

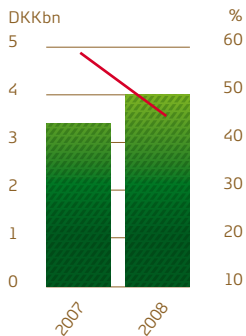


# Northern & Western Europe

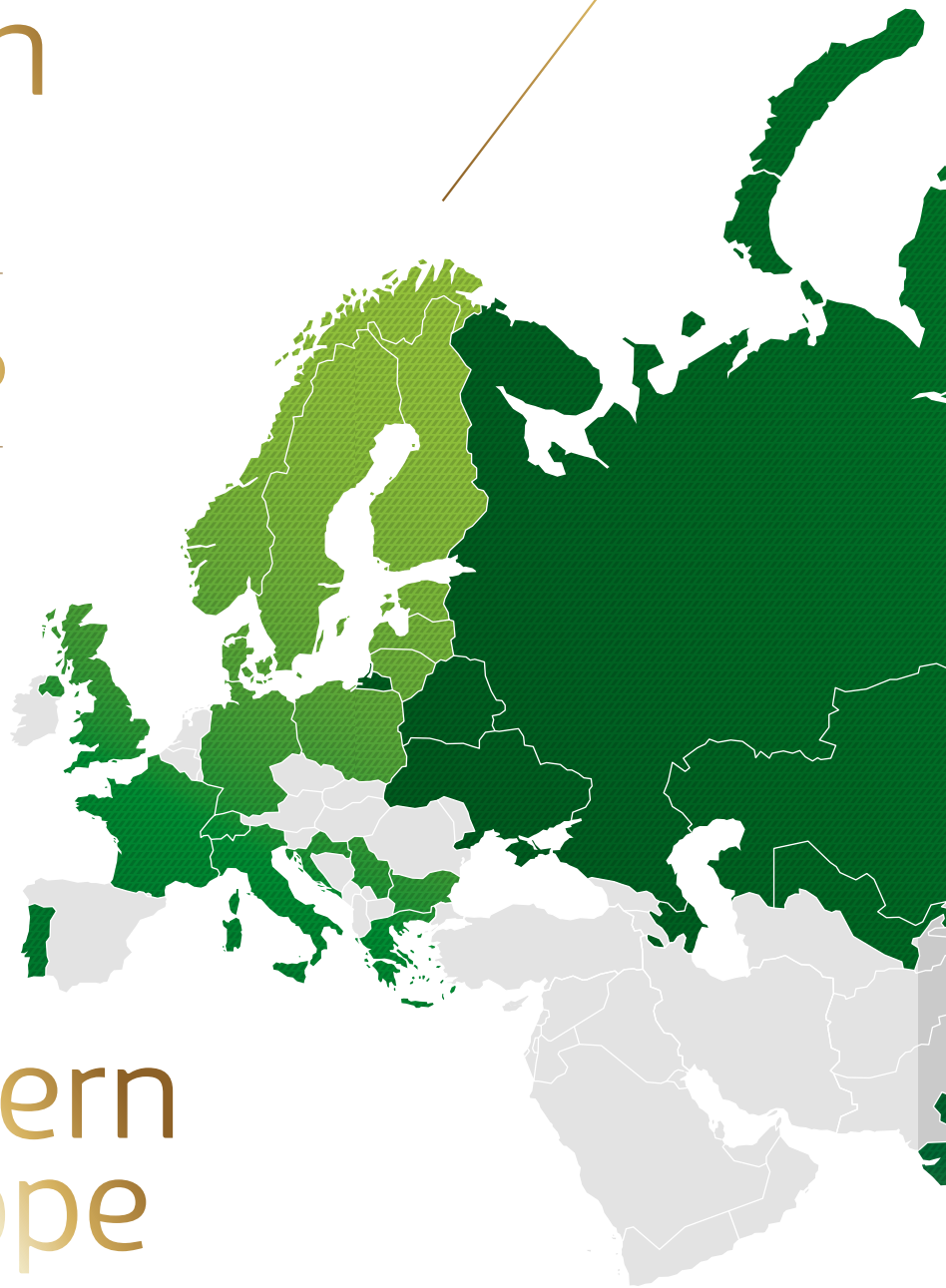
Beer volume 51m hl  
 Net revenue DKK 37.1bn  
 Operating profit DKK 4bn  
 See page 28 for regional performance.

**47%**  
 OF TOTAL VOLUME

■ Operating profit  
 ■ Share of operating profit\*

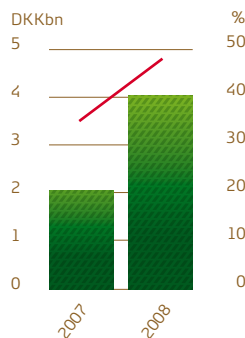


\* Before not allocated expenses and other activities (rhs)



# Eastern Europe

■ Operating profit  
 ■ Share of operating profit\*



\* Before not allocated expenses and other activities (rhs)

**43%**  
 OF TOTAL VOLUME

Beer volume 46.8m hl  
 Net revenue DKK 19.1bn  
 Operating profit DKK 4.1bn  
 See page 32 for regional performance.

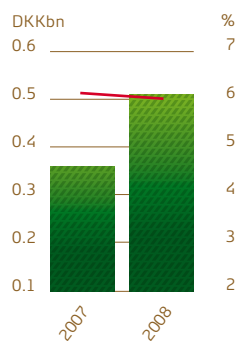


# Asia

Beer volume 11.5m hl  
 Net revenue DKK 3.6bn  
 Operating profit DKK 511m  
 See page 36 for regional performance.

**10%**  
 OF TOTAL VOLUME

■ Operating profit  
 ■ Share of operating profit\*

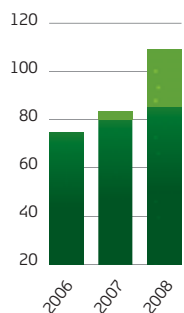


\* Before not allocated expenses and other activities (rhs)

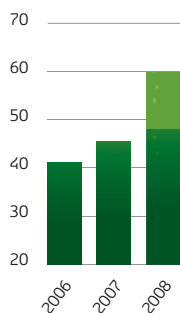
# The world's fourth largest brewery group

2008 was a year of significant progress and strong results

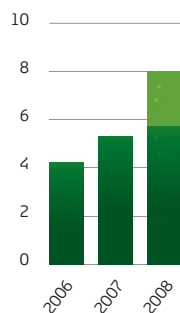
Beer volume, pro rata  
(Million hl)



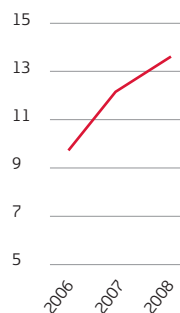
Net revenue  
(DKKbn)



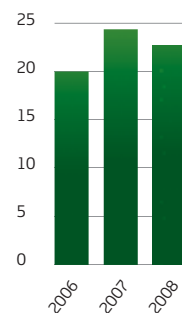
Operating profit  
(DKKbn)



Operating margin  
(%)



EPS  
(DKK)



■ Organic development    ■ Full bar shows Group total

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# A new Carlsberg

**THE TRANSFORMATION** 2008 was a truly special year and marked a milestone in Carlsberg's history. The acquisition of Scottish & Newcastle together with Heineken was by far the largest transaction in Carlsberg's history, immediately increasing Carlsberg's beer sales by 33% (pro rata). Carlsberg is now a much larger player in the global brewing industry with a strong position as the world's fourth largest brewer. More importantly, Carlsberg holds a strong position in virtually all of the markets in which we have chosen to compete.

The acquisition has transformed Carlsberg into a far larger player with new ambitions and goals, full control over key parts of its business, and a much clearer growth profile than before. Our business portfolio is now more exposed to growth markets, especially Eastern Europe. Our operations in Northern & Western Europe still provide a mature and stable foundation for the portfolio, while Asia provides Carlsberg with exposure to additional long-term growth and development.

The process leading up to the takeover date was lengthy, demanding an extraordinary effort from many people in our organisation. In order to be well prepared, Carlsberg set up internal working groups well before the takeover agreement was signed to plan and implement the subsequent major task of welcoming the acquired businesses and integrating them into the Carlsberg Group. Thus 2008 was a year in which the focus was mainly on ensuring seamless integration and on working and delivering on the opportunities that the new, bigger Carlsberg has to offer by combining the best of the acquired businesses with the best of the former Carlsberg Group.

In May and June Carlsberg successfully carried out a rights issue. We raised new capital of around DKK 30bn to help finance the Scottish & Newcastle transaction, which amounted to a total of around DKK 57bn. Unfortunately, since the rights issue the share price has been heavily impacted by the global economic recession.

## Business development

2008 was a year of substantial business integration following the acquisition of assets from Scottish & Newcastle. It was also another year of significant progress and strong results. During the year Carlsberg continued to develop its business in line with its stated strategy, building on its strong brand portfolio and execution skills throughout the Group.

Although not immune, the beer category is resilient to economic recession. However, market conditions softened further in the fourth quarter of the year. In Northern & Western Europe, consumer spending declined in both the third and fourth quarters

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## S&N ACQUISITION

28 April 2008 brought formal approval for Carlsberg's acquisition of Scottish & Newcastle together with Heineken. Carlsberg acquired the remaining 50% of Baltic Beverages Holding (BBH), the French brewer Brasseries Kronenbourg, the Greek brewer Mythos, a stake in Chinese brewer Chongqing, and a new joint venture in Vietnam.

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resulting in market growth being lower than trend volume development. However, the impact of the recessionary environment did not impact all markets equally and significant individual factors impacted some markets. The United Kingdom, Denmark and the Baltic markets in particular were severely hit by sharp declines in consumption driven by the on-trade in the United Kingdom, a significant increase in promotional price points in Denmark and severely deteriorating economies across the Baltic States.

Growth in the markets in Eastern Europe also decelerated in the second half of the year as the expected recovery in the Russian beer market failed to materialise, initially due to extremely poor weather and then due to increasing uncertainty about the economic outlook. In Asia, growth continued throughout the year with beer markets only marginally affected by the weaker economic outlook.

Carlsberg Group beer volumes were up 33% to 109.3m hl of beer (calculated pro rata) versus 82.0m hl in 2007. Organic growth accounted for 3% of this increase and acquisitions for 30%.

Net revenue climbed 34% to DKK 59.9bn (DKK 44.8bn in 2007), organic growth amounted to 8% (5% in DKK). Strong focus on brand-driven value growth through pricing and mix continued, and price increases were implemented throughout the year. However, above-average volume growth in low-priced markets capped the net effect of growth on net revenue per hl beer at 5%.

Operating profit before special items increased by 52% to DKK 7,979m (DKK 5,262m in 2007) with organic growth of 9% (6% in DKK). Beverage activities generated operating profit of DKK 7,605m (DKK 5,001m in 2007), an increase of 52%, of which 7% was organic growth (4% in DKK). This improvement was driven by continued growth in Eastern Europe and Asia. Other activities, including the sale of real estate, generated operating profit of DKK 374m (DKK 261m in 2007).

Net profit climbed 15% to DKK 2,631m (DKK 2,297m in 2007). The average number of shares in circulation increased during the year from adjusted 94.5m to 118.8m due to the rights issue, and earnings per share were DKK 22.2 (DKK 24.3 in 2007).

Earnings for the year were therefore in line with the updated expectations published in connection with the financial statement for the third quarter released on 5 November 2008.

### A stronger Carlsberg

Carlsberg is now a stronger business, and the acquired businesses will play a key role in the future development of the Carlsberg Group. Successful integration of the acquired assets is key to our goal of building stronger regional units. Previously announced plans for securing transaction synergies are on track and being implemented in France and the former BBH business. Full control over the former BBH business allows us to respond more quickly to changing market conditions and to ensure the unique strengths of this business can be exploited versus competition in the region.

During the course of 2008 a series of initiatives was implemented to continue to optimise the production network. In Denmark, the brewery in Valby, Copenhagen, was closed as planned at the end of the year. In Italy, production has been concentrated at the Varese brewery north of Milan, and production has ceased at Ceccano. In Portugal, it has been decided to close the brewery in Loulé. In the United Kingdom, Carlsberg has proposed the closure of the brewery in Leeds. The brewing network will be further consolidated over the next few years.

Carlsberg also sold its 95.6% shareholding in the Turkish brewery Türk Tuborg and its 20% stake in Israel Beer Breweries in order to continuously maximise returns for shareholders.

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### OTHER ACTIVITIES

In addition to beverage activities, Carlsberg has interests within sale of real estate, primarily at its former brewery sites, and the operation of the Carlsberg Research Center. These activities generated net operating profit of DKK 374m in 2008 against DKK 261m in 2007.

Monetising the value of redundant assets, including brewery sites which are no longer used in operations, remains an important focus to provide additional capital to the rest of the Group and enhance return on invested capital. The move from Valby and the realisation of capital from this substantial site in central Copenhagen remain on track, notwithstanding the changed economic environment. In January 2009, the City of Copenhagen gave the necessary approval for the redevelopment of this site. This approval provides for 600,000 sqm of redeveloped space. Carlsberg will continue to work to release capital from this site during 2009 and all capital expenditures to transfer production facilities to Fredericia were completed prior to the end of 2008.

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## For the Group as a whole, the aim for 2009 is to build an even stronger and more competitive Carlsberg with even better market positions

Despite beer being a non-cyclical consumer product, the turbulent global economic climate has created a more challenging business environment. Against this background, Carlsberg is further intensifying its focus on significant efficiency initiatives. In late 2008 and in early 2009 Carlsberg announced major restructuring programmes, including headcount reductions of more than 500 employees and down-sizing of operations.

In early 2009 Carlsberg also announced the strengthening of its Executive Committee with the appointments of Khalil Younes, Senior Vice President, Group Innovation, Sales & Marketing, and Nils Østbirk, Senior Vice President, Western Europe. Both will add further international experience in branding and commercial execution for fast-moving consumer goods to the Carlsberg Group.

### Ambitions

The new, bigger Carlsberg also has new, bigger plans. An ever more international business needs a strong and international organisation with skilled managers and workers at every level. Carlsberg's organisation is ready for these new challenges.

For the Group as a whole, the aim for 2009 is to build an even stronger and more competitive Carlsberg with even better market positions. Although 2009 will see a sharp focus on efficiency, cost reductions and cash flow, the year will also bring reinforcement to the innovation process at Carlsberg in order to safeguard future growth.

The expansion of our business in Northern & Western Europe to include Kronenbourg in France and Mythos in Greece will enable us to reap further economies of scale in a wide range of areas, including sales, marketing, innovation and production.

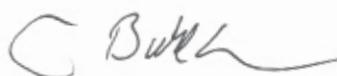
Our operating margin target of 14-16% in Northern & Western Europe still applies. Many of the things that need to be done to achieve this target have to do with internal efficiency at Carlsberg and are not therefore directly dependent on external developments. For more than five years now, Carlsberg has had a proven track record of improving its profitability through its Excellence programmes. Consequently, we have high hopes for the next generation of Excellence programmes and, as an extension of this, our standardisation project.

In Eastern Europe, growth will remain the driver in the coming years, although 2009 is expected to be a challenging year. Our established operating margin target of 23-25% in Eastern Europe still applies. We are firmly convinced that there is huge potential to rescope the cost base in Eastern Europe by realising synergies resulting from the Scottish & Newcastle transaction. In particular, procurement synergies will be significant, but implementation of best practice from the Northern & Western European Excellence programmes will add value too.

### Thank you

On behalf of Carlsberg, I would like to thank all of our employees for their extraordinary efforts over the past year. I would also like to thank our customers, suppliers and other partners for a rewarding business relationship. Last but not least, I want to thank our shareholders for supporting our strategy.

Our aim is still to be the world's fastest growing global brewery group and to ensure that our consumers get the best beer in the world.



Jørgen Buhl Rasmussen

# Five-year summary and key figures

## No.1

### No.1 in Northern and Eastern Europe

We are the no.1 brewer in Northern and Eastern Europe and the fourth largest brewer in the world.

## 45,000

### 45,000 employees

More than 45,000 employees produce, market and sell more than 500 different beer brands around the world every day.

## 150

### 150 markets

In 2008, Carlsberg sold more than 12,000,000,000 litres of beer in more than 150 markets.

Carlsberg has always been renowned for consistently high quality. 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 international brands such as Tuborg, Baltika and 1664. We also have a wide range of leading brands in our local markets.

Carlsberg's business builds on a proud history from the foundation in 1847. 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.

2008 marked a milestone in Carlsberg's history with the partial acquisition of Scottish & Newcastle whereby Carlsberg gained full control over its business in Russia and other Eastern European countries as well as the French brewery Kronenbourg and Greek brewery Mythos.

