares, excluding treasury shares, at year-end (= number of shares outstanding at year-end).

**Operating margin**
Operating profit before special items as a percentage of revenue.

**Pay-out ratio**
Dividend for the year as a percentage of consolidated profit, excluding minority interests

**Return on average invested capital, including goodwill (ROIC)**
Operating profit before special items as a percentage of average invested capital[1].

* This financial ratio is not defined in the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2005".
[1] The calculation of invested capital is specified in note 32.
[2] The calculation of net interest-bearing debt is specified in note 33.
[3] 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.
[4] The calculation of free cash flow is specified in the cash flow statement.

**Carlsberg Breweries Group**

**Group companies**

**Carlsberg Breweries A/S**

| | | | | Ownership share | Nominal share capital (1,000) | Currency | Exchange rate | Western Europe | BBH Group | Eastern Europe excl. BBH | Asia | Other activities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Carlsberg Danmark A/S, Copenhagen, Denmark | 3 subsidiaries | | ○ | 100% | 100,000 | DKK | 100.00 | ♦ | | | | |
| Investeringselskapet RH, Oslo, Norway | | | ○ | 100% | 49,900 | NOK | 93.51 | ♦ | | | | |
| Ringnes a.s., Oslo, Norway | 6 subsidiaries | | ○ | 100% | 238,714 | NOK | 93.51 | ♦ | | | | |
| Oy Sinebrychoff Ab, Helsinki, Finland | | | ○ | 100% | 96,707 | EUR | 745.66 | ♦ | | | | |
| Pripps Ringnes AB, Stockholm, Sweden | 1 subsidiary | | ○ | 100% | 287,457 | SEK | 78.92 | | | | | ♦ |
| Carlsberg Sverige AB, Stockholm, Sweden | 9 subsidiaries | | ○ | 100% | 70,000 | SEK | 78.92 | ♦ | | | | |
| BBH - Baltic Beverages Holding AB, Stockholm, Sweden | | | ♦ | 50% | 12,000 | EUR | 745.66 | | ♦ | | | |
| Saku Brewery AS, Estonia | | 1) | ♦ | 75% | 80,000 | EEK | 47.66 | | ♦ | | | |
| A/S Aldaris, Lithuania | | | ♦ | 85% | 7,500 | LVL | 1,069.80 | | ♦ | | | |
| Baltic Beverages Invest AB, Stockholm, Sweden | | | ♦ | 100% | 11 | EUR | 745.66 | | ♦ | | | |
| Baltic Beverages Holding Oy, Helsinki, Finland | | | ♦ | 100% | 4 | EUR | 745.66 | | ♦ | | | |
| Svyturys-Utenos Alus AB, Lithuania | | | ♦ | 75% | 118,000 | LTL | 215.96 | | ♦ | | | |
| Slavutich Brewery, Ukraine | | | ♦ | 92% | 853,692 | UAH | 100.51 | | ♦ | | | |
| Lvivska Brewery, Ukraine | | | ♦ | 100% | 72,741 | UAH | 100.51 | | ♦ | | | |
| Baltic Beverages Eesti, Estonia | | | ♦ | 100% | 400 | EEK | 47.66 | | ♦ | | | |
| Baltika Brewery, St. Petersburg, Russia | | 1) | ♦ | 86% | 164,364 | RUB | 20.73 | | ♦ | | | |
| Derbes Company Ltd. Liability Partnership, Kazakhstan | | | ♦ | 90% | 4,820,426 | KZT | 4.18 | | ♦ | | | |
| UAB BBH Baltics, Lithuania | | | ♦ | 100% | 10 | LTL | 215.96 | | ♦ | | | |
| Sarbast, Tashkent, Uzbekistan | | | ♦ | 75% | 35,217,146 | UZS | 0.40 | | ♦ | | | |
| Olivaria, Belarus | | | ♦ | 30% | 61,444,801 | BYR | 0.24 | | ♦ | | | |
| Carlsberg Italia S.p.A, Lainate, Italy | 14 subsidiaries | | ○ | 100% | 82,400 | EUR | 745.66 | ♦ | | | | |
| Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal | 12 subsidiaries | 4) | ♦ | 44% | 50,000 | EUR | 745.66 | ♦ | | | | |
| Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland | 3 subsidiaries | | ○ | 100% | 95,000 | CHF | 449.08 | ♦ | | | | |
| Carlsberg Deutschland GmbH, Mönchengladbach, Germany | 6 subsidiaries | | ○ | 100% | 26,897 | EUR | 745.66 | ♦ | | | | |
| Göttsche Getränke GmbH, Germany | | | ○ | 100% | 2,000 | EUR | 745.66 | ♦ | | | | |
| Holsten-Brauerei AG, Hamburg, Germany | 10 subsidiaries | | ○ | 100% | 41,250 | EUR | 745.66 | ♦ | | | | |
| Tuborg Deutschland GmbH, Mönchengladbach, Germany | | | ○ | 100% | 51 | EUR | 745.66 | ♦ | | | | |
| Carlsberg GB Limited, Northampton, UK | | | ○ | 100% | 692 | GBP | 1,014.80 | ♦ | | | | |
| Carlsberg UK Holdings PLC, Northampton, UK | 2 subsidiaries | | ○ | 100% | 90,004 | GBP | 1,014.80 | ♦ | | | | |
| Carlsberg Polska S. A., Warsaw, Poland | 3 subsidiaries | | ○ | 100% | 28,721 | PLN | 207.04 | | | ♦ | | |
| Carlsberg Accounting Centre Sp.z.o.o., Poznan, Poland | | | ○ | 100% | 50 | PLN | 207.04 | | | | | ♦ |
| Dyland BV, Bussum, Nederlands | 1 subsidiary | | ○ | 100% | 18,198 | EUR | 745.66 | | | ♦ | | |
| Carlsberg Croatia d.o.o., Koprivnica, Croatia | | | ○ | 80% | 239,932 | HRK | 101.68 | | | ♦ | | |
| Bottling and Brewing Group Ltd., Blantyre, Malawi | 3 subsidiaries | 2) | ○ | 44% | 1,267,128 | MWK | 3.66 | | | ♦ | | |
| Nuuk Imeq A/S, Nuuk, Greenland | | | ■ | 32% | 45,679 | DKK | 100.00 | | | ♦ | | |
| Israel Beer Breweries Ltd, Ashkelon, Israel | | | ■ | 20% | 15,670 | ILS | 132.46 | | | ♦ | | |
| International Breweries (Netherlands) B.V., Bussum, Nederlands | 2 subsidiaries | | ■ | 16% | 2,523 | USD | 507.53 | | | ♦ | | |
| Türk Tuborg Bira ve Malt Sanayii A.S., Izmir, Turkey | 1 subsidiary | 1) | ○ | 96% | 99,972 | TRY | 436.55 | | | ♦ | | |
| Carlsberg Bulgaria AD, Mladost, Bulgaria | | | ○ | 80% | 37,325 | BGN | 381.26 | | | ♦ | | |
| B to B Distribution EOOD, Mladost, Bulgaria | | | ○ | 100% | 10 | BGN | 381.26 | | | ♦ | | |
| Carlsberg Serbia d.o.o., Serbia | 2 subsidiaries | | ○ | 80% | 2,169,547 | RSD | 9.30 | | | ♦ | | |
| Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary | | | ○ | 100% | 25,200 | HUF | 2.94 | | | ♦ | | |
| Carlsberg International A/S, København, Denmark | | | ○ | 100% | 1,000 | DKK | 100.00 | | | | | ♦ |
| South-East Asia Brewery Ltd., Hanoi, Vietnam | | | ○ | 60% | 212,705,000 | VND | 0.03 | | | | ♦ | |
| International Beverages Distributors Ltd., Hanoi, Vietnam | | | ○ | 60% | 10,778,000 | VND | 0.03 | | | | ♦ | |
| Hue Brewery Ltd., Hue, Vietnam | | | ♦ | 50% | 216,788,000 | VND | 0.03 | | | | ♦ | |
| Tibet Lhasa Brewery Company Limited, Lhasa, Tibet, China | | | ■ | 33% | 380,000 | CNY | 69.49 | | | | ♦ | |
| Xinjiang Wusu Beer Co. Ltd., Urumqi, Xinjiang, China | 3 subsidiaries | | ♦ | 60% | 105,480 | CNY | 69.49 | | | | ♦ | |
| Lanzhou Huanghe Jianjiang Brewery Company Limited, China | | | ■ | 30% | 210,000 | CNY | 69.49 | | | | ♦ | |
| Qinghai Huanghe Jianjiang Brewery Company Ltd., Xining, Qinghai, China | | | ■ | 33% | 85,000 | CNY | 69.49 | | | | ♦ | |
| Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China | | | ■ | 30% | 15,000 | CNY | 69.49 | | | | ♦ | |
| Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China | | | ■ | 30% | 16,620 | CNY | 69.49 | | | | ♦ | |
| Ningxia Xixia Jianiang Brewery Ltd, China | | | ○ | 70% | 194,351 | CNY | 69.49 | | | | ♦ | |
| Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia | | 1) | ■ | 51% | 154,039 | MYR | 152.96 | | | | ♦ | |
| Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia | | | ○ | 100% | 10,000 | MYR | 152.96 | | | | ♦ | |
| Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia | | | ○ | 100% | 100 | MYR | 152.96 | | | | ♦ | |
| The Lion Brewery Ceylon, Biyagama, Sri Lanka | | 1) | ■ | 25% | 850,000 | LKR | 4.70 | | | | ♦ | |
| Carlsberg Distributors Taiwan Ltd, Taiwan | | | ■ | 50% | 100,000 | TWD | 15.75 | | | | ♦ | |
| Carlsberg Asia Pte Ltd., Singapore | | | ○ | 100% | 54,914 | SGD | 350.96 | | | | ♦ | |
| Brewery Invest Pte. Ltd, Singapore | | | ○ | 100% | 3,200 | SGD | 350.96 | | | | ♦ | |
| Carlsberg Brewery Hong Kong Ltd., Hong Kong, China | 1 subsidiary | | ○ | 100% | 260,000 | HKD | 65.05 | | | | ♦ | |
| Carlsberg Brewery Guangdong Ltd., Huizhou, China | | | ○ | 99% | 442,330 | CNY | 69.49 | | | | ♦ | |
| Tsingtao Beer Shanghai Songjiang Co. Ltd., Shanghai, China | | | ■ | 25% | 303,659 | CNY | 69.49 | | | | ♦ | |
| Carlsberg Hong Kong Ltd., Hong Kong, China | | | ○ | 100% | (-) | HKD | 65.05 | | | | ♦ | |
| Kunming Huashi Brewery Company Ltd., Kunming, China | | | ○ | 100% | 79,528 | CNY | 69.49 | | | | ♦ | |
| Lao Brewery Co. Ltd., Vientiane, Laos | | | ♦ | 50% | 14,400,000 | LAK | 0.05 | | | | ♦ | |
| Carlsberg Singapore Pte. Ltd., Singapore | | | ○ | 100% | 1,000 | SGD | 350.96 | | | | ♦ | |

