

Financial review

Carlsberg achieved progress in underlying operations in all geographic segments in 2008

Income statement

In 2008 Carlsberg generated net revenue of DKK 59,944m (DKK 44,750m in 2007). Organic growth amounted to DKK 3,677m (8%) and acquisitions net contributed DKK 12,867m (29%). Foreign exchange rate movements had a negative effect of DKK 1,350m (-3%) most notably caused by adverse currency development of the RUB and GBP.

The growth in net revenue was driven by positive contributions from all regions, with particularly strong revenue growth in Eastern Europe and Asia. In Eastern Europe and Asia, growth was driven by higher volumes and positive price/mix. Northern & Western Europe showed modest growth with a positive price/mix effect that more than compensated for a slight volume decline. Price increases combined with the continued premiumisation in several markets resulted in an organic increase in net revenue per hl of 5% (2% in DKK).

Beer sales represented DKK 45,503m of total revenue (DKK 32,479m in 2007), equivalent to 75.9% (72.6% in 2007).

Cost of sales amounted to DKK 31,248m (DKK 22,423m in 2007) with acquisitions net representing DKK 6,985m resulting in an organic increase of 12% (8% in DKK) driven by higher prices on key inputs like malt, hops, cans and glass bottles.

Gross profit amounted to DKK 28,696m (DKK 22,327m in 2007), with acquired activities net representing DKK 5,881m of this. Volume growth, higher price and a more profitable product mix more than compensated for higher input costs. Organic growth amounted to DKK 1,060m corresponding to +5% (+2% in DKK) mainly driven by Eastern Europe (+12%; +7% in DKK) and Asia (+18%; +15% in DKK) while Northern & Western Europe were flat (0%; -0.5% in DKK). Gross margin declined by 200bp to 47.9%.

Sales and distribution expenses amounted to DKK 17,592m, an increase of DKK 3,064m compared to 2007. Acquired activities net represented DKK 2,873m and organic development DKK 553m (organic +4%; +1% in DKK) including the effect of higher fuel costs. Administrative expenses increased by DKK 811m to DKK 3,934m, with acquired activities net representing DKK 624m and organic development DKK 259m (+6% in DKK and +8% in local currencies). The development continues to reflect an increased level of activity on the growth markets on the one hand and strict cost control on the other.

Other operating income, net was DKK 728m against DKK 485m in 2007. This development can primarily be attributed to gains on the sale of real estate.

Share of profit after tax in associates totalled DKK 81m against DKK 101m in 2007.

Operating profit before special items was DKK 7,979m against DKK 5,262m in 2007. Beverage activities generated a profit of DKK 7,605m against

DKK 5,001m in 2007, an increase of DKK 2,604m. Acquired activities net represented DKK 2,382m of the increase while organic growth was DKK 368m (+7%). In DKK, the growth was 4%. The positive development was attributable to higher profits in Eastern Europe and Asia.

Finally, the profit contribution from other activities, including sale of real estate, was DKK 374m against DKK 261m in 2007.

Operating margin for the beverage activities improved by 150bp to 12.7% for 2008 compared to 11.2% for 2007.

Special items, net were DKK -1,641m against DKK -427m in 2007, and mainly comprise restructuring costs, redundancies in connection with the Excellence programmes, special items related to the sale of Türk Tuborg (DKK 232m), restructuring in France (DKK 291m), impairment on the brewery in Leeds (DKK 197m) and a German brewery (DKK 135m), and losses on excess contracting of raw materials for 2009 (DKK 245m). A more detailed specification is shown in note 7 to the consolidated financial statements.

Net financial items were DKK -3,456m against DKK -1,201m in 2007. Net interest was DKK -2,386m against DKK -1,076m in 2007 and is mainly attributable to the higher level of debt due to the acquisition of part of the activities from S&N as well as

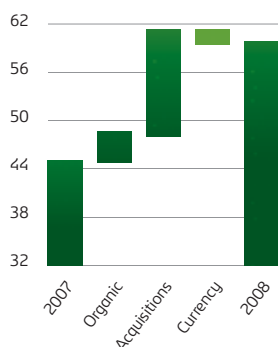
higher average interest rates. Other net financial items were DKK -1,070m (DKK -125m in 2007). This change is on the one hand related to one-off costs in connection with the establishment of the financing of the S&N transaction (approximately DKK -315m) and, on the other hand, the inefficient part of the currency options acquired to hedge GBP exposure on the S&N transaction (DKK -110m). In addition, net foreign exchange effect on USD- and EUR-denominated loans in Eastern Europe amounts to DKK 692m due to the sharp devaluation in Eastern Europe in the fourth quarter of 2008. Financial gains of net DKK 126m relate, among other things, to disposal of Israel Beer Breweries.

Tax totalled DKK +324m against DKK -1,038m last year. The effective tax rate of -11.2% is mainly due to a decrease in the Russian corporate tax rate as per 2009 (20% against 24% previously) resulting in a release of deferred tax of DKK 1,520m.