DKK million

## Sales volumes (million hl)

	2004	2005	2006	2007	2008
Beer	92.0	101.6	100.7	115.2	126.8
Soft drinks	19.4	19.1	20.2	20.8	22.3

## Income statement

Net revenue	36,284	38,047	41,083	44,750	59,944
Operating profit before special items	3,401	3,518	4,046	5,262	7,979
Special items, net	-598	-386	-160	-427	-1,641
Financial items, net	-1,152	-1,240	-857	-1,201	-3,456
Profit before tax	1,651	1,892	3,029	3,634	2,882
Corporation tax	-382	-521	-858	-1,038	324
Consolidated profit	1,269	1,371	2,171	2,596	3,206
Attributable to:					
Minority interests	169	261	287	299	575
Shareholders in Carlsberg A/S	1,100	1,110	1,884	2,297	2,631

## Balance sheet

Total assets	57,698	62,359	58,451	61,220	143,306
Invested capital	43,466	42,734	43,160	45,394	119,326
Interest-bearing debt, net	21,733	20,753	19,229	19,726	44,156
Equity, shareholders in Carlsberg A/S	15,084	17,968	17,597	18,621	55,521

## Cash flow

Cash flow from operating activities	3,875	4,734	4,470	4,837	7,812
Cash flow from investing activities	-2,363	-2,354	65	-4,927	-57,153
Free cash flow	1,512	2,380	4,535	-90	-49,341

## Investments

Acquisition and disposal of property, plant and equipment, net	1,141	1,323	2,864	4,596	4,669
Acquisition and disposal of entities, net	4,252	738	-18	179	-51,444

## Financial ratios

Operating margin	%	9.4	9.2	9.8	11.8	13.3
Return on average invested capital (ROIC)	%	8.1	7.8	9.2	11.7	8.2
Equity ratio	%	29.1	31.3	32.5	32.6	42.4
Debt/equity (financial gearing)	x	1.29	1.06	1.01	0.99	0.73
Debt/operating profit before depreciation, amortisation and impairment	x	3.53	3.29	2.73	2.43	3.80
Interest cover	x	2.95	2.84	4.72	4.38	2.31

## Stock market ratios\*

Earnings per share (EPS)	DKK	12.5	11.7	19.9	24.3	22.2
Cash flow from operating activities per share (CFPS)	DKK	44.1	50.1	47.1	51.2	65.8
Free cash flow per share (FCFPS)	DKK	17.2	25.2	48.0	-1.0	-415.4
Dividend per share (proposed)	DKK	4.0	4.0	4.8	4.8	3.5
Pay-out ratio	%	32	34	24	20	20
Share price (B shares)	DKK	223.6	272.8	452.9	498.1	171.3
Number of shares (year-end)	1,000	76,078	76,278	76,271	76,246	152,554
Number of shares (average, excl. treasury shares)	1,000	87,964	94,433	94,479	94,466	118,778

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. Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2005". The calculation of some financial ratios was adjusted in 2007, and comparative figures have been restated.

\* Stock market ratios have been adjusted for bonus factor from right issue in June 2008 in accordance with IAS 33. Number of shares (period-end) is not adjusted.

# Earnings expectations

## PROTECTING EARNINGS AND INCREASING CASH FLOW IN 2009

As a result of the global economic downturn in the second half of 2008, business conditions are now tougher than our mid-year expectations. Carlsberg has therefore adjusted its business plans for 2009 to reflect lower visibility and greater uncertainty.

Although our long-term business strategy remains unchanged, action plans have been put in place to ensure that Carlsberg emerges from 2009 as an even stronger business.

2009 will demonstrate a sharp focus on increasing cash flow and protecting earnings, cost control, significantly reduced capital expenditure, and accelerated debt repayment.

Our focus on short-term planning and execution has increased. Consequently, should external factors develop more negatively than currently expected, Carlsberg will take the necessary actions to drive cash flow and protect earnings.

To ensure that Carlsberg delivers on the business plans in each market, and especially to protect against a less positive development in volumes and net revenue than originally planned, all local businesses have revised their business plans since end 2008 and worked intensively on implementing cost and capital expenditure reductions and on contingency planning.

The contingency plans are focused on further cost reductions to a high degree. Carlsberg also intends to benefit from the reduced costs within several categories of procured goods. Notwithstanding this Carlsberg will continue to drive brand growth through focused innovation, marketing support and

strong execution. Furthermore focus has been and will be on all initiatives that can increase free cash flow, such as improving working capital, and hereby reducing capital employed and net interest-bearing debt.

Our internal expectations are based on an updated budget reflecting the assumptions that we are currently using.

Developments in foreign exchange rates, especially the Russian rouble (RUB), are important to the results being reported in Danish kroner (DKK). The RUB has been devalued significantly since mid-2008. The guidance and expectations provided in this announcement are based on an assumption of an *average* EUR/RUB rate in 2009 of 47.

The expectations for 2009 are based on an assumption of contraction of the beer markets in Northern & Western Europe and largely flat beer markets in Eastern Europe (slightly declining in Russia). On this basis, and including other factors such as the above mentioned EUR/RUB rate, a rapid implementation of many cost initiatives in all markets throughout the Group, and in general our insights into our business as per today, we expect net revenue in 2009 to amount to c. DKK 63bn. Excluding effects from acquisitions/divestments net revenue in DKK is not expected to grow.

Operating profit is expected to grow to more than DKK 9bn, an increase of more than 12%.

Net profit is expected to grow to more than DKK 3.5bn.

Carlsberg reconfirms the previously stated financial targets to improve the operating margin to 14-16% in Northern & Western Europe and to 23-25% in Eastern Europe in the medium term.

EXPECTATIONS AND  
RESULTS 2008 (DKKm)

		Net revenue		Operating profit, brewing activities		Operating profit, other activities	Carlsberg's share of profit
		Organic (DKK)	Total	Organic	Acquisitions		
19.02.2008	Actual (financial statements for 2007)	44,750		5,001		261	2,297
19.02.2008	Financial statement for 2007	~ +10%		~ 5,600		~ 300	~ +20%
05.08.2008	Q2 financial statement 2008	~ +10%	~ 62,000-63,000	~ 5,600	~ 2,200	~ 300	> 3,000
05.11.2008	Q3 financial statement 2008	~ +7%	~ 61,000	~ 5,400	~ 2,200	~ 300	~ 2,600-2,700
18.02.2009	Actual (financial statements for 2008)	+5%	59,944	5,223	2,382	374	2,631

## Monetisation of redundant assets, including the Valby site, is not factored into the 2009 expectations

# 12%

Operating profit is expected to grow by more than 12% (to more than DKK 9bn).

Since the significant acquisition in 2008 part of Carlsberg's strategy has been to reduce debt. In the current environment, reducing the interest-bearing debt more rapidly than originally planned can benefit our shareholders. Initiatives to strengthen and improve working capital have been implemented. Consequently, operating capital expenditures for 2009 are expected to be less than DKK 3.75bn (DKK 5.3bn in 2008, exclusive of real estate projects).

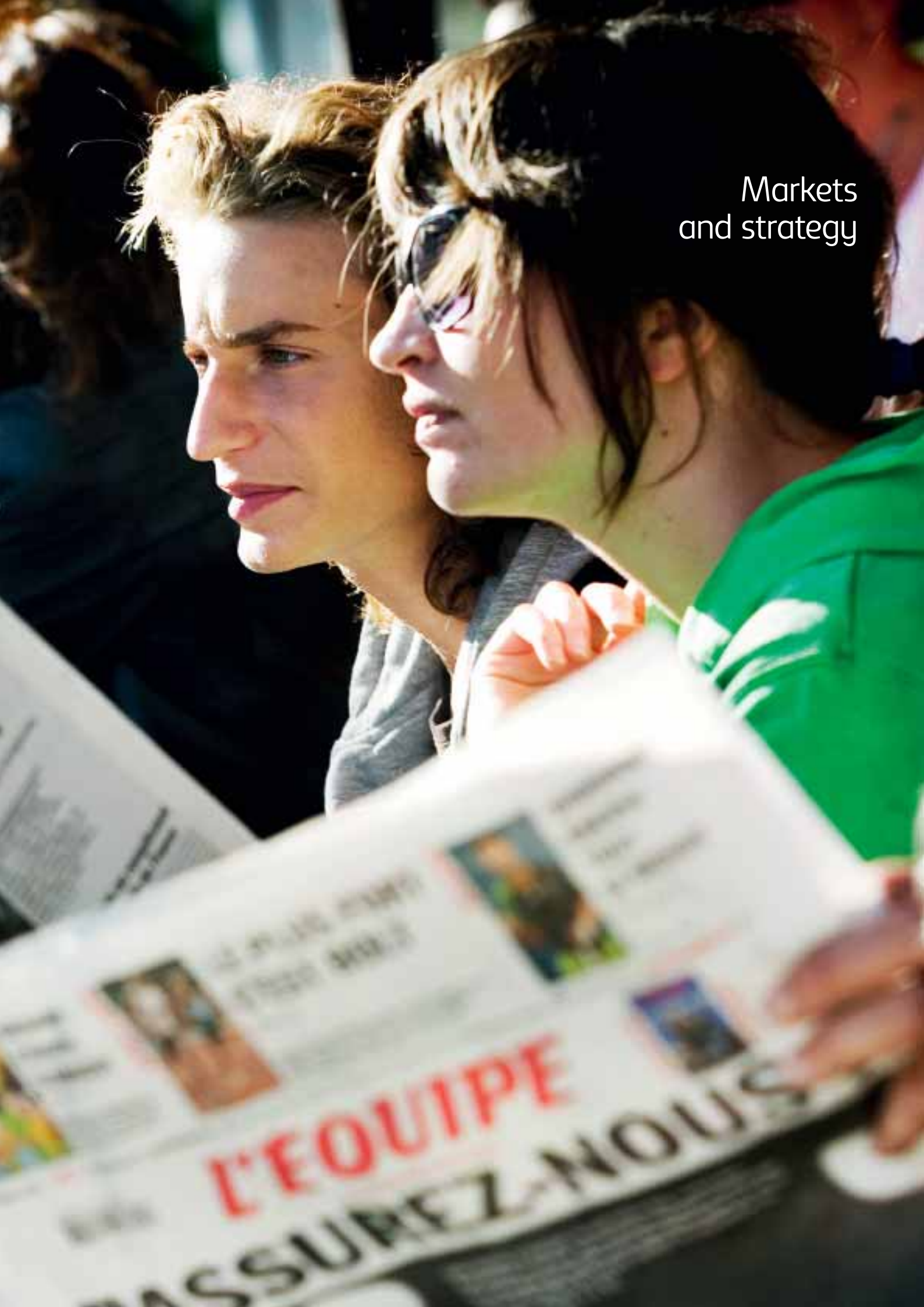
The earnings and capital expenditure expectations lead to an expectation of free cash flow of more than DKK 6bn. Consequently, significant deleverage of the Group is expected to occur leading to a net interest-bearing debt to EBITDA ratio end 2009 of around 3. Monetisation of redundant assets, including the Valby site, is not factored into these expectations.

According to Carlsberg's banking documentation, Carlsberg should be at an adjusted net interest-bearing debt vs EBITDA end 2009 of no more than 4 (4.25 end June 2009). The adjustment adds around 0.17 to the ratio calculated using the reported numbers.



Brasseries Kronenbourg is the market leader in France with an approx. 33% market share. The French drink around 31 litres of beer per person a year. Despite this relatively low per capita consumption, France is the fourth largest beer market in Europe.

Markets  
and strategy



# Trends in the global beer markets

## THE GLOBAL BEER INDUSTRY

Brewing has historically been a local industry with only a few companies having a substantial international presence. However, the last couple of decades have seen increasing consolidation within the industry, a development which initially took off in Western Europe and North America. More recently, the consolidation began to include brewing companies in the growth markets of Eastern Europe, Asia and Latin America.

The global consolidation process has accelerated in the past ten years. The top 10 brewers accounted for 34% of the global beer market in 1998. In 2008, this figure had grown to 59%.

In 2008, two major acquisitions took place in the global brewing industry:

- The acquisition of Scottish & Newcastle by Carlsberg and Heineken
- The acquisition of Anheuser-Busch by InBev

Following the acquisitions this year, Carlsberg is the fourth largest brewer in the world with an approximate world market share of 5%.

## ON-TRADE AND OFF-TRADE

Beer consumption is described as being split between on-trade and off-trade consumption. On-trade refers to beer purchased in a bar or restaurant. Off-trade refers to beer purchased at a retail outlet. The relative importance of the on-trade or off-trade segments varies from country to country.

The dynamics of beer consumption vary significantly across the world. In mature Western European markets volumes are broadly stable or declining modestly. In contrast, less mature or emerging beer markets in Asia and Eastern Europe are growing, with some countries even showing quite rapid growth rates.

## Volume drivers and trends

Global beer volumes are primarily being driven by growing disposable income, improvements in the quality of beer, marketing and advertising activities, and a steadily growing beer-consuming population base.

An ongoing trend evident in emerging and growth markets is the substitution of beer in place of traditional, local spirits. This trend is driven by rising incomes and increasing responsiveness towards brands and marketing. In addition, demographic shifts towards urbanisation and increasing westernisation of tastes among younger generations have supported the shift towards beer. In mature markets, consumption rates vary based on product differentiation, and marketing and promotional activities.

Beer consumption is also affected by a range of other factors, including seasonality, weather, demographics, tax and duties, perceived health effects, responsible-use programmes, rules and regulations and the consumption of substitute products.

## Consumption patterns

There are clear differences across markets in the types of beer consumed depending upon, among other things, the historical brewing traditions within a given country and the market's maturity level. In most markets, there are one or more mainstream lager brands as well as discount brands at the lower end of the market. At the higher end of the market, there are premium brands, super-premium brands and imported brands.

Because beer is often consumed in a social setting, brand image is very important. Marketing plays a major role in creating and reinforcing a brand's image and typically becomes increasingly important in highly differentiated markets. Domestic and regional brands can establish a strong base while the premium brand category becomes popular as consumers look for a better image or new tastes.

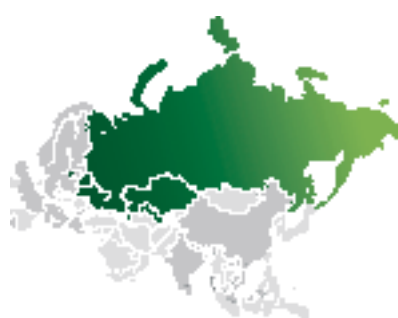


**NORTHERN & WESTERN EUROPE**



**Northern & Western Europe** comprises mature markets as well as less mature markets in the eastern part of the region.

**EASTERN EUROPE**



**Eastern Europe** covers the growth markets of Russia and the Ukraine and a number of emerging beer markets.

**ASIA**



**Asia** comprises old, mature Carlsberg markets and new emerging beer markets in China, Vietnam and India, amongst others.

Carlsberg is the second largest brewer in the region with market leader positions in a large number of countries and significant market positions in other countries.

The region comprises mature markets like the Nordic countries, the United Kingdom, France, Germany, Switzerland and Italy, where growth rates are expected to be flat or slightly declining. The region also comprises markets like Poland, the Baltic States and countries on the Balkan Peninsula, where long-term beer consumption is still expected to grow.

Volumes are generally supported by a well-established retail structure, a strong tradition of beer consumption in most of the region and consumers who are receptive to innovation.

The competitive landscape varies from country to country. For example, in the Nordic region Carlsberg competes mainly with local players and local beer brands, while in the United Kingdom and France Carlsberg is up against large international brewers and international brands.

The Eastern Europe region covers the growth markets of Russia and the Ukraine and the emerging beer markets of Kazakhstan, Uzbekistan, Belarus and Azerbaijan.

Carlsberg's Russian brewery, Baltika, is a strong market leader in Russia, and in the Ukraine Carlsberg holds a no. 3 position. In both countries, the competition primarily comes from international brewers.

The beer markets in this region are still expected to show positive growth rates as an average trend in the coming years.

The region is characterised by a long tradition of alcohol consumption, strong domestic brands, rapidly modernising distribution systems and increasing disposable income. The emergence of an aspirational middle class looking to differentiate itself from prior generations that consumed low-quality, high-alcohol-content spirits has also had a positive effect on beer consumption, not least in the premium and licensed segments.

Carlsberg's activities in Asia comprise the mature markets in Malaysia, Hong Kong and Singapore, and emerging markets in China, Vietnam, Cambodia, Laos and South Asia, including India.

The Asian beer markets are characterised by large populations, growing economies, rising per capita incomes and improving infrastructure.

In the region's emerging markets beer consumption per capita is generally low but with high projected growth rates in the coming years.

The presence of international brewers in the region is high. In many cases, the exposure of the international brewers to the region is through joint venture arrangements or investments in local brewers.

# Market overview

## Our markets

## Our breweries

	Population (million)	GDP/capita (USD) <sup>1</sup>	GDP growth (%) <sup>2</sup>	Market maturity	Market growth 2008-13	Breweries	Employees
<b>Northern &amp; Western Europe</b>							
Denmark	5.5	37,200	0.2	●●●	↓	1	2,246
Norway	4.6	56,850	1.8	●●●	↔	3	1,547
Sweden	9.0	37,620	0.6	●●●	↓	1	996
Finland	5.2	37,190	1.6	●●●	↔	2	1,003
Baltic States <sup>4</sup>	7.4	19,180 <sup>7</sup>	-2.3 -4.4	●●	↔	4	1,454
United Kingdom	60.9	36,310	0.7	●●●	↓	2	1,985
Germany	82.4	35,150	1.4	●●●	↓		
Northern Germany <sup>5</sup>						4	1,398
Switzerland	7.6	42,250	2.0	●●●	↓	2	1,425
France	62.2	35,130	0.9	●●●	↓	1	2,238
Italy	58.2	31,370	-0.4	●●●	↔	1	687
Greece	10.7	31,220	2.6	●●●	↔	1	287
Portugal	10.7	22,550	0.4	●●●	↔	1	775
Poland	38.5	17,770	5.1	●●	↑	3	1,325
South East Europe <sup>6</sup>	22.0	14,181 <sup>8</sup>	2.5-6 <sup>8</sup>	●●	↔	4	1,552

## Eastern Europe

Russia	140.7	16,330	7.0	●●	↑	11	12,266
Ukraine	46.0	7,600	4.5	●●	↑	3	1,927
Kazakhstan	15.3	11,440	3.5	●	↑	1	919
Uzbekistan	27.3	2,660	8.6	●	↑	1	349
Belarus	9.7	12,470	10.3	●	↑	1	476
Azerbaijan	8.2	11,820	13.1	●	↑	1	284

## Asia

Malaysia	25.3	14,110	5.6	●●●	↔	1	671
Singapore	4.6	43,590	2.2	●●●	↓	-	66
Vietnam	86.1	2,830	6.1	●	↑	5	723
China	1,330.0	6,170	9.1				
Western China				●	↑	19	5,107
India	1,148.0	2,950	5.6	●	↑	4	131

<sup>1</sup> PPP; 2008 <sup>2</sup> Real terms, 2008E <sup>3</sup> 2008F <sup>4</sup> Estonia, Latvia, Lithuania <sup>5</sup> Schleswig-Holstein, Hamburg, Lower Saxony <sup>6</sup> Bulgaria, Croatia, Serbia

<sup>7</sup> Weighted average <sup>8</sup> Weighted average. Serbia not included <sup>9</sup> Carlsberg estimate

## Northern & Western Europe, Eastern Europe and Asia

### Our position

### Consumption characteristics<sup>3</sup>

Market position (no.)	Market share	Competitive climate (international/local)	Approx. on-trade share of market	Per capita beer consumption (litres)	Per capita pure alcohol consumption (litres)	Beer: share of total alcohol consumption (%)
1	63.0	Local	22	81	9.6	42.2
1	54.2	Local	24	59	5.6	52.5
1	37.7	Local	21	53	6.3	42.3
1	46.9	International	19	87	8.7	50.0
1	43.5-46.1	Local	5-10	67-95	8.7-14.3	33.1-38.2
4	13.3	International	54	87	9.9	44.2
	4.9		33	108	10.0	54.0
1		International				
1	41.8	International	47	62	8.9	34.5
1	33.3	International	27	31	11.3	13.7
3	6.4	International	40	32	10.1	15.6
2	-	International	65	42	7.0	29.7
1	49.8	International	65	63	8.9	34.8
3	13.2	International	21	97	9.0	54.2
2-3	16.3-26.7	International	31-66	61-86	8.7-14.3	41.1-70.1
1	38.3	International	18	87	10.5	37.0
3	23.8	International	21	71	8.3	42.5
1	47.9	International	-	39	-	-
1	38.7	Local	-	8	-	-
2	28.2	International/local	-	50	-	-
1	72.4	Local	-	6	-	-
2	43.2	International	71	5	0.3	67.3
2	22.6	International	73	18	1.4	66.5
4	11.0	International	65	21	1.1	93.1
		International	45	32	3.3	48.5
1	59.0	Local		17 <sup>9</sup>		
-	-	International	37	1	1.7	3.5

Sources: Economist Intelligence Unit (GDP data), CIA World Fact Book, Canadean and Euromonitor (Consumption characteristics).