**Carlsberg Breweries Group**

**Group companies**

**Carlsberg Breweries A/S**

| | | | | Owner-ship share | Nominal share capital (1,000) | Cur-rency | Exchan-ge rate | Western Europe | BBH Group | Eastern Europe excl. BBH | Asia | Other activities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Carlsberg Marketing (Singapore) Pte Ltd., Singapore | | | ○ | 100% | 1,000 | SGD | 350.96 | | | | ♦ | |
| Gorkha Brewery Pvt. Ltd., Kathmandu, Nepal | | | ■ | 50% | 466,325 | NPR | 8.05 | | | | ♦ | |
| Dali Beer (Group) Limited Company, Dali, China | | | ○ | 100% | 97,799 | CNY | 69.49 | | | | ♦ | |
| Caretech Ltd, Hong Kong, China | | 4) | ♦ | 50% | 10,000 | HKD | 65.05 | | | | ♦ | |
| Cambrew Pte Ltd, Singapore | | 4) | ♦ | 100% | 21,720 | SGD | 350.96 | | | | ♦ | |
| Cambrew Ltd, Phnom Penh, Cambodia | 1 subsidiary | 4) | ♦ | 100% | 125,000 | USD | 507.53 | | | | ♦ | |
| Lao Soft Drinks Co. Ltd, Laos | | | ○ | 65% | 2,448,000 | LAK | 0.05 | | | | | ♦ |
| Carlsberg IndoChina | | | ○ | 100% | 500 | USD | 507.53 | | | | ♦ | |
| South Asian Breweries Pvt Ltd, Singapore | | | ♦ | 45% | 19,864 | SGD | 350.96 | | | | ♦ | |
| South Asian Breweries Pvt Ltd, India | | | ○ | 100% | 577,203 | INR | 12.96 | | | | ♦ | |
| Parag Breweries Ltd, India | | | ○ | 52% | 5,200 | INR | 12.96 | | | | ♦ | |
| Halong Beer and Beverage, Vietnam | | | ○ | 30% | 9,000,000,000 | VND | 0.03 | | | | ♦ | |
| 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 | 207.04 | | | | | ♦ |
| Carlsberg Finans A/S, København, Denmark | | | ○ | 100% | 25,000 | DKK | 100.00 | | | | | ♦ |
| Carlsberg Invest A/S, København, Denmark | | | ○ | 100% | 52,847 | DKK | 100.00 | | | | | ♦ |
| CTDD Beer Imports Ltd., Quebec, Canada | | | ○ | 100% | - | CAD | 518.22 | | | ♦ | | |
| Carlsberg USA Inc., New York, USA | | | ○ | 100% | 1,260 | USD | 507.53 | | | ♦ | | |
| Carlsberg Canada Inc., Mississauga, Ontario, Canada | | | ○ | 100% | 750 | CAD | 518.22 | | | ♦ | | |
| Carlsberg IT A/S, København, Denmark | | | ○ | 100% | 50,000 | DKK | 100.00 | | | | | ♦ |
| Carlsberg Insurance A/S, København, Denmark | | | ○ | 100% | 25,000 | DKK | 100.00 | | | | | ♦ |
| Carlsberg Accounting Service Centre A/S, København, Denmark | | | ○ | 100% | 504 | DKK | 100.00 | | | | | ♦ |

○ Subsidiary
♦ Proprotionally consolidated entity
■ Associate
1) Listed company
2) Carlsberg is responsible for management
3) In accordance with section 5(1) of the Danish Financial Statements Act (exemption provision), a separate annual report is not prepared
4) Company not audited by KPMG

## Financial statements



**Notes**

## Carlsberg Breweries A/S - Parent Company

## Income statement

| Note | | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|---|
| | Net revenue | 1,441 | 1,236 |
| 2 | Cost of sales | -521 | -456 |
| | **Gross profit** | **920** | **780** |
| 3 | Sales and distribution expenses | -585 | -540 |
| 4 | Administrative expenses | -742 | -447 |
| 5 | Other operating income | 274 | 353 |
| 5 | Other operating expenses | -4 | - |
| | **Operating profit before special items** | **-137** | **146** |
| 6 | Special items, income | 8 | 2,668 |
| 6 | Special items, costs | -1,687 | -1,759 |
| | **Operating profit** | **-1,640** | **1,055** |
| 7 | Financial income | 4,737 | 6,522 |
| 8 | Financial expenses | -914 | -947 |
| | **Profit before tax** | **2,007** | **6,630** |
| 9 | Corporation tax | -173 | 32 |
| | **Consolidated profit** | **1,834** | **6,662** |
| | | | |
| | Attributable to: | | |
| | Dividend to shareholders | 1,300 | 445 |
| | Reserves | 534 | 6,217 |
| | **Profit for the year** | **1,834** | **6,662** |
| | | | |
| 10 | **Earnings per share** | | |
| | Earnings per share | 3,668 | 13,324 |
| | Earnings per share, diluted | 3,668 | 13,324 |

