Management review

Financial statements

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


HOLSTEN
乌苏啤酒
LAV
Carlsberg
КУЛЕР
СВЕТЛОЕ ПИВО
STILL
ORG
БАЛТИКА
3
Carlsberg
chill
sberg

Probably the best …

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

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

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

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

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

No. 1

We are the No. 1 brewer in Northern Europe and in the top 10 worldwide

83 million

We sell 83 million bottles of beer every day

10 billion

That is more than 10,000,000,000 litres of beer a year

DKK 41bn

Sales revenue totalled DKK 41 billion in 2006

15%

Operating profit rose by 15% to DKK 4,046 million in 2006

10%

The operating margin climbed to 10%

60%

Carlsberg's share price gained more than 60% in 2006

30,000

The Group has 30,000 employees

150 countries

We sell beer in more than 150 countries

A good year for Carlsberg

2006 was a good year for Carlsberg – and a great launch pad for Carlsberg's future.

Thanks to both well-known and new products, and to ever more efficient means of producing, marketing, selling and distributing these products, we strengthened our position in most markets. This meant that we markedly increased volumes, revenue and, not least, earnings.

When acquisitions and divestments of breweries are excluded, volumes grew by 5%, resulting in revenue of DKK 41bn and operating profit of DKK 4,046m.

This is an all-time record for Carlsberg. Although Carlsberg has long been a well-known name worldwide, until just a few years ago we were the market leader in only a handful of countries. Today we are the leading brewery in a large number of countries.

I think that 2006 was a year of which we can be proud.

We supplied millions of customers in almost every country of the world with beer and soft drinks which, we hope, contributed to many happy and enjoyable moments.

We also delivered more to our shareholders than we predicted at the beginning of the year, and our share price gained more than 60%.

So 2006 has helped to future-proof Carlsberg – to ensure that we continue to be successful in rising to the challenges of the mature markets of Western Europe, further increasing revenue in the growth markets of Eastern Europe, and strengthening our position in good time in the emerging markets of Asia, where we are already clearly seeing the contours of tomorrow's growth.

This Annual Report includes a detailed review of developments in the three regions in which Carlsberg has its main markets.

Allow me to highlight a few key areas, starting in Western Europe, where the demographic trend has meant declining beer markets for several years.

This makes it all the more remarkable that Carlsberg's breweries in Western Europe managed to sell slightly more in 2006 than the year before. Coupled with lower costs due to recent years' investments in our Excellence programmes, this led to a 20% increase in operating profit, which we can consider satisfactory.

It was the Nordic countries that delivered the lion's share of the earnings growth seen in Western Europe, with solid progress in every one of them, but developments in the UK, Switzerland and Germany were also pleasing. Only Italy and Portugal failed to match expectations – and we will be doing something about that in 2007.

Eastern Europe continued the rapid growth of recent years, and once again the main reason was Baltic Beverages Holding (BBH), which is Carlsberg's growth engine. This business has been built up in less than 15 years and its consistent progress is without parallel in the recent history of the European brewing industry.

The merger of BBH's Russian breweries into the new Baltika was implemented in 2006, and we are daring even now to consider it a success, as costs have been cut and the product range strengthened. This resulted in increased market share and earnings growth of no less than 37% in 2006.

The Balkans exceeded expectations in terms of both revenue and earnings. Progress was made in Turkey, but without achieving satisfactory earnings, while Poland was a downright disappointment after good results in 2005.

At present we generate less than 10% of our operating earnings in Asia. But we are taking a long-term approach in this market, and in 2006 we again saw how quickly both the economy and consumption are growing. The sale of our minority stake in South Korean brewery Hite reduced operating profit by DKK 116m, but this was partly offset by earnings growth of more than 20% in the rest of our Asian operation. The overall result was therefore almost on a par with 2005, which is better than expected and underlines just how much potential the region has for us in the longer term.

At the start of 2006 we were awarded investment-grade ratings by two of the world's leading credit rating agencies, which can be taken as a stamp of approval for the way in which we are investing in and developing our business. Following a decrease in our net debt to DKK 19bn at the end of 2006, as promised after buying back Orkla's stake in Carlsberg Breweries at the beginning of 2004, Carlsberg has a healthy balance sheet, giving us the financial latitude needed to continue the business's positive development.

This increased freedom, our stronger organisation and recent years' progress in our brewery operations together give us a good basis from which to pursue ambitious targets in the coming years, when we will be focusing primarily on the following four areas:

- Increasing operating profit in Western Europe to 10-12% of revenue.
- Continued progress at BBH.
- Building a future-proof platform in Asia.
- Optimising the value of the company's unused brewery properties.

Our increased competitiveness and the prospect of a better economic climate in Western Europe also provide scope for growth ambitions in our mature markets. Closer relationships with our customers and an extended product range through the development of new products, such as the Jacobsen specialty beers and the DraughtMaster system, will make it possible for us to pursue this goal.

Work on boosting the Group's competitiveness will naturally remain a key focus area going forward. We have amassed considerable experience from our Excellence programmes, and in 2007 we will work further on cutting costs by pooling administrative functions. Hence we are currently building up an Accounting Shared Service Center in Poznan in Poland, and the upcoming standardisation of systems, data and procedures will result in further substantial savings.

Alongside this, we are adjusting our production capacity. The phasing out of production in Valby is going to plan, and in 2006 we sold the Landskron brewery in Germany and ceased production in Bodø in Norway. It was also decided to discontinue bottling at the Pori brewery in Finland and at the Saltum-Neptun breweries in Denmark.

On behalf of Carlsberg, I would like to thank all of our employees who have worked so hard in recent years to achieve these results. I would also like to thank our customers, suppliers and other partners for a rewarding business relationship – and not least our shareholders for their faith in our strategy.

2007 will be an exciting year of many challenges. We will build further on the positive trends from 2006 by further strengthening our many strong companies and continuing to build our brands and our employees' skills so that we can perform at our very best.

Following a generation change at a number of subsidiaries, and with forward-looking talent and management development programmes in place, we are also well equipped for the future organisationally.

We continue to aim high. We want to be the best beer company in the world – probably.

2007 will be a year that takes us closer to this goal – with a major helping hand from the results achieved in 2006.

Nils S. Andersen

Five-year summary

DKK million		2002	2003	2004	2004 IFRS	2005 IFRS	2006 IFRS
Sales volumes, gross (million hl)							
Beer		78.6	81.4	92.0	92.0	101.6	100.7
Soft drinks		20.9	21.2	19.4	19.4	19.1	20.2
Income statement							
Net revenue		35,544	34,626	35,987	36,284	38,047	41,083
Operating profit before special items		3,779	3,564	3,442	3,401	3,518	4,046
Special items, net		-23	-401	-301	-598	-386	-160
Financials, net		-884	-475	-1,079	-1,152	-1,240	-857
Profit before tax		2,872	2,688	2,062	1,651	1,892	3,029
Corporation tax		-723	-590	-459	-382	-521	-858
Goodwill amortisation and impairments [1]		-375	-379	-976	-	-	-
Consolidated profit		1,774	1,719	627	1,269	1,371	2,171
Attributable to:							
Minority interests		763	763	150	169	261	287
Shareholders in Carlsberg A/S		1,011	956	477	1,100	1,110	1,884
Balance sheet							
Total assets		46,523	46,712	56,731	57,698	62,359	58,451
Invested capital		30,971	28,815	42,783	43,466	42,733	43,160
Interest-bearing debt, net		10,923	8,929	21,733	21,733	20,753	19,229
Equity, shareholders in Carlsberg A/S		10,836	11,276	14,410	15,084	17,968	17,597
Cash flow							
Cash flow from operating activities		5,550	4,517	3,806	3,875	4,734	4,470
Cash flow from investing activities		-3,946	-1,904	-2,294	-2,363	-2,354	65
Free cash flow		1,604	2,613	1,512	1,512	2,380	4,535
Investments							
Acquisition and disposal of property, plant and equipment, net		2,991	1,218	1,141	1,141	1,323	2,864
Acquisition and divestment of entities, net		1,131	143	4,252	4,252	738	-18
Financial ratios							
Operating margin	%	10.6	10.3	9.6	9.4	9.2	9.8
Return on average invested capital (ROIC)	%	12.2	12.4	8.0	8.1	7.8	9.2
Equity ratio	%	23.3	24.1	25.4	26.1	28.8	30.1
Debt/equity (financial gearing)	x	1.01	0.79	1.51	1.44	1.15	1.09
Debt/operating profit before depreciation and amortisation	x	1.70	1.43	3.51	3.53	3.29	2.73
Interest cover	x	4.27	7.50	3.19	2.95	2.84	4.72
Stock market ratios							
Earnings per share (EPS)	DKK	16.6	15.7	6.7	15.5	14.6	24.7
Cash flow from operating activities per share (CFPS)	DKK	91.2	74.2	53.6	54.6	62.1	58.6
Free cash flow per share (FCFPS)	DKK	26.4	42.9	21.3	21.3	31.2	59.5
Dividend per share (proposed)	DKK	5.0	5.0	5.0	5.0	5.0	6.0
Pay-out ratio	%	30	32	80	32	34	24
Share price (per B-share of DKK 20), year-end	DKK	295.1	259.5	278.1	278.1	337.5	561.0
Number of shares, year-end	1,000	63,906	63,906	76,278	76,278	76,278	76,278
Number of shares, average (excl. treasury shares)	1,000	60,862	60,862	71,006	71,006	76,228	76,265

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. The share prices at the end of 2002 and 2003 were calculated by the OMX Copenhagen Stock Exchange taking into account the capital increase in 2004. The key figures have been prepared in accordance with the Danish Society of Financial Analysts' publication "Financial Ratios & Key Figures 2005".

[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.

Results and expectations

For Carlsberg, 2006 was partly about building further on the results achieved through i.a. the Excellence programmes. As expected, it was mainly items on the operational agenda rather than structural acquisitions or divestments that were afforded the highest priority and, as a result, Carlsberg has demonstrated continued progress.

The traditional Carlsberg markets of Western Europe performed well, partly a reflection of strong consumer confidence and good summer weather. Innovation, mix adjustments and general price increases also led to higher sales prices. Carlsberg's growth markets in Eastern Europe and emerging markets in Asia also put in a good performance. There was fierce and increasing competition in several markets, including in some of the Asian markets. Carlsberg sold a total of 72.6m hl of beer (calculated pro rata), equivalent to an increase of 9% excluding the contribution from Hite Brewery Co. Ltd. Organic growth accounted for 6.4% of this increase, and the year's acquisitions for 2.3%. The positive development was due to continued growth in sales volumes in all the regions. Sales of other beverages grew by 6% to a total of 17.5m hl.

The international brands Carlsberg and Tuborg both performed well, with volume growth of 7% and 17% respectively, the latter due to very strong growth in Eastern Europe.

Net revenue climbed 8% to a total of DKK 41,083m. The increase was due to a strong performance at Baltic Beverages Holding (BBH), a good performance in Asia and 4% revenue growth in Western Europe.

Operating profit before special items climbed 15% to DKK 4,046m (DKK 3,518m in 2005). Beverage activities generated operating profit of DKK 3,997m (DKK 3,306m in 2005, excluding the contribution from the then associate Hite Brewery Co. Ltd.), corresponding to an increase of 21%, a result of a generally positive performance across the business. Other activities, including sale of real estate, contributed operating profit of DKK 49m, against DKK 96m in 2005.

As a result of the positive earnings growth, the return on invested capital (ROIC) for beverage activities was 12.4%, against 10.2% in 2005.

Consolidated profit grew by DKK 774 million to DKK 1,884 million.

Hence both revenue and earnings were better than anticipated not only at the beginning of the year, cf. financial statement for 2005, but also during the course of the year, cf. quarterly financial statements for 2006. The Board of Directors considers the growth in earnings to be highly satisfactory.

A number of steps were taken in 2006 to continue making the Carlsberg Group more efficient. At the beginning of the year the decision was taken to end the brewing activities in Valby at the end of 2008 (with the exception of the Jacobsen brewhouse). The Landskron brewery in Germany was sold, and production ceased in Bodø in Norway. Steps were taken towards a new production model in Finland, including centralised bottling and warehousing facilities, and it was decided to discontinue the production of soft drinks at the Saltum-Neptun breweries in Denmark by the end of 2008 at the latest.

Work on the Excellence programmes continued, and efficiency improvements were made in a wide range of functions in administration, production, procurement and logistics. On top of the previously introduced Excellence programmes, which all aim to make working processes more rational and efficient, a Commercial Excellence programme is being implemented with the aim of growing revenue and creating value through increased sales.

Expectations and results

DKK million		Net revenue	Operating profit	Carlsberg's share of net profit
21 February 2006	Financial statement for 2005	39,000	3,550	+10% ~ 1,220
10 May 2006	Q1 financial statement 2006	39,000	3,550	+10% ~ 1,220
13 June 2006	Sale of shares in Hite Brewery	39,000	3,550	1,650
9 August 2006	Q2 financial statement 2006	40,000	3,750	1,800
8 November 2006	Q3 financial statement 2006	41,000	3,900	1,800
20 February 2007	Actual (financial statements for 2006)	41,083	4,046	1,884

An Accounting Shared Service Center has been started up in Poznan in Poland. The new office has initially taken over duties from other sites in Poland and will in 2007 take over duties from Germany, Switzerland and the UK.

The remaining shares in Hite Brewery Co. Ltd. were sold, drawing a line under seven years of value-creating minority ownership.

Carlsberg established a joint venture (South Asia Breweries Ltd.) in the Indian province of Rajasthan, with production expected to start up in the first quarter of 2008. BBH also announced investments in the Olivaria Brewery in Belarus and a new brewery in Tashkent in Uzbekistan, expected to start up production in summer 2007.

Dividend

The Parent Company recorded a profit of DKK 815m for 2006. The Board of Directors will propose to the Annual General Meeting of Carlsberg A/S that a dividend be paid of DKK 6.00 per share, an increase of 20% on last year (DKK 5.00 per share). This amounts to a total of DKK 458m (2005: DKK 381m). It is proposed that the remainder of the year's profit, DKK 357m, be taken to reserves.

Annual General Meeting

The Annual General Meeting of the Company will be held on 13 March 2007 at the Radisson SAS Falconer Hotel, Falkoner Allé 9, Frederiksberg, Copenhagen, Denmark.

Expectations for 2007

For 2007 Carlsberg anticipates growth of around 5% in net revenue and operating profit is expected to increase to approx. DKK 4.5bn.

Beverage activities are expected to contribute operating profit of approx. DKK 4.3bn (DKK 3,997m in 2006), with progress in all regions. However, the profit increase in 2007 is expected to be lower than the increase realised in 2006, due partly to the particularly strong progress in 2006 and partly to the fact that the profit in 2007 will be reduced by significant central expenses (in the segment "Not distributed") for marketing and for standardisation of processes, business processes, IT systems etc. to support the ongoing productivity improvements necessary within all functional areas.

Agreements have been entered into concerning delivery of properties/flats at Tuborg Syd in 2007-2008. The current estimate is that this will mean investments of approx. DKK 490m and DKK 40m and sales proceeds of approx. DKK 700m and DKK 800m in 2007 and 2008 respectively. Selling profits or new rental income in 2007 and 2008 are expected to be approx. DKK 310m and DKK 230m. Approx. 70,000 m^2 of housing, 20,000 m^2 of commercial properties and 10,000 m^2 of public buildings remain to be constructed and sold on the Tuborg site.

Other activities (gains on sale of real estate less costs of running the Carlsberg Research Center etc.) are expected to contribute approx. DKK 0.2bn to operating profit in 2007.

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

Financial expenses are expected to be somewhat higher than in 2006, mainly because other financial items (currency translation adjustments etc.) were DKK +172m in 2006. At present a small negative figure is expected for other financial items in 2007. Interest expenses in 2007 are expected to be higher than in 2006, due to the significant investment programme in 2007, cf. below.

The effective tax rate in 2006 was 28.3%. The overall effective tax rate in 2007 is expected at present to be around 26%.

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

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

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

The above forward-looking statements, including the forecasts of future revenue, profit and cash flow etc. reflect management's current expectations and are subject to risks and uncertainty. Many factors, some of which will be beyond management's control, may cause actual developments to differ materially from the expectations expressed. Such factors include – but are not limited to – matters presented in previously published material from Carlsberg A/S and in the Annual Report's section on risk management. The Company will update or adjust the stated expectations only to the extent required by legislation etc.

The Carlsberg Group's strategy

Value creation and expansion

Carlsberg's strategy is focused on value creation and expansion. We aim to create value by increasing our earnings and realising the value of hidden assets (including unused properties), and to expand by growing our business in existing markets and entering new markets. In order to achieve this strategy, we have introduced a range of targets and action plans to help shape the Carlsberg of tomorrow.

The foundations of Carlsberg's core business are the beer markets of Western Europe, Eastern Europe and Asia. These are markets that we have got to know particularly well through our presence and activities there over many years, which has meant that we have built up strong and profitable positions in these markets. Carlsberg's strategy is to focus on these three regions, because it is here that we have the expertise and strength needed to be a leading player.

The markets in Carlsberg's business portfolio are at different stages of development – some are mature with stagnating or declining consumption, while others are emerging and growing. These different stages of development often reflect standards of living, which means that factors such as income per capita and the size of the middle class will have a say in total beer consumption and its growth. The markets are also undergoing major changes. This requires constant adaptation to a market situation featuring keen competition on marketing, innovation, cost-efficiency, and brewery investments and acquisitions.

"The foundations of Carlsberg's core business are the beer markets of Western Europe, Eastern Europe and Asia. It is here that we have the expertise and strength needed to be a leading player."

The Executive Board: Jørn P. Jensen, Nils S. Andersen and Jørgen Buhl Rasmussen.

"Carlsberg's strategy is focused on value creation, by increasing our earnings and realising the value of hidden assets, and expansion, by growing our business in existing markets and entering new markets."

Evaluating and comparing the individual markets' stage of development, risk profile and potential profitability within the overall portfolio is key to the overall distribution of resources between the different regions.

The challenge here is to strike the best possible balance between the mature markets of Western Europe, the growth markets of Eastern Europe, and the emerging markets of Asia.

Western Europe
In recent years Carlsberg's strategy in Western Europe has focused on creating more efficient processes in a wide variety of areas. Since its launch in 2003, the Operational Excellence programme has looked systematically at production, administration, procurement and, most recently, logistics. One important element of Carlsberg's strategy for the region is a continued focus on efficiency as a means of minimising costs. One example of this is a new project to standardise processes in the Western European businesses. Our strategy has also evolved to include initiatives to stimulate both sales of beer and sales of other beverages in order to counter the general decline in sales of beer in mature markets.

BBH and the rest of Eastern Europe
Baltic Beverages Holding (BBH) remains the growth engine in Russia and neighbouring countries, and so plays a key role in Carlsberg's business portfolio. Market developments are positive, and beer consumption per capita is expected to continue to rise in the coming years. Our strategy in this region is changing, as our positive development will no longer be underpinned by volume growth alone. By investing in marketing and innovation, we will be focusing increasingly on premium products in order to increase the value of the market. The challenge here is to strike the right balance between volume growth as the market expands and value growth as consumers' interest in premium products increases.

Carlsberg believes that growth conditions in the region will remain favourable, and so a high level of investment in this part of the business will remain an important part of the Group's strategy.

Asia
The third region in the business portfolio is Asia, where Carlsberg has built up good market insight through its presence there over many years, which is vital for continued expansion in the region. Carlsberg's interests in Asia span both the mature markets of Malaysia, Hong Kong and Singapore, and emerging markets such as China and Vietnam. Our strategy is to build up a leading position in these emerging markets through acquisitions and subsequent strong organic growth, so that Asia makes a greater contribution to Carlsberg's overall earnings in the future.

Properties
Carlsberg has closed a number of breweries as part of its work to streamline the business, and this has resulted in Carlsberg developing and selling former brewery sites for residential and commercial use. Our participation in these projects needs to be seen in the light of our desire to free up capital and realise hidden assets in the Group. Hence Carlsberg has participated actively in the development of the former Tuborg sites north of Copenhagen for a number of years now. The decision taken in 2006 to close the brewery in Valby in Copenhagen means that there will be a great deal of work on property development and sales in the coming years too.

	Western Europe	BBH and the rest of Eastern Europe	Asia
Strategy	Improved profitability through innovation and streamlining	Growth and higher earnings	Long-term growth through building up market positions
Focus	• Maintaining and developing market positions • Marketing • Innovation • Streamlining at all stages	• Strengthening and developing market positions • Increased growth in the premium segment • Investments • Innovation • Streamlining	• Establishing new market positions through acquisitions • Strengthening existing market positions through organic growth • Building up brands

Business support strategies

Besides these commercial and operational strategies, Carlsberg also has a number of business support strategies to promote development in various areas, including

- a common corporate culture across the Group
- central functions such as finance and production management
- centres of excellence in areas such as innovation.

Common to all these strategies is that they support the core business and help to create a dynamic and competitive business in every department and in every country.

Financial goals

Carlsberg's strategy aims to ensure the continued development and strengthening of the business. At the heart of our financial goals is the aim of increasing the Company's earnings and profitability. Thus one goal for 2008-09 is to raise Carlsberg's operating margin from its current level, including an increase in the operating margin in Western Europe to 10-12%.

Carlsberg is keen to develop and expand its business in Asia in the coming years, primarily in China and Vietnam. The plan is therefore for cash flow from mature markets to be invested in growth markets.

At the beginning of 2006 Carlsberg was awarded investment-grade ratings by Moody's Investor Service and Fitch Ratings. These ratings are viewed as an endorsement of Carlsberg's business strategy. We aim to maintain healthy earnings and balance sheet ratios in the future so that we continue to meet the rating criteria.

Carlsberg had net interest-bearing debt of DKK 19bn at the end of 2006, which is considered reasonable in the light of its current needs in terms of financial flexibility.

39%

32%

Western Europe

BBH

	Our markets						Our sales			
	Population (million) [1]	GDP per capita (USD) [2]	GDP growth (%) [2]	Beer consumption per capita (litres/year) [3]	Market maturity	Growth	Market position (No.)	Market share (%)	Beer sales, pro rata (million hl)	Global brands
Western Europe										
Denmark	5.5	34,800	3.2	84	●●●	↘	1	63	3.3	Carlsberg
Norway	4.6	42,800	4.0	56	●●●	↗	1	54	1.4	
Sweden	9.0	29,800	2.7	51	●●●	↘	1	37	1.7	
Finland	5.2	31,000	3.0	87	●●●	→	1	49	2.1	
UK	60.6	30,100	1.9	96	●●●	↘	4	13	7.2	
Germany	82.4	30,100	0.9	114	●●●	↘		5		
Northern Germany [4]							1	>20	5.8	
Switzerland	7.5	32,200	1.9	56	●●●	↘	1	41	1.8	
Italy	58.1	28,700	0.1	30	●●●	↗	3	7	1.4	
Portugal	10.6	19,000	0.4	63	●●●	→	1	54	2.1	
Eastern Europe: BBH (50%)										
Russia	142.9	11,000	6.4	67	●●○	↗	1	36	19.2	Tuborg
Ukraine	46.7	7,000	2.6	52	●○○	↑	2	18	2.4	Carlsberg
Baltic States [5]	7.2	13,700-17,500	7.5-10.5	65-101	●●○	↗	1	44	1.3	
Kazakhstan	15.2	8,300	9.5	35	●○○	↗	1	30	0.4	
Eastern Europe (excl. BBH)										
Poland	38.5	13,100	3.4	83	●●○	↗	3	12	4.1	Tuborg
Balkans [6]	21.3	4,400-12,400	4.3-5.9	53-82	●●○	↗	3	13-27	2.8	
Turkey	70.4	8,400	7.4	11	●●○	↗	2	16	1.6	Carlsberg
Asia										
Malaysia	24.4	12,000	5.2	5	●●○	→	2	49	0.9	Carlsberg
Singapore	4.5	28,600	6.4	16	●●○	→	2	23	0.2	
Vietnam	84.4	2,800	8.5	15	●○○	↑	4	10	0.9	
China	1,314.0	6,800	10.2	25					4.7	
Western China	106.0	n/a	n/a	12	●○○	↑	1	>55	4.1	
Other countries	n/a	n/a	n/a	n/a	●○○	↑	n/a	n/a	1.0	

Notes: 1. As at July 2006. 2. Data for 2005. Calculated on a purchasing power parity basis. 3. Estimate for 2006. 4. Defined here as Schleswig-Holstein, Hamburg, Mecklenburg-Western Pomerania, Lower Saxony and Bremen. 5. Estonia, Latvia and Lithuania. 6. Defined here as Serbia, Croatia and Bulgaria. 7. Full-time equivalents. Sources: Canadean and The World Factbook (CIA).