# Brand portfolio

## Four brands in Carlsberg's portfolio are among the top 10 in Europe

### STRONG LOCAL AND INTERNATIONAL BRANDS

The Carlsberg beer portfolio includes more than 500 brands. They vary significantly in volume, price, target audience and geographic penetration. The brand portfolio includes the well-known international brands Carlsberg, Tuborg, Baltika and 1664, and strong local brands such as Ringnes (Norway), Feldschlösschen (Switzerland), Lav (Serbia) and Wusu (Western China).

Following the acquisition of assets from Scottish & Newcastle, Carlsberg has full control over the Russian brand Baltika and the French brand 1664. Consequently, Carlsberg has revised its brand portfolio objectives and priorities to include these strong brands in the overall portfolio strategy.

An important strength of Carlsberg's brand portfolio is highlighted by the fact that four brands (Baltika, Carlsberg, Tuborg and Kronenbourg) are among the ten biggest brands in Europe with Baltika as number one.

### Portfolio segmentation and strategy

Beer brands can be segmented along a number of variables such as consumer needs, consumer groups and occasions. Beer is generally priced according to four broad segments: discount, mainstream, premium and super-premium. The size of the different price segments varies from market

to market. For example, France has strong large premium and super-premium segments, whereas in Germany discount brands have a much greater market penetration.

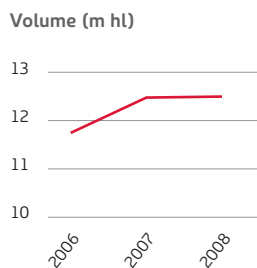
The objective of the Carlsberg Group's portfolio strategy is to premiumise the product mix. This is done with Carlsberg's own premium and super-premium brands, such as Carlsberg, Tuborg, 1664, Grimbergen and Jacobsen, as well as with complementary super-premium brands of other brewers. Notwithstanding this objective, Carlsberg sees it as a strength to have a broad portfolio that covers all consumer needs. In times of economic downturn, Carlsberg will assess and adjust the product portfolio in line with consumer demand to capture and secure shares not only in the premium and mainstream beer segments but also in the economy segment in markets where consumers choose to trade down.

### Local power brands

Local power brands play, and will continue to play, an important role in Carlsberg's portfolio. In each of Carlsberg's European markets, a local mainstream brand has been developed as a power brand. The role of this power brand is to be the key driver in the local mainstream segment.

The allocation of resources is focused on leading and developing the beer market from a local perspective. It is Carlsberg's ongoing ambition to use the strong platform of the local power brands to offer trade-up opportunities to the consumer by introducing new packaging or line extensions (such as flavour variants or reduced-calorie versions). This is part of the strategy of portfolio premiumisation.

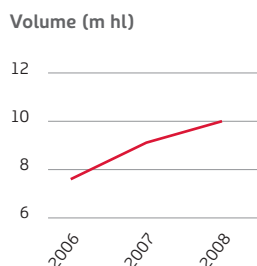
Power brand management, ranging from product development to sales and marketing, is carried out locally but in order to achieve synergies across markets, a power brand network has been established at Group level, where ideas and experiences are shared.



CARLSBERG

Carlsberg Pilsner was launched in 1904 and is the flagship in the Carlsberg Group's portfolio of beers. It is an all-malt premium lager beer spiced by the unique Carlsberg Aroma Hop. Green Label is the centre piece of the Carlsberg portfolio but across markets a number of line extensions exist in order to broaden the brand franchise.

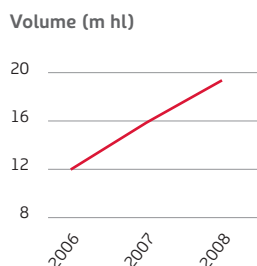
Carlsberg is the beer of sports, in particular football, and it has a long heritage of impressive local as well as international football sponsorships, for example UEFA EURO 2008 and Liverpool Football Club.



TUBORG

Tuborg Brewery brewed Denmark's first pilsner-type beer in 1880 and packaged it in bottles with a distinctive green label. It became instantly popular with the Danes but is today a real cosmopolitan, present in more than 70 different countries.

Tuborg is the youth brand in Carlsberg's international portfolio and is as such a catalyst for fun and partying. This is often associated with music and therefore Tuborg is involved in several music sponsorships around Europe.



BALTIKA

Baltika is the only truly national beer in Russia, brewed in many locations and sold across the entire country. Baltika was introduced in 1992 and from the very beginning, Baltika beer was exclusively conceived as a beer of the very highest European quality brewed according to classic technology. Today, Baltika is the largest European brand in terms of volume.

The Baltika brand family consists of a number of line extensions differentiated by numbers. No. 3 is for example the large mainstream brand whereas No. 7 is the most popular Russian premium beer.



2.6  
million hl in 2008

1664

1664 was included in Carlsberg's beer portfolio following the partial acquisition of S&N and thus Brasseries Kronenbourg in 2008. 1664 is a strong, traditional beer named after the year the Hatt family, the founders of the original brewery, first started commercial brewing.

1664 is associated with French art and pleasure and is a super-premium brand in Carlsberg's international beer portfolio.

See also: [www.carlsberggroup.com/brands](http://www.carlsberggroup.com/brands)

**International premium brands**

Carlsberg's premium brand portfolio includes the Group's international brands Carlsberg, Tuborg, Baltika and 1664, the last being positioned in the international super-premium segment, as well as local brands, which are often brand extensions as described above, sold at premium prices.

The management of Carlsberg's international brands is carried out centrally at Group level to ensure both the correct prioritising and streamlining of the international portfolio and to build strong brand platforms and growth models for each international brand in order to optimise profits. Strong implementation of the strategies and marketing tools is secured through the local organisations.

# Strategy

## Group

AMBITION	Create value for our shareholders and all other stakeholders
OBJECTIVE	Build the fastest growing global beer company Be a significant player in the markets we choose to compete in
DEFINING THE NEW CARLSBERG	<p><b>GEOGRAPHY</b> Northern &amp; Western Europe, Eastern Europe and Asia</p> <p><b>PRODUCTS &amp; INNOVATION</b> Beer is core, but expansion from core where it makes business sense</p> <p><b>BRANDS</b> Focus on local power brands and international premium brands</p>
STRATEGIES	<p>STEP CHANGE INNOVATION – bigger, better, faster</p> <p>COMMERCIAL EXECUTION – brands, categories, route to market</p> <p>EFFICIENCY – group, regional, local</p> <p>WINNING BEHAVIOURS – leadership and organisation</p>

## Regions

NORTHERN & WESTERN EUROPE

EASTERN EUROPE

ASIA



OBJECTIVE	Improve competitiveness and earnings	Ensure profitable growth	Build growth platform
MID-TERM TARGET	Operating margin 14-16%	Operating margin 23-25%	
STRATEGIES	<p>Increase efficiency</p> <ul style="list-style-type: none"> <li>· Excellence programmes</li> <li>· Network optimisation</li> <li>· Business standardisation</li> </ul> <p>Value creation</p> <ul style="list-style-type: none"> <li>· Strengthen local power brands and develop international brands</li> <li>· Premiumise portfolio</li> <li>· Innovate</li> <li>· Expand portfolio</li> <li>· Improve category and value management</li> </ul>	<p>Focus on portfolio and mix</p> <ul style="list-style-type: none"> <li>· Balance value and volume</li> </ul> <p>Assessing multi-beverage portfolio</p> <ul style="list-style-type: none"> <li>· Leverage strengths with non-beer categories</li> </ul> <p>Roll-out of Excellence programmes</p> <ul style="list-style-type: none"> <li>· Realise synergies</li> </ul> <p>Continued build-up of smaller markets and new markets</p>	<p>Strengthen brand portfolio</p> <p>Build stronger platform in Western China, Vietnam and India</p> <p>Further value creation from other strongholds</p> <p>Commitment to add to existing positions through M&amp;A activities</p>

## Defining the new Carlsberg

### GEOGRAPHY

The new Carlsberg effectively spans two continents: Europe and Asia. These continents are where the Group has the expertise and the right products to secure a leading position.

The business portfolio is split into three geographical regions:

- Northern & Western Europe
- Eastern Europe
- Asia

### PRODUCTS & INNOVATION

Carlsberg's core business is beer. However, Carlsberg will expand from the core business where it makes sense:

- Malt-based beverages: Carlsberg aims to take the lead in the development of this segment
- Other beverages such as soft drinks, water and cider: Carlsberg intends to work in partnerships where this fits the local portfolio and makes a positive contribution to the business

### BRANDS

Carlsberg will remain focused on developing and strengthening its brand portfolio based on a combination of local power brands and international brands. An essential part of the brand strategy is premiumisation of the portfolio. Wherever possible, Carlsberg will be the brand owner of premium products, but where this is not possible, Carlsberg will engage with partners to increase premiumisation.

## Group strategies

### STEP CHANGE INNOVATION

Carlsberg will excel in step change innovation and value engineering. The aspiration is for fewer but more efficient and visible "product news" across more countries. This will be within the beer category as well as within malt-based beverages but also includes packaging, marketing and execution. Carlsberg will sharpen its focus not only on developing and launching new products but also on enhancements and innovations for existing products such as new flavours or new types of packaging in response to growing sales from convenience stores.

### COMMERCIAL EXECUTION

Outstanding commercial execution entails areas such as:

- Consistent brand execution
- Converting unique shopper insights into actionable strategies
- Deploying sales and marketing resources with highest possible effectiveness
- Excellence in value management
- Converting deep customer understanding into value creation
- Ensuring optimised route-to-market control in all markets

### EFFICIENCY

Carlsberg will continuously adjust and optimise the cost base, including the brewery structure, in all markets.

In recent years, a number of Excellence programmes have covered systematic streamlining of processes and procedures across the whole value chain in areas such as production, procurement, administration and logistics. Carlsberg will continue to execute these in the commercial area, in production, procurement, logistics and in administration.

As a natural extension of the Excellence programmes, standardisation across functions and geographies is the next phase and the new enabler in the ongoing work to increase the efficiency of all parts of the business.

### WINNING BEHAVIOURS

Carlsberg is committed to enhancing the skills of managers and employees, and to developing strong winning behaviours, which pulls the Company together across national borders and functions, and promotes commitment in people's everyday work.

A set of shared winning behaviours will guide the way business is done across markets and regions. The winning behaviours include:

- All decisions are based on the needs and preferences of consumers and customers
- Employees are empowered to promote a work environment where good ideas and passion to deliver are recognised and rewarded
- Despite the local market position, Carlsberg acts as an entrepreneur: fast, proactive and action-oriented

## Carlsberg's ambition is founded on one key principle: creating value for our shareholders and all other stakeholders

### VALUE CREATION

The acquisition of assets from Scottish & Newcastle was one of the most significant events in the history of the Carlsberg Group, representing an important step into a new league. By diversifying market exposure, Carlsberg created a new and stronger balance between mature and growth markets, and the company is well positioned for profitable growth in the years to come.

### Business portfolio

Carlsberg's activities are focused on the markets where the Group has the expertise and the right products to secure a leading position. The business portfolio consists of brewery activities in three geographical regions: Northern & Western Europe, Eastern Europe and Asia.

The beer markets in these regions vary widely, from the very mature markets of Northern & Western Europe to the emerging beer markets in Asia. There are big differences in growth rates, consumption per capita and the types of beer consumed, as well as whether beer is enjoyed at home or in restaurants, bars and cafés. Consequently, the contributions to growth, earnings and development within the Group differ according to region, both currently and in our longer-term projections.

In countries where Carlsberg has no breweries, the Group sells its products through exports and licensing agreements. Carlsberg aims to establish and develop strong market positions for the international premium brands Carlsberg, Tuborg, Baltika and 1664 through dynamic partnerships with licensing, export and duty-free partners around the world.

#### *Northern & Western Europe*

Northern & Western Europe is a particularly important region in the business portfolio with the overriding short-term goal of generating free cash flow for the Group while developing long-term equity through strong consumer loyalty. This is done by focusing on value rather than volume and a constant focus on efficiency improvements within and across markets. The efficiency agenda has

been delivered through the Excellence programme in all functions. The value growth agenda focuses on obtaining and using better consumer insights, and improved in-store execution with both beers and other beverages.

#### *Eastern Europe*

The priority in Eastern Europe is profitable growth now and in the coming years. The most important challenge is to exploit the growth potential of the Russian market as well as of a number of the other markets in the region. A key task is to strike the best possible balance between value growth and volume growth. On the one hand, this means strengthening brand loyalty and sales of more expensive premium beers, whilst on the other hand, it means supplying competitive and attractively priced beers which can capture consumers and sales from other beverages, in particular spirits. The Eastern European region is the growth asset in the business portfolio despite an expected short-term slowdown in overall market growth due to the current macroeconomic environment. Eastern Europe will continue to grow and the necessary investment will be made in the region to capture future growth opportunities.

#### *Asia*

The goal of the Asian region is to continue to develop this business so that the region can supplement Eastern Europe as an additional growth engine for the Group. In the less mature markets of Asia, efforts in the coming years will be largely concentrated on generating growth that increasingly will be more balanced between volume and value.

### Value creation

Value creation and profitable growth play a key role in Carlsberg's strategy. These objectives are to be achieved by a number of means and initiatives.

#### *Commercial initiatives*

In recent years there has been a growing focus on commercial initiatives to increase value and generate growth, but activities and target areas vary from region to region and from market to market.



To realise the growth strategy, it is essential to be in a position to respond quickly and effectively to new consumer trends. First and foremost, this requires a systematic and targeted approach to innovation. As well as developing the product range locally, efforts will increasingly be concentrated on larger international launch concepts. Carlsberg will sharpen its focus not only on developing and launching new products but also on enhancements and innovations for existing products, such as new flavours or new types of packaging, in response to growing sales from convenience stores. In recent years, Carlsberg has developed and marketed a number of new products and initiatives internationally in both beer and other beverages, and this work will be intensified in the future. To further improve these capabilities, a new integrated innovation organisation and structure was implemented in early 2009.

Commercial execution will also be on the agenda in the years ahead. An example within this area is the development of sophisticated methods and intelligent tools that have been taken into use for analysing consumer behaviour with a view to improving product placement and sales in locations such as supermarkets, convenience stores, restaurants, cafés and bars.

#### *Efficiency initiatives*

The efficiency initiatives are about constantly reducing the cost base across the Group. They are also about optimising the brewery and distribution structure and as a result of this, the proposed closure of the brewery in Leeds, United Kingdom, by 2011 was announced in 2008. This announcement follows plant closures in recent years in Denmark, Portugal, Switzerland, Italy and Finland. Closures continue to be on the agenda in the coming years.

In recent years, Carlsberg has implemented a number of Excellence programmes which have covered systematic streamlining of processes and procedures in areas such as production, logistics, procurement and administration. Excellence initiatives will continue in Carlsberg. In mature markets where the first wave of these programmes has already taken place, second-wave initiatives are now being rolled out, building on the experience and knowledge acquired through the execution of the first round. In less mature markets, Excellence programmes are being rolled out in a modified form so that the cost base here too can be optimised. Major programmes were initiated in Eastern Europe during the second half of 2008.

An important initiative is the continued work on globalising and centralising procurement at Group level to ensure the most favourable terms and conditions. Central procurement will be implemented across the cost categories of the business.

Another area that is being scrutinised is how to optimise the route to market in order to improve the service provided to our customers and consumers.

This work is being done market by market to recognise the differences across markets.

Standardisation is the next phase in Carlsberg's ongoing work to increase the efficiency of all parts of its business.

The aim of standardisation is to strike the best possible balance between centrally defined ways of running the business regardless of national and departmental boundaries, and respect and consideration for local markets, customers and consumption patterns.

This standardisation process will take a number of years. The first phase has involved identifying and mapping the many operational and administrative processes in the Carlsberg Group with a view to designing and optimising uniform procedures and IT systems across the Group's companies. As with previous projects, the standardisation project will be rolled out first in the mature European markets and subsequently in the Group's other markets. Besides creating immediate synergies by reducing the complexity of the Group, standardisation will result in greater transparency across the Company, which will provide new opportunities to optimise working methods and processes. This will also be a key lever for more accurate and faster decision-making.

#### *People*

Continuous development of the Group's employees is an important part of everyday life at Carlsberg. This ongoing work is supplemented with a number of programmes spanning not only management development but also talent development, internal academies for production, procurement and marketing, and personal development programmes for both managers and other employees at various levels of the organisation.