## Carlsberg Breweries A/S - Parent Company

### Statement of recognised income and expenses for the year

| 2007 | Note | Fair value adjustments | Retained earnings | Total DKK million |
|---|---|---|---|---|
| **Profit for the year** | | **-** | **1,834** | **1,834** |
| **Value adjustments:** | | | | |
| Hedging instruments, value adjustment for the year | 29 | 47 | - | 47 |
| **Other adjustments:** | | | | |
| Share-based payment | 12 | - | 8 | 8 |
| Other | | - | -4 | -4 |
| Tax on changes in equity | | -11 | - | -11 |
| **Net amount recognised directly in equity** | | **36** | **4** | **40** |
| **Total recognised income and expenses** | | **36** | **1,838** | **1,874** |

| 2006 | Note | Fair value adjustments | Retained earnings | Total DKK million |
|---|---|---|---|---|
| **Profit for the year** | | **-** | **6,662** | **6,662** |
| **Value adjustments:** | | | | |
| Hedging instruments, value adjustment for the year | 29 | 135 | - | 135 |
| **Other adjustments:** | | | | |
| Share-based payment | 12 | - | 3 | 3 |
| Other | | - | 8 | 8 |
| Tax on changes in equity | | -38 | - | -38 |
| **Net amount recognised directly in equity** | | **97** | **11** | **108** |
| **Total recognised income and expenses** | | **97** | **6,673** | **6,770** |

Fair value adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised.

## Carlsberg Breweries A/S - Parent Company

## Balance sheet

| Note | Assets | 31 Dec. 2007<br>DKK million | 31 Dec. 2006<br>DKK million |
|---|---|---|---|
| | **Non-current assets** | | |
| 13 | Intangible assets | 151 | 150 |
| 15 | Property, plant and equipment | 74 | 80 |
| 16 | Investments in subsidiaries | 16,643 | 19,209 |
| 17 | Investments in associates | 2,847 | 2,804 |
| 18 | Securities | 18 | 40 |
| 19 | Receivables | 8,980 | 8,885 |
| 20 | Deferred tax assets | 257 | 384 |
| | **Total non-current assets** | **28,970** | **31,552** |
| | **Current assets** | | |
| 19 | Trade receivables | 472 | 448 |
| | Tax receivables | 10 | - |
| 19 | Other receivables | 9,059 | 5,660 |
| 19 | Prepayments | 58 | 49 |
| 21 | Cash and cash equivalents | 191 | 14 |
| | **Total current assets** | **9,790** | **6,171** |
| 22 | Assets held for sale | - | 4 |
| | **Total assets** | **38,760** | **37,727** |

## Carlsberg Breweries A/S - Parent Company

## Balance sheet

| Note | Equity and liabilities | 31. dec. 2007<br>DKK million | 31. dec. 2006<br>DKK million |
|---|---|---|---|
| | **Equity** | | |
| 23 | Share capital | 500 | 500 |
| | Reserves | 21,460 | 20,091 |
| | **Total equity** | **21,960** | **20,591** |
| | **Non-current liabilities** | | |
| 24 | Borrowings | 11,839 | 8,007 |
| | Provisions | 1 | - |
| | **Total non-current liabilities** | **11,840** | **8,007** |
| | **Current liabilities** | | |
| 24 | Borrowings | 3,868 | 8,355 |
| | Trade payables | 476 | 380 |
| | Deposits on returnable packaging | 36 | 32 |
| 25 | Other liabilities etc. | 580 | 362 |
| | **Total current liabilities** | **4,960** | **9,129** |
| | **Total liabilities** | **16,800** | **17,136** |
| | **Total equity and liabilities** | **38,760** | **37,727** |

## Carlsberg Breweries A/S - Parent Company

### Statement of changes in equity

| 2007 DKK million | Share capital | Fair value adjustments | Retained earnings | Total reserves | Total equity |
|---|---|---|---|---|---|
| Equity at 1 January 2007 | 500 | -42 | 20,133 | 20,091 | 20,591 |
| Total recognised income and expenses for the year, cf. the statement on page 91 | - | 36 | 1,838 | 1,874 | 1,874 |
| Share-based payment | - | - | -60 | -60 | -60 |
| Dividends paid to shareholders | - | - | -445 | -445 | -445 |
| **Total changes in equity** | **-** | **36** | **1,333** | **1,369** | **1,369** |
| **Equity at 31 December 2007** | **500** | **-6** | **21,466** | **21,460** | **21,960** |

| 2006 DKK million | Share capital | Fair value adjustments | 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 91 | - | 97 | 6,673 | 6,770 | 6,770 |
| Share-based payment | - | - | -4 | -4 | -4 |
| Dividends paid to shareholders | - | - | -900 | -900 | -900 |
| **Total changes in equity** | **-** | **97** | **5,769** | **5,866** | **5,866** |
| **Equity at 31 December 2007** | **500** | **-42** | **20,133** | **20,091** | **20,591** |

The proposed dividend of DKK 2,600 per share, in total DKK 1,300m (2006: DKK 890 per share, in total DKK 445m), is included in retained earnings at 31 December 2007.

Fair value adjustments comprise accumulated changes in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised.

## Carlsberg Breweries A/S - Parent Company

## Cash flow statement

| Note | | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|---|
| | Operating profit before special items | -137 | 146 |
| | Adjustment for depreciation and amortisation | 15 | 13 |
| | Adjustment for impairment losses | 209 | |
| | Operating profit before depreciation, amortisation and impairment losses | 87 | 159 |
| 26 | Adjustment for other non-cash items | 11 | 3 |
| 26 | Change in working capital | -189 | 49 |
| | Restructuring costs paid | - | -2 |
| | Interest etc. received | 862 | 547 |
| | Interest etc. paid | -897 | -982 |
| | Corporation tax received | -6 | 72 |
| | **Cash flow from operating activities** | **-132** | **-154** |
| | Acquisition of property, plant and equipment and intangible assets | -11 | -6 |
| | Disposal of property, plant and equipment and intangible assets | 1 | - |
| | **Total operational investments** | **-10** | **-6** |
| | Investments in subsidiaries | -146 | -25 |
| | Disposal of subsidiaries[1] | - | 4,841 |
| | Capital injections in subsidiaries | -292 | -3,600 |
| | Investments in financial assets | -15 | -18 |
| | Disposal of financial assets | 6 | 12 |
| | Dividends paid in excess of accumulated earnings from the acquisition date | 1,309 | 5,603 |
| | Loans to group companies | -3,371 | -7,125 |
| | Change in financial receivables | - | 1,939 |
| | Dividends received | 3,612 | 5,730 |
| | **Total financial investments** | **1,103** | **7,357** |
| | **Cash flow from investing activities** | **1,093** | **7,351** |
| | **Free cash flow** | **961** | **7,197** |
| 26 | Shareholders in Carlsberg Breweries A/S | -445 | -3,316 |
| 26 | External financing | -394 | -3,997 |
| | **Cash flow from financing activities** | **-839** | **-7,313** |
| | **Net cash flow** | **122** | **-116** |
| | Cash and cash equivalents at 1 January | -111 | 5 |
| | Foreign exchange adjustment of cash and cash equivalents at 1 January | -21 | - |
| 21 | **Cash and cash equivalents at 31 December** | **-10** | **-111** |

[1] Disposal of subsidiaries in 2006 (DKK 4,841 million) relates to an intra-group transaction.

# Note 1 Significant accounting estimates and judgements

The 2007 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 and the statutory 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 International Financial Reporting Standards (IFRS) issued by the IASB.

In preparing the Carlsberg Breweries A/S'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 for the Company 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. Carlsberg Breweries A/S's accounting policies are described in detail in note 33.

**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 Carlsberg Breweries A/S 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*
Management performs an annual test for indications of impairment of investments in subsidiaries, joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Carlsberg Breweries Group, see note 40 to the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2007, and impairment tests have therefore not been carried out for subsidiaries, joint ventures and associates.