18%

11%

Eastern Europe

Asia

Shares of the Carlsberg Group's sales (volume)

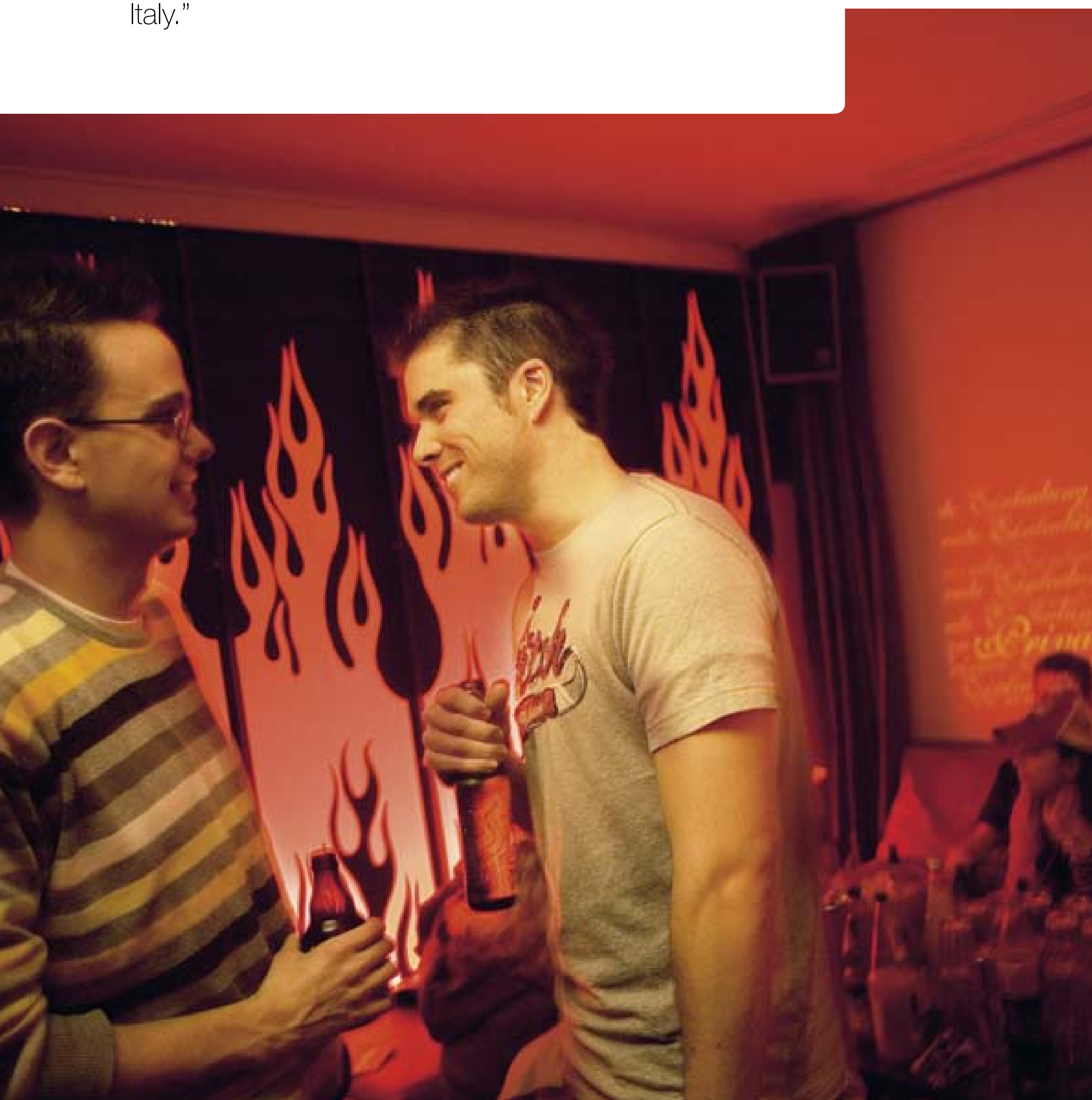
Our resources

Our results

Selected local brands	Employees [7]	Breweries	Invested capital (DKK billion)	Beer sales, pro rata (million hl)	Revenue (DKK billion)	Operating profit (DKK million)	Operating margin (%)
			16.8	**28.2**	**27.3**	**2,425**	**8.9**
Carlsberg, Tuborg	2,386	2		39%	66%		
Tuborg, Ringnes, Lysholmer	1,608	3					
Pripps, Falcon	1,229	1					
Koff, Karhu	1,092	2					
Carlsberg, Tetley's, Holsten	2,210	2					
Holsten, Tuborg, Lübzer, Duckstein	1,537	4					
Feldschlösschen, Cardinal	1,516	3					
Splügen, Bock 1877	863	2					
Super Bock	1,021	3					
			7.3	**23.4**	**8.0**	**1,804**	**22.7**
Baltika, Arsenalnoye, Nevskoye, Yarpivo	7,359	10		32%	19%		
Slavutich, Lvivske		3					
Svyturys, Utenos, Aldaris, Saku		4					
Derbes, Irbis		1					
			4.0	**13.3**	**3.5**	**135**	**3.8**
Okocim, Harnas	1,374	3		18%	9%		
Tuborg, LAV, Shumensko, Pan	1,248	4					
Tuborg, Skol	595	1					
			2.6	7.7	2.3	332	14.4
Carlsberg, Danish Royal Stout, Skol	612	1		11%	6%		
Danish Royal Stout	65	-					
Halida, Huda	645	2					
	3,266	20					
Dali, Wusu, Huanghe, Lhasa							
n/a	946	4					

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

"Carlsberg's activities in Western Europe include businesses with leading positions in the Nordic countries, northern Germany, Switzerland and Portugal, and significant positions in the UK and Italy."



Western Europe

The markets of Western Europe are at the heart of Carlsberg's business portfolio and account for almost 66% of its revenue. The Company's activities include businesses with leading positions in the Nordic countries, northern Germany, Switzerland and Portugal, and significant positions in the UK and Italy.

The competitive landscape varies from country to country: in the Nordic region Carlsberg competes typically with local players and local brands, while in countries like the UK and Germany Carlsberg faces competition from international brewers and international brands. These are mature markets with high levels of beer consumption per capita, and consumption is generally stable or falling. The challenge in these markets is therefore to increase revenue and profitability in these conditions.

Key to Carlsberg's implementation of its strategy for Western Europe is a sharper focus on costs, and recent years have brought a wide range of initiatives as part of the Operational Excellence programme to improve production, administration, procurement and, most recently, logistics. The strategic focus has therefore been on efficiency and reducing costs.

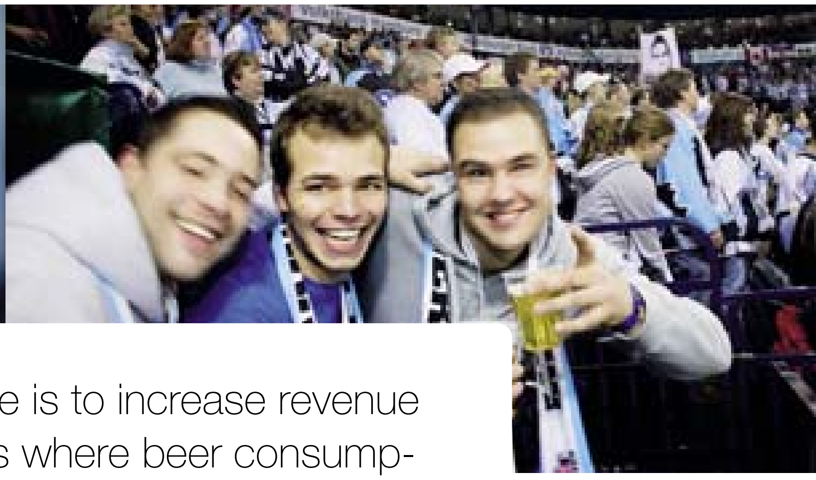
As part of the Commercial Excellence programme, we are also working on making our sales efforts more effective and systematic, and on focusing marketing in order to further strengthen leading local brands. Constant innovation and the launch of new types of beer are also high on the agenda, and other kinds of beverage are being included in the product range to underpin the beer business – all with the aim of growing revenue in a mature market.

Developments in 2006

The Western European markets as a whole showed a positive trend, with growth in a number of Carlsberg's core markets. Rising prices for a number of important raw materials led to less favourable trading conditions, but Carlsberg improved its performance in the region overall.

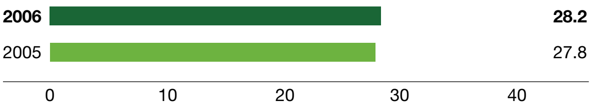
A total of 28.2m hl of beer was sold during the year (27.8m hl in 2005), an increase of 2%. This positive performance can to some extent be attributed to good weather during the summer months. Net revenue climbed 4% to DKK 27,307m, due primarily to a generally positive performance in the Nordic countries and growing exports. Sales of soft drinks and mineral water also rose as a result of progress in the Nordic countries. Sales prices for beer were up around 1% overall, with positive contributions from all markets except for Italy.

Operating profit was DKK 2,425m, against DKK 2,027m in 2005. The increase was due primarily to higher earnings in the Nordic countries and the UK, and to growth in export revenue. The operating margin rose by 1.2 percentage points to 8.9%, reflecting both the aforementioned factors and the positive effects of the Excellence programmes.

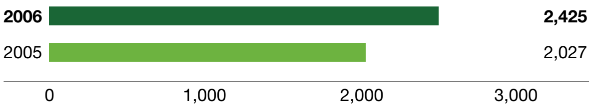


"The challenge in Western Europe is to increase revenue and profitability in mature markets where beer consumption is stable or falling."

Beer sales (million hl)



Operating profit (DKK million)



Nordic countries

There was growth in all of the Nordic countries. This was due to product launches, price increases and a continued focus on costs, including ensuring continuous forward-looking adjustments with a view to maintaining and extending market positions. Market share increased in Denmark and Finland, and operating profit was up on 2005 in all of the Nordic countries. Sinebrychoff in Finland announced extensive restructuring, with the centralisation of a number of functions, and there were better results in Sweden, with growth in brands such as Carlsberg and Ramlösa. The implementation of the Logistics Excellence programme in Sweden has already reaped rewards in the form of lower logistics expenses in 2006.

United Kingdom

There was a positive development in sales in the UK, driven by rising sales to the off-trade and continuing growth in market share for the Carlsberg brand. Sales to the independent on-trade also outperformed the market, and new contracts were secured with major pub and leisure groups. Operating profit improved despite a large bad debt from one customer.

Germany, Switzerland, Italy and Portugal

Sales in Germany and Switzerland rose by a small amount compared with 2005, while sales in Portugal and Italy were slightly lower. Total earnings were unchanged. There was an increase in sales of strategic local and international brands, such as Feldschlösschen (Switzerland), Super Bock (Portugal), Holsten (Germany) and Carlsberg and Tuborg, while sales of tactical and regional brands fell.

There was continued focus on cutting costs and making the business less complex. Unsatisfactory earnings in Italy led to impairment of the remaining goodwill.

Commercial Excellence

The Carlsberg Group's Commercial Excellence programme continued in 2006. One of the tenets of the programme is that an overview of individual customers' market situation, profitability and possible sales initiatives promotes profitable growth. This overview derives from systematic collection, processing and presentation of experience from Carlsberg employees' day-to-day contact with customers.

One example of an important tool in day-to-day work is an electronic guide used by sales representatives in their dealings with customers. This helps the sales representatives to advise on marketing, product range, pricing and advertising on the customer's premises or in various media. For example, the sales representative can help to recommend the most effective marketing initiatives for customers wanting to attract more consumers, drawing on the wealth of experience amassed every day throughout the sales organisation.

Logistics Excellence

Logistics is in several respects a key area for Carlsberg. Logistics personnel have direct contact with the customer, and professional logistics can provide important information and impressions for use in deciding on service frequency and order structure.

Logistics expenses account for a substantial proportion (around 15%) of Carlsberg's total costs. One of the Group's latest Excellence programmes therefore focuses on this particular area, and a number of countries in Western Europe have reviewed and analysed their logistics operations with a view to identifying and implementing initiatives to make improvements and savings.

Switzerland

An analysis of the Swiss logistics operation identified a number of potential improvements and necessary initiatives. One area analysed in depth was the depot structure, including the number of depots and trucks and the staffing of these depots. The analysis revealed that a smaller number of depots and trucks could bring substantial savings without affecting our service to customers. It was also discovered that the planning of staffing levels during the year could be optimised so that they better reflected sales levels in the high and low seasons. These changes were implemented in the form of a number of pilot projects in order to reduce the risk of a negative impact on the day-to-day servicing of customers.

Sweden

As in most other European countries, the operation of local cross-docking depots in Sweden was previously managed by the local subsidiary. Cross-docking depots are distribution centres where goods are reloaded directly without being stored in a warehouse. The logistical analysis identified a potential saving from outsourcing the operation of these depots to external operators. Carlsberg now pays a fee based on the number of pallets handled, which gives it great flexibility, not least when it comes to seasonal variations. The final leg in delivering to the customer is still handled by Carlsberg.

"BBH has activities in Russia, the Ukraine, Kazakhstan, the Baltic States and, most recently, Uzbekistan and Belarus, and is therefore active in some of the world's most attractive beer markets."

Baltic Beverages Holding

Baltic Beverages Holding (BBH), a 50/50 joint venture with Scottish & Newcastle plc, accounts for almost 20% of Carlsberg's revenue.

BBH has breweries in Russia, the Ukraine, Kazakhstan, the Baltic States and, most recently, Uzbekistan and Belarus, and is therefore active in some of the world's most attractive beer markets in terms of growth potential.

Favourable market conditions have attracted a number of the world's largest breweries into Russia in particular. As a result, the competitive landscape has changed in recent years, with local players now playing a smaller role than before.

Beer consumption per capita has been growing markedly for more than a decade. Consumption is expected to continue to rise in the years ahead and, in many of BBH's markets, approach Western European levels. Our strategy is therefore based on growth, with the emphasis on developing and leading these markets. Our strategy has been evolving in recent times, with a gradual shift of focus away from volumes and production capacity in favour of value and modern marketing and sales tools, including the strengthening of the premium segment in order to optimise the balance between value growth and volume growth.

In 2006 the BBH breweries in Russia were merged with Baltika Breweries in order to cement Baltika's position as the leading brewery and consumer goods business in Russia. The idea is to strengthen Baltika as a nationally leading business and build unparalleled market coverage and a strong and innovative product range in every market segment, as well as to make better use of the various production sites in the country, of which there are currently ten.

Continued heavy investment is on the strategic agenda at BBH – both in the existing business and in new markets such as Uzbekistan, where a new brewery will be ready for the high season in 2007, and Belarus, where BBH is the first international player following its investment in Olivaria. This will help to ensure that BBH remains one step ahead of the competition.

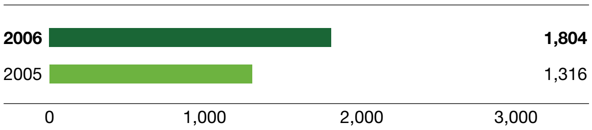
Developments in 2006

The Russian beer market showed growth of 10%, including an estimated 3 percentage points due to extraordinarily strong growth in the third quarter as a result of increased demand for beer during a period of disruptions in the supply of wine and spirits to the off-trade. Unseasonably mild weather in the fourth quarter is also believed to have had a positive effect on sales. The other BBH markets also showed growth in 2006, with growth rates of 12% in the Ukraine, 17% in Kazakhstan and 5% in the Baltic States. BBH's total beer volumes increased by 10.6%, and on a pro rata basis there was growth of 14% to a total of 23.4m hl, including continued strong growth for the Tuborg brand.

"BBH's strategy is based on growth, with a gradual shift in focus away from volumes and production capacity in favour of value and modern marketing and sales tools."

Beer sales (million hl)

Operating profit (DKK million)



Net revenue climbed DKK 1,385m to DKK 7,953m, an increase of 21%, of which 7.7% was due to higher average prices. Operating profit grew by 37% to DKK 1,804m (DKK 1,316m in 2005). This profit reflects both favourable market conditions in the region and improvements in the business, including the realisation of synergies of around DKK 230m (approx. USD 80m for BBH at 100%) arising from the successful merger of the Baltika, Pikra, Vena and Yarpivo breweries in Russia. Operating profit was also boosted by special market circumstances in the third quarter, which are believed to have resulted in one-off benefits of around DKK 110m (50% of approx. EUR 30m). The operating margin was 22.7%. Excluding the special circumstances in the Russian market, the operating margin is estimated to have been just below 22% (20.0% in 2005).

BBH is paying a total dividend to its shareholders of EUR 150m for 2006 (EUR 115m for the 2005 financial year), half of which accrues to Carlsberg.

Russia

The merger of the Russian operations under Baltika Brewery was an important step towards further strengthening the business's competitiveness. With growth in beer sales of 11%, market share was 36.4% (36.3% in 2005), with strong progress in the second half of the year as Baltika built further on its position as the clear market leader. These results were achieved on the back of positive growth in the Baltika brand, buoyed by the launch of Baltika Cooler, and similarly positive growth in beer brands in both the premium and discount segments. Sales of the Tuborg brand grew by 128% to 1.6m hl.

Baltic States

There was positive growth in all markets and growing market shares, most notably in Latvia. Although these markets are already mature, average beer consumption per capita increased, due partly to a number of new product launches. There was also positive growth in other beverages.

Ukraine and Kazakhstan

There was continued fierce competition in the Ukraine and, as expected, market share fell, the implementation of a long-term turnaround plan being at an early stage.

Growth in Kazakhstan continued, and BBH built further on its leading market position. There was particular growth in the premium segment and the high end of the mainstream segment, with a particularly positive performance from the local brand Irbis.

BBH is continuing its expansion and decided during the year to increase its capacity in Russia with a new brewery in Novosibirsk and to invest in new markets in Uzbekistan and Belarus.

The Russian market is expected to generate growth of 3-5% per annum in the medium term, but in 2007 growth will be at the low end of this range on account of the extraordinarily strong performance in 2006 and the resulting high comparative figures. As before, BBH expects to be able to raise prices by less than the local rate of inflation in food and beverage prices. The operating margin is expected to be stable relative to the 2006 figure excluding the aforementioned one-off benefits, i.e. approx. 22%. This allows for further synergies of USD 20m from the merger of the Russian breweries, although these will be countered by rising raw material costs.

Baltika – a success in Kazakhstan

BBH is the market leader in Kazakhstan. The business has been built up around the local brewery Derbes, which was created in 2004 through the merger of Ak-Nar and Irbis. Derbes is a good example of the successful transfer of a business concept from other parts of BBH to a new market, covering know-how, collaboration and the exchange of management resources. Derbes is now the market leader in the local premium and mainstream segments.

BBH is also represented in Kazakhstan through the Russian brewery Baltika, and the Baltika brand is by far the biggest foreign premium brand in the country. Baltika has attained this position by pursuing a long-term strategy from the outset, with results coming only after a number of years. Investing in sales and marketing at an early stage – and before anyone else – put Baltika in a good starting position.

BBH in the Baltic States

BBH has been in the Baltic States since 1991 and has a high market share of 45%. Individually the Baltic States are small markets, and they are also mature with only limited volume growth anticipated in the coming years. The focus at the Baltic breweries has therefore been on creating value rather than volume growth. To achieve this in a mature market with falling growth rates, it is essential to keep on optimising every process, from procurement through production to sales and marketing. The three Baltic breweries have recognised that, with BBH as their owner, together they stand strong. A common platform has been created for innovation and product development, and best practices in various areas are soon passed on from one country to another.

"Carlsberg's activities in Eastern Europe are in a development phase. Our strategy includes streamlining, strengthening the product range and ensuring consistently high quality."

Eastern Europe excl. BBH

Carlsberg has operations in Poland, Turkey and a number of countries in the Balkans. The region accounts for almost 10% of Carlsberg's revenue and is home to a number of attractive markets with good growth prospects. The entry of Romania and Bulgaria into the EU at the beginning of 2007 is expected to contribute to this growth in the longer term.

The business is in a development phase in several places. Our strategy includes initiatives to streamline and strengthen the product range, which includes improving our position both in the mainstream segment through national beer brands and in the premium segment through both national and international brands, in particular Tuborg. Our strategy also focuses on ensuring consistently high quality and optimising our sales efforts.

Recent years' acquisitions in the Balkans have performed well and are showing satisfactory growth rates. In 2006 we started up a sales company in Bosnia-Herzegovina to sell and distribute beer from the Serbian and Croatian breweries. Carlsberg aims to further cement its position in the Balkans in the coming years.

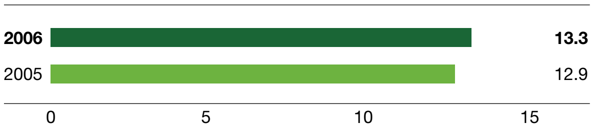
Developments in 2006

Total sales of beer grew by 3% to 13.3m hl as a result of higher sales in Bulgaria, Serbia and Croatia, while Poland in particular made a negative contribution. Net revenue was DKK 3,509m (DKK 3,392m in 2005) and operating profit was DKK 135m (DKK 302m in 2005). The decrease in operating profit reflects lower and unsatisfactory earnings in Poland and non-recurring income of DKK 31m in 2005.

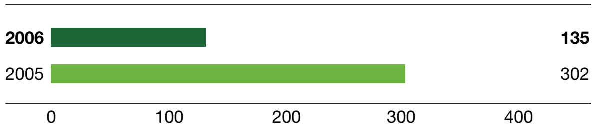
Poland

Despite a rising market, both revenue and earnings were down on 2005. This was due largely to increased investment in marketing, which did not deliver in line with expectations in the short term, and to changes in the business model, including reduced inventories at wholesalers in order to obtain a more effective and direct correlation with sales in the off-trade. This process was completed by the end of the year, and performance is expected to normalise in 2007.

Beer sales (million hl)



Operating profit (DKK million)



Turkey

The Turkish market declined, due in part to a drop-off in tourism. As part of the steps taken in Turkey to improve earnings and profitability, a number of cost savings have been made. This has led to a slight improvement in operating profit, although this remains at an unsatisfactory level.

Balkans

The breweries in Serbia, Bulgaria and Croatia continued to grow their sales volumes and market share, due partly to good growth in both Tuborg and leading local brands. A regional organisation under the name of Carlsberg South East Europe has been set up in Serbia in 2007 to promote further growth and efficiency improvements through the sharing of knowledge and core skills.

"Eastern Europe accounts for almost 10% of Carlsberg's revenue and is home to a number of attractive markets with good growth prospects."

Serbia

Carlsberg Serbia is a very successful privatisation in Serbia, and Carlsberg is one of the largest foreign investors in the country.

Since its initial investment in Carlsberg Serbia (the former Pivara Celarevo), in September 2003, Carlsberg has invested a considerable amount in both the brewery and sales and marketing. The brewery, which produces not only Carlsberg and Tuborg but also the LAV brand in the mainstream segment, has grown over the last three years from number four in the market to a solid number two, doubling its sales volumes from 0.6m hl in 2004 to 1.2m hl in 2006. Beer consumption as a whole in Serbia grew by 3% during the same period.

Carlsberg Serbia is considered to be one of the country's best employers. Between 2004 and 2006 the company's revenue grew by 180% and the average number of full-time employees by 25%. This rapid growth is the result of a sharp focus on quality, proactive social and environmental engagement, and focused sales and marketing work. The local brand LAV sponsors the national soccer team and the Serbian club soccer cup competition, and Tuborg actively promotes youth culture through music events.

“Carlsberg’s business in Asia has been built up over many years, and the traditional Carlsberg markets of Malaysia, Hong Kong and Singapore have recently been supplemented with investments in some of the region’s emerging markets, including China, Vietnam and India.”

Asia

Carlsberg's business in Asia has been built up over many years, and the traditional Carlsberg markets of Malaysia, Hong Kong and Singapore have recently been supplemented with investments in some of the region's emerging markets, including China, Vietnam and India. The very favourable prospects for some of the region's markets are attracting the international brewers and leading to stiffer competition locally.

The region accounts for 6% of Carlsberg's revenue. Our aim is to be a leading player in Asia and make Carlsberg the leading international beer brand in the region.

The emerging markets generally feature low but rapidly growing beer consumption per capita. Being the first in a market can provide a crucial head-start – as in the case of Eastern Europe – and so it is now that we need to build up positions in markets that will be developing and growing for many years to come. Our strategy in Asia is growth, and Carlsberg plans to continue to invest in the region to ensure a strong foothold. Activities in the emerging markets currently account for only a small share of Carlsberg's overall business portfolio, but this share is expected to grow considerably over the years.

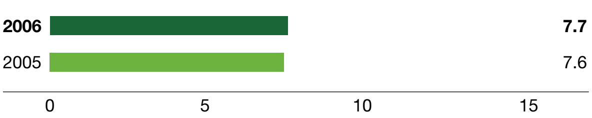
Developments in 2006

Sales of beer in Asia totalled 7.7m hl (7.6m hl in 2005, including 2.0m hl from the now divested Hite Brewery). Volumes for continuing operations grew by 38%, of which 14% came from organic growth and the remaining 24% from acquisitions in Western China, Cambodia and Laos.

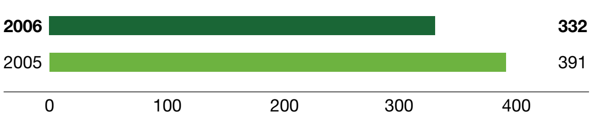
Net revenue grew by 40% to DKK 2,299m, against DKK 1,639m in 2005. (The revenue figures do not include revenue from associates in South Korea and China.) Operating profit was DKK 332m, against DKK 391m in 2005. Hite Brewery contributed operating profit of DKK 116m in 2005. Excluding this contribution from Hite Brewery, operating profit grew by DKK 57m or 21%.

"Being the first in a market can provide a crucial head-start and so it is now that we need to build up positions in markets that will be developing and growing for many years to come."

Beer sales (million hl)



Operating profit (DKK million)



Hong Kong, Singapore and Malaysia

Taken together, the businesses in the mature markets featured stagnating volumes and stable earnings. Market share increased in Hong Kong despite a falling market, thanks to strong growth in the Skol brand in particular, while market share for beer in Malaysia fell.

China and Vietnam – emerging markets

There was continued strong volume growth in the emerging markets, including significant organic growth in both China and Vietnam. These businesses are in the development phase, but those in Western China and Vietnam are already making a positive and growing contribution to earnings. In Eastern China, Carlsberg is continuing to invest in marketing the Carlsberg brand in the premium segment, resulting in satisfactory volume growth.

New identity in Vietnam

In 2006 we decided to sharpen the Carlsberg brand's premium profile in the Vietnamese market. Previously the pricing had not sufficiently reflected this profile.

In October Carlsberg beer was relaunched in Hanoi in a new profile bottle and at a price 20-30% higher than before, making it slightly more expensive than its closest international competitor.

Optimising distribution

Carlsberg beer for the Vietnamese market was previously brewed, bottled and distributed by the subsidiary South-East Asia Brewery (SEAB). However, SEAB's distribution is stronger in the northern provinces, while the 50%-owned subsidiary Hue Brewery Ltd in central Vietnam has far stronger distribution in its local area.

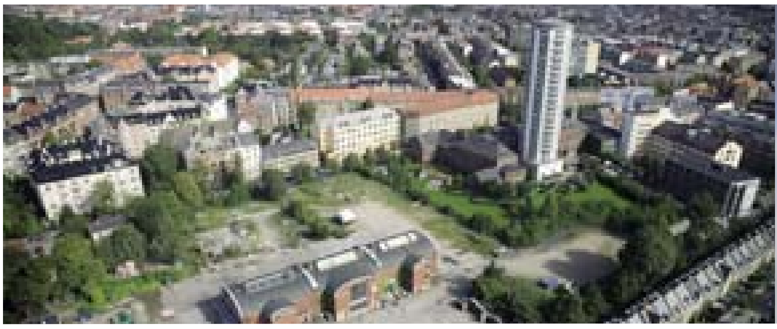
In 2006 we therefore decided that sales and distribution of Carlsberg beer in the provinces of central Vietnam should be handled by Hue Brewery. From 2007 Hue Brewery will also take over production of Carlsberg beer. To meet the rapid growth in sales, a new brewery is currently being built in Hue City and another in Dong Ha in a province north of Hue. Sales in southern Vietnam are handled by a sales office in Ho Chi Minh City.

Number one in Western China

Carlsberg continued to expand in China in 2006. Following fresh investment in a number of breweries there, Carlsberg is now involved in a total of 20, primarily in Western China – some of them joint ventures, some wholly owned. Total annual beer consumption in the provinces in which Carlsberg has breweries is around 12m hl, and Carlsberg and its partners command more than 55% of the market.

To date Carlsberg is the only international brewer to have built up a significant presence in Western China, which makes up around a third of the country's land mass and has a population of more than 100m. Strong growth in beer consumption is predicted as economic development in this part of China moves into line with the rest of the country.

"The development and sale of part of the site in Valby, Copenhagen, is expected to generate significant earnings for Carlsberg in the coming years."



Other activities

Other activities include the development and sale of real estate, primarily at the former Tuborg site in Copenhagen, and the operation of the Carlsberg Research Center. These activities generated operating profit of DKK 49m in 2006, against DKK 96m in 2005.

The cessation of brewing activities in Valby in Denmark at the end of 2008 means that the development and sale of real estate will remain a significant activity for Carlsberg for a number of years. It is expected that the development and sale of parts of the site will generate considerable income for Carlsberg for many years after its closure.