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#### 2009

Carlsberg's long-term business strategy remains intact. However, recognising that 2009 will be a year of lower visibility and greater uncertainty, action plans are in place to ensure that Carlsberg emerges from 2009 as an even stronger business. Please see page 10.

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# Executive Committee

The role of the Executive Committee is to drive the strategic development of the Group

JØRGEN BUHL RASMUSSEN  
(DANISH; 1955)



President, Chief Executive Officer since 2007.

Appointed to the Executive Board of Carlsberg A/S in 2006. Chairman, Deputy Chairman or member of the Boards of Directors of Carlsberg Group companies. Member of the Board of Directors of Toms Gruppen A/S. Prior to joining Carlsberg, Mr Rasmussen held managerial positions in, amongst others, Gillette Group and Duracell.

JØRN P. JENSEN  
(DANISH; 1964)



Deputy CEO since 2007; CFO since 2004.

Appointed to the Executive Board of Carlsberg A/S in 2000. Chairman, Deputy Chairman or member of the Boards of Directors of Carlsberg Group companies. Member of the Boards of Directors of JL-Fondet/Vesterhavet A/S and Brightpoint Inc. Prior to joining Carlsberg, Mr Jensen held managerial positions in, amongst others, Nilfisk Advance A/S and Foss Electric A/S.

MIKAEL ARO  
(FINNISH; 1965)



Senior Vice President, Northern Europe since 2007.

Joined Sinebrychoff in 2001, first as Sales and Marketing Director and later on as Commercial Director. Appointed CEO of Sinebrychoff in 2005. Prior to joining Sinebrychoff, Mr Aro worked three years for Coca-Cola Juomat Oy, holding various commercial management positions. Mr Aro started his career at Oy Arla Finland.

**ANTON ARTEMIEV**  
(RUSSIAN; 1960)



Senior Vice President, Eastern Europe since 2008.

President of Baltika Brewery since 2005. Executive Vice President of Baltic Beverages Holding AB (BBH) from 2000. Prior to joining BBH, Mr Artemiev headed the Russian operations/department of Bossard Consultants/Gemini Consulting. In 1992 Mr Artemiev was directly involved in the recommendations that led to foreign investments in Baltika Brewery.

**KASPER MADSEN**  
(DANISH; 1961)



Senior Vice President, Group Supply Chain (production and logistics) since 2005.

Joined Carlsberg in 1986. Mr Madsen has held several managerial positions in the supply chain in Copenhagen as well as abroad: Thailand, Malaysia and the United Kingdom. Member of the Boards of Directors of Carlsberg Group companies, incl. Baltika Brewery.

**KHALIL YOUNES**  
(FRENCH/LEBANESE; 1963)



Senior Vice President, Group Innovation and Sales & Marketing since 2009.

Responsible for Group Sales & Marketing and the Group's innovation activities. Prior to joining Carlsberg, Mr Younes worked 15 years for The Coca-Cola Company. Mr Younes was responsible for a number of successful brand developments and change processes around the world. His last position was Vice President of Global Juice Marketing.

**ANNE-MARIE SKOV**  
(DANISH; 1953)



Vice President, Group Communications since 2004.

Responsible for Carlsberg's corporate communication activities, including investor and media relations, and the CSR unit. Member of the Boards of Directors of WWF Denmark, The Tuborg Foundation, Erik Møller Architects and Nørrebro Teater. Prior to joining Carlsberg, Ms Skov worked with the Novo Group, lastly as Vice President and member of the Executive Management of Novozymes A/S.

**THOMAS EKVALL**  
(SWEDISH; 1959)



Vice President, Group Human Resources since 2007.

Responsible for Carlsberg's top executive recruitment, executive assessment and development of key executives, talent development programmes, remuneration programmes etc. Prior to joining Carlsberg, Mr Ekvall was Director Human Resources at Tele 2, Sweden. Before coming to Tele 2, Mr Ekvall spent 23 years in the military.

**NILS ØSTBIK**  
(DANISH; 1965)



Senior Vice President, Western Europe as of 1 March 2009.

Prior to joining Carlsberg, Mr Østbirk was Zone Director, Northern Europe at L'Oréal responsible for operations in 12 countries across Europe. Before that, he was Managing Director for L'Oréal in Poland and the Netherlands. Previously, Mr Østbirk worked for Philip Morris as head of Indochina.





Regional  
performance

Northern &  
Western Europe  
Eastern Europe  
Asia

# Northern & Western Europe

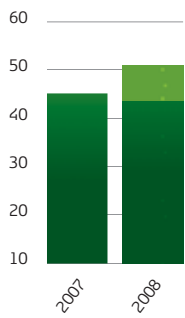
REGIONAL OBJECTIVE	Improve competitiveness and earnings
REGIONAL MID-TERM TARGET	Operating margin 14-16%
REGIONAL STRATEGIES	<p>Increase efficiency</p> <ul style="list-style-type: none"> <li>• Excellence programmes</li> <li>• Network optimisation</li> <li>• Business standardisation</li> </ul> <p>Value creation</p> <ul style="list-style-type: none"> <li>• Strengthen local power brands and develop international brands</li> <li>• Premiumise portfolio</li> <li>• Innovate</li> <li>• Expand portfolio</li> <li>• Improve category and value management</li> </ul>
COUNTRIES AND SELECTED BRANDS	
<b>Denmark</b>	Carlsberg, Tuborg, Jacobsen
<b>Norway</b>	Tuborg, Ringnes, Lysholmer
<b>Sweden</b>	Pripps, Falcon
<b>Finland</b>	Koff, Karhu
<b>Baltic States</b>	Svyturus, Utenos, Aldaris, Saku
<b>United Kingdom</b>	Carlsberg, Tetley's
<b>Germany</b>	Holsten, Lübzer, Duckstein
<b>Switzerland</b>	Feldschlösschen, Cardinal
<b>France</b>	Kronenbourg, 1664
<b>Italy</b>	Splügen, Bock 1977
<b>Greece</b>	Mythos
<b>Poland</b>	Okocim, Harnas
<b>South East Europe</b>	Tuborg, LAV, Shumensko, Pan

## PORTFOLIO

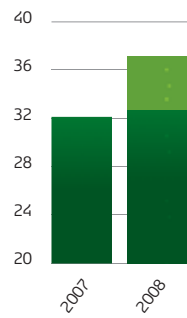


The brands shown are only a small selection of the Northern & Western European beer brand portfolio.

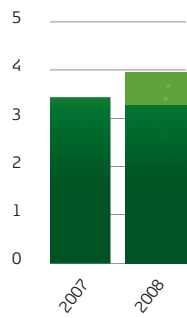
**Beer volume**  
(Million hl)



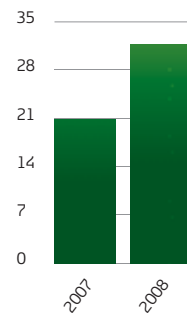
**Net revenue**  
(DKKbn)



**Operating profit**  
(DKKbn)



**Invested capital**  
(DKKbn)



■ Organic development    ■ Full bar shows Group total



## Besides efficiency and cost savings, a key priority is to focus on value management

### NORTHERN & WESTERN EUROPE

Carlsberg has improved its competitiveness and earnings in its mature European markets over recent years, and the Northern & Western European region plays an important role in Carlsberg's portfolio of businesses accounting for approximately 62% of Group revenue and approximately 46% of Group operating profit (before not allocated expenses and other activities).

#### Strategic objective

The overall strategic objective for Northern & Western Europe is to increase profitability and generate free cash flow, which is to be achieved through continued streamlining and cost reduction programmes together with increased focus on revenue growth through value management, premiumisation, innovation and improved commercial execution.

#### Efficiency and cost savings

Efficiency and cost savings have been Carlsberg's strategy in Northern & Western Europe for a number of years. The Operational Excellence programme incorporated a series of initiatives spanning production, administration, procurement and logistics. Next-generation Excellence programmes will include significant initiatives to further improve efficiency on a country-by-country basis and across the region. These initiatives most notably focus on establishing world-class procurement capabilities as well as standardising and reducing overall complexity in the business.

Optimisation of the brewery structure in Northern & Western Europe remains on the agenda. The closure of the Valby brewery in Copenhagen has now been completed along with closures of plants in Ceccano, Italy, and Pori, Finland (partial closure). In November 2008, Carlsberg also announced the proposed closure of the brewery in Leeds, United

Kingdom, by 2011. Changes in the brewery structure, including closures, are based on a comprehensive business review which takes account of savings, subsequent use of the land and buildings released, possible spare brewing capacity available internally or externally, and investments in replacement capacity if necessary.

There have also been extensive efficiency initiatives in administration, including the creation of an Accounting Shared Service Centre in Poznan, Poland. The centre now supplies services to Poland, Germany, Switzerland, the United Kingdom, Denmark, Sweden and Norway.

#### Revenue growth

However, increasing efficiency and reducing costs does not create a competitive business on its own. Various other steps have therefore also been taken to ensure sustained revenue growth in the years to come. The Commercial Excellence programme has turned the spotlight onto the use of sales and marketing resources. Employees have been trained to develop and organise local beer sales so that volumes and margins for both the customer and Carlsberg are reflected in decisions on the range and display at the point of sale.

In addition to Commercial Excellence, the Group portfolio strategy plays an important role in Northern & Western Europe, focusing on the following key areas:

- Developing the super-premium segment (1664, Jacobsen, Grimbergen and other speciality beers)
- Generating growth in the premium segment, primarily through the Carlsberg brand and the premiumisation of local brands
- Driving growth in leading local power brands
- Expanding the range of other beverages through innovation and partnering



### Development in 2008

Total beer markets in the region declined by around 2% on average compared to full-year 2007. The market contracted as weaker economies affected consumer sentiment, especially in the fourth quarter with a decline of 4.1%, primarily driven by the on-trade. Although the deteriorating business environment affected overall beer market growth in late 2008, specific factors impacted individual markets during the year. These factors include smoking bans in the United Kingdom, France and Germany, a decline in Denmark due to the reduction of promotional price support by retailers on beer and the severe economic crisis in the Baltics affecting consumer spending. Some of Carlsberg's markets declined by 4-6%, while other markets continued to grow, with increases of 1-2% for the full year.

Total beer volumes were 51.0m hl against 44.4m hl in 2007. This includes a total of net 7.7m hl from the activities acquired in France, Greece and the Baltics. Organic beer volumes were down 1.6% in line with overall market development, resulting in average market shares at the same level as last year. Volume market shares were flat or growing in more than half the markets in Northern & Western Europe. Other beverages achieved a total volume of 16.5m hl, which organically was on par with last year.

Net revenue climbed 16% to DKK 37,128m (DKK 32,087m in 2007) with organic growth amounting to 3% (+1% in DKK). Organic growth has been driven by higher sales in Switzerland, Poland, South East

Europe and the Nordics, but offset by the negative impact from the United Kingdom due mainly to the effects from the loss of legacy contracts end 2007 and decline in the Baltics driven by the economic crisis.

Throughout the year one of the key priorities has been to excel in execution. Part of this has involved applying a strong focus on value management initiatives and increasing beer prices to offset cost inflation in key inputs such as malt, hops, cans and bottles. Average sales prices on beer have increased by approximately 5% compared to last year. Combined with a volume effect of -2% and a mix effect of +1%, these price increases have led to an increase in organic beer net revenue of +4%. The positive mix effect has been partly offset by negative channel mix as consumers have reduced spending in pubs and restaurants as a consequence of the toughening economic environment. Based on verified data from a number of key markets, there has been no significant change in mix between the segments in the off-trade for both the full year and by quarter in 2008 when compared to the same periods of 2007. Although Carlsberg's commodity hedging policy allows for some flexibility in hedging arrangements, the Group will benefit from declining spot prices on inputs with a time lag.

Internal efficiency remains high on Carlsberg's agenda and the roll-out of Excellence programmes targeting both top and bottom line improvements to newly acquired assets began shortly after the acquisition. Significant restructuring projects have also been rolled out in the United Kingdom and the Baltics to protect future earnings.

Organic net revenue in the fourth quarter increased by 2% with slightly declining average market share driven by primarily the Baltic markets and other Northern European markets. Price increases compared to the same period last year combined with operational savings were achieved in a significant part of the region in the fourth quarter, thus protecting earnings.

In 2008, operating profit was up 17% to DKK 3,953m (DKK 3,383m in 2007) with organic development accounting for -4% (-5% in DKK) and growth from acquisitions adding 22%. If adjusting for one-offs (sale of local brands in 2008, the discontinued legacy payments on the former Punch Taverns contract in the United Kingdom and the gain from sale of real estate in Poland in 2007) the organic development would have been c. -2%. Reported operating profit margin increased marginally by 10bp to 10.6%.

The integration of the French business and realisation of synergies are on track and the relaunch of the Kronenbourg brand is progressing and is now at the early stage. In Italy, the turnaround of the business has included exiting non-profitable segments and significant reductions in the cost structure. South East Europe has increased earnings through volume growth and market share increases.

## Significant restructuring projects have been announced in many markets

# 3%

Organic net revenue increased by 3% despite tough market conditions.

# Eastern Europe

REGIONAL OBJECTIVE	Ensure profitable growth
REGIONAL MID-TERM TARGET	Operating margin 23-25%
REGIONAL STRATEGIES	<p>Focus on portfolio and mix</p> <ul style="list-style-type: none"> <li>• Balance value and volume</li> </ul> <p>Assessing multi-beverage portfolio</p> <ul style="list-style-type: none"> <li>• Leverage strengths with non-beer categories</li> </ul> <p>Roll-out of Excellence programmes</p> <ul style="list-style-type: none"> <li>• Realise synergies</li> </ul> <p>Continued build-up of smaller markets and new markets</p>

COUNTRIES AND SELECTED BRANDS

<b>Russia</b>	Baltika, Tuborg, Arsenalnoye, Nevskoye, Yarpivo
<b>Ukraine</b>	Slavutich, Lvivske
<b>Kazakhstan</b>	Derbes, Irbis
<b>Uzbekistan</b>	Tuborg, Sarbast
<b>Belarus</b>	Alivaria
<b>Azerbaijan</b>	Xirdalan, Bizim

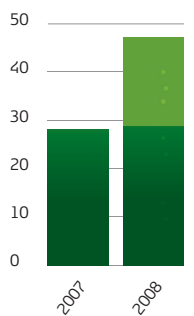
PORTFOLIO



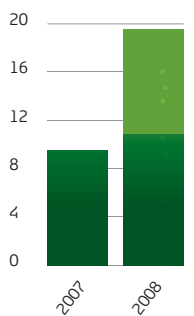
The brands shown are only a small selection of the Eastern European beer brand portfolio.



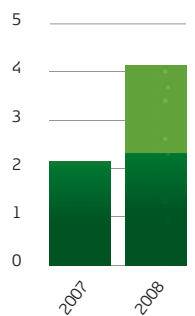
**Beer volume**  
(Million hl)



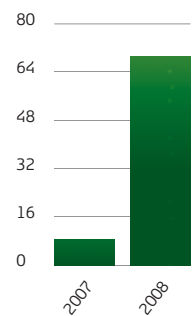
**Net revenue**  
(DKKbn)



**Operating profit**  
(DKKbn)



**Invested capital**  
(DKKbn)



■ Organic development    ■ Full bar shows Group total



**EASTERN EUROPE**

The full ownership of Carlsberg's Eastern European activities following the partial acquisition of Scottish & Newcastle has further increased the importance of this region in Carlsberg's business portfolio, and the region now accounts for 32% of Group revenue and approximately 48% of operating profit (before not allocated expenses).

**Markets**

Russia is, and will remain, the largest and most important market in the region, accounting for 82% of regional sales volumes and 85% of net revenue. However, a determined effort is being made to ensure that other countries in the region come to play a more important role, thus adding a geographic angle to the pipeline of future growth opportunities. In the Ukraine for example, a turnaround plan with the aim of accelerating growth and strengthening the position in the mainstream segment has successfully been implemented, and the market share increased to 23.8% in 2008. Carlsberg Uzbekistan has achieved a number one market position after just 18 months' operations.

**Synergies**

The full ownership of the Eastern European assets has eliminated the previous holding structure and has brought management resources in Carlsberg and Baltika in particular much closer together. In connection with the acquisition, a significant amount of hard synergies was announced. The synergies are to be realised by implementing Carlsberg's well-proven Excellence programmes. The extensive expertise of Carlsberg coupled with strong local management teams provide the optimal requisite for achieving efficiency gains in production, logistics, route to market, and optimisation of the product range, sales, marketing and administration. However, the most important source of savings is procurement where significant benefits will be achieved, as it is now possible to share information between Carlsberg and Baltika which previously was not possible.

**Continued growth**

Apart from realising synergies, the overall strategy of the Eastern European business focuses on growth in both volumes and value, based on solid market positions and strong beer brands in existing markets. The strategy also entails adding new products and new markets. In Eastern Europe – and in Russia in particular – focus is gradually shifting away from growth in volumes and production capacity in favour of value, modern sales and marketing tools, innovation and development, logistics and distribution.

This is a natural consequence as consumption patterns evolve. This evolutionary process is reflected in

growing demand for beers in the premium and licence segment. The Carlsberg Group's premium brands play an important role in meeting new consumer preferences, and the Tuborg brand is now by far the most important international premium brand in Eastern Europe.

Growth in Eastern Europe has been dependent on significant investments. An aggressive investment strategy has been pursued over the years, putting Baltika and the other Carlsberg Group companies in the region in a favourable position and allowing them to meet the constant growth in demand.

The strategy will remain the same in the years to come, ensuring that Carlsberg continues to lead the way in developing the markets.

**Development in 2008**

The acquisition of the S&N assets provided Carlsberg with full control over the former BBH business, which has been and will remain a key driver of long-term value for the Group. In times of greater economic weakness the unique strengths of our Baltika business are accelerating its differentiation and outperformance from the rest of the market. Baltika is now more than twice the size of its nearest competitor and in the fourth quarter of 2008 the rate of market share growth increased further. Its brand portfolio, invested production footprint and cooperation with top tier distributors position the business to take advantage of this period of economic downturn with the greatest visibility on, and control over, the changing dynamics of the market.