*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 257m (2006: DKK 384m), which is primarily expected to be realised within 12 months of the balance sheet date.

For a more detailed description of the Company's tax assets, see note 20.

**Accounting policies applied**

In applying the Group's accounting policies, management makes judgements as well as accounting estimates which may significantly influence the amounts recognised in the annual report.

## Carlsberg Breweries A/S - Parent Company

## Noter

### 2 Cost of sales

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Purchased finished goods and other costs | 521 | 456 |
| **Total** | **521** | **456** |

### 3 Sales and distribution expenses

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Marketing expenses | 468 | 473 |
| Sales expenses | 27 | 27 |
| Distribution expenses | 90 | 40 |
| **Total** | **585** | **540** |
| Of which staff costs, see note 11 | 63 | 82 |

### 4 Fees to auditors appointed by the Annual General Meeting

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **KPMG:** | | |
| Audit | 1.4 | 1.4 |
| Non-audit services | 12.1 | 6.6 |

Non-audit services include fees for assistance in planning of acquisitions, tax consultancy and due diligence in connection with acquisitions.

### 5 Other operating income and expenses

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Other operating income:** | | |
| Managementfee from group companies | 267 | 339 |
| Gains on disposal of property, plant and equipment and intangible assets | 2 | - |
| Other | 5 | 14 |
| **Total** | **274** | **353** |
| **Other operating expenses:** | | |
| Losses on disposal of property, plant and equipment and intangible assets | -4 | - |
| **Total** | **-4** | **-** |

## Carlsberg Breweries A/S - Parent Company

## Noter

### 6 Special items

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Special items, income:** | | |
| Gain on disposal of shares in Oy Sinebrychoff Ab | - | 2,663 |
| Adjustment reg. gain on disposal of shares in other subsidiaries | 8 | 5 |
| **Total** | **8** | **2,668** |
| | | |
| **Special items, costs:** | | |
| Impairment of shares in subsidiaries | -1,687 | -1,759 |
| **Total** | **-1,687** | **-1,759** |
| | | |
| **Special items, net** | **-1,679** | **909** |
| | | |
| **If special items had been recognised in operating profit/loss before special items, they would have been included in the following items:** | | |
| Financial income | 8 | 2,668 |
| Financial expenses | -1,687 | -1,759 |
| **Special items, net** | **-1,679** | **909** |

### 7 Financial income

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest income | 918 | 542 |
| Dividends from subsidiaries and associates | 3,612 | 5,730 |
| Foreign exchange gains, net | 168 | 244 |
| Realised gains on disposal of securities | 39 | - |
| Other financial income | - | 6 |
| **Total** | **4,737** | **6,522** |

### 8 Financial expenses

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest expenses | 749 | 855 |
| Fair value adjustments of financial instruments, net | 140 | 77 |
| Other financial expenses | 25 | 15 |
| **Total** | **914** | **947** |

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

## Carlsberg Breweries A/S - Parent Company

## Noter

**9 Corporation tax**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Tax for the year comprises:** | | |
| Current tax on profit for the year | 10 | 3 |
| Change in deferred tax liabilities during the year | 67 | 84 |
| Change in tax rate | 36 | - |
| Adjustments to tax for previous years | 71 | -81 |
| **Total tax for the year** | **184** | **6** |
| **Of which recognised in equity:** | | |
| Deferred tax on items recognised directly in equity | -11 | -38 |
| **Tax on profit for the year** | **173** | **-32** |
| **Reconciliation of the effective tax rate for the year:** | | |
| Tax rate in Denmark | 25.0% | 28.0% |
| Change in tax rate | 1.8% | - |
| Adjustments to tax for previous years | 1.8% | 0.2% |
| Non-taxable income | -45.2% | -24.2% |
| Non-deductible expenses | 0.4% | 0.1% |
| Special items | 24.3% | -5.4% |
| Other | 0.5% | 0.7% |
| **Effective tax rate for the year** | **8.6%** | **-0.6%** |
| **The change in deferred tax liabilities recognised in the income statement can be broken down as follows:** | | |
| Tax losses | 99 | 91 |
| Change in tax rate | 36 | - |
| Intangible assets and property, plant and equipment etc. | -43 | -45 |
| **Deferred tax liabilities recognised in income statement** | **92** | **46** |

## Carlsberg Breweries A/S - Parent Company

## Noter

**10 Earnings per share**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Profit for the year** | **1,834** | **6,662** |
| | 1,000 shares | 1,000 shares |
| Average number of shares | 500 | 500 |
| Average number of treasury shares | - | - |
| Average number of shares outstanding | 500 | 500 |
| Average dilutive effect of outstanding share options | - | - |
| **Diluted average number of shares outstanding** | **500** | **500** |
| | DKK | DKK |
| Earnings per share of DKK 1,000 (EPS) | 3,668 | 13,324 |
| Diluted earnings per share of DKK 1,000 (EPS-D) | 3,668 | 13,324 |

## 11 Staff costs and remuneration of the Board of Directors, the Executive Board and other executive employees

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Salaries and other remuneration | 234 | 170 |
| Termination benefits | 1 | 6 |
| Social security costs | 1 | 1 |
| Retirement benefit costs - defined contribution plans | 16 | 14 |
| Share-based payment[1] | 8 | 3 |
| Other employee benefits | 4 | 3 |
| **Total** | **264** | **197** |

| **Staff costs are included in the following items in the income statement:** | | |
|---|---|---|
| Sales and distribution expenses | 63 | 82 |
| Administrative expenses | 201 | 115 |
| **Total** | **264** | **197** |

The Company had an average of 227 (2006: 205) full-time employees during the year.

**Remuneration of key management personnel:**

| | 2007 DKK million | | 2006 DKK million | |
|---|---|---|---|---|
| | Parent Company Executive | Executive employees | Parent Company Executive | Executive employees |
| Salaries and other remuneration | 26 | 25 | 22 | 16 |
| Retirement benefit costs | - | 2 | - | 2 |
| Share-based payment[1] | 6 | 2 | 1 | - |
| **Total** | **32** | **29** | **23** | **18** |

[1] Share-based payment comprises the cost of options granted to the Group's former CEO, which are expensed prematurely in connection with resignation. Share-based payment is specified in note 12.

Remuneration of the Executive Board and executive employees is based on a fixed salary and cash bonus payments of up to 50% of the fixed salary and non-monetary services such as company car, telephone etc. Further, share option programmes are established for the Executive Board and executive employees.

Employment contracts for members of the Executive Board contain terms and conditions that are common to executive board members in subsidiaries in Danish listed group companies, including terms of notice and non-competition clauses.

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

Executive employees comprise Senior Vice Presidents and Vice Presidents engaged in Carlsberg Breweries's headquarters in Copenhagen, a total of 14 persons (2006: 12 persons), who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the Parent Company's activities.

The Board of Directors of Carlsberg Breweries A/S received emoluments of DKK 0m (2006: DKK 0m).