Carlsberg – a new city within the city

In 2008 industrial production will be transferred from Valby to Fredericia, leaving only the Jacobsen brewhouse and sounding the starting-shot for redevelopment of the brewery site where it all began 160 years ago. The preparations are in full swing even now.

The site lies in the heart of Copenhagen and spans an area of more than 300,000 square metres (75 acres), of which around 220,000 square metres (55 acres) will be developed. It offers a unique opportunity for both Carlsberg and the city of Copenhagen to create a brand new district – a city within the city. The site's location presents a clear opportunity to create a new city quarter which will arouse international attention and attract visitors from all over the world. It is also to be a place that people from neighbouring districts flock to and use at all hours of the day.

We have set our sights high: the new city is to be alive around the clock and help set new standards for quality of life in an active, dense and composite urban fabric – a city that helps to shape the future.

At the end of 2006 an international ideas competition was announced for how the Valby site can best be developed so that it lives up to Carlsberg's vision for the area, and architects worldwide have shown an interest in the project. Once the winner is found, the lines of the new quarter will become clearer and the development of the city of tomorrow will begin.

"The Group strives to enhance the skills of managers and other employees, and to develop a strong culture across national borders and functions."

A developing organisation

The Carlsberg brand is known and respected throughout the world. The Group is a global player and offers employees good opportunities to encounter a wide range of challenges and cultures. The rapid evolution of the business also means that individual employees can play an active part in a dynamic process. Carlsberg is therefore an attractive employer with the best possible basis for recruiting and retaining dynamic and talented people, which is a focus area in the organisation.

The development of Carlsberg's international activities and realisation of its ambitious business goals ask a great deal of employees across the business. The Group therefore strives to enhance the skills of managers and other employees, and to develop a strong culture which pulls the company together across national borders and functions, and promotes commitment in people's everyday work. Employee and management development are a strategic focus area for the Group.

Carlsberg also makes various demands of its employees. Importance is attached to managers and other employees having a commercial mindset and focusing on consumers and customers, and being able to contribute to value creation in the business. They must also feel comfortable with Carlsberg's values: innovation, ambition, responsibility and honesty.

Carlsberg's globalisation has brought a growing need to promote mobility. It is becoming increasingly important to identify and recruit the best managers and other employees throughout the global organisation. More and more employees are working outside their home countries for various lengths of time, and this mobility offers considerable development opportunities for the individual employee and is a necessity for Carlsberg in its efforts to optimise the business.

Importance is attached to developing the organisation and its employees so as to create the best possible basis for realising Carlsberg's business goals. Currently there is a particular focus on the following areas:

- Further developing managers' skills.
- Further strengthening employees' commitment and skills in terms of developing a strong winning culture.
- Attracting the right employees to every part of the business.
- Developing a pay and incentive structure that motivates and reflects the individual's contribution.
- Tailoring the organisational structure to commercial priorities.

Development of people and culture

Continuous development of the Group's employees is an important part of everyday life at Carlsberg. This continuous process is supplemented with a range of initiatives, including management and talent development; internal production, procurement and marketing academies; and personal development programmes for managers and other employees at various levels of the organisation.

These programmes are put together with a view to aligning the individual employee's interest in and capacity for personal development with the Group's need to enhance skills and strengthen its corporate culture. The overall

"The rapid evolution of the Carlsberg Group means that individual employees can play an active part in a dynamic process."

goal is for the organisation to be able to meet constantly changing commercial challenges.

One integral aspect of all development activities is strengthening the corporate culture, but this culture is also anchored and nurtured through collaboration across the organisation on joint projects and through effective communication.

Commitment and satisfaction

Employees' commitment and satisfaction play a major role in the Group's ability to realise its business goals. Employee surveys covering these areas are therefore conducted periodically.

These surveys provide important information on which factors are important for employees' commitment, satisfaction and motivation, and reveal areas for improvement. Information is also obtained on the corporate culture at Carlsberg and the values that pull the organisation together. These surveys have helped to ensure an increased focus on management and communication in recent years.

Calls on managers' skills

Carlsberg's globalisation and growth aspirations demand skilled managers. Managing a global business requires an ability to work and lead people across different cultures, and to run the business and achieve success under conditions that are constantly changing. It is managers who are to put our strategies into action through their people, and they must be in a position to motivate, involve, enthuse and empower the individual employee.

To ensure that the company's current and future managers possess the right managerial skills, a number of core competences have been identified. Firstly there is the ability to generate growth: managers must be able to create new business opportunities for Carlsberg through a commercial mindset and in-depth understanding of the customer and the consumer. Secondly managers must have a real hunger for success: they must be able to push the boundaries, set targets and achieve them. Finally there is the ability to achieve results through colleagues and subordinates: managers must be able to deliver results through collaboration with other people, both in their own units and across the organisation.

These core competences are to be strengthened through management development activities.

International Talent Programme

Carlsberg's International Talent Programme was launched in 2004. It is aimed at managers who have previously shown good business sense and achieved good results, have a degree of management experience, and are mobile. The aim of the programme is to build up an international pool of strong and skilled employees with the desire and ability to deliver results and build an international, multidisciplinary network within the Carlsberg Group.

The programme aims to develop the participants' managerial skills and give them an in-depth knowledge of the Carlsberg Group's global activities. One condition is that participants must be prepared to take on duties wherever the business can best make use of their particular skills.

The programme will typically be the first step on the participants' path towards a senior international post at Carlsberg, and is an important part of our succession management. The programme is internal and runs for two years. The key elements are Leadership Excellence, Communicative Competence, Business Excellence and Common Skills Training. As part of the programme, each participant is linked to an internal mentor who provides regular feedback and guidance.

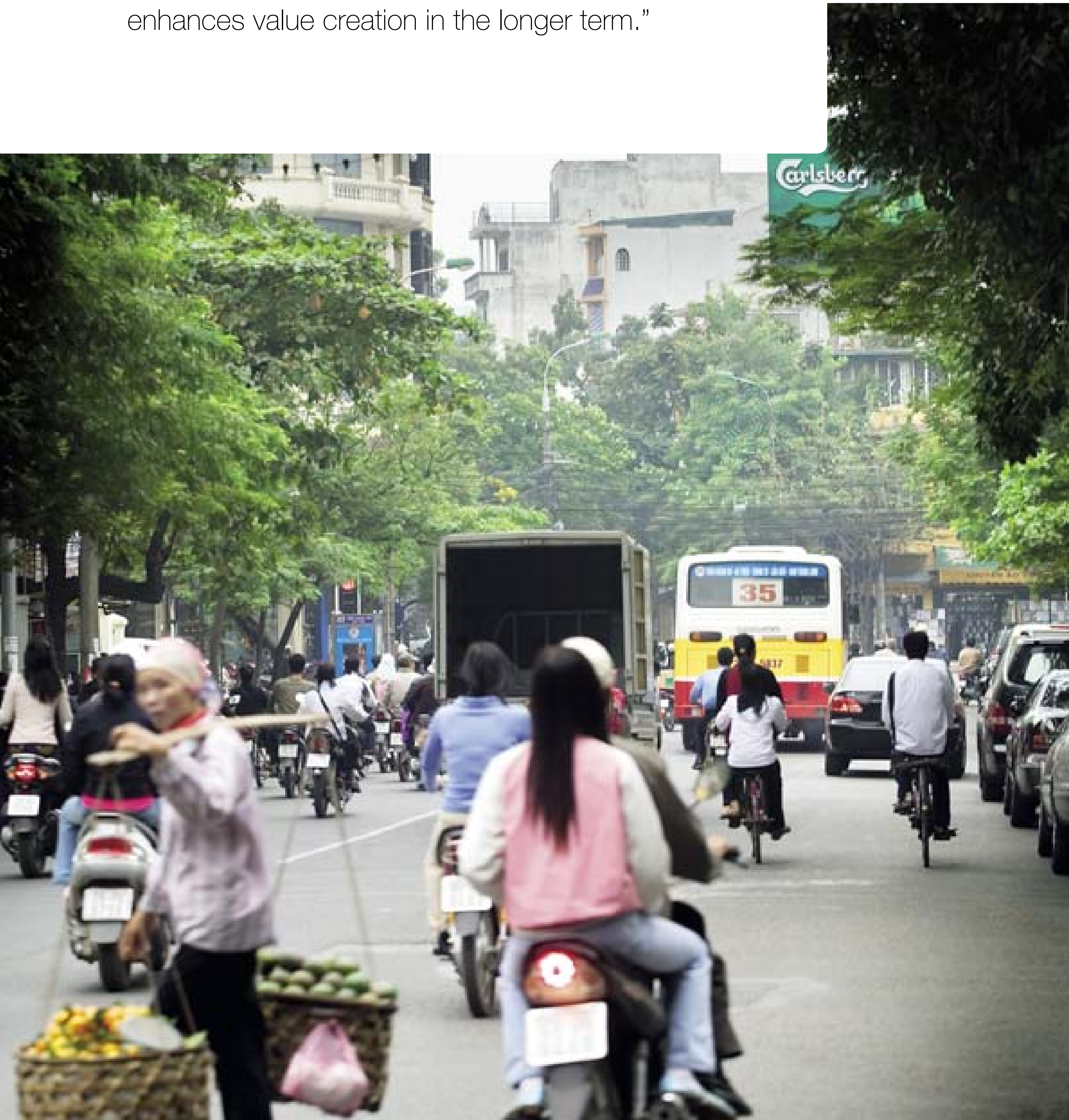
Leadership Academy

This programme was launched in 2006 and is aimed at middle management. The idea is to increase participants' business insight and their understanding of the opportunities and challenges faced by the Carlsberg Group. Participants gain a detailed insight into Carlsberg's way of doing business and into local and global aspects of the business. They also receive in-depth training in Carlsberg's core management competences.

To develop strong skills in middle management and give middle managers an opportunity to build networks across national borders and functions, the programme also stimulates interest in sharing experience and results across the organisation.

The Leadership Academy includes topics such as customer and consumer trends, competition, key internal and external challenges, and management training.

"Responsibility is one of the Carlsberg Group's core values. Responsible business reduces risks, increases efficiency and contributes to a good reputation, which enhances value creation in the longer term."



Carlsberg and society

Carlsberg's responsibilities to society and its stakeholders are an integral part of its business strategy. Responsibility is one of the Group's core values, and we work from a conviction that responsible business reduces risks, increases efficiency and contributes to a good reputation, which enhances value creation in the longer term.

At Carlsberg, responsible business spans areas such as the environment, health and safety, marketing, labour standards and human rights. The Group's approach has been translated into policies and guidelines, including a *Code of Responsible Management*, *Beer Awareness Programme* and *Environmental Policy*. These guidelines apply globally and can be found on the Group's website.

Responsible management

Carlsberg's management strategy has a local focus, which means that account can be taken of cultural differences and local customs when policies for responsible business are put into practice. For a global player, local adaptation is important to ensure that the spirit of Carlsberg's policies is reflected in concrete management behaviour.

To ensure that the Group's brands are marketed responsibly, Carlsberg has laid down guidelines in the form of a *Code of Marketing Practice*, which applies to all the Group's markets.

Responsible consumption

Carlsberg shares society's concerns about the misuse of alcohol. The Group therefore plays an important role in efforts to prevent and solve problems with misuse by promoting responsible consumption through both concrete actions and market communications.

Carlsberg aims to promote effective solutions to the misuse issue by entering into dialogue with stakeholders and cooperating with governments, public bodies, NGOs and trade organisations in the local markets. At international level, Carlsberg has a dialogue with the WHO and EU. The Group also supports research into the medical and social aspects of alcohol consumption through the European Research Advisory Board.

The environment at Carlsberg

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

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

“Carlsberg takes account of cultural differences and local customs when policies for responsible business are put into practice.”

Environmental management

Almost all of the Group’s majority-owned production sites have implemented the externally certified environmental management system ISO 14001. When new breweries are acquired, the goal is for these to be certified within two to three years.

The companies in the Group record all relevant environmental data and report them to the Group’s headquarters, where developments are monitored. The environmental management systems are also audited regularly both internally and externally to ensure that the Environmental Policy and established improvement programmes are implemented.

Every second year Carlsberg publishes an Environmental Report with detailed information on the business’s overall environmental impact. The next Environmental Report will be published in 2007, and previous editions can be found on the Group’s website.

Energy management

In line with its Environmental Policy, the Carlsberg Group strives constantly to minimise its environmental impact

Combating drink-driving

In 2006 Carlsberg Serbia launched a campaign to combat drink-driving in conjunction with the country’s largest music festival, EXIT. Visitors from Serbia, Bosnia, Croatia, Slovenia, Macedonia and Montenegro were offered free transport to and from the festival to avoid alcohol-related accidents. The aims of the campaign were to increase general awareness of alcohol misuse, and stress that drinking and driving do not mix. The campaign was the first of its kind in Serbia and was a major hit with both the public and the media.

Better working conditions for beer-sellers

In Cambodia it is customary for beer to be sold by young women in restaurants and nightclubs. These women’s working conditions have come in for criticism, partly because they can be exposed to sexual harassment. Since acquiring its 50% stake in Cambodian brewery Cambrew in 2005, Carlsberg has been actively helping to improve the working environment and general working conditions for these women. Together with other brewers in the Cambodian market, Carlsberg has developed a joint Code of Conduct, which includes fixed rates of pay, transport to and from work, and training to help improve the women’s working conditions.

New trucks in the UK

When distribution in the UK was reorganised, Carlsberg purchased 80 new environmentally friendly trucks. These have better fuel economy and emit fewer polluting particles than the vehicles previously used. The new trucks also offer a better working environment for drivers, as the loading area is equipped with a number of devices to ease the physical burden on them.

As a result of this positive experience, Carlsberg will be giving higher priority to environmental aspects when choosing suppliers and truck types in other countries too.

and reduce the consumption of resources in the course of its activities. Carlsberg believes that continuously reducing the consumption of water and energy in production has great potential both environmentally and financially.

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

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

Environmentally friendly refrigerators

At the end of 2006 Carlsberg decided to start phasing out the use of refrigerators containing HFCs. The vast majority of refrigerators in the retail trade contain these greenhouse gases. By being among the first to call for HFC-free refrigerators, Carlsberg is putting its Environmental Policy into practice. In 2007 Carlsberg will purchase new environmentally friendly refrigerators on a trial basis for testing in Scandinavia.

In 2006 Carlsberg also signed up to the Refrigerants Naturally initiative, a coalition of six global companies working to promote environmentally friendly refrigerators in the retail trade. The initiative is supported by Greenpeace and the United Nations Environment Programme.

Green energy in Nepal

Beer is now being brewed using green energy at the partly Carlsberg-owned Gorkha Brewery in Nepal. In 2006 the brewery began using a brewing vessel where the energy comes from burning rice husks rather than diesel oil. Besides serving as a source of green energy for the brewery, the use of these husks has a positive effect on the local economy, as rice producers can now sell a product that previously went to waste. The collection and delivery of the husks also create jobs.

"Carlsberg aims to provide the best possible insight into factors considered relevant for ensuring efficient and fair pricing of its shares. The Company maintains an active dialogue with both existing and potential shareholders."

In autumn 2006 analysts, investors and journalists from all over the world visited Baltic Beverages Holding to review developments in the brewery group and take a guided tour of the modern production plant in St Petersburg.

Shareholder information

Carlsberg has total share capital of DKK 1,525,568,060, divided into 76,278,403 shares each with a nominal value of DKK 20. Of these, 33,699,252 are A-shares and 42,579,151 are B-shares.

Carlsberg's shares are listed on the OMX Copenhagen Stock Exchange in two classes: Carlsberg A and Carlsberg B. Each A-share carries 20 votes, while each B-share carries two votes but is entitled to a preferential dividend. The B-share is included in the OMX Nordic Exchange's Nordic Large Cap and OMX-C20 blue-chip indices. OMX Nordic Exchange also operates sector indices in accordance with the Global Industry Classification Standard, and here the Carlsberg B-share is included in the Consumer Staples index.

The B-share gained 66% in 2006 and ended the year at DKK 561.0, compared with DKK 337.5 at the end of 2005. The market value of the Company's shares climbed to DKK 41bn at the end of 2006 from DKK 25bn at the end of 2005.

Shareholders

The Company's largest shareholder is the Carlsberg Foundation with 29,184,727 A-shares and 9,972,259 B-shares at the end of 2006 (unchanged from the end of 2005). In accordance with section 29 of the Danish Securities Trading Act, Franklin Resources Inc., USA (including Franklin Mutual Advisers, LLC and Templeton Worldwide Inc.), has notified Carlsberg that it too holds more than 5% of the share capital.

At the end of 2006 Carlsberg had more than 20,000 registered shareholders, together holding nominal capital of DKK 1,302,746,660, corresponding to 85% of the total share capital.

Based on the information available, it is estimated that around one quarter of the shares in free float (i.e. excluding the Carlsberg Foundation's holding) are owned by shareholders in Denmark and three quarters by foreign shareholders or unidentified shareholders (also believed to be primarily foreign).

%	**End-2006**	End-2005	End-2004
Denmark	24	26	24
North America	26	23	25
UK	19	15	19
Other	31	36	32
	76	74	76
Total	100	100	100

Management holdings of Carlsberg shares

At the end of 2006 the members of the Board of Directors held a total of 2,886 A-shares and 3,680 B-shares in Carlsberg, corresponding to a combined market value of DKK 3.5m, and the members of the Executive Board held a total of 2,880 A-shares and 8,346 B-shares, corresponding to a market value of DKK 6.2m.

Members of the Board of Directors and the Executive Board are included in Carlsberg's insider register and must therefore disclose any trading in the Company's shares. These persons and their spouses and children under the age of 18 may trade in Carlsberg's shares only during a four-week period after the publication of financial statements or other similar statements.

Investor Relations

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

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

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

The Company's Investor Relations department handles day-to-day contact with analysts and investors.

Carlsberg's investor website, www.carlsberggroup.com, includes both current and historical information about the Company and its shares, including stock exchange announcements, share prices past and present, investor presentations, quarterly financial statements and annual reports.

Financial calendar 2007

13 March	Annual General Meeting
9 May	Q1 Financial Statement 2007
8 August	Q2 Financial Statement 2007
7 November	Q3 Financial Statement 2007
31 December	End of 2007 financial year

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

Registration and share register

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

Carlsberg's share register is managed by Værdipapircentralen A/S, Helgeshøj Allé 61, Postboks 20, DK-2630 Taastrup, Denmark.

Share price 2006 (DKK per share, Carlsberg B)

Investor Relations Director
Mikael Bo Larsen
+45 3327 1223

Investor Relations Manager
Iben Steiness
+45 3327 1232

investor.relations@carlsberg.com

Brokers monitoring Carlsberg's shares

ABG Sundal Collier	Peter Kondrup
ABN AMRO	Julie Quist
Carnegie	Carsten Jantzen Leth
Cazenove	Matthew Webb
Citigroup Smith Barney	Jonathan Shimmin
CSFB	Michael Bleakley
Danske Securities	Søren Samsøe
Deutsche Bank	Jonathan Fell
Dresdner Kleinwort Wasserstein	Andrew Holland
Exane BNP	Nikolaas Faes
Goldman Sachs	Vanessa Lai Min
Handelsbanken	Kitty Grøn
HSH Gudme	Michael K. Rasmussen
ING	Gerard Rijke
Jyske Bank	Casper Albæk
Lehman Brothers	Ian Shackleton
Merrill Lynch	Nico Lambrechts
Morgan Stanley	Alexandra Oldroyd
Natexis Bleichroeder	Joséphine Chevallier
Proactive Independent Ideas	Frans Hoyer
SEB Enskilda	Henrik Jeppesen
Standard & Poor's	Carl Short
Sydbank	Bjørn Schwartz
UBS	Chris Pitcher

Announcements to the OMX Copenhagen Stock Exchange in 2006

18 January	Baltika announces proposed merger with Pikra, Vena and Yarpivo
23 January	Carlsberg Breweries assigned investment-grade ratings
21 February	Carlsberg concentrates production in Fredericia
21 February	Financial Statement as at 31 December 2005
1 March	Annual General Meeting of Carlsberg A/S (agenda)
2 March	Carlsberg sells shopping centre under construction at the Tuborg premises in Hellerup north of Copenhagen
9 March	Baltika announces approval of merger with Pikra, Vena and Yarpivo
15 March	Carlsberg A/S Annual General Meeting – Summary
10 May	Financial Statement as at 31 March 2006
8 June	BBH to invest in a new brewery in Uzbekistan
13 June	Carlsberg offers remaining stake in Hite Brewery for sale
13 June	Carlsberg sells remaining stake in Hite Brewery
9 August	Financial Statement as at 30 June 2006
16 August	Sinebrychoff in Finland restructures for the future
26 September	BBH – Trading update in connection with Capital Markets Day
8 November	Financial Statement as at 30 September 2006

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

Corporate governance

Carlsberg's Board of Directors and Executive Board strive constantly to ensure that the Group's management structure and control systems are appropriate and working satisfactorily. A series of internal procedures have been developed and are regularly maintained in order to ensure active, reliable and profitable management of the business.

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

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

Shareholders and Carlsberg

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

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

The Company's Articles of Association contain no limits on ownership or voting rights. Should a bid be made to take over the Company's shares, the Board of Directors will consider it in accordance with applicable legislation and the Carlsberg Foundation's Charter.

Carlsberg's share capital has been divided into two classes for many years. All shares have the same nominal value (DKK 20), but while an A-share carries 20 votes, a B-share carries two votes but is entitled to a preferential dividend. Both classes of share are listed on the OMX Copenhagen Stock Exchange, and so investors can choose which class they wish to invest in. The Board of Directors is of the opinion that the division into A-shares and B-shares, combined with the Carlsberg Foundation's position as majority shareholder, has been and will remain advantageous for all of the Company's shareholders, as this structure enables and supports the long-term development of the business.

The General Meeting

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

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

Stakeholders and the Company

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

Against this background, the Company has formulated policies for a number of key areas, such as communications, human resources, the environment, and responsibility to customers and society in general. One element of the Board of Directors' work is to ensure both compliance with and regular adjustment of these policies to reflect developments both inside and outside the Company.

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

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

The composition of the Board of Directors

The General Meeting elects the Board of Directors. The Board of Directors has eight members elected by the General Meeting. It also has four members elected by the employees in accordance with the Danish Companies Act. The employee-elected members have the same rights and obligations as the members elected by the General Meeting and are elected for a term of four years. The most recent employee elections took place in 2006.

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

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

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

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

A description of the composition of the Board of Directors and the individual members' particular competences with respect to the work of the Board of Directors can be found in a separate section of this Annual Report.

The work of the Board of Directors

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

The Board of Directors of Carlsberg A/S meets according to a set schedule at least six times a year. An annual strategy meeting is usually held where the Company's vision, goals and strategy are discussed. In between its ordinary meetings, the Board of Directors receives regular written information on the Company's operations and position, and extraordinary meetings are convened if the situation calls for it. The Board of Directors held six meetings in 2006.

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

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

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

In 2006 the Board of Directors introduced a structured annual evaluation of its work, results and composition. This evaluation, headed by the Chairman of the Board, also covers the cooperation between the Board of Directors and the Executive Board, and the work, results and composition of the Executive Board.

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

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

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

The Executive Board

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

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

Remuneration

In order to attract and retain managerial expertise, the remuneration of the members of the Executive Board and other senior executives is determined on the basis of the work they do, the value they create, and conditions at comparable companies. The remuneration of the Executive Board is presented in the notes to the financial statements.

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

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

The number and value of share options granted and outstanding are presented in the notes to the financial statements.

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

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

The Carlsberg Foundation

The Carlsberg Foundation's ("the Foundation") holding in Carlsberg A/S ("the Company") is long-term and strategic. The Foundation is therefore an active, demanding but also supportive shareholder. The Foundation supports the efforts of Carlsberg's management to create value for shareholders and other stakeholders by furthering the Company's growth and strengthening its profitability.

The Foundation is required by its Charter to hold at least 51% of the Company's share capital. At the end of 2006 the Foundation held 51.3% (excluding treasury shares). Due to the combination of A-shares and B-shares held by the Foundation, it had 79% of the votes at that same time. The Foundation's Executive Board makes up an important part of Carlsberg A/S' Board of Directors, of which the Chairman of the Foundation is also Chairman.

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

Further information about the Carlsberg Foundation can be found at www.carlsbergfondet.dk.

Risk management

The Board of Directors reviews the overall risk exposure and the individual risk factors associated with the Group's activities (see separate section of this Annual Report). Such reviews are performed as required and at least once a year.

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

Auditing

To safeguard the interests of shareholders and the general public, an independent auditor is appointed at the Annual General Meeting following a recommendation from the Board of Directors. Before making its recommendation, the Board of Directors undertakes a critical evaluation of the auditor's independence, competence etc.

The auditor submits a report to the assembled Board of Directors twice a year and also immediately after identifying any issues of which the Board of Directors should be informed.

An Internal Audit function was set up in 2006 to support management's day-to-day control work.

The OMX Copenhagen Stock Exchange's recommendations

Since 2005 a number of recommendations for good corporate governance have formed part of the rules for companies listed on the OMX Copenhagen Stock Exchange. As in other European countries, companies must either comply with the recommendations or explain departures from them.

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

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

It is recommended that at least half of the members of the Board of Directors elected by the General Meeting be independent. Any person who has close links with a company's main shareholder is not regarded as independent (V, 4a)	Five of the eight members of Carlsberg's Board of Directors elected by the General Meeting have close links with the Company's principal shareholder, the Carlsberg Foundation, as they make up the Foundation's Executive Board. Thus these members are not independent as defined in the recommendations. This has been the situation for many years. The Board of Directors is of the opinion that the combination of members with different academic backgrounds and members with a business background ensures appropriate breadth in the members' approach to their duties and helps to ensure high-quality deliberation and decisions.
It is recommended that information be provided on managerial positions and directorships at Danish and foreign companies and any other demanding organisational tasks performed by members of the Board of Directors (V, 4d, 2)	In accordance with section 107 paragraph 1 of the Danish Financial Statements Act, Carlsberg provides information in its Annual Report on managerial positions at other Danish companies held by members of the Board of Directors. Information is also provided on other significant managerial positions and other organisational tasks performed in Denmark and abroad.
It is recommended that information be provided on shares and options held by the individual members of the Board of Directors in the company in question, and on any changes in these holdings during the financial year (V, 4d, 3)	The members of the Board of Directors do not hold any options in the Company. The section on shareholder information in the Annual Report contains information on the Board of Directors' total holding of shares in the Company, but the Board of Directors does not consider it useful to disclose information on individual members' holdings.
It is recommended that the annual report contain detailed information on remuneration policy and the remuneration of the individual members of the Board of Directors and the Executive Board (VI, 2-3 and 6)	Carlsberg's Annual Report presents information on the Group's remuneration schemes, the components of remuneration, and the total remuneration of both the Board of Directors and the Executive Board, cf. section 69 of the Danish Financial Statements Act. It is not currently considered useful or reasonable to publish information on the remuneration of individuals. Remuneration schemes (including severance arrangements) and remuneration are believed to be in line with comparable companies.
It is recommended that the exercise price for options granted be higher than the market price at the time they are granted (VI, 4)	In the current scheme, the exercise price corresponds to the market price during the first five days following the publication of the profit statement for the year.