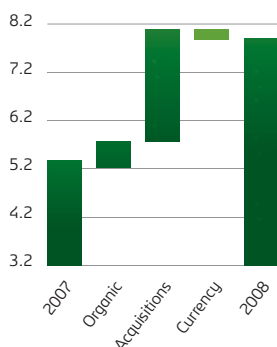
Consolidated profit was DKK 3,206m against DKK 2,596m in 2007. Minority interests' share of this was DKK 575m against DKK 299m in 2007, reflecting the continued earnings progress in Russia and Malaysia on the one hand and the fact that minorities in BBH have been recognised at 100% since 1 May on the other hand.

Carlsberg's share of profit was DKK 2,631m against DKK 2,297m in 2007.

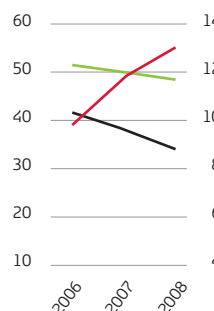
Net revenue (DKKbn)



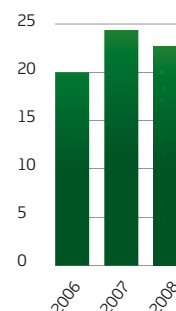
Operating profit (DKKbn)



Improved cost structure (%)



Earnings per share (DKK)



Improved cost structure:

■ Gross margin ■ Operating expenses (in % of net revenue) ■ Operating margin (rhs)

The growth in operating profit was driven by continued growth in Eastern Europe and Asia

Balance sheet

At 31 December 2008, Carlsberg had total assets of DKK 143,306m against DKK 61,220m at 31 December 2007. The increase primarily relates to the acquisition of part of the activities in S&N. At 28 April 2008 (acquisition date) the balance sheet increased by DKK 91,956m from inclusion of the fair value of identifiable assets, liabilities and contingent liabilities acquired, including goodwill, and from revaluation of the originally owned 50% of BBH to fair value. Due to developments in currency exchange rates during 2008 the impact on the balance sheet at 31 December 2008 was DKK 83,437m calculated as the opening balances in local currencies at the acquisition date translated into DKK at the exchange rate at year-end 2008. The developments commented on below are calculated at the exchange rate at year-end 2008.

Assets

Intangible assets totalled DKK 84.7bn against DKK 21.2bn at 31 December 2007. Intangible assets mainly relate to goodwill, DKK 48.7bn, and trademarks, DKK 35.4bn. The total increase of DKK 63.5bn includes an addition of DKK 48.4bn from the acquisition of part of the activities in S&N and DKK 14.6bn from revaluation of the existing ownership share of the BBH Group. Acquisition and revaluation of brands amounted to a total of DKK 31.8bn.

Property, plant and equipment totalled DKK 34.0bn (DKK 22.1bn at 31 December 2007). The total increase of DKK 11.9bn includes an addition from the acquisition of part of the activities in S&N and revaluation of the originally owned 50% of BBH to

fair value which at year-end impacted the balance sheet by DKK 11.6bn. Capital expenditure amounted to DKK 5.3bn (including real estate projects DKK 6.4bn) which is particularly high due to capacity expansions in the growth markets and investments in connection with capacity efficiency projects in Denmark and Italy. These investments were completed in 2008. Exchange rate effects reduced the value of property, plant and equipment by approx. DKK 3bn.

Non-current financial assets amounted to DKK 5.3bn (DKK 3.0bn at 31 December 2007), primarily as a result of the investment in Chongqing Brewery, an increase in financial receivables mainly due to the increase in long-term trade loans from the S&N transaction, investment in Habeco, and deferred tax assets.

Current assets totalled DKK 19.1bn against DKK 14.9bn at 31 December 2007, an increase of DKK 4.2bn. Through the S&N transaction, current assets at a value of DKK 6.3bn were acquired.

Liabilities

Total equity was DKK 60.8bn, of which DKK 55.5bn can be attributed to shareholders in Carlsberg A/S. The increase in equity compared to 31 December 2007 of DKK 40.8bn is due partly to the rights issue, which generated net proceeds of approximately DKK 30bn for Carlsberg, and partly to equity adjustments (DKK 14.8m at exchange rate at the acquisition date) regarding value adjustment to fair value of the net assets in BBH already owned prior to the acquisition. Costs directly set off against equity in connection with the capital increase amount to DKK 573m.

7,979m

OPERATING PROFIT

Operating profit was DKK 7,979m.
Organic growth was 7% (4% in DKK).

By the end of 2008, the industrial production was transferred from Valby to Fredericia. The site covers an area of 600,000 sqm for development, offering a unique opportunity for both Carlsberg and the City of Copenhagen to create a brand new neighbourhood – a city within the city.



TILBYGNING UDFØRT I AARENE 1920-1922

Equity before minority interests has increased by profit for the year (DKK 2,631m). In addition it has been affected by exchange rate adjustments on foreign subsidiaries of DKK 7.0bn, negative value adjustments on hedging and securities of DKK 1.6bn and increased by tax on changes in equity of DKK 334m.