## 12 Share-based payment

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

In 2007, a total of 69,600 (2006: 61,500) share options in Carlsberg A/S were granted to 24 (2006: 22) key employees. The grant date fair value of these options was a total of DKK 10m (2006: DKK 5m). The total cost of share-based payment was DKK 8m (2006: DKK 3m), which is recognised in the income statement under staff costs. Refunds etc. between Carlsberg A/S and Carlsberg Breweries A/S are recognised directly in equity and total DKK 12 million (2006: DKK 4 million). Expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK 48 million (2006: DKK 0 million).

| | | Number | | | | | | | Exercise price | Fair value | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grant year | Exercise year | 1 Jan. 2007 | Granted | Expired/ forfeited | Exercised | Transferred[1] | 31 Dec. 2007 | For exercise 31 Dec. | Fixed | Per option | 31 Dec. 2007 | 31 Dec. 2006 |
| **Executive Board** | | | | | | | | | | | | |
| 2001 | 2004-2009 | 14,700 | - | - | - | -7,350 | 7,350 | 7,350 | 386.54 | 236.05 | 2 | 3 |
| 2002 | 2005-2010 | 14,700 | - | - | - | -7,350 | 7,350 | 7,350 | 323.82 | 300.95 | 2 | 4 |
| 2003 | 2006-2011 | 21,000 | - | - | - | -10,500 | 10,500 | 10,500 | 214.47 | 406.42 | 4 | 7 |
| 2004 | 2007-2012 | 26,250 | - | - | - | -15,750 | 10,500 | 10,500 | 268.39 | 357.27 | 4 | 8 |
| 2005 | 2008-2013 | 25,000 | - | - | - | -15,000 | 10,000 | - | 288.29 | 341.41 | 3 | 7 |
| 2006 | 2009-2014 | 30,000 | - | - | - | -20,000 | 10,000 | - | 380.18 | 270.30 | 3 | 7 |
| 2007 | 2010-2015 | - | 40,000 | - | - | -20,000 | 20,000 | - | 584.86 | 153.95 | 3 | - |
| **Total** | | **131,650** | **40,000** | **-** | **-** | **-95,950** | **75,700** | **35,700** | | | **21** | **36** |
| **Key management personnel** | | | | | | | | | | | | |
| 2001 | 2004-2009 | 18,900 | - | - | -14,175 | -1,575 | 3,150 | 3,150 | 386.54 | 236.05 | 1 | 3 |
| 2002 | 2005-2010 | 12,600 | - | - | -7,875 | -1,575 | 3,150 | 3,150 | 323.82 | 300.95 | 1 | 3 |
| 2003 | 2006-2011 | 11,600 | - | - | -4,200 | -1,575 | 5,825 | 5,825 | 214.47 | 406.42 | 3 | 4 |
| 2004 | 2007-2012 | 31,500 | - | - | -10,675 | -1,575 | 19,250 | 19,250 | 268.39 | 357.27 | 7 | 10 |
| 2005 | 2008-2013 | 27,833 | - | -1,500 | -1,000 | -1,667 | 23,667 | - | 288.29 | 341.41 | 8 | 8 |
| 2006 | 2009-2014 | 31,500 | - | -1,000 | -1,500 | -2,000 | 27,000 | - | 380.18 | 270.30 | 7 | 7 |
| 2007 | 2010-2015 | - | 29,600 | - | | -1,500 | 28,100 | - | 584.86 | 153.95 | 4 | |
| **Total** | | **133,933** | **29,600** | **-2,500** | **-39,425** | **-11,467** | **110,142** | **31,375** | | | **31** | **35** |
| **Retired employees** | | | | | | | | | | | | |
| 2001 | 2004-2009 | 5,250 | - | - | - | 8,925 | 14,175 | 14,175 | 386.54 | 236.05 | 3 | 1 |
| 2002 | 2005-2010 | 6,300 | - | - | - | 8,925 | 15,225 | 15,225 | 323.82 | 300.95 | 5 | 2 |
| 2003 | 2006-2011 | 6,300 | - | - | - | 12,075 | 18,375 | 18,375 | 214.47 | 406.42 | 8 | 2 |
| 2004 | 2007-2012 | 5,250 | - | - | - | 17,325 | 22,575 | 22,575 | 268.39 | 357.27 | 8 | 2 |
| 2005 | 2008-2013 | 1,500 | - | - | - | 16,500 | 18,000 | - | 288.29 | 341.41 | 6 | - |
| 2006 | 2009-2014 | - | - | - | - | 21,500 | 21,500 | - | 380.18 | 270.30 | 6 | - |
| 2007 | 2010-2015 | - | - | - | - | 21,500 | 21,500 | - | 584.86 | 153.95 | 3 | - |
| **Total** | | **24,600** | **-** | **-** | **-** | **106,750** | **131,350** | **70,350** | | | **39** | **7** |
| **Total** | | **290,183** | **69,600** | **-2,500** | **-39,425** | **-667** | **317,192** | **137,425** | | | **91** | **78** |

[1] The number of transferred options relates to employees relocated internally in the Group and where granted options therefore vest in another entity than the entity originally granting the options.

## Noter

### 12 Share-based payment

| | 2007 | | | | | 2006 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Executive Board | Other | Resigned | Total | Average exercise price | Executive Board | Other | Resigned | Total | Average exercise price |
| Share options outstanding at 1 January | 131,650 | 133,933 | 24,600 | 290,183 | 310.82 | 101,650 | 155,233 | - | 256,883 | 292.16 |
| Granted | 40,000 | 29,600 | - | 69,600 | 584.86 | 30,000 | 31,500 | - | 61,500 | 380.18 |
| Expired/forfeited | - | -2,500 | - | -2,500 | 325.05 | - | -3,150 | - | -3,150 | 289.98 |
| Exercised | - | -39,425 | - | -39,425 | 320.96 | - | -25,050 | - | -25,050 | 305.22 |
| Transferred | -95,950 | -11,467 | 106,750 | -667 | 366.08 | - | -24,600 | 24,600 | - | 295.21 |
| **Share options outstanding at 31 December** | **75,700** | **110,141** | **131,350** | **317,191** | **369.48** | **131,650** | **133,933** | **24,600** | **290,183** | **310.82** |
| Exercisable at 31 December | 35,700 | 31,375 | 70,350 | 137,425 | 286.37 | 50,400 | 43,100 | 17,850 | 111,350 | 307.50 |

The average share price at the exercise date for share options was DKK 613 (2006: DKK 489).

At 31 December 2007 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 584.86 (2006: DKK 214.47 to DKK 386.54). The average remaining contractual life was 5.3 years (2006: 5.5 years).

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

## 13 Intangible assets

| 2007 DKK million | Trademarks[1] | Other intangible assets | Prepay-ments | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Cost at 1 January 2007 | 137 | 18 | 1 | 156 |
| Additions | - | 4 | 4 | 8 |
| Transfers | - | 1 | -1 | - |
| **Cost at 31 December 2007** | **137** | **23** | **4** | **164** |
| **Amortisation and impairment losses:** | | | | |
| Amortisation and impairment losses at 1 Januar 2007 | - | 6 | - | 6 |
| Amortisation | - | 7 | - | 7 |
| **Amortisation and impairment losses at 31 December 2007** | **-** | **13** | **-** | **13** |
| **Carrying amount at 31 December 2007** | **137** | **10** | **4** | **151** |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Amortisation and impairment losses for the year are included in:** | | |
| Administrative expenses | 7 | 5 |
| **Total** | **7** | **5** |

| 2006 DKK million | Trademarks[1] | Other intangible assets | Prepay-ments | 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 losses:** | | | | |
| Amortisation and impairment losses at 1 Januar 2006 | - | 1 | - | 1 |
| Amortisation | - | 5 | - | 5 |
| **Amortisation and impairment losses at 31 December 2006** | **-** | **6** | **-** | **6** |
| **Carrying amount at 31 December 2006** | **137** | **12** | **1** | **150** |

[1] Comprise of trademarks which have an indefinite useful life and therefore are not amortised.

Management assesses 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 reducing the useful life of these trademarks, primarily due to the respective market share in each market and the current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

The carrying amount of other intangible assets at 31 December 2007 includes capitalised software costs of DKK 6m (2006: DKK 12m).

## Noter

### 14 Impairment test

At 31 December 2007 impairment tests were performed of the carrying amount of trademarks with an indefinite useful life. Impairment tests are performed annually in the fourth quarter.

The impairment test of trademarks is based on a comparison of the recoverable amount, corresponding to the discounted value of the expected future free cash flow, with the carrying amount of the individual trademark.

The impairment test is based on expected future free cash flows primarily from the royalty income generated by the individual trademark. Key assumptions include royalty rate, useful life 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 indications of further impairment of trademarks with an indefinite useful life existed at 31 December 2007. In addition, it is Management's assessment that probable changes in the described significant parameters would not lead to the carrying amount of trademarks with an indefinite useful life exceeding the recoverable amount.