Following only moderate growth in the first half of the year, the Russian beer market growth was expected to accelerate in the second half of the year. Unseasonably rainy and cold weather in late third quarter significantly affected outdoor consumption and led to a decline in overall market growth. In the fourth quarter the market slowed down further and declined by 5.4% as concerns on wider macroeconomic development affected consumer spending, resulting in full-year Russian beer market growth of -0.4%. Against this background, Baltika's volumes grew by 1.4% in Russia.

Premiumisation continued to be strong as Russian consumers trade up to more premium products such as Baltika and Tuborg. Disposable income growth has slowed in the second half of the year, but premiumisation in the beer category has still taken place in each and every one of the four quarters of 2008 compared to 2007.

The Russian business achieved a full-year market share of 38.3% (37.6% in 2007). In the fourth quarter Baltika outperformed the market, achieving flat volumes despite a drop in market volume of 5.4%. Full-year performance was driven by strong growth for the Baltika brand (especially Baltika 7 and Baltika Cooler) which achieved a volume increase

## Russia is the most important market in the region

# 18%

Organic operating profit in local currencies increased by 18%.

of 15%, and similarly positive growth for the Tuborg brand, with growth of 20%, whilst Kronenbourg grew by 35%.

Inventory levels are closely monitored and Baltika's distribution model focuses on high consistency and visibility. At year-end 2008, inventory levels (measured as days of sale) at distributors/wholesalers were on par with end 2007. Given Baltika's cooperation with the premium distributors/wholesalers, the business has not experienced any unusual bad debts at distributors in 2008 and days outstanding to distributors at the end of 2008 were in line with those in 2007.

Capacity expansion projects were to a large extent finalised in the first half of 2008, including investments in the greenfield brewery in Novosibirsk in Russia, which started production in the spring. Total production capacity in Russia is now c. 50m hl, leaving Carlsberg's Russian operations well positioned to capture further growth in the market without significant additional investments in capacity. Furthermore, the integrated nationwide production and logistic network in our Baltika business model allows for very flexible cross-brewing and distribution to accommodate variations in demand between regions, segments and packaging formats.

In 2008 the emerging markets in the other Eastern European countries showed a mixed picture with volume growth in Uzbekistan (+11%) and in Belarus (+10%), a flat market in the Ukraine, and market decline in Kazakhstan (-4.8%). Market developments have been affected overall by weaker economies by the end of the year but severe flooding also affected the beer market in the Ukraine in the important third quarter.

Although the growth in the Ukraine has slowed significantly, the business has performed well, driven by last year's relaunch of Slavutich, growth in the Baltika brand and the much improved business model. Total beer volume increased by 17% compared to 2007, leading to a significant volume market share gain of 3.1 percentage points to 23.7%. In both Kazakhstan and Uzbekistan, the businesses continue to win market share. Market shares are now at 47.9% (up 4.0% against last year) and 38.7% (in the first year in business) respectively, which already now makes Sarbast the no. 1 brand and Carlsberg Uzbekistan the no. 1 brewer in Uzbekistan.

During the fourth quarter, Carlsberg continued to gain share in every market thus partly offsetting the negative market development.

Total beer volumes in the Eastern European business increased to 46.8m hl equal to growth of 69%. Organic volume growth amounted to 6%. Fourth-quarter organic beer volume of 5.9m hl was in line with last year, despite market declines in most countries.

Net revenue was up 98% to DKK 19,137m (DKK 9,658m in 2007) with acquisitions contributing net revenue of DKK 8,114m. Organic growth was 20% (14% in DKK) driven by continued strong value focus (mix and price) and volume growth. The growth in net revenue is due to the strong performance of the Baltika and Tuborg brands relative to overall market growth. Price increases contributed c. 11% and mix a further c. 3%, whilst exchange rate movements impacted reported net revenue negatively by c. 6%.

In 2008 higher net revenue per hl was also driven by innovation and new product launches, price increases and mix improvement, reflecting the ongoing strong focus on balancing volume and value growth, offsetting higher costs for key inputs like malt, hops and glass bottles.

Operating profit was DKK 4,109m (DKK 2,134m in 2007) with organic growth amounting to 18% (13% in DKK) primarily driven by continuously strong results in Russia. Operating margin was 21.5% against 22.1% last year. This includes amortisations on additional value from purchase price allocation (PPA) of the S&N transaction (with no impact on cash flow) amounting to DKK 246m. Excluding this, the profit margin would have been 22.8% against 22.1% last year (in the fourth quarter 18.3% against 16.7% in the same period last year).

Despite the short-term impact of the economic weaknesses, the medium-term growth drivers for the Russian beer market remain very attractive and in line with our previously stated average growth rate assumption of 3-5% per annum, with further increases driven by higher per capita consumption, on-going premiumisation and development of the on-trade segment.



# Asia

REGIONAL OBJECTIVE

Build growth platform

REGIONAL STRATEGIES

- Strengthen brand portfolio
- Build stronger platform in Western China, Vietnam and India
- Further value creation from other strongholds
- Commitment to add to existing positions through M&A activities

COUNTRIES AND SELECTED BRANDS

Malaysia	Carlsberg, Danish Royal Stout, Skol
Singapore	Danish Royal Stout
Vietnam	Halida, Huda
China	Dali, Wusu, Huanghe, Lhasa, Carlsberg Chill
India	Carlsberg
Cambodia	Angkor
Laos	Beerlao

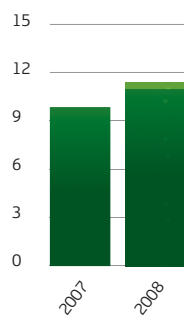
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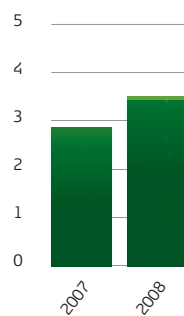
The brands shown are only a small selection of the Asian beer brand portfolio.



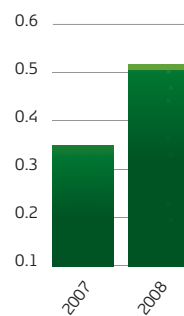
**Beer volume**  
(Million hl)



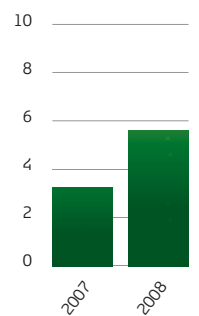
**Net revenue**  
(DKKbn)



**Operating profit**  
(DKKbn)



**Invested capital**  
(DKKbn)



■ Organic development    ■ Full bar shows Group total

## ASIA

The Asian region accounts for approximately 6% of Group revenue. Carlsberg is a leading international brewery group in Asia with significant positions in a number of markets, and the Carlsberg brand is one of the major international beer brands in the region. With this strong platform and the region's significant growth potential, Asia is expected to significantly increase its share of the Group's overall revenue and earnings. This is partly to be achieved by means of continued strong organic growth but, importantly, Carlsberg also has a strong commitment to add to its existing positions throughout the region through further M&A activities.

Market characteristics vary significantly across the region, from low-income emerging markets to affluent mature markets. In the mature markets, during the last couple of years great attention has been given to further strengthening market positions and to driving value growth through innovation, Commercial Excellence initiatives and developing the product portfolio with a particular focus on the Carlsberg brand.

Activities in the region's emerging markets are focused on the rolling out of various initiatives. In particular, this includes the local adoption of Excellence programmes employed in Carlsberg's European markets.

The emerging markets in Asia feature low but rapidly growing beer consumption. This is driven partly by economic growth and partly by a shift in consumption patterns away from spirits in favour of beer. The Group expects to benefit greatly from this trend given Carlsberg's strong product portfolio, comprising both very strong local brands, most with leading positions in their respective markets, and the Carlsberg brand.

#### Development in 2008

Although Asian economies have slowed down, strong growth continued during the year. Beer volumes grew in most markets across the region and growth in the fourth quarter 2008 has overall been in line with the trend seen in previous quarters. China remains the major growth engine for regional beer market growth, although Cambodia and Laos also grew in 2008. The Malaysian beer market showed impressive growth throughout the year.

Regional beer volumes increased by 16% to 11.5m hl with organic growth accounting for 13 percentage points, driven by a broadly based operational performance. The Chinese business grew organically by 17%, and Malaysia achieved significant volume growth of 7% following last year's changes to the business model which have successfully repositioned the business.

Net revenue climbed by 23% to DKK 3,555m (DKK 2,886m in 2007) with organic growth accounting for 24% (21% in DKK). In general, net revenue per hl benefited from price increases and by higher Carlsberg Chill sales in China. However, rapid growth in countries with lower prices as well as adverse foreign exchange movements capped the increase in reported average sales prices.

Operating profit climbed by an impressive 40% to DKK 511m (DKK 366m in 2007) with organic growth equal to this (36% in DKK). The growth was in particular driven by improvements in China and Singapore. Operating profit margin increased by 170bp to 14.4%.

Growth in the fourth quarter was overall in line with full-year 2008 performance with organic growth in net revenue of 25% (37% in DKK) and in operating profit of 41% (55% in DKK).

With significant market positions and strong brands, Asia represents a strong platform for future growth

# 40%

While net revenue in local currencies increased by 24%, operating profit went up by 40%.

Carlsberg Chill was developed exclusively for the Asian market and was first launched in August 2004. It is the second most popular premium beer in the major Chinese cities. The taste of Carlsberg Chill is cool, light and refreshing and it is very easy to drink.





# Football and other events in the markets in Northern & Western Europe, Eastern Europe and Asia in 2008

EURO 2008



Among the biggest hits were the 350,000-plus Carlsberg wigs in team colours distributed to fans in the fan zones. They all carried a Carlsberg logo, and pictures of wig-wearing fans went around the world during the tournament. The idea for the wigs came from EURO 2004, when it was also a big hit.



Melvin Au from Singapore was the lucky winner chosen to present Holland's Wesley Sneijder with the *Man of the Match* award.

EURO 2008 IN EUROPE

Carlsberg's partnership with UEFA is a way of increasing consumer awareness of the Carlsberg brand around the world. UEFA EURO 2008 turned out to be the best EURO for Carlsberg since the start of the football sponsorship back in 1988.

**"Probably the best fan zones"**

The highlight for the many fans was the 32 fan zones in the two host countries, Austria and Switzerland, where they could enjoy draught Carlsberg, eat and be entertained. The matches were shown on large screens, and the atmosphere was amazing. The fan zones had a total of 5 million visitors. In addition to this, 1 million fans visited the Swiss UBS fan parks, which were also established in collaboration with Carlsberg. Beer sales in the fan zones in Austria and Switzerland reached more than 1,500,000 litres.

Carlsberg also participated in popular fan parks in many other countries, most notably the Berlin Fanmeile, which received around half a million visitors for Germany's semi-final and 650,000 for the final.

**TV and press coverage**

Prior to the championships UEFA had estimated that more than 1 billion people would watch the matches on TV, and to a large extent the TV exposure also lived up to Carlsberg's expectations. Carlsberg's perimeter boards were visible on TV for more than 20 minutes of every match.

Also, many TV stations broadcast from the official fan zones before and after the matches and during half-time, which further increased Carlsberg's TV exposure. One of Carlsberg's and UEFA's unique collaborative activities was Carlsberg's *Man of the Match* award, which was presented to the best player after each match by a Carlsberg consumer. The consumers were the lucky winners of Carlsberg competitions in the local markets. This became a hugely successful event with extensive press coverage, especially in the countries from which the winners came.

EURO 2008 IN ASIA

In several Asian countries, European football is drawing TV viewers in a steeply upward-moving curve. In particular, the decisive matches in large international tournaments attract millions of viewers. Even though many of the matches were broadcast during the day or in the middle of the night, viewers in Asia went crazy for UEFA EURO 2008 because they were able to see the greatest stars in one very prestigious tournament.

Carlsberg in Asia offered unique EURO 2008 football experiences through the *Carlsberg Golden Football Moment* campaign, rewarding consumers with various prizes, including above all the opportunity to present the Carlsberg *Man of the Match* award at the stadium. Five Asian markets each picked a winner to go to Austria or Switzerland to present a trophy.

# Despite 2008 being the year of transformation, business continued as usual in Carlsberg's many markets

## TUBORG



Tuborg Green Fests are immensely popular and have presented big rock bands like Metallica, The Raveonettes and Kaiser Chiefs.

### TUBORG GREEN FESTS

Tuborg Green Fests have gradually established themselves as a tradition in the South East Europe region as well as in the Eastern Europe region.

They are one-day music festivals where Tuborg and partners provide *probably* the hottest live music in this part of the world. In 2008, successful Tuborg Green Fests were held in Belgrade, Sofia and – for the first time – Zagreb.

The three Tuborg Green Fests in the Balkans incorporated a “Don't drink and drive” initiative, providing visitors with free public transport to and from the festival sites.

In 2009, the Tuborg Green Fests will proudly present Depeche Mode in Sofia, Belgrade and Zagreb.

## SOMERSBY



Somersby comes in an eye-catching Carlsberg BEAT bottle. The unique label for Somersby gives the brand a distinctive and refreshing feel.

### THE NEW INTERNATIONAL CIDER

Prior to the spring season in 2008, Carlsberg launched its first international cider brand, Somersby – a refreshing and fruity cider made from real apples and with an alcohol content of 4.7%. Cider is a good opportunity to increase bottom line contribution due to its premium price point, and consumer research in existing and new cider markets confirmed an attractive market opportunity.

Somersby was launched in Norway on 1 February, and the cider has performed very well in the market. Somersby is now the market leader within the apple cider segment and has contributed to increasing the apple cider segment by 96%. In Denmark, Somersby was launched in late March, also with great success. Alcoholic cider was previously a very small niche category in the Danish market, but with the introduction of Somersby the category has increased 20 times and Somersby has about three quarters of the market.

In early 2009, a pear variant of Somersby was launched in Norway and Denmark, and Somersby launches in more countries are planned for the coming year.

## SUPER-PREMIUM



Grimbergen and Jacobsen are Carlsberg's own super-premium beer brands.

### CARLSBERG EXPANDS COOPERATION WITH MAHOU SAN MIGUEL

In 2008 Carlsberg expanded its cooperation with its long-standing partner in Spain, Mahou San Miguel, in four important markets: the United Kingdom, Spain, France and Switzerland. The cooperation is part of Carlsberg's strategy to develop the premium and super-premium segments with both its own and other beer brands.

San Miguel fits naturally into Carlsberg's local portfolio in both France and Switzerland, being price-positioned in the super-premium segment. San Miguel is a European-style lager representing a strong Spanish heritage, and it occupies a unique position in the market and in relation to the rest of Carlsberg's current super-premium portfolio.

Mahou San Miguel has brewed and distributed Carlsberg beer under licence in Spain since 2000, and the cooperation between Carlsberg and Mahou San Miguel has now been expanded to include French 1664 and the Belgian abbey beer Grimbergen.

**EVE**



EVE was launched in Germany in 2008, following the initial successful launch in Switzerland.

**EVE LAUNCHED IN GERMANY**

In the summer of 2008, Carlsberg Deutschland launched EVE, a Swiss malt-based aperitif with a low alcohol content aimed specifically at female consumers. EVE is available in two sparkling variants of lychee and grapefruit.

The brand was launched by Feldschlösschen in Switzerland in 2007 and is now one of the top-selling drinks among women. EVE's huge success has now led to its introduction in Germany. German women represent a consumer segment of approximately 25 million, and EVE is viewed as having significant growth potential.

**BEER FESTIVAL**



The 2008 Beer Festival in St. Petersburg – Baltika's home town – marked the 10th anniversary of the festival.

**BEER FESTIVAL IN ST. PETERSBURG**

The aim of the festival is to develop a culture of beer consumption in Russia and organise a large-scale city festival, accessible to broad groups of the population.

To mark the anniversary Baltika had developed a new "Festival of Festivals" concept. The 15 areas, each dedicated to one of Baltika's beer brands, were turned into separate mini festivals. There was jazz at Nevskoye, DJ duels in the Tuborg "club", and the opportunity to relax to Yarpivo's wonderful bards. While the sporty could play squash with Tuborg Twist, the less energetic could enjoy a new game of beer draughts with Baltika 9 or marvel at Baltika Cooler's stunt cyclists. The Carlsberg area followed tradition and became a centre for football. Here you could join a team to play kicker (table football on a larger scale) or aqua-football, noisily supported by watching fans and cheerleaders. Baltika Brewery's main stage also focused on football, highlighting the brewery's sponsorship of the Championship of Russia with the chance to meet stars from 2008 UEFA Cup winners Zenit St. Petersburg.

During the course of the festival weekend, a record 100,000 litres of beer were served to more than 300,000 visitors.

**LITE**



Lite was developed in response to strong consumer trends demanding fewer calories.

**LOW IN CALORIES – HIGH IN TASTE**

All across Europe, supermarket shelves are packed with vitamin drinks, dieting books and organic food. Consumers who want to watch their weight can choose from any number of low-fat or calorie-free alternatives. And the market is growing.

In response to this consumer trend, in 2007 Carlsberg launched two low-calorie beers – lite beers – in Norway: Tuborg LITE and Ringnes LITE. The two brands enjoyed rapid success. The lite segment now accounts for around 8% of the total beer market in Norway, and Ringnes LITE and Tuborg LITE have a combined market share in the lite segment of just under 90%.

Following the success in Norway, Carlsberg embarked on its biggest ever international launch. On 1 April 2008, lite beers were introduced in Sweden, Denmark, Finland and Canada. And just like Norway, each country offers at least two lite options: Carlsberg LITE and a lite version of a local power brand.





## Finance and risk

EURO 2008 generated massive exposure for the Carlsberg brand. It is estimated that an accumulated audience of more than 9 billion watched the EURO 2008 matches on TV, and they were sure to have been exposed to Carlsberg as the perimeter boards with the Carlsberg logo were visible for more than 20 minutes per match.