Dividends to shareholders (DKK 458m) and minority interests (DKK 265m) reduced total equity by DKK 723m.

Exchange rate adjustments on foreign subsidiaries amount to DKK -7.4bn in total equity. The total currency exposure of the Group has increased following the acquisition of part of the activities from S&N resulting in significantly increased balance sheet values of the Group. Of the total exchange rate adjustment DKK -6.4bn relates to the acquisition of part of the activities in S&N and revaluation of the existing ownership share of the BBH Group.

Value adjustments in equity mainly concern currency hedging of the GBP exposure related to the S&N transaction. The currency options were settled in April 2008, after which forward contracts were concluded to hedge the total purchase price of GBP 5.5bn at a total weighted average exchange rate (DKK/GBP) of 945.79. Value adjustment (loss) of the effective part of the hedging element of both currency options and forward contracts has been recognised in equity.

Total liabilities were DKK 82.6bn (DKK 41.3bn at 31 December 2007). The total increase of DKK 41.3bn primarily relates to the S&N transaction. Current liabilities were DKK 25.6bn (DKK 17.2bn at 31 December 2007).

Cash flow and interest-bearing debt

Cash flow from operating activities was DKK 7,812m against DKK 4,837m for 2007. Operating profit before depreciation and amortisation was DKK 11,610m against DKK 8,134m in 2007. The change in working capital was DKK 1,556m (DKK -230m in 2007). Working capital includes a positive contribution of c. DKK 1.1bn from the contract concluded with The Coca-Cola Company. Paid net interest etc.

amounted to DKK -2,754m against DKK -1,320m for the same period of 2007, which mainly reflects higher financing costs due to the S&N transaction.

Cash flow from investing activities was DKK -57,153m against DKK -4,927m in 2007. This marked increase is essentially attributed to the S&N transaction. Also operational investments have increased by DKK 487m, which can largely be attributed to capacity expansions and brewery constructions in Eastern Europe (Russia, the Ukraine and Uzbekistan) as well as capacity efficiency projects in Denmark and Italy related to brewery closures. It should be noted that investments in the former BBH are included at 50% for the first four months of the year and at 100% for subsequent months.

Consequently, free cash flow was DKK -49,341m against DKK -90m for 2007.

Net interest-bearing debt was DKK 44,156m at 31 December 2008 against DKK 19,726m last year. This development essentially reflects increased borrowing related to the S&N transaction less the cash contribution from the capital increase.

Financing

At 31 December 2008, the gross interest-bearing debt amounts to DKK 48.5bn. The difference of DKK 4.4bn in the net interest-bearing debt is other interest-bearing assets, including DKK 2.9bn in cash and cash equivalents.

Of the gross interest-bearing debt of DKK 48.5bn, DKK 43.2bn (89%) is long term, i.e. with maturity more than one year from 31 December 2008, and consists primarily of facilities in EUR.

Committed credit facilities are more than sufficient to refinance maturing short-term debt.

Approximately 57% is fixed interest (fixed-interest period exceeding one year). The additional annual interest expense if interest rates increase by 1 percentage point is approx. DKK 197m (and vice versa should the interest rate be reduced by 1 percentage point).

Segment reporting by quarter

DKK million	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Net revenue								
Northern & Western Europe	6,434	9,041	8,624	7,988	6,633	10,776	10,804	8,915
Eastern Europe	1,693	2,830	3,069	2,066	1,972	5,888	6,661	4,616
Asia	704	727	746	709	811	828	932	984
Not allocated	32	41	-9	55	20	49	46	9
Beverages, total	8,863	12,639	12,430	10,818	9,436	17,541	18,443	14,524
Other activities	-	-	-	-	-	-	-	-
Total	8,863	12,639	12,430	10,818	9,436	17,541	18,443	14,524
Operating profit before special items								
Northern & Western Europe	242	1,231	1,179	731	135	1,570	1,401	847
Eastern Europe	287	696	806	345	285	1,388	1,637	799
Asia	89	94	107	76	124	117	145	125
Not allocated	-215	-211	-138	-318	-163	-199	-243	-363
Beverages, total	403	1,810	1,954	834	381	2,876	2,940	1,408
Other activities	-1	44	124	94	7	274	114	-21
Total	402	1,854	2,078	928	388	3,150	3,054	1,387
Special items, net	-31	-111	-42	-243	-37	-91	-169	-1,344
Financial items, net	-253	-243	-277	-428	-470	-812	-893	-1,281
Profit before tax	118	1,500	1,759	257	-119	2,247	1,992	-1,238
Corporation tax	-32	-372	-461	-173	32	-659	-583	1,534
Consolidated profit	86	1,128	1,298	84	-87	1,588	1,409	296
Attributable to:								
Minority interests	41	91	120	47	42	173	188	172
Shareholders in Carlsberg A/S	45	1,037	1,178	37	-129	1,415	1,221	124