## Carlsberg Breweries A/S - Parent Company

## Noter

**15 Property, plant and equipment**

| 2007 DKK million | Land and buildings | Fixtures and fittings, other plant and equipment | Total |
|---|---|---|---|
| **Cost:** | | | |
| Cost at 1 January 2007 | 141 | 26 | 167 |
| Additions | - | 2 | 2 |
| **Cost at 31 December 2007** | **141** | **28** | **169** |
| **Depreciation and impairment losses:** | | | |
| Depreciation and impairment losses at 1 January 2007 | 68 | 19 | 87 |
| Depreciation | 6 | 2 | 8 |
| **Depreciation and impairment losses at 31 December 2007** | **74** | **21** | **95** |
| **Carrying amount at 31 December 2007** | **67** | **7** | **74** |
| Carrying amount of assets pledged as security for loans | - | - | - |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Amortisation and impairment losses for the year are included in:** | | |
| Administrative expenses | 8 | 10 |
| **Total** | **8** | **10** |

| 2006 DKK million | Land and buildings | Fixtures and fittings, other plant and equipment | Total |
|---|---|---|---|
| **Cost:** | | | |
| Cost at 1 January 2006 | 141 | 25 | 166 |
| Additions | - | 1 | 1 |
| **Cost at 31 December 2006** | **141** | **26** | **167** |
| **Depreciation and impairment losses:** | | | |
| Depreciation and impairment losses at 1 January 2006 | 61 | 16 | 77 |
| Depreciation | 7 | 3 | 10 |
| **Depreciation and impairment losses at 31 December 2006** | **68** | **19** | **87** |
| **Carrying amount at 31 December 2006** | **73** | **7** | **80** |
| Carrying amount of assets pledged as security for loans | - | - | - |

## 16 Investments in subsidiaries

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Cost:** | | |
| Cost at 1 January | 21,849 | 26,012 |
| Additions | 432 | 3,625 |
| Dividends paid in excess of accumulated earnings from the acquisition date | -1,309 | -5,603 |
| Adjustment of cost | -2 | - |
| Disposals | - | -2,185 |
| **Cost at 31 December** | **20,970** | **21,849** |
| **Value adjustments:** | | |
| Value adjustments at 1 January | -2,640 | -881 |
| Impairment losses | -1,687 | -1,759 |
| **Value adjustments at 31 December** | **-4,327** | **-2,640** |
| **Carrying amount at 31 December** | **16,643** | **19,209** |

**Value adjustments 2007:**

Impairment losses in 2007 primarily relate to investments in Türk Tuborg and Carlsberg Italia. As in 2006, the impairment losses related to Türk Tuborg are primarily attributable to deterioration in business conditions related to ongoing increases in excise duties. The impairment loss in respect of the investment in Carlsberg Italia is attributable to continued difficult market conditions on a declining market, resulting in an unsatisfactory development in earnings and lower expectations of future earnings. The total impairment loss in respect of Türk Tuborg and Carlsberg Italia amounts to DKK 1,514 million. The remaining impairment losses relate to investments in Carlsberg IT, Carlsberg USA, Carlsberg Hungary and Carlsberg Accounting Service Center Poland, in total DKK 173 million. The cost of each investment subsequently amounts to DKK 0 million. Impairment losses are recognised under special items in the income statement.

The assumptions used for the impairment test of the parent company's investments in subsidiaries are identical with those used for the Carlsberg Breweries Group's cash-generating units. The assumptions are stated in note 16 to the consolidated financial statements.

**Value adjustments 2006:**

Impairment losses in 2006 primarily relate to investments in Türk Tuborg and Carlsberg Italia. The impairment losses related to Türk Tuborg are primarily attributable to deterioration in business conditions related to ongoing increases in excise duties. The impairment loss in respect of the investment in Carlsberg Italia is attributable to continued difficult market conditions on a declining market, resulting in an unsatisfactory development in earnings and lower expectations of future earnings. The total impairment loss in respect of Türk Tuborg and Carlsberg Italia amounts to DKK 1,710 million. The remaining impairment losses relate to investments in Carlsberg Hungary of DKK 49 million. Impairment losses are recognised under special items in the income statement.

## 17 Investments in associates and joint ventures

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Cost:** | | |
| Cost at 1 January | 2,804 | 2,711 |
| Additions | 43 | 93 |
| **Cost at 31 December** | **2,847** | **2,804** |
| **Carrying amount at 31 December** | **2,847** | **2,804** |

No indications of impairment of investments in associates and joint ventures have been identified, and accordingly no impairment tests have been performed.

## 18 Securities

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Securities are classified in the balance sheet as follows:** | | |
| Non-current assets | 18 | 40 |
| **Total** | **18** | **40** |
| **Types of security:** | | |
| Unlisted shares | 18 | 40 |
| **Total** | **18** | **40** |

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 recognised at fair value as the fair value cannot be calculated on an objective basis. Instead the assets are recognised at cost.

## Noter

### 19 Receivables

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Receivables are included in the balance sheet as follows:** | | |
| Trade receivables | 472 | 448 |
| Other receivables | 9,059 | 5,660 |
| **Total current receivables** | **9,531** | **6,108** |
| Non-current receivables | 8,980 | 8,885 |
| **Total** | **18,511** | **14,993** |

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Receivables by origin:** | | |
| Receivables from the sale of goods and services | 472 | 448 |
| Loans to group companies | 17,508 | 14,346 |
| Fair value of hedging instruments | 165 | 35 |
| Other receivables | 366 | 164 |
| **Total** | **18,511** | **14,993** |

Receivables are presented less write-down for bad debt losses. An amount of DKK 2 million has been provided for at 31 December 2007 (2006: DKK 2 million) in respect of bad debt losses. The profit for the year includes write-downs of DKK 0 million (2006: DKK 0 million).

Of total trade receivables 93.7% were not due at 31 December 2007 (2006: 94.8%).

The fair value of receivables in all material respects corresponds to the carrying amount.

| | 2007<br>% | 2006<br>% |
|---|---|---|
| **Average effective interest rates:** | | |
| Loans to group companies | 5.6 | 4.7 |

**Prepayments**

Costs of DKK 72m related to the offer for Scottish & Newcastle plc are included in prepayments.

## 20 Deferred tax assets and deferred tax liabilities

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Deferred tax assets at 1 January, net | 384 | 462 |
| Adjustments to previous years | -24 | 6 |
| Recognised in equity | -11 | -38 |
| Recognised in income statement | -56 | -46 |
| Change in tax rate | -36 | - |
| **Deferred tax assets at 31 December, net** | **257** | **384** |

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

| | 2007 DKK million | 2006 DKK million | 2007 DKK million | 2006 DKK million |
|---|---|---|---|---|
| | **Deferred tax assets** | | **Deferred tax liabilities** | |
| Intangible assets | 10 | 14 | 36 | 40 |
| Property, plant and equipment | 2 | 2 | 11 | 12 |
| Current assets | - | 1 | - | - |
| Provisions and retirement benefit obligations | 11 | - | - | - |
| Fair value adjustments | - | - | -1 | - |
| Tax losses etc. | 280 | 419 | - | - |
| **Total before set-off** | **303** | **436** | **46** | **52** |
| Set-off | -46 | -52 | -46 | -52 |
| **Deferred tax assets and deferred tax liabilities at 31 December** | **257** | **384** | **-** | **-** |
| **Expected to be used as follows:** | | | | |
| Within 12 months of balance sheet date | 175 | 180 | - | - |
| More than 12 months after balance sheet date | 82 | 204 | - | - |
| **Total** | **257** | **384** | **-** | **-** |

Of the total deferred tax assets recognised, DKK 246m (2006: DKK 412m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

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

## Noter

### 21 Cash and cash equivalents

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Cash at bank and in hand | 191 | 14 |
| **Total** | **191** | **14** |
| **In the cash flow statement, bank overdrafts are offset against cash and cash equivalents as follows:** | | |
| Cash and cash equivalents | 191 | 14 |
| Bank overdrafts | -201 | -125 |
| **Cash and cash equivalents, net** | **-10** | **-111** |

### 22 Assets held for sale and associated liabilities

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Assets held for sale comprise the following individual assets:** | | |
| Property, plant and equipment | - | 4 |
| **Total** | **-** | **4** |

Losses on the disposal of assets held for sale are recognised in the income statement under other operating expenses and total DKK 4m (2006: DKK 0m).