Risk management

Carlsberg aims always to keep track of strategic, operational, insurable and financial risk factors so that the Group can achieve its goals, including by mitigating their potential severity and countering their possible consequences. The following presentation of significant risk factors is not exhaustive, and the risk factors are not listed in order of priority.

Official regulation of sales

Several of the Carlsberg Group's markets feature restrictions on advertising and other communication to consumers or regulation of behaviour in places where products are used. There can also be restrictions on sales, for example based on consumers' age. Changes in these rules can, in isolation, entail a risk of a decrease in sales in these markets.

Carlsberg works both independently and together with other breweries to limit the negative consequences of inappropriate use of alcoholic products, and actively promotes responsible sales and consumption (see the Annual Report's section on corporate social responsibility). While taking account of this, Carlsberg also works to avoid unnecessary sales restrictions.

Competition

Carlsberg competes both with other breweries and with suppliers of other beverages. The companies in the industry compete on brands, price, service, quality and distribution. From time to time, or even for longer periods, competition in the Group's various markets results in pressure on prices, impacting operating results. In order to strengthen and maintain its position in these markets and so counter these risks, the Group's companies aim to maintain competitiveness through dynamic marketing and positioning of their products, constant innovation and continued efficiency gains.

Taxes and excise duties

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

Here too the Group's emphasis on marketing, innovation and efficiency can help to offset any negative trend in sales.

Dependence on particular customers, products or markets

Significant consolidation of customers is under way, and products are increasingly being marketed under customers' private labels. This is affecting demand and pricing in the market. Carlsberg is involved in this process and considers it to be both a risk and an opportunity.

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

It is an important part of Carlsberg's strategy to build up strong positions in the markets in which the Group is active. As part of the constant adjustment and renewal of the product range, sales are also being channelled increasingly through a smaller number of brands. Both of these strategies are increasing the concentration of sales and so engender a potential risk in the event of setbacks. The Group is countering this risk by also working on continued diversification and building up new activities in terms of both products and markets.

Partnerships

In some markets Carlsberg's activities are organised into partnerships or based on minority holdings, where control is shared with other owners. Joint ownership allows the partners to contribute in different ways and to different extents to their joint undertaking, but can also entail a risk of moving in a direction or at a speed not sufficiently aligned with Carlsberg's wishes.

The Group develops such activities in collaboration with the other owners with a view to obtaining good results, while seeking to control and limit potential risk factors. In these endeavours, the Group's management and individual units can draw on experience of collaborative models, agreements and management structures built up over many years all around the world.

IT

Like other companies, Carlsberg is increasingly using IT in its everyday activities and in their development. The Group is therefore exposed to the risk of the loss or unauthorised use of important data, communication lines and systems, which are increasingly important parts of the individual units' customer-oriented and internal processes and of the overall organisation's infrastructure and knowledge. IT-related operational disruption or security failures therefore engender a significant risk of operational, reputational and financial losses.

The Group strives constantly to maintain high levels of hardware, process and data security. These efforts take the form of guidelines, surveillance and physical measures, and in principle cover all of the employees and partners involved.

Raw materials and packaging

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

Weather and season

Beer consumption is significantly affected by weather and season. When climatic factors coincide in several markets, they may have a substantial impact on the Group's earnings.The Group's presence in more than one region reduces this risk.

Quality

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

Legal risks

The Group regularly enters into agreements concerning both operations and strategy, such as acquisitions and divestments. Entering into agreements brings not only opportunities but also risks, which the Group aims to manage as best possible. The Group has developed policies and activities to ensure compliance with applicable laws and competition rules in all of the markets in which it operates. A general programme for ensuring compliance has been developed at Group level.

Insurance cover

Risk cover in the form of insurance is evaluated in relation to the significance of the individual risk as well as Carlsberg's overall risk profile. Carlsberg has taken out the insurance deemed to be relevant and usual in the industry and for undertakings of Carlsberg's size.

Given its ability to control a number of risks, the Group has chosen not to take out insurance in some areas but to be self-insured through the subsidiary Carlsberg Insurance A/S. Hence a small part of the Group's all-risk programme has been placed with Carlsberg Insurance. The chosen level of retained risk does not exceed that which is usual in the industry or for undertakings of Carlsberg's size.

Financial risks

Carlsberg's activities mean that the Group's profit and equity may be exposed to a variety of financial risks, primarily relating to changes in exchange rates and interest rates. The Group's financial risks are managed centrally by 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.

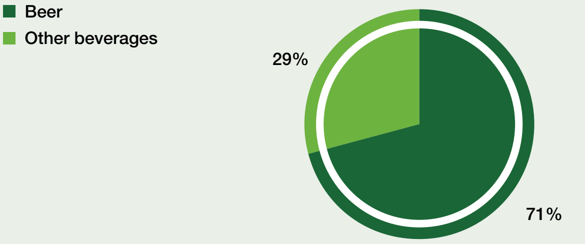
Other risks

Factors such as demand, competition, innovation, reputation, environment, employees and management also entail risks in terms of the Group's strategy and operations. These are presented in other sections of this Annual Report.

Financial review

The 2006 Annual Report of the Carlsberg Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the reporting requirements of the OMX Copenhagen Stock Exchange for listed companies and the executive order on the adoption of IFRS issued by the Danish Commerce and Companies Agency with reference to the Danish Financial Statements Act. The Annual Report also complies with the IFRS issued by the IASB.

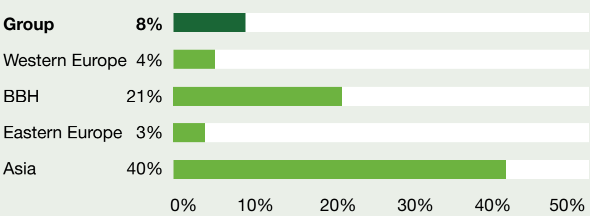
Distribution of revenue



Income statement

Net revenue climbed 8% to a total of DKK 41,083m (DKK 38,047m in 2005). DKK 522m (1.4%) of this revenue derives from acquisitions, primarily the purchase of an ownership interest in Wusu Beer Group, China, and the consequent proportional consolidation. Organic growth was DKK 2,359m (6.2%), driven by progress in Western Europe and Asia, and a particularly positive development in BBH. Added to this is a positive effect of DKK 155m from exchange rate movements.

Growth in revenue (%)



Beer sales represented DKK 29,047m of total revenue (DKK 27,177m in 2005), equivalent to 70.7% (71.4% in 2005).

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

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

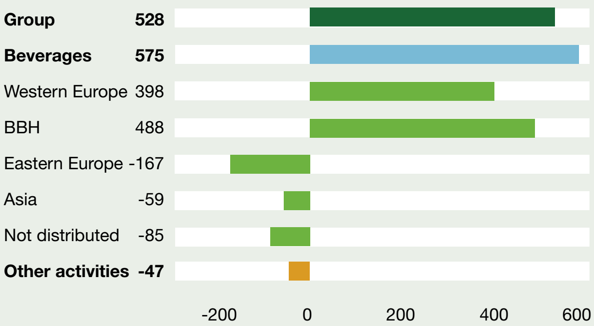
Sales and distribution expenses grew by 6% to DKK 14,173m (DKK 13,332m in 2005). This development follows the increasing scope of business in the Carlsberg Group, acquisitions made and particularly high impairments for bad and doubtful debts for customers in the United Kingdom and Sweden. Sales and distribution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

Administrative expenses were DKK 3,065m against DKK 2,961m in 2005, an increase of 4%.

Other operating income was DKK 660m and other operating expenses DKK -393m, or DKK 267m net against DKK 411m net in 2005, a fall of DKK 144m, DKK 66m of which can be attributed to smaller gains on the sale of real estate and other assets.

Profit from associates was DKK 85m (DKK 232m in 2005). This development is due primarily to the sale of shares in Hite Brewery Co. Ltd. in 2005, as a result of which the profit from this (DKK +116m in 2005) is no longer included.

Growth in operating profit (DKK million)



Operating profit before special items was DKK 4,046m against DKK 3,518m in 2005. Beverage activities generated a profit of DKK 3,997m against DKK 3,422m in 2005 (DKK 3,306m in 2005 excluding share of profit from the then associate Hite Brewery Co. Ltd.), equivalent to an increase of 21% on the previous year for continuing operations. This increase is the result of broadly based progress, including growth in earnings in both Western Europe and Asia and particularly high earnings in BBH, which can partly be attributed to an extraordinarily high demand for beer in the third quarter due to problems with the supply of wine and spirits in Russia. The profit contribution from other activities, including sale of real estate, was DKK 49m against DKK 96m in 2005.

The overall operating margin was 9.8% (9.2% in 2005) and 9.7% for beverage activities in isolation, which is an improvement of 0.7 percentage points on last year.

Net special items were DKK -160m against DKK -386m in 2005. The major special items in 2006 were the gain on the sale of shares in Hite Brewery Co. Ltd., redundancy costs etc. in connection with the Operational Excellence programmes and closure of the Valby brewery, and impairment losses etc. in Turkey and Italy.

Net financial items were DKK -857m against DKK -1,240m in 2005. Net interest was DKK -1,029m against DKK -1,056m in 2005. Despite a reduction of DKK 2.4bn in average net interest-bearing debt, the higher interest rate level meant that this figure was only slightly lower than 2005. Other net financial items were DKK +172m against DKK -184m in 2005. This change was due in particular to currency translation adjustments (DKK +222m compared with 2005) on debt in USD.

Tax on profit for the year was DKK -858m against DKK -521m in 2005. The effective tax rate was thus 28.3% against 27.5% in 2005, and therefore in line with the current rate of corporation tax in Denmark.

Consolidated profit was DKK 2,171m against DKK 1,371m in 2005, and minority interests' share of this was DKK 287m (DKK 261m in 2005). In particular the increase in minority interests reflects the positive trend in BBH.

Carlsberg's share was DKK 1,884m against DKK 1,110m in 2005. This positive development can be attributed in particular to growth in operating profit from beverage activities, a reduction in special items, and positive currency translation adjustments under financial items.

Balance sheet

Carlsberg had total assets of DKK 58,451m at year-end 2006, a fall of DKK 3,908m compared with 2005.

Assets

Intangible assets totalled DKK 21,279m (DKK 20,672m in 2005). The increase of DKK 607m can primarily be attributed to goodwill.

Goodwill on acquisition of minority interests was DKK 374m (DKK 1,341m in 2005) and goodwill on acquisition of entities DKK 456m (DKK 417m in 2005).

Property, plant and equipment totalled DKK 20,367m (DKK 20,355m in 2005), which is on a par with 2005 and i.a. reflects the fact that total capital expenditure was only on a par with depreciation despite capacity expansion in the growth markets.

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

Other non-current assets fell from DKK 6,076m to DKK 2,724m at year-end 2006, mainly as a result of the sale of shares in Hite Brewery Co. Ltd.

Current assets fell by DKK 956m to a total of DKK 13,972m (DKK 14,928m in 2005) as a result of lower other receivables. At year-end 2005 this figure included a receivable of DKK 1,928m from the sale of shares in Hite Brewery Co. Ltd.

Equity and liabilities

Total equity was DKK 18,987m, of which DKK 1,390m can be attributed to minority interests and DKK 17,597m to shareholders in Carlsberg A/S. Compared with 2005, equity was reduced by DKK 509m and equity attributable to shareholders in Carlsberg A/S by DKK 371m. Financial gearing was reduced from 1.15 to 1.09 as a result of the continued reduction in net interest-bearing debt.

Besides the profit for the year (DKK 1,884m), the movement in equity before minority interests was due to currency translation adjustments (DKK -347m), value adjustments of securities and hedging instruments (DKK -1,476m) and adjustment of retirement benefit obligations etc. (DKK -28m). The dividend to shareholders was DKK 381m, and purchase and sale of treasury shares etc. reduced equity by DKK 23m.

Total obligations were DKK 39,464m (DKK 42,863m in 2005). The reduction is due to the repayment of debt, reducing both current and non-current borrowings. The proportion of non-current borrowings has risen from 68% to 71%.

Cash flow and interest-bearing debt

Cash flow from operating activities was DKK 4,470m against DKK 4,734m in 2005.

Operating profit before depreciation and amortisation, adjusted for other non-cash items, rose by DKK 857m, while restructuring costs paid were DKK 60m lower than in 2005. The development in working capital made a positive contribution of DKK 389m, although this was less than the particularly positive development in 2005. Interest etc. paid reduced operating profit by DKK 214m due to the payment of accumulated interest on the debt instrument issued in connection with the acquisition of the 40% minority holding in Carlsberg Breweries A/S in 2004. Corporation tax paid rose by DKK 354m.

Cash flow from investing activities was DKK +65m (DKK -2,354m in 2005).

Revenue and profit per region (beverages)

	2006	2005
Beer sales (pro rata, million hl)		
Western Europe	28.2	27.8
Baltic Beverages Holding (BBH)	23.4	20.6
Eastern Europe (excl. BBH)	13.3	12.9
Asia	7.7	7.6
Total	72.6	68.9
Net revenue (DKK million)		
Western Europe	27,307	26,306
Baltic Beverages Holding (BBH)	7,953	6,568
Eastern Europe (excl. BBH)	3,509	3,392
Asia	2,299	1,639
Not distributed	15	142
Beverages, total	41,083	38,047
Net revenue (% of total)		
Western Europe	66.5	69.1
Baltic Beverages Holding (BBH)	19.4	17.3
Eastern Europe (excl. BBH)	8.5	8.9
Asia	5.6	4.3
Not distributed	0.0	0.4
Beverages, total	100.0	100.0
Operating profit before special items (DKK million)		
Western Europe	2,425	2,027
Baltic Beverages Holding (BBH)	1,804	1,316
Eastern Europe (excl. BBH)	135	302
Asia	332	391
Not distributed	-699	-614
Beverages, total	3,997	3,422
Operating margin (%)		
Western Europe	8.9	7.7
Baltic Beverages Holding (BBH)	22.7	20.0
Eastern Europe (excl. BBH)	3.8	8.9
Asia [1]	14.4	16.8
Not distributed	n/a	n/a
Beverages, total	9.7	9.0

[1] Excluding the one-line consolidated associate (until November 2005) Hite Brewery Co. Ltd. (South Korea).

Segment reporting (beverages)

	2006	2005
Capital expenditure, CAPEX (DKK million)		
Western Europe	1,328	1,562
Baltic Beverages Holding (BBH)	1,061	725
Eastern Europe (excl. BBH)	514	464
Asia	140	107
Not distributed	145	152
Beverages, total	3,188	3,010
Depreciation and amortisation (DKK million)		
Western Europe	1,667	1,694
Baltic Beverages Holding (BBH)	619	498
Eastern Europe (excl. BBH)	396	348
Asia	120	107
Not distributed	138	126
Beverages, total	2,940	2,773
Capital expenditure / depreciation and amortisation (%)		
Western Europe	80	92
Baltic Beverages Holding (BBH)	171	146
Eastern Europe (excl. BBH)	130	133
Asia	117	100
Not distributed	105	120
Beverages, total	108	109
Invested capital, period-end (DKK million)		
Western Europe	16,767	17,740
Baltic Beverages Holding (BBH)	7,346	6,550
Eastern Europe (excl. BBH)	3,972	4,068
Asia	2,580	2,635
Not distributed	632	386
Beverages, total	31,297	31,379
Return on average invested capital, ROIC (%)		
Western Europe	13.3	10.5
Baltic Beverages Holding (BBH)	26.5	23.2
Eastern Europe (excl. BBH)	3.3	6.8
Asia	12.2	11.4
Not distributed	n/a	n/a
Beverages, total	12.4	10.2

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

Other activities (real estate and assets under construction) contributed DKK -186m (DKK +1,082m in 2005).

Free cash flow was DKK 4,535 against DKK 2,380m in 2005.

Net interest-bearing debt was DKK 19.2bn at year-end against DKK 20.8bn at year-end 2005, a reduction of approx. DKK 1.5bn. The development in net interest-bearing debt reflects, on the one hand, the development in free cash flow (excluding the shares in Hite Brewery Co. Ltd. sold in 2005, where the receivable of DKK 1,928m was included in net interest-bearing debt at year-end 2005 but in free cash flow in 2006 after payment was received) and currency translation adjustment of debt, primarily issued in USD and CHF, totalling approx. DKK -0.3bn and, on the other hand, payment of dividends to shareholders in Carlsberg A/S and minority interests totalling approx. DKK 0.5bn and acquisition of minority interests (primarily in BBH) totalling approx. DKK 0.6bn.

Segment reporting by quarter

DKK million				2005				2006
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net revenue								
Western Europe	5,261	6,988	7,159	6,898	5,364	7,456	7,379	7,108
Baltic Beverages Holding (BBH)	1,086	1,951	2,069	1,462	1,276	2,320	2,552	1,805
Eastern Europe (excl. BBH)	606	1,024	1,028	734	639	1,033	1,010	827
Asia	403	384	437	415	517	630	590	562
Not distributed	39	77	21	5	11	5	16	-17
Beverages, total	7,395	10,424	10,714	9,514	7,807	11,444	11,547	10,285
Other activities	-	-	-	-	-	-	-	-
Total	7,395	10,424	10,714	9,514	7,807	11,444	11,547	10,285
Operating profit before special items								
Western Europe	-86	829	940	344	16	894	986	529
Baltic Beverages Holding (BBH)	145	423	501	247	153	598	733	320
Eastern Europe (excl. BBH)	-76	161	124	93	-75	111	143	-44
Asia	98	97	101	95	126	94	91	21
Not distributed	-77	-200	-100	-237	-116	-134	-152	-297
Beverages, total	4	1,310	1,566	542	104	1,563	1,801	529
Other activities	-26	40	5	77	-21	76	9	-15
Total	-22	1,350	1,571	619	83	1,639	1,810	514
Special items, net	-74	-36	-385	109	-105	498	-152	-401
Financial items, net	-294	-324	-281	-341	-228	-200	-200	-229
Profit before tax	-390	990	905	387	-250	1,937	1,458	-116
Corporation tax	92	-272	-315	-26	71	-571	-417	60
Consolidated profit	-298	718	590	361	-179	1,366	1,041	-56
Of which:								
Minority interests	21	85	111	44	40	95	128	24
Shareholders in Carlsberg A/S	-319	633	479	317	-219	1,271	913	-80

Financial statements

Financial statements Carlsberg Group

Notes

Income statement

DKK million	Note	2006	2005
Revenue		55,753	51,847
Excise duties on beer and soft drinks etc.		-14,670	-13,800
Net revenue		**41,083**	**38,047**
Cost of sales	3	-20,151	-18,879
Gross profit		**20,932**	**19,168**
Sales and distribution expenses	4	-14,173	-13,332
Administrative expenses	5	-3,065	-2,961
Other operating income	6	660	876
Other operating expenses	6	-393	-465
Share of profit after tax, associates	17	85	232
Operating profit before special items		**4,046**	**3,518**
Special items, net	7	-160	-386
Financial income	8	725	548
Financial expenses	9	-1,582	-1,788
Profit before tax		**3,029**	**1,892**
Corporation tax	10	-858	-521
Consolidated profit		**2,171**	**1,371**
Attributable to:			
Minority interests	11	287	261
Shareholders in Carlsberg A/S		1,884	1,110
Earnings per share	12		
Earnings per share		24.7	14.6
Earnings per share, diluted		24.6	14.6

Statement of recognised income and expenses for the year

DKK million						2006
	Currency translation	Fair value adjust-ments [1]	Retained earnings	Shareholders in Carls-berg A/S, total	Minority interests	Total
Profit for the year	**-**	**-**	**1,884**	**1,884**	**287**	**2,171**
Currency translation adjustments:						
Foreign entities	-347	-	-	-347	-72	-419
Value adjustments:						
Hedging instruments	69	170	-	239	-	239
Securities	-	-1,078	-	-1,078	-	-1,078
Securities, transferred to income statement on sale	-	-637	-	-637	-	-637
Retirement benefit obligations	-	-	-105	-105	-	-105
Other adjustments:						
Share-based payment	-	-	10	10	-	10
Other	-	-	7	7	-10	-3
Tax on changes in equity	-7	4	63	60	-	60
Net amount recognised directly in equity	**-285**	**-1,541**	**-25**	**-1,851**	**-82**	**-1,933**
Total recognised income and expenses	**-285**	**-1,541**	**1,859**	**33**	**205**	**238**

DKK million						2005
	Currency translation	Fair value adjust-ments [1]	Retained earnings	Shareholders in Carls-berg A/S, total	Minority interests	Total
Profit for the year	**-**	**-**	**1,110**	**1,110**	**261**	**1,371**
Currency translation adjustments:						
Foreign entities	1,096	-	-	1,096	132	1,228
Transferred to income statement on sale	-128	-	-	-128	-	-128
Value adjustments:						
Hedging instruments	-289	-14	-	-303	-	-303
Hedging instruments, transferred to income statement on sale	-	-6	-	-6	-	-6
Securities	-143	1,679	-	1,536	-	1,536
Retirement benefit obligations	-	-	-173	-173	-1	-174
Other adjustments:						
Share-based payment	-	-	4	4	-	4
Other	-	-	-7	-7	50	43
Tax on changes in equity	68	-30	42	80	-11	69
Net amount recognised directly in equity	**604**	**1,629**	**-134**	**2,099**	**170**	**2,269**
Total recognised income and expenses	**604**	**1,629**	**976**	**3,209**	**431**	**3,640**

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

Balance sheet

Assets

DKK million	Note	31 Dec. 2006	31 Dec. 2005
Non-current assets			
Intangible assets	15	21,279	20,672
Property, plant and equipment	16	20,367	20,355
Investments in associates	17	579	1,105
Securities	18	170	2,710
Receivables	19	1,139	1,235
Deferred tax assets	26	822	1,005
Retirement benefit net assets	25	14	21
Total non-current assets		**44,370**	**47,103**
Current assets			
Inventories	20	3,220	2,866
Trade receivables	19	6,108	5,979
Tax receivables		84	132
Other receivables	19	1,145	3,015
Prepayments		917	587
Securities	18	8	109
Cash and cash equivalents	21	2,490	2,240
Total current assets		**13,972**	**14,928**
Assets held for sale	22	109	328
Total assets		**58,451**	**62,359**

Equity and liabilities

DKK million	Note	31 Dec. 2006	31 Dec. 2005
Equity			
Share capital	23	1,526	1,526
Reserves		16,071	16,442
Equity, shareholders in Carlsberg A/S		17,597	17,968
Minority interests		1,390	1,528
Total equity		**18,987**	**19,496**
Non-current liabilities			
Borrowings	24	16,241	17,765
Retirement benefit obligations and similar obligations	25	2,006	2,061
Deferred tax liabilities	26	2,425	2,362
Provisions	27	366	195
Other liabilities	28	54	65
Total non-current liabilities		**21,092**	**22,448**
Current liabilities			
Borrowings	24	6,556	8,213
Trade payables		5,147	4,513
Deposits on returnable packaging		1,159	1,224
Provisions	27	466	561
Corporation tax		187	720
Other liabilities etc.	28	4,856	5,174
Total current liabilities		**18,371**	**20,405**
Liabilities associated with assets held for sale	22	1	10
Total liabilities		**39,464**	**42,863**
Total equity and liabilities		**58,451**	**62,359**

Statement of changes in equity

DKK million								2006
	Shareholders in Carlsberg A/S							
	Share capital	Currency translation	Fair value adjust-ments [1]	Retained earnings	Total reserves	Total capital and reserves	Minority interests	Total equity
Equity at 1 January 2006	1,526	636	1,521	14,285	16,442	17,968	1,528	19,496
Total recognised income and expenses for the year, cf. the statement on page 59	-	-285	-1,541	1,859	33	33	205	238
Capital increase	-	-	-	-	-	-	23	23
Purchase/sale of treasury shares	-	-	-	-16	-16	-16	-	-16
Other	-	-	-	-7	-7	-7	-	-7
Dividends paid to shareholders	-	-	-	-381	-381	-381	-148	-529
Acquisition of minority interests and entities	-	-	-	-	-	-	-218	-218
Total changes in equity	**-**	**-285**	**-1,541**	**1,455**	**-371**	**-371**	**-138**	**-509**
Equity at 31 December 2006	**1,526**	**351**	**-20**	**15,740**	**16,071**	**17,597**	**1,390**	**18,987**
DKK million								2005
Equity at 1 January 2005	1,526	32	-108	13,634	13,558	15,084	1,708	16,792
Total recognised income and expenses for the year, cf. the statement on page 59	-	604	1,629	976	3,209	3,209	431	3,640
Capital increase	-	-	-	-	-	-	8	8
Purchase/sale of treasury shares	-	-	-	55	55	55	-	55
Dividends paid to shareholders	-	-	-	-380	-380	-380	-202	-582
Acquisition of minority interests	-	-	-	-	-	-	-305	-305
Divestment of entities	-	-	-	-	-	-	-112	-112
Total changes in equity	**-**	**604**	**1,629**	**651**	**2,884**	**2,884**	**-180**	**2,704**
Equity at 31 December 2005	**1,526**	**636**	**1,521**	**14,285**	**16,442**	**17,968**	**1,528**	**19,496**

The proposed dividend of DKK 6.00 per share, in total DKK 458m (2005: DKK 5.00 per share, in total DKK 381m), is included in retained earnings at 31 December 2006.

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

Cash flow statement

DKK million	Note	2006	2005
Operating profit before special items		4,046	3,518
Adjustment for depreciation and amortisation		2,953	2,796
Adjustment for impairment		36	-
Operating profit before depreciation, amortisation and impairment		7,035	6,314
Adjustment for other non-cash items	29	-173	-309
Change in working capital	29	389	1,002
Restructuring costs paid		-477	-537
Interest etc. received		186	123
Interest etc. paid		-1,512	-1,235
Corporation tax paid		-978	-624
Cash flow from operating activities		**4,470**	**4,734**
Acquisition of property, plant and equipment, and intangible assets		-3,188	-3,010
Disposal of property, plant and equipment, and intangible assets		305	427
Change in trade loans	29	-200	-32
Total operational investments		-3,083	-2,615
Acquisition and divestment of entities, net	30	18	-738
Acquisition of financial assets [1]		-82	-710
Disposal of financial assets		1,494	2,002
Change in financial receivables [2]	29	1,834	-1,620
Dividends received		70	245
Total financial investments		3,334	-821
Other investments in property, plant and equipment		-371	-176
Disposal of other property, plant and equipment		185	1,258
Total other activities [3]		-186	1,082
Cash flow from investing activities		**65**	**-2,354**
Free cash flow		**4,535**	**2,380**
Shareholders in Carlsberg A/S	29	-397	-325
Minority interests	29	-701	-1,581
External financing	29	-3,592	-84
Cash flow from financing activities		**-4,690**	**-1,990**
Net cash flow		**-155**	**390**
Cash and cash equivalents at 1 January		1,940	1,500
Currency translation adjustments		-77	50
Cash and cash equivalents at 31 December	21	1,708	1,940

[1] Includes payment of DKK 253m for value adjustment of shares in connection with the Asia settlement in 2005.
[2] Includes DKK 1,928m received on the sale of shares in Hite Brewery Co. Ltd. in 2006, and the corresponding receivable in 2005.
[3] Other activities cover real estate and assets under construction, separate from beverage activities, including costs of construction contracts.