# Financial review

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

### Income statement

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

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

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

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

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

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

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

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

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



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

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

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

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

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

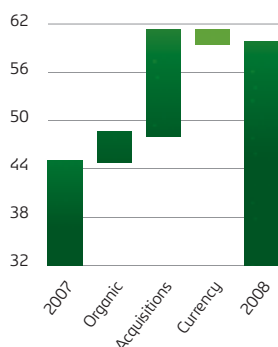
higher average interest rates. Other net financial items were DKK -1,070m (DKK -125m in 2007). This change is on the one hand related to one-off costs in connection with the establishment of the financing of the S&N transaction (approximately DKK -315m) and, on the other hand, the inefficient part of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

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

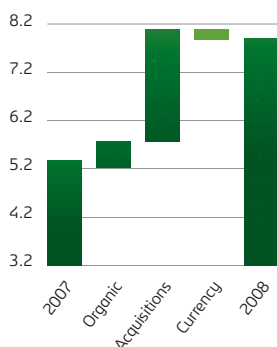
Consolidated profit was DKK 3,206m against DKK 2,596m in 2007. Minority interests' share of this was DKK 575m against DKK 299m in 2007, reflecting the continued earnings progress in Russia and Malaysia on the one hand and the fact that minorities in BBH have been recognised at 100% since 1 May on the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

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

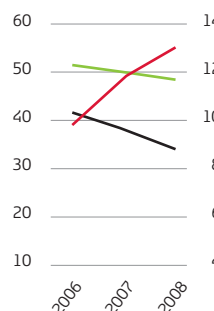
Net revenue (DKKbn)



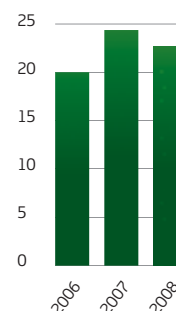
Operating profit (DKKbn)



Improved cost structure (%)



Earnings per share (DKK)



Improved cost structure:

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

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

### Balance sheet

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

### Assets

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

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

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

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

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

### Liabilities

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

# 7,979m

### OPERATING PROFIT

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

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



TILBYGNING UDFØRT I AARENE 1920-1922

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

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

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

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

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

#### **Cash flow and interest-bearing debt**

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

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

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

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

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

#### **Financing**

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

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

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

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

# Segment reporting by quarter

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

# Risk management

## RISK MANGEMENT FRAMEWORK

Carlsberg views effective risk management as an integral part of running its business operations in order to reduce uncertainty, achieve the strategic objectives of the Group and ensure value creation for all stakeholders.

Risk management in Carlsberg is based on the assumption that risk is something that can and should be managed, and that managed risk can be turned into opportunities.

### Risk management framework

The Board of Directors and the Executive Committee of Carlsberg have reviewed the overall risk exposure associated with the Group's activities and developed a "heat map" which assesses the likelihood and impact of these risks. In relation to risks of a high likelihood and impact, members of the Executive Committee have identified risk owners who have operational responsibility for monitoring and controlling the risk through a programme of risk-reducing activities. The Board of Directors and the Executive Committee of Carlsberg will monitor these activities to ensure that action taken is acceptable and happens by the deadlines set.

The current high risks identified are as follows:

#### *Rouble devaluation*

The Carlsberg Group derives a substantial part of its revenue streams from Baltika in Russia and as such is susceptible to an economic downturn in the country, which could result in a significant devaluation of the Russian rouble and a corresponding negative impact on revenue and earnings for the Carlsberg Group. The Group closely monitors the economic environment in the Russian market and

Group Treasury is actively involved in a range of measures including scenario planning to counteract the effect of a significant rouble devaluation on the Carlsberg Group. The Group's foreign exchange risks are presented in note 35 to the consolidated financial statements.

#### *Economic downturn*

Despite the fact that beer is a resilient consumer category compared to other goods, a downturn in the macroeconomic environment will to some extent affect the demand for Carlsberg's products. A general decline in consumption of beer and soft drinks can be seen in connection with a general downturn in the economy, particularly in growth and emerging markets where beer consumption tends to move with changes in disposable income. An economic downturn can also negatively change consumption patterns resulting in consumers shifting away from premium products. The Group closely monitors the economic environment in the markets in which it operates and develops contingency plans including sensitivity-based action plans in order to be able to react, adapting the organisation and daily business operations in the face of any negative changes in demand.

#### *Public regulations*

Several of the Carlsberg Group's markets operate with restrictions on advertising and other communication to consumers or regulation of behaviour in places where products are used, e.g. smoking bans. In such markets, changes in these rules can, in isolation, come with the risk of a decrease in sales. Carlsberg works to limit the negative consequences of inappropriate use of alcoholic products and actively promotes responsible sales and consumption. While taking account of this, Carlsberg also works to avoid unnecessary sales restrictions.

#### *Social and environmental risks*

The Carlsberg Group operates in highly differentiated markets, among other things characterised by different cultures and standards. As such, risks exist in the form of compliance with social and environmental matters. In order to mitigate these risks, the Carlsberg Group is actively involved in monitoring its responsibilities and ensuring compliance with these risks through the establishment of a Corporate Social Responsibility (CSR) function. The activities of the CSR function are disclosed in a separate section of the Annual Report.

#### *Loss of critical IT*

Like other companies, Carlsberg is increasingly using IT in its everyday activities and in its 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 an important part 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 bring a significant level of operational, reputational and financial loss risk. The Group strives constantly to maintain high levels of hardware, processes 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.

#### *Price risk – materials*

Carlsberg's policy is to have more than one supplier of raw materials and packaging to its production units around the world in order to mitigate the risk of increasing prices. In some areas within cans, glass and plastic bottles, there is a certain dependence on individual suppliers because of their market position. In order to mitigate these risks, procurement in Carlsberg is becoming increasingly centralised. Hedging of both volume and price is actively used when deemed appropriate, and this includes the management of long-term Group agreements with key suppliers and fixed price policies.

#### *Financial risks*

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

#### *Taxes and excise duties*

As beer consumption is price-sensitive, changes in taxes and excise duties may have a significant impact upon demand. The Carlsberg Group places emphasis on marketing, innovation and efficiency to offset any negative trend in sales.

#### *Other risks*

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

**Risk management in Carlsberg is based on the assumption that risk is something that can and should be managed, and that managed risk can be turned into opportunities**



At the annual Beer Festival in St. Petersburg, Baltika had organised special Beer Patrols to enforce the "Not yet 18 - No beer" message. Over the weekend, patrols made up of employees, the media and representatives of social organisations thwarted attempts to sell beer to minors.





Corporate  
matters

# Corporate responsibility

## CORPORATE SOCIAL RESPONSIBILITY – CSR

As a global brewer, Carlsberg is aware of its responsibilities to society. We are also aware that we are confronted by a challenge. How does Carlsberg continue to grow while ensuring that this growth is achieved in a responsible way that helps us live up to the expectations that society now has of a global brewer? We have identified that our long-term success depends not only on growing, but on growing responsibly, and we have defined a new approach to corporate social responsibility (CSR) for 2009 to help us achieve this goal.

### Heritage and a new approach

From the very beginning, Carlsberg's founders practised responsibility towards the societies in which they operated. They created the Carlsberg Foundation, which remains a major shareholder in Carlsberg A/S today.

Up until now, our approach has been for all companies in the Carlsberg Group to engage with the societies in which they operate in a way that suits their local circumstances. For example, Carlsberg Serbia has been nominated as best corporate social responsibility company in Serbia. Many companies in the Group have reached significant targets in reducing their environmental impact. Baltika Brewery, Sinebrychoff, Carlsberg Polska and a number of other companies have conducted nationwide alcohol awareness campaigns.

In 2008, a new step was taken to integrate corporate social responsibility into all Carlsberg's business operations in a more structured and systematic way and to formulate a common Group CSR strategy. Furthermore, Carlsberg became a

signatory member of the United Nations Global Compact. As a member of the UN Global Compact, the Carlsberg Group is committed to supporting and advancing the ten principles of this organisation.

### CSR governance

To ensure the development of a common Group CSR strategy, a CSR governance structure has been put in place. The structure ensures guidance from the Group Executive Committee as well as local involvement and responsibility. To support the governance structure and to ensure the strategic development of the CSR goals a CSR unit has been established at the Carlsberg headquarters, supported by a Group CSR Steering Committee.

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#### CARLSBERG SVERIGE CARES FOR THE ENVIRONMENT

Carlsberg's efforts to continuously reduce its environmental impact have contributed, among other things, to significant reductions in the use of water and energy. At Carlsberg in Sweden, water consumption has fallen by 32% and energy consumption by a full 46%. In addition, beverages distributed per litre of diesel have increased by 19%, and the amount of waste has been reduced by 52%. There are several initiatives on the way in Sweden, including switching to rail transport on the 1,126 km stretch from the brewery in Falkenberg to Umeå and the purchase of trucks that only run on biofuel.

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# UN Global Compact – 10 principles

## CSR strategy

### HUMAN RIGHTS

**Principle 1** Businesses should support and respect the protection of international human rights within their sphere of influence; and

**Principle 2** make sure they are not complicit in human rights abuses.

### LABOUR

**Principle 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4** the elimination of all forms of forced and compulsory labour;

**Principle 5** the effective abolition of child labour; and

**Principle 6** the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

**Principle 7** Businesses should support a precautionary approach to environmental challenges;

**Principle 8** undertake initiatives to promote greater environmental responsibility; and

**Principle 9** encourage the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

**Principle 10** Businesses should work against corruption in all its forms, including extortion and bribery.

**In 2010 the Carlsberg Group will publish its first Global Compact Communication on Progress.**

Behaving in a socially and environmentally responsible way is one of the Carlsberg Group's winning behaviours, and it underpins our goal of growing responsibly, making a positive contribution to the societies in which we operate.

We have identified four Group-wide CSR priorities for 2009, reflecting those aspects of our business where Carlsberg believes it can make a significant contribution to society and to the overall success of the business.

### Implementing CSR policies across the Carlsberg Group

In 2008, our CSR policies were revised in order to strengthen Carlsberg's commitment to minimising the environmental and social impacts of our products and production methods. In 2009, our focus will be on implementing the revised policies and identifying key CSR indicators and targets.

#### Environment

During 2008, a project was carried out focusing on the carbon and water footprint of our entire value chain to further develop Carlsberg's global environmental strategy. The project has identified opportunities to reduce our carbon and water impact and save costs, and in 2009 our focus will be on capitalising on these opportunities.

#### Responsible supplier management

In 2008, a process was initiated to include a Supplier and Licensee Code of Conduct in all new agreements with suppliers to make them aware of, and encourage them to comply with, Carlsberg's requirements in areas such as Labour and Human Rights, Health & Safety, Environment and Business Ethics. This work continues in 2009.

#### Responsible consumption

Carlsberg shares the concern within society about misuse of alcoholic beverages. As a global brewer, Carlsberg believes it has an important role to play in minimising problems related to misuse of alcohol. In 2009, Carlsberg will develop guidelines and recommendations for campaigns and other initiatives and sharing best practice between markets to help reduce the harm caused by misuse of alcohol.

# Corporate governance

## CORPORATE GOVERNANCE IN CARLSBERG

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 is regularly maintained in order to ensure active, reliable and profitable management of the business.

With few exceptions, Carlsberg's corporate governance complies with NASDAQ OMX Copenhagen A/S's recommendations for good corporate governance. These exceptions are presented on page 61.

The basis for the Group's corporate governance includes the Danish Companies Act, the Danish Financial Statements Act, IFRS, the Danish Securities Trading Act, NASDAQ OMX Copenhagen A/S'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 NASDAQ OMX Copenhagen A/S, 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.

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## THE CARLSBERG FOUNDATION

The Carlsberg Foundation's ("the Foundation") holding in Carlsberg A/S 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.

In 2007 the Foundation obtained approval for the amendment of its Charter. Subsequent to the amendment, the Foundation must at all times hold at least 51% of the votes and more than 25% of the share capital of Carlsberg A/S. Previously the Foundation was required to hold at least 51% of the Company's share capital. The amendment of the Charter allowed the Company to implement a capital increase in 2008 as part of the Scottish & Newcastle transaction.

At the end of 2008 the Foundation held 30% of the Company's share capital. Due to the combination of A shares and B shares held by the Foundation, it had 73% of the votes at that same time. The Foundation's Executive Board makes up an important part of Carlsberg A/S'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 a department 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.



See also: [www.carlsbergfondet.dk](http://www.carlsbergfondet.dk)

## Stakeholders and the Company

Carlsberg aims to develop and maintain good relations with its stakeholders as 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 serve 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 NASDAQ OMX Copenhagen A/S. 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. Investor presentations are normally made available on the Company's website at the same time as the presentations are given.

### 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 and four members elected by 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 diversity and 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 four 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.

## Carlsberg aims to develop and maintain good relations with its stakeholders

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 nine meetings in 2008. 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.

Each year the Chairman of the Board of Directors heads a structured evaluation of the Board's work, accomplishments and composition. This evaluation also covers the cooperation between the Board of Directors and the Executive Board, and the work, accomplishments 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.

### 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. 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.

The remuneration of the Executive Board comprises salary, car, cash bonuses and share-based payments. The members take out their own pension plans, which are to amount to a set minimum as agreed with the Board of Directors.

Neither the Executive Board nor the Board of Directors receive a bonus on completion of a takeover bid. The Executive Board's terms of notice change on completion of a takeover bid.

The remuneration of the Executive Board and the Board of Directors is presented in note 13 to the consolidated financial statements. Guidelines for incentive programmes for the Executive Board were approved at the Annual General Meeting on 10 March 2008. The Guidelines are published on Carlsberg's website. The Board of Directors of Carlsberg A/S is not included in the Company's incentive programmes.

A share option programme for the Group's 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 financial statement for the year. The number and value of share options granted and outstanding are presented in note 14 to the consolidated financial statements.

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

#### CARLSBERG'S DEPARTURES FROM NASDAQ OMX COPENHAGEN A/S'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 an academic background 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. Trading in the Company's shares by members of the Board of Directors is reported to the Danish Financial Supervisory Authority and published via NASDAQ OMX in accordance with the provisions of the Danish Securities Trading Act, and information on this is also available on the Company's website.

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 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 financial statement for the year.





## It is regularly assessed whether the capital structure is in the interest of the Group and its shareholders

### 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 written 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.

### Internal control

The Group's executive management sets out general requirements for business processes and internal controls in the financial area at subsidiaries. In the case of joint ventures, these requirements are set out in conjunction with the partners in each venture.

The internal control system includes clearly defined organisational roles and responsibilities, reporting requirements and authorities.

Each month the Group's companies report financial data and comments on financial and commercial developments to head office in Copenhagen.

This information is used to prepare consolidated financial statements and reports for the Group's executive management. As part of this process, the accounting information reported by all of the companies in the Group is reviewed both by controllers with regional links and in-depth knowledge of the individual companies, and by accounting experts. The most important companies in the Group also have their own controllers with extensive commercial and/or accounting know-how.

The governance structure for financial procedures, including the specification of responsibilities for each management level and the financial organisation, is regulated with the help of a manual which ensures consistent and structured management of the entire Group.

Commercial and financial developments and the associated risks are also discussed by the Group's Executive Board, regional management teams and the individual companies' management teams at meetings three times a year.

### Internal Audit

Carlsberg has set up an Internal Audit department reporting to the Group's CFO to ensure objective and independent assessment of the adequacy, efficacy and quality of the Group's internal controls.

Internal Audit's most important role is to assess whether the Carlsberg Group has well-established accounting practices, written policies and procedures in all important business areas, and adequate internal control procedures. This includes assessing whether there are satisfactory controls in relation to key IT systems, and whether these comply with the IT policy.

Internal Audit conducts an annual review of business risks. On the basis of this and input from the Board of Directors and senior executives in the Group, an audit schedule is drawn up for the year. Internal Audit is responsible for planning, executing and reporting on the audit performed. This reporting includes observations and conclusions, together with suggestions for improvements to the internal controls in each area audited.

### NASDAQ OMX Copenhagen A/S's recommendations

Since 2005 a number of recommendations for corporate governance have formed part of the rules for companies listed on NASDAQ OMX Copenhagen A/S. 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 on page 61 (references in brackets are to the relevant sections of the recommendations).

Northern & Western Europe comprises the mature beer markets in Carlsberg's business portfolio with stable or modestly declining volumes. Carlsberg has no. 1 positions in many markets and sufficient production capacity in the region.

# Shareholder information

Following the transformation of Carlsberg, the number of shareholders in the Company has increased significantly

## INFORMATION FOR SHAREHOLDERS

Carlsberg aims to create the best conditions for ensuring efficient and fair pricing of its shares. This includes the ongoing provision of balanced and open information to the stock market.

In June 2008 Carlsberg A/S carried out a share issue with pre-emptive rights in favour of existing shareholders at a ratio of 1:1 and a price of DKK 400. A total of 76,278,403 new B shares were issued as a result. Following this, Carlsberg A/S has total share capital of DKK 3,051,136,120, divided into 152,556,806 shares each with a nominal value of DKK 20. Of these, 33,699,252 are A shares and 118,857,554 are B shares.

Carlsberg's shares are listed on NASDAQ OMX Copenhagen A/S 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 NASDAQ OMX Copenhagen A/S's Nordic Large Cap and OMXC20 blue-chip indices. NASDAQ OMX Copenhagen A/S 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.

In 2008 Carlsberg's B share topped DKK 551 (adjusted for the bonus factor in the rights issue), but as a consequence of the financial crisis, the general decline in prices on the stock markets and a significant increase in risk premium on investments, for example in Russia, the price fell and the share ended the year at DKK 171. Overall, the price of the B share fell by 66% in 2008. The market value of the Company's shares fell to just under DKK 26bn at the end of 2008 from DKK 46bn at the end of 2007.