### 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.

**Provisions governing alterations of the Articles of Association**

In order to pass a resolution for the alteration of the Articles of Association, it is required that at least two-thirds of the possible number of votes representing the total share capital shall be represented at the general meeting and that the resolution shall be passed by two-thirds of both the total number of votes cast and of the voting share capital represented at the general meeting.

If the prescribed portion of the voting share capital is not sufficiently represented at the general meeting, but a resolution is nonetheless passed by the above qualified majority, such resolution may be finally passed at an extraordinary general meeting convened by the Board of Directors within fourteen days after the first general meeting. For the resolution to be validly passed at this second general meeting it is required that two-thirds of both the total number of votes cast and of the voting share capital represented at the general meeting shall vote in favour of the resolution, notwithstanding the size of the share capital represented at the meeting.

## Noter

### 24 Borrowings

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| **Non-current borrowings:** | | |
| Bank borrowings | 6,117 | 2,841 |
| Borrowings from subsidiaries | 5,722 | 5,166 |
| **Total** | **11,839** | **8,007** |
| **Current borrowings:** | | |
| Bank borrowings | 201 | 125 |
| Borrowings from subsidiaries | 3,667 | 8,230 |
| **Total** | **3,868** | **8,355** |
| **Total non-current and current borrowings** | **15,707** | **16,362** |
| Fair value | 15,852 | 16,560 |

All borrowings are measured at amortised cost.

**Time to maturity for non-current borrowings:**

| 2007 DKK million | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Bank borrowings | 393 | 5,457 | - | 267 | - | 6,117 |
| Borrowings from subsidiaries | - | - | 2,964 | - | 2,758 | 5,722 |
| **Total** | **393** | **5,457** | **2,964** | **267** | **2,758** | **11,839** |

| 2006 DKK million | 1-2 years | 2-3 years | 3-4 years | 4-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Bank borrowings | 108 | - | - | - | 2,733 | 2,841 |
| Borrowings from subsidiaries | - | - | - | 2,964 | 2,202 | 5,166 |
| **Total** | **108** | **-** | **-** | **2,964** | **4,935** | **8,007** |

**2007**

| Currency profile of borrowings before and after derivative financial instruments | | | | Next repricing (of principal before currency swaps) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| DKK million | Original principal | Effect of swap | After swap | 2008 | 2009 | 2010 | 2011 | 2012 | 2013- |
| CHF | 1,805 | 495 | 2,300 | 458 | 1,347 | - | - | - | - |
| DKK | 3,944 | -2,747 | 1,197 | 980 | - | - | 2,964 | - | - |
| EUR | 4,910 | 706 | 5,616 | 436 | - | 3,728 | - | - | 746 |
| GBP | 2,081 | -2,157 | -76 | 69 | - | - | - | - | 2,012 |
| NOK | 203 | 815 | 1,018 | 203 | - | - | - | - | - |
| PLN | 7 | 1,838 | 1,845 | 7 | - | - | - | - | - |
| SEK | 1,274 | 79 | 1,353 | 1,274 | - | - | - | - | - |
| USD | 1,352 | 142 | 1,494 | 1,352 | - | - | - | - | - |
| Other | 131 | 829 | 960 | 131 | - | - | - | - | - |
| **Total** | **15,707** | **-** | **15,707** | **4,910** | **1,347** | **3,728** | **2,964** | **-** | **2,758** |

## Noter

### 24 Borrowings

**2006**

Currency profile of borrowings before and after derivative financial instruments

| DKK million | Original principal | Effect of swap | After swap | Next repricing (of principal before currency swaps) 2007 | 2008 | 2009 | 2010 | 2011 | 2012- |
|---|---|---|---|---|---|---|---|---|---|
| CHF | 1,810 | 398 | 2,208 | - | - | 1,810 | - | - | - |
| DKK | 3,054 | -1,190 | 1,864 | 90 | - | - | - | 2,964 | - |
| EUR | 6,596 | 206 | 6,802 | 2,680 | 188 | - | 3,728 | - | - |
| GBP | 2,263 | -731 | 1,532 | 61 | - | - | - | - | 2,202 |
| NOK | 548 | 166 | 714 | 548 | - | - | - | - | - |
| PLN | 13 | 603 | 616 | 13 | - | - | - | - | - |
| SEK | 117 | -123 | -6 | 117 | - | - | - | - | - |
| SGD | 1,940 | 568 | 2,508 | 1,940 | - | - | - | - | - |
| Other | 21 | 103 | 124 | 21 | - | - | - | - | - |
| **Total** | **16,362** | **-** | **16,362** | **5,470** | **188** | **1,810** | **3,728** | **2,964** | **2,202** |

See also note 28 "Financial risks".

## 25 Other liabilities etc.

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Other liabilities are recognised in the balance sheet as follows:** | | |
| Current liabilities | 580 | 362 |
| **Total** | **580** | **362** |
| **Other liabilities by origin:** | | |
| Duties and VAT payable | - | 11 |
| Staff costs payable | 47 | 43 |
| Interest payable | 219 | 158 |
| Fair value of hedging instruments | 269 | 130 |
| Liabilities related to the acquisition of entities | - | 6 |
| Other | 45 | 14 |
| **Total** | **580** | **362** |

## 26 Cash flows

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Adjustment for other non-cash items:** | | |
| Gains on disposal of property, plant and equipment and intangible assets, net | 3 | - |
| Share option programme | 8 | 3 |
| **Total** | **11** | **3** |
| **Change in working capital:** | | |
| Receivables | -185 | 75 |
| Trade payables and other liabilities | -4 | -26 |
| **Total** | **-189** | **49** |
| **Shareholders in Carlsberg Breweries A/S:** | | |
| Dividends to shareholders | -445 | -900 |
| Borrowings from shareholder | - | -2,416 |
| **Total** | **-445** | **-3,316** |
| **External financing:** | | |
| Proceeds from borrowings | 3,321 | - |
| Repayment of borrowings | - | -1,563 |
| Borrowings from group companies | -3,711 | -2,338 |
| Current borrowings, net | -4 | -96 |
| **Total** | **-394** | **-3,997** |

## 27 Specification of net interest-bearing debt

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| **Net interest-bearing debt is calculated as follows:** | | |
| Non-current borrowings | 11,839 | 8,007 |
| Current borrowings | 3,868 | 8,355 |
| **Gross interest-bearing debt** | **15,707** | **16,362** |
| Cash and cash equivalents | -191 | -14 |
| Loans to group companies | -17,508 | -14,346 |
| **Net interest-bearing debt** | **-1,992** | **2,002** |
| | | |
| **Changes in net interest-bearing debt:** | | |
| Net interest-bearing debt at 1 January | 2,002 | 13,607 |
| Cash flow from operating activities | 132 | 154 |
| Cash flow from investing activities | -1,093 | -7,351 |
| Dividends to shareholders | 445 | 900 |
| Change in interest-bearing lending | -3,162 | -5,186 |
| Effect of currency translation | -281 | -290 |
| Other | -35 | 168 |
| **Total change** | **-3,994** | **-11,605** |
| **Net interest-bearing debt at 31 December** | **-1,992** | **2,002** |

## Noter

### 28 Financial risks

**Foreign exchange risk**

Carlsberg Breweries A/S is exposed to foreign exchange risks on debt denominated in foreign currencies and financial instruments. In both cases, risks are primarily related to hedging of investments in foreign currencies.

The Carlsberg Breweries Group has chosen not to hedge revenue or earnings in foreign currencies.