Notes

Note 1 Significant accounting estimates and judgements

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

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

Estimation uncertainty

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

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

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

Trademarks

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

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

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

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

Customer lists

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

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

Impairment testing

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

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

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

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

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

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

Deferred tax assets

The Carlsberg 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 822m (2005: DKK 1,005m), of which DKK 431m is expected to be realised within 12 months and DKK 391m 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 670m (2005: DKK 860m) and is not expected to be realised in the foreseeable future.

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

Receivables

Receivables are measured at amortised cost less impairment.

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

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

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

Retirement benefit obligations and similar obligations

When calculating the value of the Carlsberg Group's defined benefit pension plans, a number of significant actuarial assumptions are made, including discount rates, expected return on plan assets and expected growth in wages and pensions. The range and weighted average for these assumptions are presented in note 25. Changes in actuarial assumptions (gains or losses) are recognised directly in equity, and amounted to an accumulated net loss of DKK 180m at 31 December 2006 (2005: DKK 190m).

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

Accounting policies applied

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

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

Business combinations

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

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

Revenue recognition

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

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

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

Loans to the on-trade

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

Recognition of property projects

On entering into a contract, management makes a judgement as to whether the individual property project is of a sufficiently specialised nature to warrant recognition on the basis of the stage of completion. For the majority of these projects, the profit on the sale of the property is recognised when the property is handed over to the buyer.

Revenue from the sale of property projects less cost of construction is recognised net under other operating income, as the sale of property projects is secondary to the Group's brewery activities.

Special items

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

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

Inventories

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies and labour as well as maintenance and depreciation of the machinery, plant and equipment used for production, and costs for plant administration and management. Companies in the Carlsberg Group which use standard costs in the measurement of inventories review these costs at least once a year. The standard cost is also revised if it deviates by more than 5% from the actual cost of the individual product.

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

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale, and is determined taking into account marketability, obsolescence and developments in expected selling price. The calculation of net realisable value is mainly relevant to packing materials, packaging and spare parts. Net realisable value is not normally calculated for beer and soft drinks because their limited shelf-life means that slow-moving goods must instead be scrapped.

Leases and service contracts

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

For leases assessment is subsequently made as to whether the lease is a finance lease or an operating lease. The Carlsberg 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.

Note 2 Segment reporting

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

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

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

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

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

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

DKK million								**2006**
	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Beverages, total	Other	Carlsberg Group, total
Income statement:								
Net revenue	27,221	7,949	3,486	2,298	129	41,083	-	41,083
Internal revenue	86	4	23	1	-114	-	-	-
Total net revenue	**27,307**	**7,953**	**3,509**	**2,299**	**15**	**41,083**	**-**	**41,083**
Distribution	66%	19%	9%	6%	-	100%	-	100%
Segment result	2,416	1,804	100	297	-699	3,918	43	3,961
Share of profit after tax, associates	9	-	35	35	-	79	6	85
Operating profit before special items	**2,425**	**1,804**	**135**	**332**	**-699**	**3,997**	**49**	**4,046**
Special items, net						-160	-	-160
Financials, net						-728	-129	-857
Profit before tax						**3,109**	**-80**	**3,029**
Corporation tax						-920	62	-858
Consolidated profit						**2,189**	**-18**	**2,171**
Balance sheet:								
Segment assets, non-current	17,519	6,872	3,633	2,386	516	30,926	12,043	42,969
Segment assets, current	7,131	1,476	1,338	762	473	11,180	218	11,398
Investments in associates	118	29	124	280	-	551	28	579
Assets held for sale	27	-	40	38	4	109	-	109
Other assets						3,066	330	3,396
Total assets						**45,832**	**12,619**	**58,451**
Segment liabilities, non-current	2,324	11	17	20	1	2,373	53	2,426
Segment liabilities, current	7,637	1,094	1,111	771	673	11,286	342	11,628
Liabilities associated with assets held for sale	1	-	-	-	-	1	-	1
Interest-bearing debt, gross						18,082	4,715	22,797
Other liabilities						1,764	848	2,612
Equity						12,326	6,661	18,987
Total equity and liabilities						**45,832**	**12,619**	**58,451**
Other items:								
Acquisition of property, plant and equipment, and intangible assets	1,328	1,061	514	140	145	3,188	371	3,559
Depreciation and amortisation	1,667	619	396	120	138	2,940	13	2,953
Impairment	295	-	55	-	-	350	-	350

Note 2 Segment reporting – continued

DKK million								2005
	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Beverages, total	Other	Carlsberg Group, total
Income statement:								
Net revenue	26,261	6,565	3,372	1,638	211	38,047	-	38,047
Internal revenue	45	3	20	1	-69	-	-	-
Total net revenue	**26,306**	**6,568**	**3,392**	**1,639**	**142**	**38,047**	**-**	**38,047**
Distribution	69%	17%	9%	4%	1%	100%	-	100%
Segment result	2,010	1,314	282	205	-614	3,197	89	3,286
Share of profit after tax, associates	17	2	20	186	-	225	7	232
Operating profit before special items	**2,027**	**1,316**	**302**	**391**	**-614**	**3,422**	**96**	**3,518**
Special items, net						-636	250	-386
Financials, net						-1,014	-226	-1,240
Profit before tax						**1,772**	**120**	**1,892**
Corporation tax						-519	-2	-521
Consolidated profit						**1,253**	**118**	**1,371**
Balance sheet:								
Segment assets, non-current	18,410	6,313	3,699	4,199	721	33,342	11,651	44,993
Segment assets, current	6,915	1,132	1,346	639	2,498	12,530	26	12,556
Investments in associates	117	32	113	819	-	1,081	24	1,105
Assets held for sale	77	-	2	40	-	119	209	328
Other assets						3,134	243	3,377
Total assets						**50,206**	**12,153**	**62,359**
Segment liabilities, non-current	2,215	26	20	25	-	2,286	35	2,321
Segment liabilities, current	7,424	907	1,092	641	1,019	11,083	389	11,472
Liabilities associated with assets held for sale	10	-	-	-	-	10	-	10
Interest-bearing debt, gross						21,420	4,558	25,978
Other liabilities						2,098	984	3,082
Equity						13,309	6,187	19,496
Total equity and liabilities						**50,206**	**12,153**	**62,359**
Other items:								
Acquisition of property, plant and equipment, and intangible assets	1,562	725	464	107	152	3,010	176	3,186
Depreciation and amortisation	1,694	498	348	107	126	2,773	23	2,796
Impairment	433	-	578	57	105	1,173	-	1,173

Note 3 Cost of sales

DKK million	**2006**	2005
Cost of materials	9,354	8,824
Direct staff costs	1,099	1,338
Machinery costs	754	677
Depreciation and amortisation	1,731	1,666
Production overheads	2,041	1,884
Purchases of finished goods and other costs	5,172	4,490
Total	20,151	18,879
Of which staff costs, cf. note 13	1,986	1,983

Note 4 Sales and distribution expenses

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

Note 5 Fees to auditors appointed by the Annual General Meeting

DKK million	**2006**	2005
KPMG:		
Audit	20	19
Other services	11	4

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

Note 6 Other operating income and expenses

DKK million	**2006**	2005
Other operating income:		
Gains on sale of real estate under other activities	161	176
Gains on sale of real estate within beverage activities	79	126
Gains on disposal of other property, plant and equipment, and intangible assets within beverage activities	66	70
Interest and amortisation of on-trade loans	124	147
Rental income, real estate	106	153
Distributions from brewery organisations	-	6
Compensation for termination of licence agreement	-	31
Funding from the Carlsberg Foundation for the operation of the Carlsberg Laboratory	22	13
Other, incl. grants received	102	154
Total	660	876
Other operating expenses:		
Loss on disposal of other property, plant and equipment, and intangible assets within beverage activities	-46	-77
Losses and provisions for on-trade loans	-30	-55
Real estate expenses	-114	-144
Expenses relating to the Carlsberg Research Center	-88	-94
Other	-115	-95
Total	-393	-465
Of which staff costs, cf. note 13	94	24
Recognised gains on construction contracts comprise:		
Contract revenue for production for the year	130	-
Cost of sales	-100	-
Total	30	-

Gains are recognised under “Gains on sale of real estate under other activitites” and relate to a construction contract for business premises.

Note 7 Special items, net

DKK million	**2006**	2005
Special items, income:		
Gain on sale of shares in Hite Brewery Co. Ltd.	602	1,215
Gain on sale of shares in Danbrew Ltd. A/S	-	14
Gain on disposal of rental activities, Tuborg Nord	-	250
Total	602	1,479
Special items, costs:		
Impairment of goodwill etc., Türk Tuborg	-80	-563
Impairment of goodwill, Carlsberg Italia	-144	-277
Value adjustment for purchase price of shares in Beer Lao and Hite Brewery in connection with settlement of the Carlsberg Asia case	-	-253
Impairment of software at Carlsberg IT A/S	-	-105
Impairments and expenses relating to withdrawal from the market for discount soft drinks in Denmark	-55	-
Other impairments of non-current assets	-12	-67
Loss on disposal of mineral water bottling plant, Passugger, Switzerland	-	-35
Loss on sale of Landskron Brauerei, Germany	-21	-
Loss from outsourcing of Carlsberg UK's servicing of draught beer equipment, reversal of provision	18	-81
Redundancy costs and impairment of non-current assets in connection with new production structure in Denmark	-74	-153
Redundancy costs and impairment of non-current assets in connection with new production structure at Sinebrychoff, Finland	-59	-
Redundancy costs etc. in connection with Operational Excellence programmes	-188	-184
Redundancy costs and expenses, establishment of Accounting Shared Service Center in Poland	-60	-
Restructuring, Carlsberg Italia	-58	-34
Restructuring, BBH	-	-44
Costs associated with the outsourcing of IT	-	-22
Other restructuring costs etc., other entities	-29	-47
Total	-762	-1,865
Special items, net	160	-386

Note 8 Financial income

DKK million	**2006**	2005
Interest	160	117
Dividends	34	12
Fair value adjustments, net	35	35
Currency translation gains, net	58	-
Realised gains on sale of securities	88	45
Expected return on assets, defined benefit plans	333	328
Other financial income	17	11
Total	725	548

Note 9 Financial expenses

DKK million	**2006**	2005
Interest	1,189	1,173
Currency translation losses, net	-	164
Write-down of financial assets	-	16
Interest cost on obligations, defined benefit plans	322	328
Other financial expenses	71	107
Total	1,582	1,788

Interest includes DKK 7m (2005: DKK 0m) related to fair value adjustment of the interest element of fixed-rate borrowings swapped to floating rates.
Other financial expenses consist mainly of payments to establish credit facilities and fees for unutilised drawdowns on these facilities.
Net currency translation losses include losses of DKK 0m (2004: DKK 7m) on monetary net assets in hyperinflationary economies.

Note 10 Corporation tax

DKK million	2006	2005
Tax for the year comprises:		
Current tax on profit for the year	833	812
Change in deferred tax during the year	92	-268
Adjustments to tax for previous years	-127	-103
Total tax for the year	798	441
Deferred tax on items recognised directly in equity	70	80
Tax for the year on items recognised directly in equity	-10	-
Tax on profit for the year	858	521
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	28.0%	28.0%
Change in tax rate	-0.8%	-2.2%
Differences in tax rates, foreign entities	-2.2%	-2.3%
Adjustments to tax for previous years	-4.2%	0.3%
Non-capitalised tax losses, net	11.8%	13.0%
Non-taxable income	-2.6%	-3.4%
Non-deductible expenses	2.4%	4.8%
Tax, associates	-	2.4%
Special items	-6.3%	-14.0%
Other	2.2%	0.9%
Effective tax rate for the year	28.3%	27.5%
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	138	-348
Intangible assets and property, plant and equipment etc.	24	160
Deferred tax recognised in income statement	162	-188

Note 11 Minority interests

DKK million	2006	2005
Minority interests' share of profit for the year relates to the following:		
BBH Group	238	198
Carlsberg Brewery Malaysia Berhad	68	72
Other	-19	-9
Total	287	261

Note 12 Earnings per share

	2006	2005
	DKK million	DKK million
Consolidated profit	2,171	1,371
Minority interests	-287	-261
Shareholders in Carlsberg A/S	1,884	1,110
	1,000	1,000
Average number of shares	76,278	76,278
Average number of treasury shares	-13	-50
Average number of shares in circulation	76,265	76,228
Average dilution effect of outstanding share options	215	66
Diluted average number of shares in circulation	76,480	76,294
	DKK	DKK
Earnings per share of DKK 20 (EPS)	24.7	14.6
Diluted earnings per share of DKK 20 (EPS-D)	24.6	14.6

Note 13 Staff costs and remuneration of the Board of Directors, the Executive Board and other senior executives

DKK million	**2006**	2005
Wages, salaries and other remuneration	5,784	5,908
Termination benefits	116	129
Social security costs	817	835
Pension costs - defined contribution plans	227	245
Pension costs - defined benefit plans	189	221
Share-based payment	10	4
Other benefits	158	144
Total	7,301	7,486
Staff costs are included in the following items in the income statement:		
Cost of sales	1,986	1,983
Sales and distribution expenses	4,016	4,111
Administrative expenses	1,101	1,252
Other operating expenses	94	24
Special items (restructuring)	104	116
Total	7,301	7,486

The Group had an average of 31,680 (2005: 30,492) full-time employees during the year.

Remuneration of key management personnel:

DKK million	**2006**		2005	
	Parent Company's Executive Board	Other senior executives	Parent Company's Executive Board	Other senior executives
Salaries and other remuneration	22	30	19	23
Pension costs	-	2	-	2
Share-based payment [1]	1	1	1	-
Total	23	33	20	25

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

Other senior executives are key personnel outside the Parent Company's Executive Board who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the Group's activities. This group is limited to Senior Vice Presidents and Vice Presidents engaged in Carlsberg's headquarters in Copenhagen, a total of 14 people (2005: 14 people).

The Board of Directors of Carlsberg A/S received emoluments of DKK 6m (2005: DKK 6m). The Board of Directors is not included in share option programmes, pension plans and other schemes; no agreements have been entered into concerning termination benefits and no such payments were made.

Note 14 Share-based payment

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

In 2006, a total of 220,250 (2005: 201,250) share options were granted to 152 (2005: 133) key employees. The fair value of these options when granted was a total of DKK 20m (2005: DKK 15m). Each option entitles the holder to purchase one B-share in Carlsberg A/S. The options may be settled only in shares (equity-settled scheme). The Carlsberg Group has not purchased significant numbers of treasury shares to meet this obligation.

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

The total cost of share-based payment was DKK 10m (2005: DKK 4m), which has been recognised in the income statement and is included in staff costs.

	Exercise period		Number					Exercise price	Fair value	
Year granted	First year	Last year	1 Jan. 2006	Granted	Expired/ forfeited	Exercised	31 Dec. 2006	Fixed	31 Dec. 2006	31 Dec. 2005
Executive Board										
2001	2004	2009	14,700	-	-	-	14,700	386.54	3	-
2002	2005	2010	14,700	-	-	-	14,700	323.82	4	1
2003	2006	2011	21,000	-	-	-	21,000	214.47	7	3
2004	2007	2012	26,250	-	-	-	26,250	268.39	8	2
2005	2008	2013	25,000	-	-	-	25,000	288.29	7	2
2006	2009	2014	-	30,000	-	-	30,000	380.18	7	-
Total			101,650	30,000	-	-	131,650		36	8
Other senior executives										
2001	2004	2009	64,575	-	-	15,750	48,825	386.54	9	-
2002	2005	2010	61,425	-	150	23,325	37,950	323.82	9	3
2003	2006	2011	72,450	-	-	30,775	41,675	214.47	15	9
2004	2007	2012	154,350	-	4,550	15,400	134,400	268.39	41	14
2005	2008	2013	172,000	-	14,667	10,833	146,500	288.29	43	15
2006	2009	2014	-	190,250	6,500	-	183,750	380.18	42	-
Total			524,800	190,250	25,867	96,083	593,100		159	41
Total			626,450	220,250	25,867	96,083	724,750		195	49

	2006				2005			
	Executive Board	Others	Total	Average exercise price	Executive Board	Others	Total	Average exercise price
Share options outstanding at 1 January	101,650	524,800	626,450	288.29	76,650	385,088	461,738	286.53
Granted	30,000	190,250	220,250	380.18	25,000	176,250	201,250	288.29
Expired/forfeited	-	-25,867	-25,867	308.09	-	-22,855	-22,855	271.74
Exercised	-	-96,083	-96,083	286.79	-	-13,683	-13,683	256.57
Share options outstanding at 31 December	131,650	593,100	724,750	315.79	101,650	524,800	626,450	288.29
Exercisable at 31 December	50,400	128,450	178,850	307.78	29,400	126,000	155,400	355.82
Exercised options as % of share capital	0.00%	0.09%	0.09%		0.00%	0.01%	0.01%	

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

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

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

Note 14 Share-based payment – continued

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

	2006	2005
Fair value per option	89.37	74.27
Share price	380.18	288.29
Exercise price	380.18	288.29
Volatility	19%	27%
Risk-free interest rate	3.3%	3.1%
Dividend yield	1.3%	1.7%
Expected life of share options	5.5 years	5.5 years

The share price and the exercise price are calculated as the average price of Carlsberg A/S' B-shares on the OMX Copenhagen Stock Exchange the first five trading days after the publication of Carlsberg A/S' announcement of the annual financial statements following the granting of the options.

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

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

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

Note 15 Intangible assets

DKK million					**2006**
	Goodwill	Trademarks [1]	Other intangible assets [2]	Advance payments	Total
Cost:					
Cost at 1 January 2006	16,614	3,843	1,406	54	21,917
Acquisition of entities	456	69	21	-	546
Additions	374	-	112	101	587
Divestment of entities	-	-	-4	-	-4
Disposals	-385	-	-56	-	-441
Currency translation adjustments etc.	-120	-10	-16	-	-146
Transfers	-	-	6	-6	-
Cost at 31 December 2006	16,939	3,902	1,469	149	22,459
Amortisation and impairment					
Amortisation and impairment at 1 January 2006	275	74	896	-	1,245
Amortisation	-	16	240	-	256
Impairment	96	16	-	-	112
Divestment of entities	-	-	-3	-	-3
Disposals	-385	-	-48	-	-433
Currency translation adjustments etc.	18	-2	-13	-	3
Amortisation and impairment at 31 December 2006	4	104	1,072	-	1,180
Carrying amount at 31 December 2006	16,935	3,798	397	149	21,279

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

Note 15 Intangible assets – continued

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

Additions to goodwill during the year can be specified as follows:

DKK million	**2006**	2005
Acquisition of minority shareholdings:		
BBH Group	348	1,084
Carlsberg Brewery Hong Kong	-	173
Carlsberg Brewery Malaysia Berhad	-	21
Carlsberg Polska	-	43
Carlsberg Deutschland	26	-
Others	-	20
	374	1,341
Acquisition of entities, cf. note 30	456	417
Total	830	1,758

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

[1] The carrying amount of trademarks which have an indefinite useful life and are therefore not amortised was DKK 3,654m (2005: DKK 3,670m) at 31 December 2006, equivalent to 96% (2005: 97%) of the capitalised trademarks – primarily the Carlsberg, Tuborg and Holsten trademarks. Management considers that the value of these trademarks can be maintained for an indefinite period, as these are well-established trademarks in the markets in question and these markets are expected to be profitable in the longer term. In the opinion of management, there is only a minimal risk of the current situation in the markets in question reducing the useful life of these trademarks. This is primarily due to their respective market share in each market and to current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

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

Research and development costs of DKK 105m (2005: DKK 116m) have been charged to the income statement.

Note 15 Intangible assets – continued

Goodwill and trademarks with an indefinite useful life

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

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

DKK million				**2006**
	Goodwill	Trademarks	Total	%
Western Europe	4,195	652	4,847	24
BBH Group (50%)	1,946	-	1,946	9
Eastern Europe excl. BBH	1,143	2	1,145	6
Asia	1,444	-	1,444	7
Carlsberg Breweries A/S [1]	8,207	3,000	11,207	54
Total	16,935	3,654	20,589	100

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

[1] Relates to Carlsberg A/S' acquisition of the minority holding in Carlsberg Breweries A/S in 2004.

General assumptions:

Other than goodwill and trademarks relating to acquisition of the 40% minority holding in Carlsberg Breweries A/S, at 31 December 2006 there was no goodwill linked to cash-generating units equal to 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life.

The Carlsberg Group performed impairment tests on the carrying amount of goodwill and trademarks with an indefinite useful life as at 31 December 2006. Impairment tests are performed in the 4th quarter each year, based on the budgets and business plans approved by the Board of Directors and the Executive Board, and other assumptions.

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

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

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

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

The discount rates applied in calculating the recoverable amounts are before tax, and reflect the risk-free interest plus specific risks in the individual geographical segments. The effect of the future risks associated with this is incorporated in the cash flows used, which is why these risks are not included in the discount rates used.

Note 15 Intangible assets – continued

Significant assumptions:

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

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

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

Eastern Europe excl. BBH is among the Group's growth markets, with increases expected in both net revenue and operating margin. The Group's Excellence programmes and product innovation are expected to contribute to improved earnings, while free cash flow in the coming years will continue to be influenced by a high level of investment.

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

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

DKK million	**2006**	2005
Türk Tuborg	-	446
Carlsberg Italia	94	277
Others	18	14
Total	112	737

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

Impairment is recognised under special items in the income statement and is included in the segments Eastern Europe excl. BBH (Türk Tuborg) and Western Europe (Carlsberg Italia).

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

Note 16 Property, plant and equipment

DKK million					2006
	Land and buildings	Plant, machinery and equipment	Other assets, vehicles etc. [1]	Construction in progress	Total
Cost:					
Cost at 1 January 2006	12,660	21,982	8,509	1,214	44,365
Acquisition of entities	43	93	14	1	151
Divestment of entities	-38	-121	-40	-	-199
Additions	260	1,002	799	1,185	3,246
Disposals	-224	-899	-1,078	-6	-2,207
Currency translation adjustments etc.	-168	-383	-167	-13	-731
Transfers	217	401	229	-826	21
Transfers to/from assets held for sale	88	-	-	27	115
Cost at 31 December 2006	12,838	22,075	8,266	1,582	44,761
Depreciation and impairment					
Depreciation and impairment at 1 January 2006	4,375	13,700	5,935	-	24,010
Divestment of entities	-22	-70	-34	-	-126
Disposals	-87	-902	-975	-	-1,964
Currency translation adjustments etc.	-105	-252	-119	-	-476
Depreciation	372	1,415	910	-	2,697
Impairment	55	153	30	-	238
Reversal of impairment	-22	-	-	-	-22
Transfers	-7	-46	74	-	21
Transfers to/from assets held for sale	16	-	-	-	16
Depreciation and impairment at 31 December 2006	4,575	13,998	5,821	-	24,394
Carrying amount at 31 December 2006	8,263	8,077	2,445	1,582	20,367
Of which held under finance leases: [2]					
Cost	10	132	66	-	208
Depreciation and impairment	-2	-60	-49	-	-111
Carrying amount at 31 December 2006	8	72	17	-	97
Carrying amount of assets pledged as security for borrowings	1,693	63	-	-	1,756

DKK million	2006	2005
Depreciation and impairment are included in:		
Cost of sales	1,725	1,661
Sales and distribution expenses	856	709
Administrative expenses	152	184
Special items	202	209
Total	2,935	2,763

Note 16 Property, plant and equipment – continued

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

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

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

Note 17 Investments in associates

DKK million	**2006**	2005
Cost:		
Cost at 1 January	1,061	1,407
Acquisition of entities	11	400
Additions	5	692
Disposals	-66	-855
Currency translation adjustments etc.	-44	223
Transfers to assets held for sale	-	-41
Transfers to securities	-	-755
Transfers incl. advance payments in connection with business combinations	-532	-10
Cost at 31 December	435	1,061
Revaluation:		
Revaluation at 1 January	44	343
Disposals	66	-546
Dividends	-36	-79
Share of profit after tax	85	232
Currency translation adjustments etc.	-7	84
Transfers	-8	10
Revaluation at 31 December	144	44
Carrying amount at 31 December	579	1,105

DKK million							**2006**
					Carlsberg Group share		
	Net revenue	Net profit for the year	Assets	Liabilities	Holding	Net profit for the year	Equity
Key figures for associates:							
Tibet Lhasa Brewery Co. Ltd.	138	38	336	17	33%	13	117
Lanzhou Huanghe Jianjiang Brewery Company	299	22	336	144	30%	7	61
Other associates, Asia (4 entities)	226	26	268	121	30-49%	12	66
International Breweries BV	416	67	562	471	16%	8	36
Nuuk Imeq A/S	140	20	264	88	31.9%	10	28
Others	2,182	118	2,577	1,964	20-25%	35	271
						85	579

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

[1] The sale of shares in Hite Brewery Co. Ltd. reduced the holding to 13.1%, as a result of which the remaining shares were transferred to securities. The shares were sold in 2006.

[2] Lao Brewery has been recognised as a proportionally consolidated entity with effect from 1 November 2005 following the acquisition of an additional 25% holding.

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

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

Note 18 Securities

DKK million	2006	2005
Securities are classified in the balance sheet as follows:		
Non-current assets	170	2,710
Current assets	8	109
Total	178	2,819
Types of security:		
Listed shares	-	2,632
Unlisted shares	178	187
Total	178	2,819

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

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

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

Shares in unlisted entities were sold during the year at a gain of DKK 61m (2005: DKK 40m), which is included in financial income. The carrying amount at the time of sale was DKK 0m (2005: DKK 9m).

Note 19 Receivables

DKK million	2006	2005
Receivables are included in the balance sheet as follows:		
Trade receivables	6,108	5,979
Other receivables	1,145	3,015
Total current receivables	7,253	8,994
Non-current receivables	1,139	1,235
Total	8,392	10,229

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

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

Non-current receivables consist mainly of on-trade loans falling due more than one year from the balance sheet date, of which DKK 122m (2005: DKK 259m) falls due more than five years from the balance sheet date.

DKK million	2006	2005
Receivables by origin:		
Receivables from the sale of goods and services	5,437	5,417
On-trade loans	1,711	1,712
Loans to associates	221	209
Receivables from construction contracts (contract revenue)	130	-
Fair value of hedging instruments	36	24
Other receivables	857	2,867
Total	8,392	10,229

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

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

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

On-trade loans are carried at amortised cost. Discounting cash flows using the interest rates ruling on the balance sheet date gives these loans a fair value of DKK 1,806m (2005: DKK 1,790m). For other receivables, the carrying amount essentially corresponds to fair value.

Note 19 Receivables – continued

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

Note 20 Inventories

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

Note 21 Cash and cash equivalents

DKK million	2006	2005
Cash at bank and in hand	2,487	2,235
Readily convertible securities with a maturity of less than three months	3	5
Total	2,490	2,240
In the cash flow statement, bank overdrafts are offset against cash as follows:		
Cash and cash equivalents	2,490	2,240
Bank overdrafts	-782	-300
Cash and cash equivalents, net	1,708	1,940
Of which pledged as security	210	313

Short-term bank deposits amounted to DKK 1,676m (2005: DKK 1,495m). The average interest rate on these deposits was 5.5% (2005: 5.1%), and the average duration was 72 days (2005: 67 days).