## SHARE CAPITAL

Class of shares	Number of shares	Votes per share	ISIN	Bloomberg	Reuters
A	33,699,252	20	DK001018167-6	CARLA DC	CARCa.CO
B	118,857,554	2	DK001018175-9	CARLB DC	CARCb.CO
Total	152,556,806				

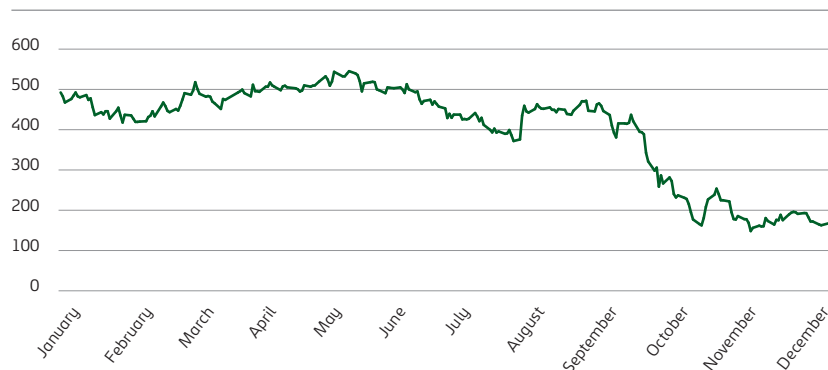
# 55,000

## PRIVATE SHAREHOLDERS

The number of private shareholders in Carlsberg rose following the share issue in 2008 and is now around 55,000.

## Share price 2008

(DKK per share, Carlsberg B)



## FINANCIAL CALENDAR 2009

**12 March**  
Annual General Meeting

**6 May**  
Q1 Interim Report 2009

**5 August**  
Q2 Interim Report 2009

**4 November**  
Q3 Interim Report 2009

**31 December**  
End of 2009 financial year

## SHAREHOLDERS

%	End-2008	End-2007	End-2006
Denmark	23	22	24
USA	22	32	26
UK	15	19	19
Other	40	27	31
Total	100	100	100

## ANNOUNCEMENTS TO NASDAQ OMX COPENHAGEN A/S IN 2008

03.01.2008	Carlsberg response to statement by Scottish & Newcastle PLC regarding Swedish arbitration proceedings	15.05.2008	Carlsberg announces a DKK 30.5 billion 1:1 Rights Issue with a subscription price of DKK 400
08.01.2008	Scottish & Newcastle plc ("S&N") analysis of BBH arbitration process based on flawed legal assumptions	16.05.2008	Clarification – Carlsberg takeover offer for Saku Õlletehase AS in Estonia
10.01.2008	Carlsberg A/S and Heineken n.v. – shareholders must act to secure enhanced 780 pence offer – consortium will not go hostile – further disclosure on BBH	23.05.2008	The Carlsberg Foundation has completed its sale of rights
17.01.2008	Scottish & Newcastle enters into discussions with Carlsberg and Heineken	23.05.2008	Update – Carlsberg in negotiations regarding possible sale of its 95.6% stake in Türk Tuborg
24.01.2008	Scottish & Newcastle agrees to extend discussions with Carlsberg and Heineken	12.06.2008	Carlsberg A/s completes its fully subscribed rights issue
25.01.2008	Recommended Cash Offer for Scottish & Newcastle plc by Sunrise Acquisitions Limited (a company jointly owned by Heineken and Carlsberg)	17.06.2008	Capital markets day in Basel
19.02.2008	Financial statement as at 31 December 2007	27.06.2008	Carlsberg and Coca-Cola extends cooperation in Denmark and Finland
22.02.2008	Carlsberg A/S and Heineken n.v. – posting of recommended scheme document to Scottish & Newcastle plc shareholders	30.06.2008	Saku Õlletehase AS – Results of the mandatory takeover bid
26.02.2008	Carlsberg A/S annual general meeting – The agenda	21.07.2008	Carlsberg announces that the stabilisation period in connection with the rights issue completed in June 2008 has expired
10.03.2008	Carlsberg A/S annual general meeting – Summary	23.07.2008	Carlsberg sells its 95.6% stake in Türk Tuborg
27.03.2008	Carlsberg in discussions regarding possible sale of its 95.6% stake in Türk Tuborg	23.07.2008	Carlsberg sells its 20% stake in Israel Beer Breweries
31.03.2008	Update on Acquisition of Scottish & Newcastle plc	25.07.2008	New segment reporting format and pro forma 2007 financial results
03.04.2008	Carlsberg and Heineken satisfy antitrust conditions for acquisition of Scottish & Newcastle	05.07.2008	Interim results as at 30 June 2008
28.04.2008	Recommended cash offer for Scottish & Newcastle plc by Sunrise Acquisitions Limited (a company jointly owned by Carlsberg and Heineken)	03.10.2008	Russian market update
29.04.2008	Carlsberg announces new governance structure	23.10.2008	Carlsberg's sale of its 95.6% stake in Türk Tuborg completed
07.05.2008	Interim results as at 31 March 2008	05.11.2008	Carlsberg UK announces a proposal to close Leeds brewery in 2011
09.05.2008	Announcement from Saku Õlletehase AS, Baltic Beverages Holding AB	05.11.2008	Interim results as at 30 September 2008
15.05.2008	Baltika develops business abroad by acquiring brewery in Azerbaijan	25.11.2008	Major shareholder announcement – ATP and ATP Invest

### Annual General Meeting and dividend

The Company's Annual General Meeting will be held on Thursday 12 March 2009 at Radisson SAS Falconer Hotel, Copenhagen.

The Parent Company has posted a profit for 2008 of DKK 1,055m. The Board of Directors recommends that the Annual General Meeting approve payment of a dividend of DKK 3.50 per share. This will involve a total payment of DKK 534m.

### Shareholders

At 31 December 2008 the Company's largest shareholder was the Carlsberg Foundation with 31,776,807 A shares and 14,487,165 B shares. In accordance with section 29 of the Danish Securities Trading Act, Franklin Resources Inc., USA (including Franklin Mutual Advisers, LLC and Franklin Templeton Investment Management Ltd.), and the Danish Labour Market Supplementary Pension Scheme (ATP) (including ATP Invest) have notified Carlsberg that they too own more than 5% of the share capital.

At the end of 2008 Carlsberg had more than 57,500 registered shareholders, together holding nominal capital of DKK 2,255m, corresponding to 77% of the share capital.

Based on the information available, it is estimated that around 23% of the shares in free float (i.e. excluding the Carlsberg Foundation's holding) are owned by shareholders in Denmark and 77% by foreign shareholders or unidentified shareholders (also believed to be primarily foreign).

### Management holdings of Carlsberg shares

At the end of 2008 the members of the Board of Directors held a total of 2,686 A shares and 11,202 B shares in Carlsberg, corresponding to a combined market value of DKK 2.4m, and the members of the Executive Board held a total of 400 A shares and 6,328 B shares, corresponding to a market value of DKK 1.2m.

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 achieved through the quality, consistency and continuity of the information Carlsberg gives the market.

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.

- Vice President Peter Kondrup, +45 3327 1221
- Manager Iben Steiness, +45 3327 1232
- investor@carlsberg.com

Carlsberg's investor website, [www.carlsberggroup.com/investor](http://www.carlsberggroup.com/investor), includes both current and historical information about the Company and its shares, including company announcements, share prices, investor presentations, financial calendar, quarterly financial statements and annual reports.

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 annual reports and financial statements.

### 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 Annual General Meetings.

Carlsberg's share register is managed by VP Securities Services, Helgeshøj Allé 61, Postboks 20, 2630 Taastrup, Denmark.

A total of 32 analysts had initiated coverage of Carlsberg at the end of 2008, 11 of them based in Denmark. A list of analysts covering Carlsberg can be found on Carlsberg's website, which also contains information on analysts' recommendations and consensus estimates (see [www.carlsberggroup.com/investor/analystsestimates](http://www.carlsberggroup.com/investor/analystsestimates)).

Baltika Brewery is the largest Fast Moving Consumer Goods (FMCG) company in Russia. In 2008, the company's total market share in Russia was 38.3%, double the size of its closest competitor. The Baltika brand is the largest beer brand in Russia – and holds a no. 1 position in Europe as well.



FINLAND  
SOCIETY

Financial  
statements

WELLS  
FARGO  
BANK  
N.A.

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## Income statement

DKK million	Note	2008	2007
Revenue		76,557	60,111
Excise duties on beer and soft drinks etc.		-16,613	-15,361
<b>Net revenue</b>		<b>59,944</b>	<b>44,750</b>
Cost of sales	3	-31,248	-22,423
<b>Gross profit</b>		<b>28,696</b>	<b>22,327</b>
Sales and distribution expenses	4	-17,592	-14,528
Administrative expenses	5	-3,934	-3,123
Other operating income	6	1,178	933
Other operating expenses	6	-450	-448
Share of profit after tax, associates	18	81	101
<b>Operating profit before special items</b>		<b>7,979</b>	<b>5,262</b>
Special items	7	-1,641	-427
Financial income	8	1,310	651
Financial expenses	9	-4,766	-1,852
<b>Profit before tax</b>		<b>2,882</b>	<b>3,634</b>
Corporation tax	10	324	-1,038
<b>Consolidated profit</b>		<b>3,206</b>	<b>2,596</b>
<b>Attributable to:</b>			
Minority interests	11	575	299
Shareholders in Carlsberg A/S		2,631	2,297
<b>Earnings per share</b>	12		
Earnings per share		22.2	24.3
Earnings per share, diluted		22.2	24.2

## Statement of recognised income and expenses for the year

							2008
DKK million	Note	Currency translation	Fair value adjustments	Retained earnings	Share-holders in Carlsberg A/S, total	Minority interests	Total
Profit for the year		-	-	2,631	2,631	575	3,206
<b>Foreign exchange adjustments:</b>							
Foreign entities		-6,913	-	-	-6,913	-533	-7,446
Transferred to income statement on disposal		-67	-	-	-67	-2	-69
<b>Value adjustments:</b>							
Hedging instruments, value adjustment for the year	35, 36	459	-1,984	-	-1,525	-	-1,525
Hedging instruments, transferred to income statement		-	-27	-	-27	-	-27
Securities		-	75	-	75	-	75
Securities, transferred to income statement on disposal		-	-17	-	-17	-4	-21
Securities, transferred to investments in associates		-	-108	-	-108	-	-108
<b>Other adjustments:</b>							
Retirement benefit obligations	26	-	-	-46	-46	-	-46
Share-based payment	14	-	-	31	31	-	31
Value adjustment on step acquisition of subsidiaries	31	-	-	13,060	13,060	1,750	14,810
Other		-	-	-10	-10	1	-9
Tax on changes in equity	10	-9	455	-112	334	1	335
<b>Net amount recognised directly in equity</b>		<b>-6,530</b>	<b>-1,606</b>	<b>12,923</b>	<b>4,787</b>	<b>1,213</b>	<b>6,000</b>
<b>Total recognised income and expenses</b>		<b>-6,530</b>	<b>-1,606</b>	<b>15,554</b>	<b>7,418</b>	<b>1,788</b>	<b>9,206</b>
							2007
DKK million	Note	Currency translation	Fair value adjustments	Retained earnings	Share-holders in Carlsberg A/S, total	Minority interests	Total
Profit for the year		-	-	2,297	2,297	299	2,596
<b>Foreign exchange adjustments:</b>							
Foreign entities		-600	-	-	-600	-70	-670
<b>Value adjustments:</b>							
Hedging instruments, value adjustment for the year	35, 36	148	84	-	232	-	232
Hedging instruments, transferred to income statement		-33	-	-	-33	-	-33
Securities		-	42	-	42	4	46
Securities, transferred to income statement on disposal		-	-3	-	-3	-1	-4
<b>Other adjustments:</b>							
Retirement benefit obligations	26	-	-	-532	-532	-	-532
Share-based payment	14	-	-	21	21	-	21
Other		-	-	1	1	1	2
Tax on changes in equity	10	-36	-36	173	101	-	101
<b>Net amount recognised directly in equity</b>		<b>-521</b>	<b>87</b>	<b>-337</b>	<b>-771</b>	<b>-66</b>	<b>-837</b>
<b>Total recognised income and expenses</b>		<b>-521</b>	<b>87</b>	<b>1,960</b>	<b>1,526</b>	<b>233</b>	<b>1,759</b>

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

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

Value adjustment on step acquisition of subsidiary relates to fair value revaluation of assets held by the Carlsberg Group – and recognised by proportionate consolidation – prior to obtaining complete control over the BBH Group as a result of the acquisition of part of the activities in S&N. The acquisition of additional ownership interests resulted in control, and in accordance with IFRS the acquired net assets are recognised at fair value at the acquisition date. The fair value adjustment of the assets held prior to the acquisition has been recognised directly in equity in accordance with IFRS.

## Balance sheet

### ASSETS

DKK million	Note	31 Dec. 2008	31 Dec. 2007
<b>Non-current assets:</b>			
Intangible assets	15, 16	84,678	21,205
Property, plant and equipment	16, 17	34,043	22,109
Investments in associates	18	2,224	622
Securities	19	118	123
Receivables	20	1,707	1,476
Deferred tax assets	27	1,254	733
Retirement benefit plan assets	26	2	11
<b>Total non-current assets</b>		<b>124,026</b>	<b>46,279</b>
<b>Current assets:</b>			
Inventories	21	5,317	3,818
Trade receivables	20	6,369	6,341
Tax receivables		262	62
Other receivables	20	3,095	1,453
Prepayments	20	1,211	950
Securities	19	7	34
Cash and cash equivalents	22	2,857	2,249
<b>Total current assets</b>		<b>19,118</b>	<b>14,907</b>
Assets held for sale	23	162	34
<b>Total assets</b>		<b>143,306</b>	<b>61,220</b>

**EQUITY AND LIABILITIES**

DKK million	Note	31 Dec. 2008	31 Dec. 2007
<b>Equity:</b>			
Share capital	24	3,051	1,526
Reserves		52,470	17,095
Equity, shareholders in Carlsberg A/S		55,521	18,621
Minority interests		5,230	1,323
<b>Total equity</b>		<b>60,751</b>	<b>19,944</b>
<b>Non-current liabilities:</b>			
Borrowings	25	43,230	19,385
Retirement benefit obligations and similar obligations	26	1,793	2,220
Deferred tax liabilities	27	9,803	2,191
Provisions	28	1,498	249
Other liabilities	29	263	20
<b>Total non-current liabilities</b>		<b>56,587</b>	<b>24,065</b>
<b>Current liabilities:</b>			
Borrowings	25	5,291	3,869
Trade payables		7,993	5,833
Deposits on returnable packaging		1,455	1,207
Provisions	28	677	494
Corporation tax		279	197
Other liabilities etc.	29	9,905	5,611
<b>Total current liabilities</b>		<b>25,600</b>	<b>17,211</b>
Liabilities associated with assets held for sale	23	368	-
<b>Total liabilities</b>		<b>82,555</b>	<b>41,276</b>
<b>Total equity and liabilities</b>		<b>143,306</b>	<b>61,220</b>

## Statement of changes in equity

DKK million	Shareholders in Carlsberg A/S							2008	
	Share capital	Currency translation	Fair value adjustments	Retained earnings	Total reserves	Total share capital and reserves	Minority interests	Total equity	
Equity at 1 January 2008	1,526	-170	67	17,198	17,095	18,621	1,323	19,944	
Total recognised income and expenses for the year, cf. separate statement	-	-6,530	-1,606	15,554	7,418	7,418	1,788	9,206	
Capital increase	1,525	-	-	28,413	28,413	29,938	15	29,953	
Acquisition/disposal of treasury shares	-	-	-	2	2	2	-	2	
Dividends paid to shareholders	-	-	-	-458	-458	-458	-265	-723	
Acquisition of minority interests	-	-	-	-	-	-	-26	-26	
Acquisition of entities	-	-	-	-	-	-	2,389	2,389	
Disposal of entities	-	-	-	-	-	-	6	6	
<b>Total changes in equity</b>	<b>1,525</b>	<b>-6,530</b>	<b>-1,606</b>	<b>43,511</b>	<b>35,375</b>	<b>36,900</b>	<b>3,907</b>	<b>40,807</b>	
Equity at 31 December 2008	3,051	-6,700	-1,539	60,709	52,470	55,521	5,230	60,751	

DKK million	Shareholders in Carlsberg A/S							2007	
	Share capital	Currency translation	Fair value adjustments	Retained earnings	Total reserves	Total share capital and reserves	Minority interests	Total equity	
Equity at 1 January 2007	1,526	351	-20	15,740	16,071	17,597	1,390	18,987	
Total recognised income and expenses for the year, cf. separate statement	-	-521	87	1,960	1,526	1,526	233	1,759	
Capital increase	-	-	-	-	-	-	43	43	
Acquisition/disposal of treasury shares	-	-	-	-74	-74	-74	-	-74	
Repurchase of shares	-	-	-	30	30	30	-198	-168	
Dividends paid to shareholders	-	-	-	-458	-458	-458	-227	-685	
Acquisition of entities	-	-	-	-	-	-	82	82	
<b>Total changes in equity</b>	<b>-</b>	<b>-521</b>	<b>87</b>	<b>1,458</b>	<b>1,024</b>	<b>1,024</b>	<b>-67</b>	<b>957</b>	
Equity at 31 December 2007	1,526	-170	67	17,198	17,095	18,621	1,323	19,944	

The proposed dividend of DKK 3.50 per share, in total DKK 534m (2007: DKK 4.84 per share, in total DKK 458m), is included in retained earnings at 31 December 2008. Dividends paid out in 2008 for 2007 amount to DKK 458m (paid out in 2007 for 2006: DKK 458m), which is DKK 4.84 per share (2007: DKK 4.84). Dividends paid out to shareholders of Carlsberg A/S do not impact taxable income in Carlsberg A/S.

Currency translation comprises accumulated foreign exchange adjustments arising on the translation of the financial statements of foreign entities with a functional currency other than the Group's presentation currency, foreign

exchange adjustments of assets and liabilities which constitute part of the Group's net investment in a foreign entity and foreign exchange adjustments of hedging transactions related to the Group's net investment in foreign entities.

Fair value adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised. Fair value adjustments also comprise a reserve for securities available for sale of DKK -24m (2007: DKK 26m).