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. Changes in the fair value of financial instruments are included under other receivables/other liabilities.

**Interest rate risk**

The most significant interest rate risk in the Carlsberg Breweries 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 2007 gross debt (non-current and current borrowings) amounted to DKK 15,707m (2006: DKK 16,362m). After deducting cash and cash equivalents, net debt is DKK 15,516m (2006: 16,348m), an reduction of DKK 832m.

Interest rate risks are managed mainly using interest rate swaps and fixed-rate bonds.

A breakdown of the Carlsberg Group’s gross debt, including the financial instruments used to manage foreign exchange and interest rate risks, is provided in note 25.

At year end 65% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2006: 67%). Carlsberg Breweries grants loans to subsidiaries, which are primarily fixed-rate loans. For this reason, the Group's sensitivity to interest rate changes is limited. The net interest-bearing debt amounts to a negative DKK 2,169 million (2006: DKK 2,002 million).

**Credit risk**

Credit risk is the risk of a counterparty failing to meet 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.

Cash and cash equivalents are not associated with any significant credit risks.

**Liquidity risk**

Liquidity risk is the risk of the Carlsberg Breweries Group failing to meet its contractual obligations due to insufficient liquidity. Carlsberg Breweries’s policy is for the raising 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 2007 Carlsberg Breweries had unutilised long-term committed credit facilities of DKK 5,025m (2006: DKK 8,304m).

## 29 Financial instruments

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods.

### 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 the income statement:**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Interest rate instruments | 3 | 71 |
| Exchange rate instruments | -143 | -148 |
| **Total** | **-140** | **-77** |

### Cash flow hedge

Financial instruments classified as cash flow hedges are recognised directly in equity. Interest rate swaps are primarily used to hedge the interest rate on long-term loans, and to a limited extent exchange rate instruments are used to hedge the value in DKK of income denominated in foreign currencies.

**Recognised in equity:**

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Exchange rate instruments | 3 | 17 |
| Interest rate instruments | 44 | 118 |
| **Total** | **47** | **135** |

**Fair value of financial instruments**

| | | 2007<br>DKK million | | 2006<br>DKK million | |
|---|---|---|---|---|---|
| | | Positive | Negative | Positive | Negative |
| Cash flow hedge | Interest rate | 9 | 23 | 4 | 62 |
| | Currency | 5 | 2 | - | - |
| Fair value hedge | Interest rate | 5 | - | - | 1 |
| | Currency | 119 | 222 | 31 | 67 |
| | Other | 27 | 22 | - | - |
| **Total** | | **165** | **269** | **35** | **130** |

## 30 Related party disclosures

### Related parties exercising control

Carlsberg A/S, Ny Carlsberg Vej 100, DK-1760 Copenhagen V, Denmark, holds all of the shares in Carlsberg Breweries A/S. Carlsberg Breweries A/S has paid a dividend of DKK 445m to Carlsberg A/S (2006: DKK 900m).

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

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Other operating income | 16 | 12 |
| Administrative expenses | - | -3 |
| Interest income | 9 | - |
| Interest expenses | -1 | -8 |
| Loans | 1,658 | - |
| Receivables | 1 | - |
| Trade payables | 68 | 4 |

### Related exercising 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 executive employees, or companies outside the Carlsberg Breweries Group in which these parties have interests.

Emoluments to the Board of Directors and remuneration of the Executive Board are disclosed in note 11.

### Associates

Dividends of DKK 142m (2006: DKK 552m) were received from associates.

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

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Revenue | 111 | 28 |
| Interest income | 1 | 14 |
| Interest expenses | -2 | -9 |
| Loans | - | 313 |
| Borrowings | 746 | - |
| Receivables | 34 | 10 |
| Trade payables and other liabilities | 6 | 15 |

### Subsidiaries

Dividends of DKK 3,470m (2006: DKK 10,781m) were received from subsidiaries.

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

| | 2007<br>DKK million | 2006<br>DKK million |
|---|---|---|
| Revenue | 395 | 281 |
| Costs of sales | -610 | -459 |
| Other operating income | 331 | 327 |
| Sales and distribution expenses | -13 | -14 |
| Administrative expenses | -276 | -24 |
| Interest income | 524 | 490 |
| Interest expenses | -686 | -687 |
| Loans | 15,850 | 13,999 |
| Borrowings | 8,643 | 13,396 |
| Receivables | 572 | 293 |
| Trade payables and other liabilities | 357 | 368 |

Transactions with group enterprises are made at arm's length.

## 31 Contingent liabilities and other commitments

Carlsberg Breweries A/S has issued guarantees for loans etc. of DKK 5,914m (2006: DKK 9,482m) raised by subsidiaries and associates.

Carlsberg Breweries A/S is jointly registered for Danish VAT and excise duties with Carlsberg A/S, Carlsberg Danmark A/S and various other minor Danish subsidiaries and is jointly and severally liable for payment of VAT and excise duties.

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

The subsidiary Pripps Ringnes AB is party to an arbitration case brought against the subsidiary by the venture partner in Baltic Beverages Holding AB. It is the assessment of management and the company's legal advisors that the claim is unfounded.

Carlsberg Breweries A/S is party to certain lawsuits etc. In management's opinion, apart from as recognised in the balance sheet or disclosed in the Annual Report, the outcome of these lawsuits will not have a material negative effect on the Parent Company's financial position.

Certain guarantees etc. are issued in connection with disposal of entities and activities etc. Apart from as recognised in the balance sheet or disclosed in the Annual Report, these guarantees etc. will not have a material effect on the Group's financial position.

**Operating lease liabilities**

| | | | 2007 |
|---|---|---|---|
| DKK million | Land and buildings | Fixtures and fittings, other plant and equipment | Total |
| **Future lease payments:** | | | |
| Within one year | - | 2 | 2 |
| Between one and five years | - | 3 | 3 |
| After more than five years | - | - | - |
| **Total** | **-** | **5** | **5** |

| | | | 2006 |
|---|---|---|---|
| DKK million | Land and buildings | Fixtures and fittings, other plant and equipment | Total |
| **Future lease payments:** | | | |
| Within one year | - | 2 | 2 |
| Between one and five years | - | 2 | 2 |
| After more than five years | - | - | - |
| **Total** | **-** | **4** | **4** |

| | 2007 DKK million | 2006 DKK million |
|---|---|---|
| Operating lease liabilities recognised in the income statement | 3 | 3 |

The Carlsberg Breweries A/S has entered into operating leases which relate primarily to properties, IT equipment and cars. These leases contain no special purchase rights etc.

## Noter

### 32 Events after the balance sheet date

Apart from the events recognised or disclosed in the Annual Report, no events have occurred after the balance sheet date of importance to the Annual Report.

On 25 January 2008 the consortium, of which Carlsberg is a member, made a cash offer for the acquisition of Scottish & Newcastle plc. (S&N). The offer is GBP 8 per share, corresponding to approximately GBP 10.7bn (approximately DKK 107bn) on a debt free basis. Carlsberg's share is approximately GBP 5.8bn (approximately DKK 58.2bn). The offer is recommended by the Board of S&N. The acquisition is among other subject to the approval of the competition authorities in various jurisdictions and the approval of the shareholders in S&N.

The financing of the acquisition has been secured through loan agreements with banks and a capital increase.

If the offer is accepted, Carlsberg Breweries will acquire 50% of BBH AB, which will become wholly owned. S&N's activities in France and Greece will also be acquired, together with joint ventures in China and Vietnam.

The cash offer is described in detail in a separate company announcement of 25 January 2008.

# Note 33 Accounting policies

The 2007 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, and the statutory 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 International Financial Reporting Standards (IFRS) issued by the IASB.

The Annual Report has been presented 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 40 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 acquisition date, the dividend is not recognised in the income statement but as a reduction of the cost of the investment.

### *Financial income and financial expenses*

Foreign exchange adjustments of balances with foreign entities which are considered part of the total net investment in the entity 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 the lower of cost or the recoverable amount.

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