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

Note 22 Assets held for sale and associated liabilities

DKK million	2006	2005
Assets held for sale comprise the following:		
Individual assets:		
Property, plant and equipment	72	284
Financial assets	37	42
Deferred tax assets	-	2
Total	109	328
Liabilities associated with assets held for sale:		
Deferred tax liabilities	1	10
Total	1	10

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

The selling price is expected to exceed the carrying amount of assets held for sale, and so no impairments have been charged to the income statement. A previous impairment loss on a property which has been transferred to assets held for sale was reversed in 2006. This involved an amount of DKK 22m and is recognised under special items in the income statement, as the original impairment loss on the property was recognised under special items in 2004.

Assets (properties) which no longer fulfil the criteria for classification as assets held for sale have been transferred to property, plant and equipment in 2006, as a result of ongoing sales negotiations not proceeding as expected. This involves an amount of DKK 115m and has impacted on the income statement by a total of DKK 2m in depreciation.

Gains on the sale of assets held for sale are recognised in the income statement under other operating income. The gains taken up as income essentially relate to disposal of depots and real estate, and total DKK 117m (2005: DKK 99m).

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

Note 23 Share capital

	A-shares		B-shares		Total	
	Shares of DKK 20	Nominal value, DKK million	Shares of DKK 20	Nominal value, DKK million	Shares of DKK 20	Nominal value, DKK million
1 January 2005	33,699,252	674	42,579,151	852	76,278,403	1,526
No change in 2005						
31 December 2005	33,699,252	674	42,579,151	852	76,278,403	1,526
No change in 2006						
31 December 2006	33,699,252	674	42,579,151	852	76,278,403	1,526

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

	Treasury shares		
	Shares of DKK 20	Nominal value, DKK million	Percentage of share capital
1 January 2005	200,000	4	0.3
Purchase of treasury shares	8,600	0	0.0
Sale of treasury shares	-208,433	-4	-0.3
31 December 2005	167	0	0.0
Purchase of treasury shares	105,000	2	0.1
Sale of treasury shares	-97,659	-2	-0.1
31 December 2006	7,508	0	0.0

The fair value of treasury shares at 31 December 2006 was DKK 4m (2005: DKK 0m).

Note 24 Borrowings

DKK million	**2006**	2005
Non-current borrowings:		
Issued bonds	7,452	11,266
Mortgages	939	975
Bank borrowings	7,266	4,756
Finance lease liabilities	60	94
Other non-current borrowings	524	674
Total	16,241	17,765
Current borrowings:		
Issued bonds	3,873	-
Current portion of non-current borrowings	356	612
Bank borrowings	1,414	3,037
Finance lease liabilities	27	40
Other current borrowings	886	4,524
Total	6,556	8,213
Total non-current and current borrowings	22,797	25,978
Fair value	23,035	26,613

All borrowings are measured at amortised cost. However, the interest element of the fixed-rate borrowings swapped to floating rates is measured at fair value, and the carrying amount of the loans is DKK 363m.

Note 24 Borrowings – continued

Time to maturity of non-current borrowings:

DKK million						2006
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	-	2,492	-	2,737	2,223	7,452
Mortgages	30	31	226	30	622	939
Bank borrowings	284	2,856	85	1,201	2,840	7,266
Finance lease liabilities	30	18	9	3	-	60
Other non-current borrowings	329	1	182	-	12	524
Total	673	5,398	502	3,971	5,697	16,241

DKK million						2005
Issued bonds	3,943	-	2,489	-	4,834	11,266
Mortgages	34	43	235	35	628	975
Bank borrowings	467	43	31	4,210	5	4,756
Finance lease liabilities	86	8	-	-	-	94
Other non-current borrowings	19	328	-	327	-	674
Total	4,549	422	2,755	4,572	5,467	17,765

Interest rate risk at 31 December 2006:

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
GBP 250m maturing 12 December 2011 [1]	Fixed	6.63%	4-5 years	2,737	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	> 5 years	2,223	Fair value
EUR 500m maturing 5 July 2007	Fixed	5.63%	0-1 year	3,763	Fair value
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	2-3 years	2,492	Fair value
RUB 1bn maturing 20 November 2007	Fixed	8.75%	0-1 year	110	Fair value
Total	Fixed	6.00%		11,325	

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

Mortgages	Interest rate risk	Average effective interest rate	Carrying amount	Time to maturity from balance sheet date				
				1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Floating rate [2]	Cash flow	3.23%	363	-	-	-	-	363
Fixed rate	Fair value	5.21%	576	30	31	226	30	259
Total		4.44%	939	30	31	226	30	622

[2] This concerns two mortgages with a time to maturity of more than five years. The loans were originally at fixed rates but were swapped to floating rates. The loans are adjusted to fair value in the income statement. The total fair value adjustment of loans and swaps is 0 (DKK 2m and DKK -2m respectively).

The interest rates on the floating-rate loans were set at 4.06% in January 2007.

Currency profile of borrowings before and after derivatives			Next interest rate fixing (of principal before currency swaps)					
	Original principal	After swap	2007	2008	2009	2010	2011	2012-
CHF	1,816	2,214	421	3	1,392	-	-	-
DKK	5,050	3,861	1,619	30	2,523	226	30	622
EUR	8,160	11,103	4,159	208	13	3,766	-	14
GBP	5,270	1,802	310	-	-	-	2,737	2,223
NOK	548	714	548	-	-	-	-	-
PLN	737	1,340	721	2	2	2	2	8
RUB	144	144	144	-	-	-	-	-
SEK	117	-6	117	-	-	-	-	-
TRY	103	103	103	-	-	-	-	-
USD	492	1,059	437	55	-	-	-	-
Others	360	463	360	-	-	-	-	-
Total	22,797	22,797	8,939	298	3,930	3,994	2,769	2,867

Note 24 Borrowings – continued

Interest rate risk at 31 December 2005:

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
GBP 250m maturing 12 December 2011 [3]	Fixed	6.63%	> 5 years	2,665	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	> 5 years	2,170	Fair value
EUR 500m maturing 5 July 2007	Fixed	5.63%	1-2 years	3,832	Fair value
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	3-4 years	2,489	Fair value
RUB 1bn maturing 20 November 2007	Fixed	8.75%	1-2 years	110	Fair value
Total	Fixed	6.00%		11,266	

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

Mortgages	Interest rate risk	Average effective interest rate	Carrying amount	Time to maturity from balance sheet date				
				1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Floating rate	Cash flow	2.67%	308	-	-	-	-	308
Fixed rate	Fair value	5.21%	667	34	43	34	236	320
Total		4.41%	975	34	43	34	236	628

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

Currency profile of borrowings before and after derivatives	Original principal	After swap	Next interest rate fixing (of principal before currency swaps) 2006	2007	2008	2009	2010	2011-
CHF	1,445	2,248	3	3	3	1,436	-	-
DKK	7,421	6,297	4,467	28	30	2,523	53	320
EUR	7,226	8,526	3,376	-	5	-	3,845	-
GBP	4,835	2,104	-	-	-	-	-	4,835
NOK	521	691	521	-	-	-	-	-
PLN	559	554	546	2	2	2	1	6
RUB	158	612	48	110	-	-	-	-
SEK	63	214	63	-	-	-	-	-
USD	3,314	2,541	3,224	46	-	31	13	-
Others	150	2,191	112	-	38	-	-	-
Total	25,692	25,978	12,360	189	78	3,992	3,912	5,161

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

Note 25 Retirement benefit obligations and similar obligations

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

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

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

In Germany, Sweden, Italy and some other countries, the obligations are unfunded. These plans account for 16% (2005: 14%) of the total gross obligations.

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

DKK million	**2006**	2005
Defined benefit plans are presented in the balance sheet as follows:		
Retirement benefit obligations and similar obligations	2,006	2,061
Retirement benefit net assets	14	21
Net obligations	1,992	2,040
Specification of net obligations:		
Present value of funded plans	6,841	6,940
Fair value of plan assets	-6,334	-6,105
Net obligation for funded plans	507	835
Present value of unfunded plans	1,293	1,125
Assets not recognised due to asset ceiling	192	80
Net obligations recognised	1,992	2,040
Specification of total obligations:		
Present value of funded plans	6,841	6,940
Present value of unfunded plans	1,293	1,125
Total obligations	8,134	8,065
Movements in obligations:		
Total obligations at 1 January	8,065	7,433
Current service cost	200	221
Interest cost	322	328
Actuarial losses	113	418
Benefits paid	-473	-444
Curtailments and settlements	-11	-
Additions due to acquisition of entities	4	1
Currency translation adjustment etc.	-86	108
Total obligations at 31 December	8,134	8,065
Movements in plan assets:		
Fair value of assets at 1 January	6,105	5,604
Expected return	333	328
Actuarial gains	123	264
Contributions to plans	238	203
Benefits paid	-380	-358
Assets distributed on settlements	-	-16
Currency translation adjustment etc.	-85	80
Fair value of assets at 31 December	6,334	6,105

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

The actual return on plan assets was as follows:		
Expected return	333	328
Actuarial gains	123	264
Actual return	456	592

Note 25 Retirement benefit obligations and similar obligations – continued

Breakdown of plan assets:

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

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

Assumptions applied:

%	2006		2005	
	Range	Weighted average	Range	Weighted average
Discount rate	2.0-5.7	4.2	2.0-5.5	4.1
Expected return on plan assets	4.3-7.0	5.4	4.3-8.5	5.9
Future salary increases	1.5-5.0	2.8	1.5-4.0	2.4
Future pension increases	0.5-3.5	2.0	0.5-3.5	1.8

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

DKK million	2006	2005
Recognised in income statement:		
Current service cost	200	221
Expected return on plan assets	-333	-328
Interest cost on obligations	322	328
Gain on curtailments and settlements	-11	-
Total recognised in income statement	178	221
The cost is presented in the income statement as follows:		
Cost of sales	43	48
Sales and distribution expenses	120	136
Administrative expenses	26	34
Special items (restructuring)	-	3
Total staff costs, cf. note 13	189	221
Financial income	-333	-328
Financial expenses	322	328
Total	178	221
Recognised in equity:		
Recognised at 1 January	-195	-22
Actuarial gains/losses during the period	10	-154
Effect of asset ceiling	-115	-20
Currency translation adjustment, foreign entities	-	1
Total recognised in equity during the period	-105	-173
Recognised at 31 December	-300	-195
Of which accumulated actuarial gains/losses	-180	-190

DKK million	2006	2005	2004
Five-year overview (from 1 January 2004):			
Obligations	8,134	8,065	7,433
Plan assets	-6,334	-6,105	-5,604
Underfunding	1,800	1,960	1,829
Experience adjustments to obligations	-57	-97	-26
Experience adjustments to plan assets	123	242	-22

Note 26 Deferred tax assets and deferred tax liabilities

DKK million	**2006**	2005
Deferred tax at 1 January, net	1,357	1,467
Currency translation adjustments	-44	3
Adjustments to previous years	191	163
Additions due to acquisition of entities, net	8	1
Recognised in equity	-70	-80
Recognised in income statement	162	-188
	1,604	1,366
Of which transferred to assets held for sale	-1	-9
Deferred tax at 31 December, net	1,603	1,357
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	2,425	2,362
Deferred tax assets	822	1,005
Deferred tax at 31 December, net	1,603	1,357

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

	Deferred tax assets		Deferred tax liabilities	
DKK million	**2006**	2005	**2006**	2005
Intangible assets	143	30	1,298	1,222
Property, plant and equipment	175	131	1,732	1,702
Current assets	94	138	60	27
Provisions and retirement benefit obligations	504	424	81	39
Fair value adjustments	53	25	74	73
Tax losses etc.	915	1,057	243	108
Total before netting	1,884	1,805	3,488	3,171
Netting	-1,062	-799	-1,062	-799
Total after netting	822	1,006	2,426	2,372
Transferred to assets held for sale	-	-1	-1	-10
Deferred tax at 31 December, net	822	1,005	2,425	2,362
Expected to be recovered as follows:				
Within 12 months of balance sheet date	431	176	187	189
More than 12 months after balance sheet date	391	829	2,238	2,173
Total	822	1,005	2,425	2,362

Of the total deferred tax assets recognised, DKK 605m (2005: DKK 617m) is tax loss carryforward, utilisation of which depends on future positive taxable income over and above the settlement of deferred tax liabilities, where the individual companies reported losses in either 2005 or 2006.

Tax assets of DKK 670m (2005: DKK 860m) were not recognised. These relate primarily to tax losses which are not expected to be utilised in the foreseeable future. Some of these tax losses expire in the period from 2007 to 2011.

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

Deferred tax of DKK 78m (2005: 56m) has been recognised in respect of earnings in the BBH Group which are intended for distribution in the short term, as tax of 5% is payable on distributions. For other subsidiaries where the same applies, any distribution of earnings will not entail a significant tax liability based on current tax legislation.

Note 27 Provisions

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

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

Other provisions totalling DKK 505m (2005: DKK 377m) relate primarily to provisions for losses in connection with Carlsberg UK's outsourcing of the servicing of draught beer equipment, a lawsuit at Türk Tuborg concerning beer excise duties withheld, warranty obligations, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

DKK million			**2006**
	Restructuring	Other	Total
Provisions at 1 January	379	377	756
Additions during the year	288	198	486
Utilisation during the year	-333	-36	-369
Reversals of unused provisions	-17	-59	-76
Acquisition of entities	-	8	8
Transfers	-3	35	32
Changes in discount rate	-	8	8
Currency translation adjustments etc.	13	-26	-13
Provisions at 31 December	327	505	832
Provisions are presented in the balance sheet as follows:			
Non-current provisions	129	237	366
Current provisions	198	268	466
Total	327	505	832

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

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

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

Note 28 Other liabilities etc.

DKK million	2006	2005
Other liabilities are presented in the balance sheet as follows:		
Non-current liabilities	54	65
Current liabilities	4,856	5,174
Total	4,910	5,239
Other liabilities by origin:		
Duties and VAT payable	1,845	1,726
Staff costs payable	1,039	1,003
Interest payable	337	526
Fair value of hedging instruments	362	605
Liabilities related to the acquisition of entities	112	118
Amounts owed to associates	5	6
Deferred income	113	105
Other accrued expenses etc.	1,097	1,150
Total	4,910	5,239

Note 29 Cash flows

DKK million	2006	2005
Adjustment for other non-cash items:		
Share of profit after tax, associates	-85	-232
Gains on disposal of property, plant and equipment, and intangible assets, net	-260	-291
Amortisation of on-trade loans etc.	172	214
Total	-173	-309
Change in working capital:		
Inventories	-288	93
Receivables	-142	350
Trade payables and other liabilities	863	288
Retirement benefit obligations and other provisions related to operating activities before special items	-39	208
Adjustment for unrealised foreign exchange gains/losses	-5	63
Total	389	1,002
Change in trade loans:		
Loans provided	-735	-707
Repayments	535	675
Total	-200	-32
Change in financial receivables:		
Loans and other receivables	-213	-2,025
Repayments	2,047	405
Total	1,834	-1,620
Shareholders in Carlsberg A/S:		
Dividends to shareholders	-381	-380
Purchase of treasury shares	-44	-
Sale of treasury shares	28	55
Total	-397	-325
Minority interests:		
Acquisition of minority interests	-576	-1,387
Minority interests' share of capital increase in subsidiaries	23	8
Dividends to minority interests	-148	-202
Total	-701	-1,581
External financing:		
Proceeds from borrowings	4,859	4,258
Repayment of borrowings	-8,501	-4,581
Current borrowings, net	111	260
Repayment of finance lease liabilities	-61	-21
Total	-3,592	-84

Note 30 Acquisition and divestment of entities

DKK million **2006**

Acquisition of entities

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

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

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

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

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

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

Note 30 Acquisition and divestment of entities – continued

Others

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

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

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

Acquisition of entities after the balance sheet date

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

DKK million | 2005

Acquisition of entities

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

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

Göttsche Getränke Gruppe

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

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

Note 30 Acquisition and divestment of entities – continued

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

Goodwill represents expected synergies and the expected increase in growth in Laos.

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

Divestment of entities

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

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

Acquisition and divestment of entities, net

Acquisition, cash outflow	-17	-758
Divestment, cash inflow	35	20
Net	18	-738

Note 31 Specification of invested capital

Invested capital is calculated as follows:

DKK million	**2006**	2005
Total assets	58,451	62,359
Less:		
Deferred tax assets	-822	-1,005
Current loans to associates	-221	-199
Interest receivable, fair value of hedging instruments and financial receivables	-36	-1,959
Securities (current and non-current)	-178	-2,819
Cash and cash equivalents	-2,490	-2,240
Assets held for sale	-109	-328
Total assets included	54,595	53,809
Trade payables	-5,147	-4,513
Deposits on returnable packaging	-1,159	-1,224
Provisions, excluding restructuring	-505	-377
Corporation tax	-187	-720
Deferred income	-113	-105
Liabilities related to finance leases, included in borrowings	-87	-134
Other liabilities, excluding interest payable and fair value of hedging instruments	-4,237	-4,003
Total liabilities offset	-11,435	-11,076
Total invested capital	43,160	42,733

Note 32 Specification of net interest-bearing debt

DKK million	**2006**	2005
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	16,241	17,765
Current borrowings	6,556	8,213
Gross interest-bearing debt	22,797	25,978
Cash and cash equivalents	-2,490	-2,240
Loans to associates	-221	-209
On-trade loans	-1,711	-1,712
Less non-interest-bearing portion	927	977
Other receivables	-857	-2,867
Less non-interest-bearing portion	784	826
Net interest-bearing debt	19,229	20,753
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	20,753	21,733
Cash flow from operating activities	-4,470	-4,734
Cash flow from investing activities	-65	2,354
Dividends to shareholders and minority interests	529	582
Acquisition of minority interests	576	1,387
Purchase/sale of treasury shares	16	-55
Additions due to acquisition of entities, net	146	238
Change in interest-bearing lending	1,832	-1,375
Currency translation effects	-272	734
Other	184	-111
Total change	-1,524	-980
Net interest-bearing debt at 31 December	19,229	20,753

Note 33 Investments in proportionally consolidated entities

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

DKK million	**2006**	2005
Net revenue	9,990	7,992
Total costs	-7,882	-6,468
Operating profit before special items	2,108	1,524
Consolidated profit	1,444	919
Non-current assets	8,877	7,534
Current assets	3,313	2,579
Non-current liabilities	-4,090	-1,542
Current liabilities	-2,783	-4,139
Net assets	5,317	4,432
Free cash flow	760	911
Net cash flow	330	486
Cash and cash equivalents at end of period	1,085	802
Contingent liabilities	682	590
Capital commitments	646	-

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

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

Note 34 Financial risks

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

Foreign exchange risk

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

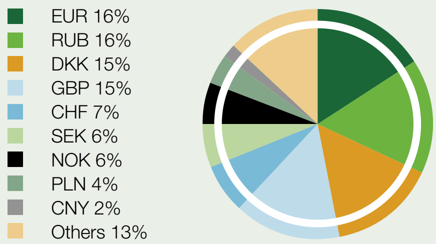
Impact of exchange rates on operating profit

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

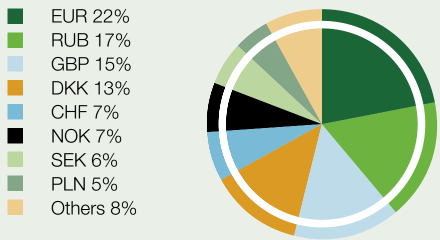
The Carlsberg Group has chosen not to hedge revenue or earnings in foreign currencies, but does in certain cases hedge dividends received in foreign currencies.

Carlsberg is exposed to transaction risks to a lesser degree. It is therefore Group policy to hedge future contractual cash flows in foreign currency for a one-year period. However, transactions between countries are limited in Carlsberg and so the hedging of projected cash flows in foreign currency is also limited. An exception here is the purchase of certain raw materials, which is described in greater detail in the section on raw material risk.

Distribution of net revenue 2006



Distribution of net revenue 2005



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

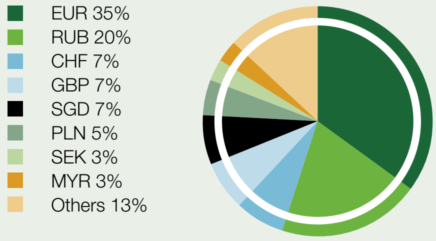
Impact of exchange rates on balance sheet and equity

Carlsberg holds a number of investments in foreign entities, where the translation of equity to DKK is exposed to foreign exchange risks. The Group hedges part of this foreign exchange exposure by taking up borrowings denominated in the relevant currencies or by entering into forward exchange contracts. This applies to net investments in NOK, CHF, GBP, SEK, EUR, RUB, PLN and MYR. The last of these is a proxy hedge, i.e. with USD being sold forward. There is a strong correlation in fluctuations between the USD and MYR.

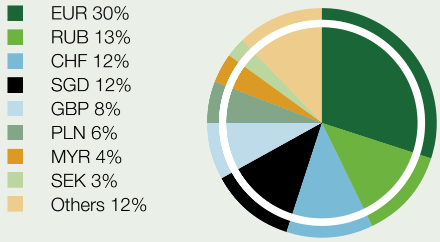
Note 34 Financial risks – continued

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

Equity 2006



Equity 2005



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

All amounts in DKK million

2006	Carlsberg's share of net investment in foreign subsidiary	Minorities' share	Currency translation adjustment for the year recognised in equity	Hedging of net investment	Fair value adjustment of hedging instruments for the year recognised in equity	Net risk with respect to foreign currency	Net impact recognised in equity	Net impact on minorities' share	Net impact on Carlsberg's share
RUB	5,588	697	-149	-838	5	5,447	-144	-	-144
EUR	9,623	13	-2	-6,694	-8	2,942	-10	-	-10
CHF	1,959	-	-75	-1,392	55	567	-20	-	-20
GBP	1,868	-	37	-1,443	-37	425	-	-	-
SGD	1,847	-	-86	-	-	1,847	-86	-	-86
PLN	1,377	-	11	-335	2	1,042	13	-	13
SEK	956	-	16	-590	9	366	25	-	25
MYR	890	375	-60	-679	64	586	4	-20	24
NOK	712	-	-21	-661	18	51	-3	-	-3
LAK	441	-	-13	-	-	441	-13	-	-13
CSD	412	-	23	-	-	412	23	-	23
Others	2,193	305	-225	-	86	2,498	-139	-52	-87
Total	27,866	1,390	-544		194		-350	-72	-278
2005									
RUB	3,047	767	486	-228	-5	3,586	481	65	416
EUR	7,234	63	20	-6,694	-14	603	6	-	6
CHF	2,832	-	-12	-2,399	18	433	6	-	6
GBP	1,886	-	70	-2,047	-76	-161	-6	-	-6
SGD	2,817	-	-48	-	-	2,817	-48	-	-48
PLN	1,502	-	80	-	-	1,502	80	-	80
SEK	728	-	-33	-568	25	160	-8	-	-8
MYR	944	406	179	-759	-116	591	63	55	8
NOK	624	-	25	-486	-35	138	-10	-	-10
LAK	435	-	12	-	-	435	12	-	12
CSD	254	-	-20	-	-	254	-20	-	-20
Others	1,992	292	469	-	-86	2,284	383	12	371
Total	24,295	1,528	1,228		-289		939	132	807

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

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

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

Note 34 Financial risks – continued

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

Interest rate risk

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

The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2006 gross debt (non-current and current borrowings) amounted to DKK 22,797m (2005: DKK 25,978m). After deducting cash and cash equivalents, net debt is DKK 20,307m (2005: DKK 23,738m), a reduction of DKK 3,431m.

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

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

At the end of the year 70% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2005: 66%). A fall in interest rates will increase the fair value of the debt but only part of this increase will be reflected in the income statement and equity. This is because fixed-rate non-current borrowings are stated at amortised cost and are therefore not adjusted to fair value. It is assessed that an interest rate rise of 1 percentage point would lead to an increase in interest costs of DKK 60m (2005: DKK 66m). Carlsberg's exposure to an increase in short-term interest rates is primarily in EUR and DKK, and secondarily in PLN and NOK. The table below shows the breakdown of currencies and interest rate fixing for the net debt.

Net debt before swaps		Next interest rate fixing					
		2007	2008	2009	2010	2011	2012-
CHF	1,816	421	3	1,392	-	-	-
DKK	4,799	1,367	31	2,523	226	30	622
EUR	7,836	3,835	208	13	3,766	-	14
GBP	5,270	310	-	-	-	2,737	2,223
NOK	456	456	-	-	-	-	-
PLN	718	702	2	2	2	2	8
RUB	-613	-613	-	-	-	-	-
SEK	94	94	-	-	-	-	-
USD	258	203	55	-	-	-	-
Others	-327	-327	-	-	-	-	-
Total	20,307	6,448	299	3,930	3,994	2,769	2,867

Credit risk

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

The Carlsberg Group advances loans to the on-trade in certain countries. The individual Group entities monitor and control these loans as well as ordinary trade credit in accordance with central guidelines. It is estimated that the provisions made, cf. note 19, are sufficient to cover expected losses.

Liquidity risk

Liquidity risk is the risk of the Carlsberg Group failing to honour its contractual obligations due to insufficient liquidity. Carlsberg's policy is for the sourcing of capital and investment of liquidity to be managed centrally. It is therefore Group Treasury's task to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources. At 31 December 2006 Carlsberg had unutilised long-term committed credit facilities of DKK 9,485m (2005: DKK 8,700m).

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

Note 34 Financial risks – continued

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

Carlsberg's share capital is divided into two classes (A-shares and B-shares). Management considers that this division, combined with the Carlsberg Foundation's position as majority shareholder, will remain advantageous for all of the Company's shareholders as this structure enables and supports the long-term development of the Carlsberg Group.

Management regularly assesses whether the Group's capital structure is in the interests of the Group and its shareholders. At 31 December 2006 the Carlsberg Group had net interest-bearing debt totalling DKK 19,229m (2005: DKK 20,753m), which is considered reasonable in the light of its current needs in terms of financial flexibility. In the coming years management aims to develop and expand the business in Asia, investing cash flows from the mature markets in the growth markets.

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

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

As the underlying markets for the 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 Group contracted a number of financial instruments in 2006. Measures have also been taken to hedge increases in the settlement currency for aluminium (USD) compared with the local currency in the country where the cans are used. In accounting terms, fair value adjustments are made directly in equity in the entities in question and recognised in the income statement as the hedged item is recognised in accordance with the principles for hedging future cash flows. The impact on equity is DKK 0 (2005: DKK 0).

Note 35 Financial instruments

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

Carlsberg 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.

