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

Management statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Carlsberg Breweries Group and the Parent Company for 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 Chairman	Povl Krogsgaard-Larsen 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 DKK million	2006 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**

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