DKK million	**2006**	2005
Recognised in income statement:		
Interest rate instruments	15	13
Exchange rate instruments	21	22
Other instruments	-1	-
Total	35	35

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

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

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

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

Note 35 Financial instruments – continued

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

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

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

DKK million				**2006**			2005
	Hedging of investment amount in currency	Addition to net investment amount in currency	Total adjustment to equity	Income statement	Hedging of investment amount in currency	Total adjustment to equity	Income statement
SEK	-715	2,288	14	-	-715	25	-
NOK	-730	3,182	-113	-	-520	-35	-
CHF	-385	-	55	-	-500	17	-
GBP	-130	-	-37	-2	-188	-75	-
USD/MYR [1]	-120	-	64	-	-540	-116	-
EUR	-898	635	-7	-	-898	-14	-
RUB	-3,858	-	5	-	-2,079	-5	-
PLN	-172	-	2	-	-	-	-
KRW [2]	-	-	86	-	-184,984	-86	-
Total			69	-2		-289	-

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

[2] The investment in KRW was hedged until 2006. At the time of the sale of the shares in Hite Brewery Co. Ltd., the accumulated gain related to this hedging relationship was offset against the sales proceeds. The accumulated value of hedging of investments in foreign currencies at 31 December 2006 is a negative amount of DKK 157m (2005: a negative amount of DKK 226m).

Fair value of financial instruments

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

Note 36 Related parties

Related parties with a controlling influence
The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V, Denmark, holds 51.3% of the shares in Carlsberg A/S, excluding treasury shares. Apart from payments of dividends and grants, cf. note 6, there were no transactions with the Carlsberg Foundation during the year.

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

Remuneration of the Board of Directors and Executive Board is presented in note 13.

Associates

DKK million	**2006**	2005
The income statement and balance sheet include the following transactions with associates:		
Net revenue	287	200
Cost of sales	349	314
Loans	4	36
Borrowings	5	6
Receivables	51	57
Trade payables	40	3

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

Proportionally consolidated entities

DKK million	**2006**	2005
The income statement and balance sheet include the following transactions with proportionally consolidated entities:		
Net revenue	14	12
Costs	4	3
Interest income	11	7
Interest expenses	5	3
Loans	217	173
Receivables	8	8
Trade payables and other liabilities etc.	12	5

Note 37 Contingent liabilities and other commitments

Carlsberg A/S and Carlsberg Breweries A/S have issued guarantees for borrowings of DKK 12,286m (2005: DKK 9,160m) raised by subsidiaries and associates. Subsidiaries and joint ventures have also issued guarantees for borrowings etc. of DKK 1,229m (2005: DKK 958m).

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

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

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

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

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

DKK million	**2006**	2005
Capital commitments:		
Capital commitments agreed on the balance sheet date for later delivery and not recognised in the consolidated financial statements:		
Property, plant and equipment and construction contracts	935	296
Total	935	296
Operating lease commitments:		
Aggregate future lease payments under non-cancellable operating leases:		
Within one year	371	376
Between one and five years	917	756
After more than five years	407	411
Total	1,695	1,543
Operating lease expenses recognised in the income statement	502	388
Expected future income under non-cancellable subleases (property rentals)	168	180

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

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

Note 38 Accounting policies

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

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

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

New accounting standards

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

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

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

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

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

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

Consolidated financial statements

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

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

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

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

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

Business combinations

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

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

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

For business combinations made on 1 January 2004 or later, any remaining positive balance (goodwill) resulting from the difference between the cost of the entities and the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under intangible assets. Goodwill is not amortised but impairment-tested annually. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for the impairment test.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency from the presentation currency of the Carlsberg Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate ruling at the transaction date. Any negative balance (negative goodwill) is recognised in the income statement at the acquisition date.

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

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

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

Acquisition and divestment of minority interests

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

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

Foreign currency translation

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

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

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

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

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

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

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

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

Derivative financial instruments

Derivative financial instruments are recognised in the balance sheet at cost on the transaction date and subsequently at fair value.

The fair value of derivative financial instruments is included in other receivables and other payables respectively. Positive and negative values are offset only when the company has a right and an intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and recognised valuation methods.

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

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

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

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

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

Income statement

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

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

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

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

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

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

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

Revenue from construction contracts (property projects) which are specifically negotiated is recognised as the work is carried out, corresponding to the contract revenue for production for the year (stage of completion method). Revenue is recognised when it is possible to make a reliable calculation of total revenue and expenses relating to the contract as well as the stage of completion on the balance sheet date, and when it is probable that the economic benefits, including payments, will be received by the Group. When selling property projects not specifically negotiated (i.e. not construction contracts), the profit is recognised when risks and rewards are transferred to the buyer.

Profits on property projects are recognised net as other operating income. Revenue and costs relating to construction contracts are disclosed in the notes.

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

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

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

Operating profit before special items
Operating profit before special items is an important point of comparison for companies in the brewery industry.

Special items
This item includes significant income and costs of a special nature in terms of the Group's revenue-generating operating activities, such as the cost of extensive restructuring of processes and fundamental structural changes, as well as any gain or loss arising from disposals in this connection. This item also includes significant non-recurring items, including impairment of goodwill and gains on the divestment of activities.

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

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

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

Tax on profit/loss for the year
Tax for the year – comprising current corporation tax for the year, joint taxation contributions for the year and changes in deferred tax (including as a result of changes in tax rates) – is recognised in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognised directly in equity. Carlsberg A/S is covered by the Danish rules on compulsory joint taxation of the Carlsberg Group's Danish companies. Subsidiaries are included in the joint taxation scheme from the time they are consolidated in the consolidated financial statements until such time as they are no longer consolidated.

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

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

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

Balance sheet

Intangible assets

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

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

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

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

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

Trademarks and customer lists acquired in connection with business combinations are recognised at cost and amortised over their expected useful life. Trademarks with an indefinite useful life are not amortised but impairment-tested at least once a year.

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

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

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

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

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

Investments in associates
Investments in associates are measured according to the equity method.

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

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

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

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

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

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

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

Receivables

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

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

Construction contracts

Construction contracts (property projects) are measured as the contract revenue of the work carried out less any advances and expected losses.

The contract revenue is measured on the basis of the stage of completion on the balance sheet date and expected total revenue from the specific contract. The stage of completion is determined on the basis of a valuation of the work carried out, calculated as the relationship between the costs incurred and the expected total cost of the work in question.

Where it is probable that the total contract costs for a given contract will exceed total contract revenue, the expected loss is recognised immediately as an expense.

The contract revenue is included under other receivables and disclosed in the notes.

Prepayments

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

Securities

Shares not classified as shares in subsidiaries or associates, and bonds are classified as securities available for sale. These are recognised at cost on the transaction date and then adjusted to fair value, defined as the quoted market price for listed securities and the estimated fair value of unlisted securities based on market data and recognised valuation methods. Unrealised value adjustments are recognised directly in equity, except for write-downs for impairment and reversals of impairment and for translation adjustments in respect of foreign currency bonds, which are recognised in the income statement under financials. When realised, the accumulated value adjustments recognised in equity are transferred to the income statement.

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

Impairment of assets

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

The carrying amount of goodwill is tested for impairment together with other non-current assets in the cash-generating unit to which the goodwill is allocated, and is written down to the recoverable amount via the income statement if the carrying amount is higher. The recoverable amount is normally calculated as the present value of expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill is allocated. Impairments of goodwill are recognised under special items in the income statement.

The carrying amount of other non-current assets is reviewed annually for indications of impairment. When there is an indication of impairment, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset forms part.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Minor impairments are recognised in the income statement under cost of sales, sales and distribution expenses, administrative expenses and other operating expenses. Major impairments and impairments in connection with extensive restructuring of processes and fundamental structural changes are, however, recognised under special items.

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

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

Equity

Treasury shares

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

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

Foreign currency translation reserves

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

When the net investment is realised in full or in part, the foreign exchange adjustments are recognised in the income statement on the same line as the gain/loss made.

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

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

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

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

The share option programme for the Executive Board and other Group key employees is an equity-settled scheme. The share options are measured at fair value when granted and recognised in the income statement under staff costs over the vesting period. The offsetting entry is recognised directly in equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other provisions
Other provisions are recognised when – as a consequence of an event occurring before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that an outflow of resources will be required to settle the obligation. Other provisions are discounted where this has a material effect on the measurement of the liability. The Carlsberg Group's average borrowing rate is used for this discounting.

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

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

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

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

Financial liabilities also include the capitalised obligation on finance leases.

Other liabilities are measured at net realisable value.

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

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

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

Assets are classified as "held for sale" if management has decided to sell the asset or disposal group, and taken the necessary steps to carry out the sale, such that the carrying amount will be principally recovered through sales transactions within one year in accordance with a formal plan rather than through continued use.

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

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

Assets and their directly associated liabilities are presented in separate lines in the balance sheet, and the principal items are specified in the notes. Comparative figures are not restated.

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

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

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

Cash flow statement

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

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

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

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

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

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

Segment reporting

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

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

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

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

Key figures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group companies

			Holding	Nominal share capital (1,000)	Currency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe excl. BBH	Asia	Other activities
Carlsberg A/S											
VersaMatrix A/S, Copenhagen, Denmark		●	100%	1,750	DKK	100.00					○
Ejendomsaktieselskabet Tuborg Nord B, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					○
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen, Denmark		●	100%	10,000	DKK	100.00					○
Ejendomsaktieselskabet Tuborg Nord D, Copenhagen, Denmark		●	100%	10,000	DKK	100.00					○
Ejendomsinteressentskabet Tuborg Nord B, Copenhagen, Denmark		●	70%	-	DKK	100.00					○
Ejendomsaktieselskabet af 4. Marts 1982, Copenhagen, Denmark		●	100%	9,500	DKK	100.00					○
Investeringsselskabet af 17. Januar 1991, Copenhagen, Denmark		●	100%	14,500	DKK	100.00					○
Boliginteressentskabet Tuborg Nord, Copenhagen, Denmark		◆	50%	-	DKK	100.00					○
Ejendomsinteressentskabet Waterfront, Copenhagen, Denmark		◆	50%	-	DKK	100.00					○
Carlsberg Breweries A/S, Copenhagen, Denmark [3]		●	100%	500,000	DKK	100.00					○
Carlsberg Danmark A/S, Copenhagen, Denmark [3]	3 subsidiaries	●	100%	100,000	DKK	100.00	○				
Investeringsselskapet RH, Oslo, Norway		●	100%	49,900	NOK	90.51	○				
Ringnes a.s., Oslo, Norway	6 subsidiaries	●	100%	238,714	NOK	90.51	○				
Oy Sinebrychoff Ab, Helsinki, Finland		●	100%	96,707	EUR	745.60	○				
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary	●	100%	287,457	SEK	82.47					○
Carlsberg Sverige AB, Stockholm, Sweden	9 subsidiaries	●	100%	70,000	SEK	82.47	○				
BBH - Baltic Beverages Holding AB, Stockholm, Sweden		◆	50%	12,000	EUR	745.60		○			
Saku Brewery AS, Estonia [1]		◆	75%	80,000	EEK	47.65		○			
A/S Aldaris, Latvia		◆	85%	7,500	LVL	1,069.40		○			
Baltic Beverages Invest AB, Stockholm, Sweden		◆	100%	12,000	EUR	745.60		○			
Baltic Beverages Holding Oy, Helsinki, Finland		◆	100%	10	EUR	745.60		○			
Svyturys-Utenos Alus AB, Lithuania		◆	75%	118,000	LTL	215.94		○			
Slavutich Brewery, Ukraine		◆	92%	197,692	UAH	112.14		○			
Lvivska Brewery, Ukraine		◆	100%	81,909	UAH	112.14		○			
Baltic Beverages Eesti, Estonia		◆	100%	400	EEK	47.65		○			
Baltika Brewery, St. Petersburg, Russia [1]		◆	86%	175,083	RUB	21.47		○			
Derbes Company Ltd. Liability Partnership, Kazakhstan		◆	90%	2,143,176	KZT	4.47		○			
UAB BBH Baltics, Lithuania		◆	100%	10	LTL	215.94		○			
Sarbast, Tashkent, Uzbekistan		◆	75%	34,274,626	UZS	0.45		○			
Carlsberg Italia S.p.A, Lainate, Italy	20 subsidiaries	●	100%	82,400	EUR	745.60	○				
Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal	12 subsidiaries	◆	44%	50,000	EUR	745.60	○				
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	3 subsidiaries	●	100%	95,000	CHF	464.00	○				
Carlsberg Deutschland GmbH, Mönchengladbach, Germany	7 subsidiaries	●	100%	26,897	EUR	745.60	○				
Göttsche Getränke GmbH, Germany		●	100%	2,000	EUR	745.60	○				
Holsten-Brauerei AG, Hamburg, Germany	18 subsidiaries	●	100%	41,250	EUR	745.60	○				
Tuborg Deutschland GmbH, Mönchengladbach, Germany		●	100%	51	EUR	745.60	○				
Carlsberg GB Limited, Northampton, UK		●	100%	692	GBP	1,110.35	○				
Carlsberg UK Holdings PLC, Northampton, UK	1 subsidiary	●	100%	90,004	GBP	1,110.35	○				
Carlsberg Polska S. A., Warszawa, Poland	5 subsidiaries	●	100%	28,721	PLN	194.62			○		
Carlsberg Accounting Centre Sp.z.o.o., Poznan, Poland		●	100%	50	PLN	194.62					○
Dyland BV, Bussum, Netherlands	1 subsidiary	●	100%	18,198	EUR	745.60			○		
Carlsberg Croatia d.o.o., Koprivnica, Croatia		●	80%	239,932	HRK	101.49			○		
Bottling and Brewing Group Ltd., Blantyre, Malawi	2 subsidiaries [2]	●	44%	1,267,128	MWK	4.05			○		
Nuuk Imeq A/S, Nuuk, Greenland		■	32%	45,679	DKK	100.00			○		
Israel Beer Breweries Ltd, Ashkelon, Israel		■	20%	15,670	ILS	134.04			○		
International Breweries (Netherlands) B.V., Bussum, Netherlands	2 subsidiaries	■	16%	2,523	USD	566.14			○		
Türk Tuborg Bira ve Malt Sanayii A.S., Izmir, Turkey	1 subsidiary [1]	●	96%	324,111	TRY	398.78			○		
Carlsberg Bulgaria AD, Mladost, Bulgaria		●	80%	37,325	BGN	381.23			○		
B to B Distribution EOOD, Mladost, Bulgaria		●	100%	10	BGN	381.23			○		
Carlsberg Serbia d.o.o., Serbia		●	80%	1,943,679	CSD	9.40			○		
Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary		●	100%	25,200	HUF	2.96			○		
Carlsberg International A/S, Copenhagen, Denmark		●	100%	1,000	DKK	100.00					○
South-East Asia Brewery Ltd., Hanoi, Vietnam		●	60%	212,705,000	VND	0.04				○	
International Beverages Distributors Ltd., Hanoi, Vietnam		●	60%	10,778,000	VND	0.04				○	
Hue Brewery Ltd., Hue, Vietnam		◆	50%	216,788,000	VND	0.04				○	
Tibet Lhasa Brewery Company Limited, Lhasa, Tibet, China		■	33%	380,000	CNY	72.53				○	
Xinjiang Wusu Beer Co. Ltd., Urumqi, Xinjiang, China	3 subsidiaries	◆	60%	105,480	CNY	72.53				○	
Lanzhou Huanghe Jianjiang Brewery Company Limited, China		■	30%	210,000	CNY	72.53				○	
Qinghai Huanghe Jianjiang Brewery Company Ltd., Xining, Qinghai, China		■	33%	60,000	CNY	72.53				○	
Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China		■	30%	15,000	CNY	72.53				○	
Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China		■	30%	16,620	CNY	72.53				○	
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia [1]		●	51%	154,039	MYR	160.38				○	
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		●	100%	10,000	MYR	160.38				○	

			Holding	Nominal share capital (1,000)	Cur-rency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe excl. BBH	Asia	Other activities
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		●	100%	100	MYR	160.38				o	
The Lion Brewery Ceylon, Biyagama, Sri Lanka [1]		■	25%	850,000	LKR	5.26				o	
Carlsberg Asia Pte Ltd., Singapore		●	100%	57,914	SGD	369.07				o	
Brewery Invest Pte. Ltd., Singapore		●	100%	4,200	SGD	369.07				o	
Carlsberg Brewery Hong Kong Ltd., Hong Kong, China		●	100%	260,000	HKD	72.81				o	
Carlsberg Brewery Guangdong Ltd., Huizhou, China		●	99%	442,330	CNY	72.53				o	
Tsingtao Beer Shanghai Songjiang Co. Ltd., Shanghai, China		■	25%	303,659	CNY	72.53				o	
Carlsberg Hong Kong Ltd., Hong Kong, China		●	100%	-	HKD	72.81				o	
Kunming Huashi Brewery Company Ltd., Kunming, China		●	100%	60,000	CNY	72.53				o	
Lao Brewery Co. Ltd., Vientiane, Laos		◆	50%	14,400,000	LAK	0.06				o	
Carlsberg Singapore Pte. Ltd., Singapore		●	100%	1,000	SGD	369.07				o	
Carlsberg Marketing (Singapore) Pte Ltd., Singapore		●	100%	1,000	SGD	369.07				o	
Caretech Ltd, Hong Kong, China		◆	50%	10,000	HKD	72.81				o	
Cambrew Pte Ltd, Singapore		◆	100%	21,720	SGD	369.07				o	
Cambrew Ltd, Phnom Penh, Cambodia		◆	100%	125,000	USD	566.14				o	
South Asian Breweries Pvt Ltd, Singapore		●	100%	10,000	SGD	369.07				o	
South Asian Breweries Pvt Ltd, India		●	100%	100,000	INR	12.81				o	
Gorkha Brewery Pvt. Ltd., Kathmandu, Nepal		■	50%	466,325	NPR	8.07				o	
Dali Beer (Group) Limited Company, Dali, China	3 subsidiaries	●	100%	97,799	CNY	72.53				o	
Halong Beer and Beverage, Vietnam		■	33%	9,000,000,000	VND	0.04				o	
Danish Malting Group A/S, Vordingborg, Denmark		●	100%	100,000	DKK	100.00					o
Danish Malting Group Polska Sp. z o.o., Sierpc, Poland		●	100%	20,000	PLN	194.62					o
Carlsberg Finans A/S, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					o
Carlsberg Invest A/S, Copenhagen, Denmark		●	100%	52,847	DKK	100.00					o
CTDD Beer Imports Ltd., Quebec, Canada		●	100%	-	CAD	487.93			o		
Carlsberg USA Inc., New York, USA		●	100%	1,260	USD	566.14			o		
Carlsberg Canada Inc., Mississauga, Ontario, Canada		●	100%	750	CAD	487.93			o		
Carlsberg IT A/S, Copenhagen, Denmark		●	100%	50,000	DKK	100.00					o
Carlsberg Breweries Insurance A/S, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					o
Carlsberg Accounting Service Centre A/S, Copenhagen, Denmark		●	100%	504	DKK	100.00					o

● Subsidiary
◆ Proportionally consolidated entity
■ Associate

[1] Listed company
[2] Carlsberg is responsible for management
[3] In accordance with section 5, para. 1 of the Danish Financial Statements Act (exemption statement), a separate annual report is not prepared

Financial statements
Parent Company Carlsberg A/S

Notes

Income statement

DKK million	Note	**2006**	2005
Administrative expenses	2	-38	-34
Other operating income	3	202	226
Other operating expenses	3	-157	-142
Operating profit		**7**	**50**
Financial income	4	991	876
Financial expenses	5	-253	-298
Profit before tax		**745**	**628**
Corporation tax	6	70	63
Profit for the year		**815**	**691**
Proposed appropriation:			
Dividend to shareholders		458	381
Taken to reserves		357	310
Profit for the year		**815**	**691**
Earnings per share	7		
Earnings per share		10.7	9.1
Earnings per share, diluted		10.7	9.1

Statement of recognised income and expenses for the year

DKK million		2006
	Retained earnings	Total
Profit for the year	**815**	**815**
Value adjustments:		
Retirement benefit obligations	-8	-8
Other adjustments:		
Share-based payment	1	1
Other	5	5
Tax on changes in equity	2	2
Net amount recognised directly in equity	**-**	**-**
Total recognised income and expenses	**815**	**815**

DKK million		2005
	Retained earnings	Total
Profit for the year	**691**	**691**
Value adjustments:		
Retirement benefit obligations	-7	-7
Other adjustments:		
Share-based payment	1	1
Tax on changes in equity	1	1
Net amount recognised directly in equity	**-5**	**-5**
Total recognised income and expenses	**686**	**686**

Balance sheet

Assets

DKK million	Note	31 Dec. 2006	31 Dec. 2005
Non-current assets			
Property, plant and equipment	10	399	418
Investments in subsidiaries	11	21,662	21,662
Investments in associates and joint ventures	12	90	-
Securities	13	7	7
Deferred tax assets	20	159	183
Total non-current assets		**22,317**	**22,270**
Current assets			
Tax receivables		2	-
Other receivables	14	381	2,533
Cash and cash equivalents	15	216	111
Total current assets		**599**	**2,644**
Assets held for sale	16	-	100
Total assets		**22,916**	**25,014**

Equity and liabilities

DKK million	Note	31 Dec. 2006	31 Dec. 2005
Equity			
Share capital	17	1,526	1,526
Reserves		15,716	15,286
Total equity		**17,242**	**16,812**
Non-current liabilities			
Borrowings	18	4,375	3,094
Retirement benefit obligations and similar obligations	19	28	24
Provisions	21	20	10
Total non-current liabilities		**4,423**	**3,128**
Current liabilities			
Borrowings	18	1,062	4,675
Trade payables		62	40
Provisions	21	15	-
Corporation tax		-	27
Other liabilities etc.	22	112	332
Total current liabilities		**1,251**	**5,074**
Total liabilities		**5,674**	**8,202**
Total equity and liabilities		**22,916**	**25,014**

Statement of changes in equity

DKK million			2006
	Share capital	Retained earnings	Total equity
Equity at 1 January 2006	1,526	15,286	16,812
Total recognised income and expenses for the year, cf. the statement on page 115	-	815	815
Purchase/sale of treasury shares	-	-4	-4
Dividend paid to shareholders	-	-381	-381
Total changes in equity	**-**	**430**	**430**
Equity at 31 December 2006	**1,526**	**15,716**	**17,242**

DKK million			2005
	Share capital	Retained earnings	Total equity
Equity at 1 January 2005	1,526	14,981	16,507
Total recognised income and expenses for the year, cf. the statement on page 115	-	686	686
Dividend paid to shareholders [1]	-	-381	-381
Total changes in equity	**-**	**305**	**305**
Equity at 31 December 2005	**1,526**	**15,286**	**16,812**

The proposed dividend of DKK 6.00 per share, in total DKK 458m (2005: DKK 5.00 per share, in total DKK 381m), is included in retained earnings at 31 December 2006.

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

Cash flow statement

DKK million	Note	2006	2005
Operating profit		7	50
Adjustment for depreciation		11	18
Operating profit before depreciation		18	68
Adjustment for other non-cash items	23	-116	-187
Change in working capital	23	36	70
Interest, dividends etc. received		926	836
Interest etc. paid		-440	-189
Corporation tax received		67	40
Cash flow from operating activities		**491**	**638**
Capital injection in associate		-90	-
Disposal of financial assets		61	41
Loans to subsidiaries		2,422	-793
Loan to associate		-120	-
Distribution, Coca-Cola Nordic Beverages a/s		-	167
Total financial investments		2,273	-585
Other investments in property, plant and equipment		-144	-174
Disposal of other property, plant and equipment		214	227
Total other activities [1]		70	53
Cash flow from investing activities		**2,343**	**-532**
Free cash flow		**2,834**	**106**
Shareholders in Carlsberg A/S	23	-385	-381
Other financing	23	-2,627	375
Cash flow from financing activities		**-3,012**	**-6**
Net cash flow		**-178**	**100**
Cash and cash equivalents at 1 January		111	11
Cash and cash equivalents at 31 December	15	-67	111

[1] Other activities cover real estate and assets under construction, separate from beverage activities, including costs of construction contracts.

Notes

Note 1 Significant accounting estimates and judgements

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

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

Estimation uncertainty

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

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

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

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are subject to an annual review by management for indications of impairment. If necessary, an impairment test is carried out in the same way as for goodwill in the Carlsberg Group, see note 38 to the consolidated financial statements. Management has assessed that there were no such indications at the end of 2006, so investments in subsidiaries, joint ventures and associates have not been impairment-tested.

Deferred tax assets

Carlsberg 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 159m (2005: DKK 183m), most of which is expected to be realised within 12 months of the balance sheet date.

For a more detailed presentation of Carlsberg A/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 have a material impact on the amounts recognised in the annual report.

Such judgements include the recognition of revenue from property projects.

Recognition of property projects

On entering into a contract, management makes a judgement as to whether the individual property project is of a sufficiently specialised nature to warrant recognition on the basis of the stage of completion. The majority of these projects are not recognised on a percentage of completion basis; instead the profit on the sale of the property is recognised when the property is handed over to the buyer. Revenue from the sale of property projects less cost of construction is recognised under other operating income.

Note 2 Fee to auditors appointed by the Annual General Meeting

DKK million	**2006**	2005
KPMG:		
Audit	0.5	0.5

Note 3 Other operating income and expenses

DKK million	**2006**	2005
Other operating income:		
Gains on sale of real estate	118	148
Rental income, real estate	11	13
Funding from the Carlsberg Foundation for the operation of the Carlsberg Laboratory	22	13
Other, incl. grants received	51	52
Total	202	226
Other operating expenses:		
Real estate expenses	-25	-22
Expenses relating to the Carlsberg Research Center	-88	-94
Other	-44	-26
Total	-157	-142
Of which staff costs, cf. note 8	70	69
Recognised gains on construction contracts comprise:		
Contract revenue for production for the year	130	-
Cost of sales	-100	-
Total	30	-

Gains are recognised under “Gains on sale of real estate” and relate to a construction contract for business premises.

Note 4 Financial income

DKK million	**2006**	2005
Interest	30	46
Dividends	900	789
Realised gains on sale of securities	61	41
Total	991	876

Note 5 Financial expenses

DKK million	**2006**	2005
Interest	244	271
Write-down of financial assets	-	2
Interest cost on obligations, defined benefit plans	1	-
Other financial expenses	8	25
Total	253	298

Interest includes DKK 7m (2005: DKK 0m) related to fair value adjustment of the interest element of fixed-rate borrowings swapped to floating rates. Other financial expenses consist mainly of payments to establish credit facilities and fees for unutilised drawdowns on these facilities.

Note 6 Corporation tax

DKK million	2006	2005
Tax for the year comprises:		
Current tax on profit for the year	-	1
Change in deferred tax during the year	-72	-72
Adjustments to tax for previous years	-	7
Total tax for the year	-72	-64
Deferred tax on items recognised directly in equity	2	1
Tax on profit for the year	-70	-63
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	28.0%	28.0%
Change in tax rate	-	1.3%
Adjustments to tax for previous years	-	0.5%
Non-taxable income	-7.4%	-6.8%
Non-deductible expenses	1.8%	0.1%
Tax-free dividend	-28.8%	-33.4%
Other	-3.0%	0.3%
Effective tax rate for the year	-9.4%	-10.0%
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	-74	-61
Property, plant and equipment etc.	4	-10
Deferred tax recognised in income statement	-70	-71

Note 7 Earnings per share

	2006	2005
	DKK million	DKK million
Profit for the year	815	691
	1,000	1,000
Average number of shares	76,278	76,278
Average number of treasury shares	-13	-50
Average number of shares in circulation	76,265	76,228
Average dilution effect of outstanding share options	48	14
Diluted average number of shares in circulation	76,313	76,242
	DKK	DKK
Earnings per share of DKK 20 (EPS)	10.7	9.1
Diluted earnings per share of DKK 20 (EPS-D)	10.7	9.1

Note 8 Staff costs and remuneration of the Board of Directors, the Executive Board and other senior executives

DKK million	2006	2005
Wages, salaries and other remuneration	69	84
Social security costs	1	1
Pension costs - defined contribution plans	6	9
Share-based payment	1	1
Other benefits	5	-
Total	82	95
Staff costs are included in the following items in the income statement:		
Administrative expenses	12	26
Other operating expenses	70	69
Total	82	95

The average number of full-time employees in the Parent Company during the year was 133 (2005: 146).

Note 8 Staff costs and remuneration of the Board of Directors, the Executive Board and other senior executives – continued

Remuneration of key management personnel:

DKK million	2006		2005	
	Executive Board	Other senior executives	Executive Board	Other senior executives
Salaries and other remuneration	22	3	19	3
Share-based payment	1	-	1	-
Total	23	3	20	3

Remuneration of the Executive Board comprises total remuneration of members of the Executive Board, some of which is paid by other entities in the Carlsberg Group. Other senior executives are key personnel outside the Executive Board who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the Parent Company's activities.

The Board of Directors of Carlsberg A/S received emoluments of DKK 6m (2005: DKK 6m). The Board of Directors is not included in share option programmes, pension plans and other schemes. No agreements have been entered into concerning termination benefits and no such payments were made.

Note 9 Share-based payment

In 2006, a total of 34,500 (2005: 29,500) share options were granted to 5 (2005: 4) key employees. The fair value of these options when granted was a total of DKK 3m (2005: DKK 2m). The total cost of share-based payment was DKK 1m (2005: DKK 1m), which has been recognised in the income statement and is included in staff costs. Refunds etc. between Carlsberg A/S and its subsidiaries are recognised directly in equity.

	Exercise period		Number					Exercise price	Fair value	
Year granted	First year	Last year	1 Jan. 2006	Granted	Expired/ forfeited	Exercised	31 Dec. 2006	Fixed	31 Dec. 2006	31 Dec. 2005
Executive Board										
2001	2004	2009	14,700	-	-	-	14,700	386.54	3	-
2002	2005	2010	14,700	-	-	-	14,700	323.82	4	1
2003	2006	2011	21,000	-	-	-	21,000	214.47	7	3
2004	2007	2012	26,250	-	-	-	26,250	268.39	8	2
2005	2008	2013	25,000	-	-	-	25,000	288.29	7	2
2006	2009	2014	-	30,000	-	-	30,000	380.18	7	-
Total			101,650	30,000	-	-	131,650		36	8
Other senior executives										
2001	2004	2009	6,300	-	-	1,575	4,725	386.54	1	-
2002	2005	2010	7,875	-	-	1,575	6,300	323.82	2	-
2003	2006	2011	9,975	-	-	-	9,975	214.47	4	1
2004	2007	2012	6,825	-	-	-	6,825	268.39	2	1
2005	2008	2013	4,500	-	-	-	4,500	288.29	1	1
2006	2009	2014	-	4,500	-	-	4,500	380.18	1	-
Total			35,475	4,500	-	3,150	36,825		11	3
Total			137,125	34,500	-	3,150	168,475		47	11

	2006				2005			
	Executive Board	Others	Total	Average exercise price	Executive Board	Others	Total	Average exercise price
Share options outstanding at 1 January	101,650	35,475	137,125	287.71	76,650	30,975	107,625	287.55
Granted	30,000	4,500	34,500	380.18	25,000	4,500	29,500	288.29
Exercised	-	-3,150	-3,150	355.18	-	-	-	-
Share options outstanding at 31 December	131,650	36,825	168,475	305.38	101,650	35,475	137,125	287.71
Exercisable at 31 December	50,400	21,000	71,400	293.44	29,400	14,175	43,575	354.05

The average share price at the time the share options were exercised was DKK 448.

At 31 December 2006 the exercise price for outstanding share options was in the range DKK 214.47 to DKK 386.54 (2005: DKK 214.47 to DKK 386.54), while the average remaining contractual life was 4.9 years (2005: 5.3 years).

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

Note 10 Property, plant and equipment

DKK million					2006
	Land and buildings	Plant, machinery and equipment	Other assets, vehicles etc.	Construction in progress	Total
Cost:					
Cost at 1 January 2006	596	91	6	168	861
Additions	-	-	-	44	44
Disposals	-2	-	-	-65	-67
Transfers	-30	6	-	-6	-30
Transfers from assets held for sale	48	-	-	-	48
Cost at 31 December 2006	612	97	6	141	856
Depreciation and impairment:					
Depreciation and impairment at 1 January 2006	354	83	6	-	443
Depreciation	5	6	-	-	11
Transfers	-30	-	-	-	-30
Transfers from assets held for sale	33	-	-	-	33
Depreciation and impairment at 31 December 2006	362	89	6	-	457
Carrying amount at 31 December 2006	250	8	-	141	399
Carrying amount of assets pledged as security for borrowings	250	-	-	-	250

Depreciation for the year of DKK 11m is included in administrative expenses.

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

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

Note 11 Investments in subsidiaries

DKK million	2006	2005
Cost:		
Cost at 1 January	21,662	21,704
Additions during the year [1]	-	-42
Cost at 31 December	21,662	21,662
Carrying amount at 31 December	21,662	21,662

[1] Adjustment of cost for acquisition of subsidiaries in 2005 relates to unutilised provision for costs.

The carrying amount includes goodwill of DKK 11,207m (2005: DKK 11,207m) on acquisition of subsidiaries.

Note 12 Investments in associates and joint ventures

DKK million	2006	2005
Cost:		
Cost at 1 January	-	128
Additions	90	-
Disposals	-	-128
Cost at 31 December	90	-
Carrying amount at 31 December	90	-

Additions relate to Waterfront I/S.

Note 13 Securities

DKK million	2006	2005
Unlisted shares	7	7
Total	7	7

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

Shares in unlisted entities were sold at a gain of DKK 61m (2005: DKK 41m). The carrying amount at the time of sale was DKK 0m (2005: DKK 0m).

Note 14 Receivables

DKK million	2006	2005
Receivables by origin:		
Loans to subsidiaries	86	2,508
Loan to associate	120	-
Receivables from construction contracts (contract revenue)	130	-
Other receivables	45	25
Total	381	2,533

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

%	2006	2005
Average effective interest rates:		
Loans to subsidiaries	3.5	2.3
Loan to associate	4.0	-

Note 15 Cash and cash equivalents

DKK million	2006	2005
Cash at bank and in hand	216	111
In the cash flow statement, bank overdrafts are offset against cash as follows:		
Cash and cash equivalents	216	111
Bank overdrafts	-283	-
Cash and cash equivalents, net	-67	111

Note 16 Assets held for sale

DKK million	2006	2005
Assets held for sale comprise the following:		
Individual assets:		
Property, plant and equipment	-	98
Deferred tax	-	2
Total	-	100

Assets (real estate) which no longer fulfil the criteria for classification as assets held for sale have been transferred to property, plant and equipment in 2006, as a result of ongoing sales negotiations not proceeding as expected. This involves an amount of DKK 15m and has not impacted on the income statement in terms of additional depreciation.

Gains on sale of assets held for sale are recognised in the income statement under other operating income. The gains taken up as income relate to sale of real estate, and total DKK 69m (2005: DKK 77m).

Note 17 Share capital

	A-shares		B-shares		Total share capital	
	Shares of DKK 20	Nominal value, DKK million	Shares of DKK 20	Nominal value, DKK million	Shares of DKK 20	Nominal value, DKK million
1 January 2005	33,699,252	674	42,579,151	852	76,278,403	1,526
No change in 2005						
31 December 2005	33,699,252	674	42,579,151	852	76,278,403	1,526
No change in 2006						
31 December 2006	33,699,252	674	42,579,151	852	76,278,403	1,526

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

	Treasury shares		
	Shares of DKK 20	Nominal value, DKK million	Percentage of share capital
1 January 2005	200,000	4	0.3
Purchase of treasury shares	8,600	0	0.0
Sale of treasury shares	-208,433	-4	-0.3
31 December 2005	167	0	0.0
Purchase of treasury shares	105,000	2	0.1
Sale of treasury shares	-97,659	-2	-0.1
31 December 2006	7,508	0	0.0

The fair value of treasury shares at 31 December 2006 was DKK 4m (2005: DKK 0m).

Note 18 Borrowings and financial risks

DKK million	2006	2005
Non-current borrowings:		
Issued bonds	2,492	2,489
Mortgages	733	605
Bank borrowings	1,150	-
Total	4,375	3,094
Current borrowings:		
Current portion of non-current borrowings	25	29
Bank borrowings	283	-
Borrowings from subsidiaries	754	846
Other current borrowings	-	3,800
Total	1,062	4,675
Total non-current and current borrowings	5,437	7,769
Fair value	5,463	7,873

All borrowings are measured at amortised cost. However, the interest element of the fixed-rate borrowings swapped to floating rates is measured at fair value, and the carrying amount of the loans is DKK 363m.

Time to maturity of non-current borrowings:

DKK million 2006	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	-	2,492	-	-	-	2,492
Mortgages	26	27	28	30	622	733
Bank borrowings	-	-	-	1,150	-	1,150
Total	26	2,519	28	1,180	622	4,375

DKK million 2005						
Issued bonds	-	-	2,489	-	-	2,489
Mortgages	30	32	33	34	476	605
Total	30	32	2,522	34	476	3,094

Interest rate risk on non-current borrowings at 31 December 2006:

Issued bonds	Type	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	2-3 years	2,492	Fair value

Mortgages	Interest rate risk	Average effective interest rate	Carrying amount	Time to maturity from balance sheet date 1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Floating rate [1]	Cash flow	3.23%	363	-	-	-	-	363
Fixed rate	Fair value	5.21%	370	26	27	28	30	259
Total		4.23%	733	26	27	28	30	622

[1] This concerns two mortgages with a time to maturity of more than five years. The loans were originally at fixed rates but were swapped to floating rates. The loans are adjusted to fair value in the income statement. The total fair value adjustment of loans and swaps is DKK 0m (DKK 2m and DKK -2m respectively).

The interest rates on the floating-rate loans were set at 4.06% in January 2007.

Currency profile of borrowings before and after derivatives	Original principal	After swap	Next interest rate fixing (of principal before currency swaps) 2007	2008	2009	2010	2011	2012-
DKK	5,437	5,437	2,575	26	2,519	28	30	259

Financial risks consist in the interest rate risk on non-current borrowings at fixed rates. This risk relates primarily to issued bonds of DKK 2,500m maturing in June 2009. Of the total non-current borrowings of DKK 4,375m, DKK 2,862m is at fixed rates. There is no foreign exchange risk.

Note 18 Borrowings and financial risks – continued

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

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

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

The interest rates on the floating-rate loans were adjusted in January 2006.

Currency profile of borrowings before and after derivatives			Next interest rate fixing					
	Original principal	After swap	2006	2007	2008	2009	2010	2011-
DKK	7,769	7,769	4,883	25	26	2,516	28	291

Financial risks consist in the interest rate risk on non-current borrowings at fixed rates. This risk relates primarily to issued bonds of DKK 2,500m maturing in June 2009. Of the total non-current borrowings of DKK 3,094m, DKK 2,910m is at fixed rates. There is no foreign exchange risk.

Note 19 Retirement benefit obligations and similar obligations

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

DKK million	**2006**	2005
Movements in obligations:		
Total obligations at 1 January	24	20
Interest cost	1	-
Actuarial losses	8	7
Benefits paid	-5	-3
Total obligations at 31 December	28	24
Assumptions applied:		
Discount rate	2.0%	2.0%
Future pension increases	3.5%	3.5%
Recognised in income statement under financial expenses:		
Interest cost on obligations	1	-
Recognised in equity:		
Recognised at 1 January	-10	-3
Actuarial losses during the period	-8	-7
Recognised at 31 December	-18	-10

DKK million	**2006**	2005	2004
Five-year overview (from 1 January 2004):			
Underfunding	28	24	20
Experience adjustments to obligations	-1	-1	-

Note 20 Deferred tax assets and deferred tax liabilities

DKK million	2006	2005
Deferred tax at 1 January, net	183	121
Adjustments to previous years	-96	-8
Recognised in equity	2	1
Recognised in income statement	70	71
	159	185
Of which transferred to assets held for sale	-	-2
Deferred tax assets at 31 December, net	159	183

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

	Deferred tax assets		Deferred tax liabilities	
DKK million	2006	2005	2006	2005
Property, plant and equipment	-	-	1	3
Current assets	-	7	-	-
Provisions and retirement benefit obligations	18	10	-	-
Fair value adjustments	-	2	-	-
Tax losses etc.	147	169	5	-
Total before netting	165	188	6	3
Netting	-6	-3	-6	-3
Total after netting	159	185	-	-
Transferred to assets held for sale	-	-2	-	-
Deferred tax assets at 31 December	159	183	-	-
Expected to be recovered as follows:				
Within 12 months of balance sheet date	-	2	-	-
More than 12 months after balance sheet date	159	181	-	-
Total	159	183	-	-

Of the total deferred tax assets recognised, DKK 147m (2005: DKK 169m) is tax loss carryforward, utilisation of which depends on future positive taxable income over and above the settlement of deferred tax liabilities.

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

Note 21 Provisions

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

DKK million	2006	2005
Provisions at 1 January	10	20
Additions during the year	15	-
Transfers	10	-
Reversal of unused provisions	-	-10
Provisions at 31 December	35	10
Provisions are presented in the balance sheet as follows:		
Non-current provisions	20	10
Current provisions	15	-
Total	35	10

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

Note 22 Other liabilities etc.

DKK million	**2006**	2005
Other liabilities by origin:		
Staff costs payable	10	10
Interest payable	70	261
Fair value of hedging instruments	2	-
Deferred income	9	7
Other accrued expenses etc.	21	54
Total	112	332

Note 23 Cash flows

DKK million	**2006**	2005
Adjustment for other non-cash items:		
Gains on disposal of property, plant and equipment	-118	-148
Other non-cash adjustments	2	-39
Total	-116	-187
Change in working capital:		
Receivables	-14	55
Trade payables and other liabilities	45	15
Retirement benefit obligations and other provisions	5	-
Total	36	70
Shareholders in Carlsberg A/S:		
Dividend to shareholders	-381	-381
Purchase of treasury shares	-32	-
Sale of treasury shares	28	-
Total	-385	-381
Other financing:		
Proceeds from borrowings	1,512	-
Repayment of borrowings	-4,036	-28
Borrowings from subsidiaries	-92	514
Other current financing, net	-11	-111
Total	-2,627	375

Note 24 Specification of net interest-bearing debt

DKK million	**2006**	2005
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	4,375	3,094
Current borrowings	1,062	4,675
Gross interest-bearing debt	5,437	7,769
Cash and cash equivalents	-216	-111
Loans to subsidiaries	-86	-2,508
Loan to associate	-120	-
Net interest-bearing debt	5,015	5,150
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	5,150	5,619
Cash flow from operating activities	-491	-638
Cash flow from investing activities	-2,343	532
Dividend to shareholders	381	381
Purchase of treasury shares, net	4	-
Change in interest-bearing lending	2,302	-793
Other	12	49
Total change	-135	-469
Net interest-bearing debt at 31 December	5,015	5,150

Note 25 Related parties

Related parties with a controlling influence
The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V, Denmark, holds 51.3% of the shares in Carlsberg A/S, excluding treasury shares. Apart from payments of dividends and grants, cf. note 3, there were no transactions with the Foundation during the year.

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

Remuneration of the Board of Directors and the Executive Board is presented in note 8.

Associates
Dividends of DKK 0m (2005: DKK 39m) were received from associates.

DKK million	**2006**	2005
The income statement and balance sheet include the following transactions with associates:		
Interest income	8	-
Loans	120	-
Receivables	4	-

Subsidiaries
Dividends of DKK 900m (2005: DKK 750m) were received from subsidiaries.

DKK million	**2006**	2005
The income statement and balance sheet include the following transactions with subsidiaries:		
Other operating income	31	33
Other operating expenses	16	7
Interest income	11	44
Interest expenses	24	9
Loans	86	2,508
Borrowings	754	846
Receivables	14	3
Trade payables	-	4

Note 26 Contingent liabilities and other commitments

Carlsberg A/S has issued guarantees for borrowings etc. of DKK 2,804m (2005: DKK 318m) raised by subsidiaries.

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

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

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

Capital commitments

DKK million	**2006**	2005
Capital commitments agreed on the balance sheet date for later delivery but not recognised in the financial statements:		
Property, plant and equipment and construction contracts	202	130
Total	202	130

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

Note 27 Accounting policies

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

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

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

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

Income statement

Dividends on investments in subsidiaries, joint ventures and associates

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

Financial items

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

Balance sheet

Investments in subsidiaries, joint ventures and associates

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

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

Management statement
Auditor's report

Board of Directors, Executive Board and senior executives

Management statement

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

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the Annual Report gives a true and fair view of the Carlsberg Group's and the Parent Company's assets, liabilities and financial position at 31 December 2006 and of the results of the Carlsberg Group's and the Parent Company's operations and cash flows for the financial year 2006.

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

Copenhagen, 20 February 2007

Executive Board of Carlsberg A/S

Nils S. Andersen	Jørn P. Jensen	Jørgen Buhl Rasmussen

Board of Directors of Carlsberg A/S

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

The independent auditors' report

To the shareholders of Carlsberg A/S

We have audited the annual report of the Carlsberg Group and the Parent Company for the financial year 1 January – 31 December 2006, which comprises the management statement, management and financial reviews, accounting policies, income statement, statement of recognised income and expenses for the year, 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 of listed companies.

Management's responsibility for the annual report

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

Auditors' responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' judgement, 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 Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2006 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 20 February 2007

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
State Authorised Public Accountant

Jesper Koefoed
State Authorised Public Accountant

Board of Directors


Povl Krogsgaard-Larsen, Chairman


Jens J. Bigum, Deputy Chairman


Hans S. Andersen [E)]


Flemming Besenbacher


Søren Bjerre-Nielsen


Hanne Buch-Larsen [E)]


Henning Dyremose


Niels Kærgård


Axel Michelsen


Erik Chr. Dedenroth Olsen [E)]


Bent Ole Petersen [E)]


Per Chr. Øhrgaard

Povl Krogsgaard-Larsen, Chairman
Professor, D.Pharm. Born 1941. Chairman of the Executive Board of the Carlsberg Foundation. Member of the Boards of Directors of Auriga A/S and Bioneer A/S. Elected 1993, 2004.
Povl Krogsgaard-Larsen is affiliated to the Faculty of Pharmaceutical Sciences at the University of Copenhagen. With his background as a researcher and educator, he has particular expertise in the analysis of issues within the pharmaceutical sector and the presentation of plans and results. As former rector of what was then the Royal Danish School of Pharmacy, he also has experience of the management of large knowledge-based organisations, and he has experience from directorships at other international companies.

Jens J. Bigum, Deputy Chairman
Managing Director. Born 1938. Member of the Boards of Directors of Arla Foods plc. (Deputy Chairman), Per Aarsleff A/S, Toms Gruppen A/S (Chairman), Gerda and Victor B. Strands Fond and the University of Aarhus (Chairman). Elected 2001, 2004.
Jens Bigum has broad national and international management experience as the former CEO of Arla Foods, particularly in businesses involved in the production and sale of consumer goods. He also has extensive experience from directorships at other companies in Denmark and abroad.

Hans S. Andersen [E)]
Brewery Worker, Carlsberg Danmark A/S. Born 1955. Elected 1998, 2006.

Flemming Besenbacher
Professor, D.Sc. Born 1952. Member of the Executive Board of the Carlsberg Foundation and of the Boards of Directors of property companies affiliated to the Carlsberg Foundation. Elected 2005, 2005.
Flemming Besenbacher is head of iNANO, the Interdisciplinary Nanoscience Center, at the University of Aarhus, with expertise in physics, chemistry, molecular biology and biology. With this background he has experience of managing large knowledge-based organisations and of the interaction between academic research and a number of hi-tech companies, as well as experience from a large number of international councils and committees.

Søren Bjerre-Nielsen
Executive Vice President, Danisco A/S. Born 1952. Member of the Boards of Directors of companies in the Danisco Group as well as of VKR Holding A/S, VELUX A/S, Villum Kann Rasmussen Fonden and Danmarks Nationalbank. Elected 2003, 2006.
Søren Bjerre-Nielsen is a state-authorised public accountant and has particular expertise in the management of large international businesses, including matters relating to strategic development, restructuring, complex transactions and financial management.

Hanne Buch-Larsen [E)]
Head of Section, Carlsberg A/S. Born 1952. Elected 2006, 2006.

Henning Dyremose
Former President, Chief Executive Officer, TDC A/S, and put forward for election to the Board of Directors of the same company in spring 2007. Born 1945. Member of the Board of Directors of Brødrene A & O Johansen A/S (Deputy Chairman). Chairman of the Confederation of Danish Industries and the Danish Trade Council. Elected 1999, 2005.
Henning Dyremose has broad national and international management experience as the former CEO of TDC A/S and from other management posts before that at Novo and DLH. He also has extensive experience of trade policy and economic affairs from having been a member of the Danish Parliament and served as both Labour Minister (1986-89) and Finance Minister (1989-93).

Niels Kærgård
Professor, D.Econ. Born 1942. Member of the Executive Board of the Carlsberg Foundation and Chairman of the Boards of Directors of property companies affiliated to the Carlsberg Foundation. Elected 2003, 2006.
Niels Kærgård has particular expertise in economics and international affairs, and headed the Chairmanship of the Danish Economic Council from 1995 to 2001. With his background as a researcher and educator, he has particular expertise in the analysis of economic and organisational issues and the presentation of plans and results.

Axel Michelsen
Professor, D.Phil. Born 1940. Member of the Executive Board of the Carlsberg Foundation. Elected 1986, 2005.
Axel Michelsen is affiliated to the Department of Biology at the University of Southern Denmark in Odense, where for many years he was head of a centre under the Danish National Research Foundation. With his background as a researcher, he has particular expertise in the analysis of complex issues, primarily within biophysics. He has also acquired a detailed insight into Carlsberg's business during his many years on the Board of Directors.

Erik Chr. Dedenroth Olsen [E)]
Head of Section, Carlsberg Danmark A/S. Born 1949. Elected 1998, 2006.

Bent Ole Petersen [E)]
Head of Section, Carlsberg Research Center. Born 1954. Elected 2002, 2006.

Per Chr. Øhrgaard
Professor, D.Phil. Born 1944. Member of the Executive Board of the Carlsberg Foundation and the Boards of Directors of JP/Politikens Hus A/S and of property companies affiliated to the Carlsberg Foundation. Elected 1993, 2006.
Per Øhrgaard is affiliated to the Copenhagen Business School, where he specialises in German. Given his background as a researcher and lecturer, he has particular expertise in the analysis of complex issues and the presentation of plans and results. He also has experience from directorships at other companies.

[E)] Elected by employees.

The Chairman and Deputy Chairman of the Board of Directors together constitute the Chairmanship.
Years given denote first and most recent election to the Board.

Executive Board

Nils S. Andersen

Jørn P. Jensen

Jørgen Buhl Rasmussen

Nils S. Andersen
President, Chief Executive Officer. Born 1958. Chairman or member of the Boards of Directors of companies in the Carlsberg Group as well as of A.P. Møller - Mærsk A/S, William Demant Holding A/S and Oticon A/S. Appointed to the Executive Board of Carlsberg A/S in 1999, of Carlsberg Breweries A/S in 2001 and of Carlsberg A/S again in 2004.

Jørn P. Jensen
Executive Vice President, Chief Financial Officer. Born 1964. Chairman or Deputy Chairman or member of the Boards of Directors of companies in the Carlsberg Group and member of the Board of Directors of JL-Fondet/Vesterhavet A/S. Appointed to the Executive Board of Carlsberg A/S in 2000.

Jørgen Buhl Rasmussen
Executive Vice President. Born 1955. Chairman or Deputy Chairman or member of the Boards of Directors of companies in the Carlsberg Group and member of the Board of Directors of Toms Gruppen A/S. Appointed to the Executive Board of Carlsberg A/S in 2006.

Senior executives

Western Europe

Nordic region
Nils S. Andersen, President, Chief Executive Officer
Mikael Aro, CEO, Sinebrychoff, Finland
Jan Leif Bodd, CEO, Ringnes, Norway
Jesper B. Jørgensen, CEO, Carlsberg Danmark, Denmark
Stig Sunde, CEO, Carlsberg Sverige, Sweden

Rest of Western Europe
Alex Myers, Senior VP, UK, Switzerland, Portugal, Germany and Italy
Thomas Amstutz, CEO, Feldschlösschen Getränke, Switzerland
Boguslaw Bartczak, CEO, Carlsberg Italia, Italy
Wolfgang Burgard, CEO, Carlsberg Deutschland, Germany
Doug Clydesdale, CEO, Carlsberg UK

BBH and the rest of Eastern Europe

Jørgen Buhl Rasmussen, Executive Vice President
Lars Lehmann, VP, Commercial
Bjørn Søndenskov, VP, Business Development

Baltic Beverages Holding, BBH (50/50 owned)
Anton Artemiev, President, Russia
Anvar Aliev, General Director, Uzbekistan
Eduard Babayan, President, Kazakhstan
Peter Chernyshov, Managing Director, Ukraine
Tomas Kucinskas, President, Baltic States

Rest of Eastern Europe
Damla Birol, CEO, Türk Tuborg, Turkey
Marcin Pirog, CEO, Carlsberg Polska, Poland
Isaac Sheps, CEO, south-eastern Europe, incl. Serbia, Croatia and Bulgaria
Alexander Grancharov, CEO, Carlsberg Bulgaria

Asia

Jesper Bjørn Madsen, Senior VP, Asia, Malawi and Export & Licence
Henrik Juel Andersen, CEO, SEAB, Vietnam
Hans Olaf Hallan, CEO, Carlsberg Singapore
Søren Holm Jensen, CEO, Carlsberg Hong Kong
Mogens Jønck, CEO, Carlsberg Brewery Malaysia
Sunny Wong, CEO, Carlsberg China

Carlsberg Group headquarters

Vibeke Aggerholm, VP, Internal Audit
Ulrik Andersen, VP, Legal Counselling and Risk Management
Klaus Bock, VP, Carlsberg Research Center
Vibeke Frank, VP, Human Resources
Gitte M. Hesselholt, VP, Business Development
Jan Hillesland, VP, Sales & Marketing and Innovation
Thomas Kure Jakobsen, VP, Export & Licence
Lars Larsen, VP, Finance
Torben Larsen, VP, M&A and Business Development
Kasper Madsen, Senior VP, Supply Chain & Procurement
Lars Holten Petersen, VP, Carlsberg Properties
Lars Krejberg Petersen, VP, IT
Anne-Marie Skov, VP, Communications
Lars Vestergaard, VP, Treasury

Mission

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

Vision

Probably the best beer company in the world

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

Values

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

Editors: Carlsberg Group Communications / Design and production: Boje & Mobeck as
Printers: ATM / Photos: Nana Reimers a.o. / English translation and proofreading: Borella projects