## Cash flow statement

DKK million	Note	2008	2007
Operating profit before special items		7,979	5,262
Adjustment for depreciation and amortisation		3,627	2,768
Adjustment for impairment losses <sup>1</sup>		4	104
<b>Operating profit before depreciation, amortisation and impairment losses</b>		<b>11,610</b>	<b>8,134</b>
Adjustment for other non-cash items	30	-604	-403
Change in working capital <sup>2</sup>	30	1,556	-230
Restructuring costs paid		-482	-379
Interest etc. received		256	187
Interest etc. paid		-3,010	-1,507
Corporation tax paid		-1,514	-965
<b>Cash flow from operating activities</b>		<b>7,812</b>	<b>4,837</b>
Acquisition of property, plant and equipment and intangible assets		-5,292	-4,929
Disposal of property, plant and equipment and intangible assets		374	351
Change in trade loans	30	-290	-143
<b>Total operational investments</b>		<b>-5,208</b>	<b>-4,721</b>
Acquisition and disposal of entities, net	31	-51,444	-179
Acquisitions of associated companies		-587	-
Disposals of associated companies		300	-
Acquisition of financial assets <sup>3</sup>		-961	-43
Disposal of financial assets		39	37
Change in financial receivables	30	427	-86
Dividends received		75	127
<b>Total financial investments</b>		<b>-52,151</b>	<b>-144</b>
Other investments in property, plant and equipment		-1,117	-667
Disposal of other property, plant and equipment		1,323	605
<b>Total other activities<sup>4</sup></b>		<b>206</b>	<b>-62</b>
<b>Cash flow from investing activities</b>		<b>-57,153</b>	<b>-4,927</b>
<b>Free cash flow</b>		<b>-49,341</b>	<b>-90</b>
Shareholders in Carlsberg A/S	30	29,482	-508
Minority interests	30	-549	-451
External financing <sup>5</sup>	30	21,151	775
<b>Cash flow from financing activities</b>		<b>50,084</b>	<b>-184</b>
<b>Net cash flow</b>		<b>743</b>	<b>-274</b>
Cash and cash equivalents at 1 January <sup>6</sup>		1,351	1,708
Foreign exchange adjustment of cash and cash equivalents at 1 January		-29	-83
<b>Cash and cash equivalents at 31 December<sup>6</sup></b>	<b>22</b>	<b>2,065</b>	<b>1,351</b>

<sup>1</sup> Impairment losses excluding those reported in special items.

<sup>2</sup> Includes DKK 1,065m received regarding agreement with The Coca-Cola Company in June 2008.

<sup>3</sup> Includes cost of hedging instruments acquired in 2008 prior to the acquisition of part of the activities in S&N.

<sup>4</sup> Other activities cover real estate and assets under construction, separate from beverage activities, including costs of construction contracts.

<sup>5</sup> Includes loan raised for the financing of the acquisition of part of the activities in S&N and repayment of parts of the loan following the capital increase.

<sup>6</sup> Cash and cash equivalents less bank overdrafts.

## Notes

### NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Carlsberg Group's Annual Report, management makes various accounting estimates and assumptions which form the basis of presentation, 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 41 to the consolidated financial statements.

#### Estimation uncertainty

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

The judgements, estimates and assumptions made are based on historical experience and other factors 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 Annual Report 2008 is particularly affected by estimates and judgements related to measurement of assets, liabilities and contingent liabilities acquired in the acquisition of part of the activities in S&N, see the description of judgements, estimates and assumptions for the individual items below.

The international financial market showed extraordinary fluctuations in 2008, including fluctuations in interest and currency exchange rates, and with a derived effect on the general economic situation. Therefore estimates in the Annual Report 2008 have been given special attention. It has been ensured that one-off effects which are not expected to exist in the long term do not affect estimated and assessed factors including discount rates and expectations of the future.

The value of assets acquired in S&N, including breweries, brands and goodwill, is still existing at year-end 2008. The assessment should be seen with the long perspective of the investment in mind.

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 sections of the Management review and in the notes.

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

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

The unallocated purchase price (positive amounts) is recognised in the balance sheet as goodwill, which is allocated to the Group's cash-generating units. Management makes estimates of the acquired cash-generating units, the cash-generating units that already existed in the Group and the allocation of goodwill. For the acquisition of part of the activities in S&N, the allocation of goodwill to each of the acquired entities is based on the expected future cash flows for each activity discounted at present value using a weighted average cost of capital (wacc) that is based on the risk-free interest rate and a specific risk premium in the respective countries. As the statement of net interest-bearing debt of S&N at 28 April 2008 has not yet been finally completed and agreed with the consortium partner, the total cost of acquisition might change. Such a change will most likely be allocated to one or a few major activities in the acquisition. For Chongqing, which is a listed company, the fair value is also based on the company's market price and developments in the market price. Considering the uncertainties associ-

ated with the determination of the cash flows of acquired cash-generating units, it is the assessment of management that the allocation made is based on documented estimates.

The difference between the carrying amounts in the acquired entities and the fair value of identifiable assets and liabilities is specified in note 31. The determination of the fair value of identifiable assets, liabilities and contingent liabilities acquired in the acquisition of part of the activities in S&N is almost complete. For some of the estimated fair values, verification is still outstanding, and minor adjustments to the recognised fair values might occur.

Note 15 describes the value of goodwill arising on the acquisition of part of the activities in S&N.

#### Trademarks

**Business combinations.** In business combinations, the value of the trademarks acquired and their expected useful lives are assessed based on the trademarks' market position, expected long-term developments in the relevant markets and the trademarks' profitability. The estimated value of acquired trademarks includes all cash flows associated with the trademarks, including the value of customer relations etc. related to the trademarks. For the entities acquired in the acquisition of part of the activities in S&N, there is a close relationship between trademarks and sales. The consumers' demand for beer and other beverages drives sales and therefore the value of the brand is closely linked to consumer demands while there is no separate value attached to customers (shops, bars etc.) as their choice of products is driven by consumer demands.

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

For each trademark or group of trademarks, measurement is based on the relief from royalty method under which the value is calculated based on expected future cash flows for the trademarks on the basis of key assumptions about expected useful life, royalty rate and growth 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 a risk premium associated with the particular trademark.



**NOTE 1** SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

The main factors applied for the acquisition of part of the activities in S&N are in the following spreads:

Royalty rate	
International, premium and speciality beers	3.5-7.5% depending on market

Strong regional and national brands	3-5%
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Local brands and mainstream brands	2-3.5%
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Useful life	
When the value of the well-established trademark is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the trademark is determined to be indefinite. This applies to Baltika and 1664 and certain strong regional and local brands	Indefinite useful life

Trademarks with a finite useful life typically comprise local brands	Finite useful life
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Growth rates	
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Trademarks with indefinite useful lives	Specific fixed growth rate. After year 20, the growth rate applied will equal the expected rate of inflation, as the growth rate for the trademarks is not expected to increase above the rate of inflation in the long term.
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Brands with finite useful lives up to 20 years	Specific fixed growth rate which only in the first year exceeds inflationary expectations. Rates range from 2 to 5%.
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Tax rate	
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Expected future tax rate in each country, based on current legislation at the acquisition date	10-34%
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Discount rate	
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Depends on the risk-free interest rate plus a risk premium in each country	
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The estimates are based on assessments of the expected useful life of each trademark on the basis of its relative local, regional and global market strength. This assessment will also influence the estimate of the expected future royalty rate that may be obtained for each trademark in a royalty agreement entered into with a third party on market terms for each of the markets.

**Annual assessment of trademarks.** Management performs an annual assessment of whether the current market situation in the relevant market has reduced the value or changed useful lives of trademarks. When there is an indication of a reduction in the value or useful life, the trademark is tested for impairment and is written down if necessary or the amortisation period is reassessed and if necessary changed in line with the trademark's shorter useful life. The impairment test of trademarks is based on the same approach as is used to determine the fair value at the acquisition date. Note 16 describes the impairment test performed at 31 December 2008.

**Customer agreements and portfolios in business combinations.** In business combinations, the value of acquired customer agreements and customer portfolios is assessed based on the local market and trading conditions. The relationship between trademarks and customers is carefully considered

so that trademarks and customer agreements are not both recognised on the basis of the same underlying cash flows. Usually there is a particularly close relationship between trademark and sales, and no separate value for customer relations will be recognised in these cases, as these relations are closely associated with the value of the acquired trademarks, cf. above.

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

The estimates of future net free cash flows (value in use) are based on budgets and business plans for the next three years and projections for subsequent years. Key parameters are revenue growth, operating margin, future capital expenditure and growth expectations beyond the next three years. Budgets and business plans for the next three years are based on concrete commercial initiatives. Projections beyond the next three years are based on general expectations and risks.

The cash flows used incorporate the effect of relevant future risks, and accordingly these risks are not incorporated in the discount rates used. Potential upsides and downsides identified during the budget process and in the daily business are reflected in multiple scenarios for possible future cash flows for each individual cash-generating unit (country). The scenarios reflect among others different assumptions on market and price developments and input cost developments. Budgets and business plans do not incorporate the effect of future restructurings and non-contracted capacity increases.

Pre-tax discount rates which reflect the risk-free borrowing interest rate in each particular geographical segment are used to calculate recoverable amounts.

Estimates of future earnings from *trademarks* with an indefinite useful life are made using the same approach as is used to measure trademarks in business combinations, cf. above. Assessment of indications of impairment of trademarks with indefinite useful lives is based on the Group's total royalty income for each trademark.

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 2008, and therefore trademarks with a finite useful life have not been impairment-tested.

The discount rate is an after-tax wacc calculated country by country based on long-term expectations for each trademark.

For a description of impairment testing for intangible assets, see note 16.

**Discount and growth rates applied for 2008.** At year-end 2008, risk-free interest rates – in particular short-term interest rates – fluctuated extraordinarily as a result of the international financial crisis. Investments in the Group's entities (goodwill) and trademarks are expected to be maintained for an indefinite period of time, which should be reflected in the discount rate. The discount rates used are based on the expectation that the financial markets will stabilise again in the long term, and the risk premium for the risk-free interest rate (spread) is fixed somewhat lower than the current market level and slightly higher than the market level in spring/summer 2008.

For each country the applied growth rates for projections and discount rates are compared to ensure a reasonable link between them (real interest rate).

**Fair value of property, plant and equipment in business combinations.** In the acquisition of part of the activities in S&N, the Carlsberg Group has acquired significant property, plant and equipment, including land and buildings, plant, machinery and equipment used in the brewing and packing process, sales equipment and vehicles, furniture and returnable packaging.

**NOTE 1** SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

The fair value of land and buildings and standard production and office equipment is based as far as possible on the fair value of assets of similar type and condition that may be bought and sold in the open market.

Property, plant and equipment for which there is no reliable evidence in the market of the fair value (in particular breweries, including production equipment) are valued using the depreciated replacement cost method. This method is based on the replacement cost of a similar asset with similar functionality and capacity. The calculated replacement cost for each asset is then reduced to reflect functional and physical obsolescence.

Fair value is determined for each of the acquired breweries and other material assets. This comprises substantial breweries and production facilities with a number of individual assets that must be assessed both individually and as part of the entire facility in question. The assessment is based on knowledge of the technical condition of each brewery, materials used, age and level of maintenance and other indications and information for the individual assets. The assessment involves external valuers specialised in technical assistance in the construction of breweries.

The expected synergies and the user-specific intentions for the expected use of assets are not included in the determination of the fair value.

For a description of impairment testing for property, plant and equipment, see note 16.

**Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment.** Intangible assets with finite useful life and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment losses. Amortisation and depreciation are recognised on a straight-line basis over the expected useful lives, taking into account any residual value. The expected useful lives and residual values are determined based on past experience and expectations of the future use of the assets. The expected future use and residual values may not be realised, which will require reassessment of useful lives and residual values and recognition of impairment losses or losses on disposal of non-current assets. The useful life and residual values for assets acquired in the acquisition of part of the activities in S&N are determined concurrently with the fair value, cf. above. The amortisation and depreciation periods used are described in the accounting policies in note 41 and the value of non-current assets is specified in notes 15 and 17.

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

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

**Deferred tax assets.** The Carlsberg 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 judgement was also made at the acquisition date for the activities acquired as part of the S&N acquisition.

For the determination of the fair value of assets, liabilities and contingent liabilities acquired in the acquisition of part of the activities in S&N, deferred tax assets and tax liabilities have been adjusted to reflect the expected tax effect of the fair value adjustment. However, this does not apply to deferred tax on goodwill in jurisdictions where tax is not deductible for goodwill and thus having a tax base of zero, as such adjustments are not allowed under IFRS. Adjustment is based on the tax position and the relevant legislation applicable to each individual company or joint tax group in each jurisdiction. The ultimate impact on the deferred tax assets and liabilities is subject to the final allocation of the purchase price to the individual assets, liabilities and contingent liabilities. For a more detailed presentation of the Group's tax assets, see note 27.

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

Write-downs are made for bad debt losses due to inability to pay. If the ability to pay deteriorates in the future, further write-downs may be necessary. Management performs analyses on the basis of customers' expected ability to pay at the balance sheet date, historical information on payment patterns and doubtful debts, and customer concentrations, customers' creditworthiness, collateral received and the financial situation in the Company's sales channels.

As regards loans to the on-trade, the individual Group companies manage and control these loans as well as standard trade credit in accordance with Group guidelines. See below for further description.

For the entities acquired in the acquisition of part of the activities in S&N, any indications of impairment of receivables have been assessed at the acquisition date. Write-downs made are expected to be sufficient to cover losses. The financial uncertainty associated with write-downs for bad debt losses is usually considered to be limited. As a result of the international financial crisis, the risk of bad debt losses has increased. This has been taken into consideration in the assessment of impairment at the balance sheet date and will be included in the general management and monitoring of usual trade credits and loans to the on-trade.

**Retirement benefit obligations and similar obligations.** When calculating the value of the Carlsberg Group's defined benefit retirement benefit plans, a number of significant actuarial assumptions are made, including discount rates, expected return on plan assets, expected growth in wages and salaries and retirement benefits. The range and weighted average for these assumptions are disclosed in note 26.

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

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

Provisions, contingent assets and contingent liabilities have also been assessed at the acquisition date for the entities acquired in the acquisition of part of the activities in S&N. Provisions comprise provisions existing at the acquisition date only and are recognised at the fair value at that date. The fair value is based on the expected future cash flow to settle liabilities, including an assessment of whether contracts, agreements, guarantees etc. at the acquisition date constitute a liability which should be recognised in the balance sheet. Fair value of contingent liabilities is calculated based on the weighted likely outcome of the individual pending and probable lawsuits etc.

Warranty provisions are based on the substance of the agreements entered into, including the guarantees issued covering customers in the on-trade.

Provisions are disclosed in note 28 and contingent liabilities in note 38.

**Other assets and liabilities included in the opening balance sheet on the S&N transaction.** Assets and liabilities not specifically mentioned above are also measured at fair value at the acquisition date. These items include:

- Inventories measured at fair value. The fair value of finished goods and work in progress equals the selling prices less cost of disposal, cost to complete work in progress and a reasonable profit allowance based on the stage of completion, work in progress and sales activities based on estimates of gains on similar finished goods and merchandise. In addition the value is compared with comparable prices in the market for third-party products and production of the Company's products by another brewery.
- Procurement contracts concluded at prices deviating from current market prices
- Financial liabilities measured at fair value

**NOTE 1** SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

- Lease agreements classified as operating or finance leases based on the substance of the service being rendered, including assessment of minimum lease payments, transfer of ownership and whether the assets can be used by the lessee only
- Pension obligations measured based on market assumptions
- Demolishing and restoration obligations
- Onerous contracts

**Assessment in applied accounting policies**

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

Such judgements include the classification of shareholdings, including joint ventures, classification and recognition of financial instruments, the recognition of revenue and excise duties, the recognition of revenue from real estate projects, the timing of the recognition of revenue and costs relating to loans to the on-trade, the use of special items, measurement of inventories and classification of lease agreements.

**Business combinations.** When accounting for business combinations and new cooperation agreements, 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 interests or voting rights in the entity and on the basis of shareholder agreements etc. stipulating the actual level of influence over the entity.

For the acquisition of part of the activities in S&N, this judgement has been made for each acquired entity and activity based on the acquired ownership interest and existing shareholder agreements etc. For the activities that have not yet been hived off for legal purposes, the judgement has been based on existing agreements and current legal documentation regarding the hive-off. No changes have been or are expected to be made to the current classifications.

This classification is significant, as the recognition of proportionally consolidated joint ventures impacts differently on the financial statements from full consolidation of subsidiaries or recognition of associates using the equity method. Any amendment of IFRS preventing the use of proportional consolidation would therefore have an impact on the consolidated financial statements. The effect has been limited considerably following the acquisition of control over the entities in the former BBH Group in connection with the acquisition of part of the activities in S&N. Key figures for proportionally consolidated entities are disclosed in note 34.

**Financial instruments.** When entering into financial instruments, management assesses whether the instrument is an effective hedge of recognised assets and liabilities, expected future cash flows or financial investments. The hedge effectiveness of recognised hedge instruments is assessed at least monthly, and any ineffectiveness is recognised in the income statement.

**Revenue recognition.** Revenue from the sale of finished goods and goods for resale is recognised when the risk has been transferred to the buyer. Revenue is measured excluding VAT and duties, including excise duties on beer and soft drinks, and discounts.

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

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

**Recognition of real estate projects.** When entering into contracts, management makes judgements as to whether the individual real estate project is sufficiently modified for the percentage of completion method to apply. The majority of projects are accounted for using the sales method under which gains on disposal of real estate are recognised when the real estate is transferred to the buyer. The selling price of real estate projects less production costs is recognised under other operating income.

**Loans to the on-trade.** Under certain circumstances the Carlsberg Group grants loans to customers in the on-trade in some markets. The agreements are typically complex and cover several aspects of the relationship between the parties. Management assesses the recognition and classification of income and expenses for each of these agreements, including the allocation of revenue from the loan between income, customer discounts and other operating income. Management also assesses whether developments of importance to the on-trade could indicate impairment of on-trade loans in a country/market in general. Such developments include changes in local legislation, which may have an adverse effect on the earnings in the industry as a whole, and where the effect cannot be allocated to individual loans.

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

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

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

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

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

**Leases and service contracts.** The Carlsberg Group has entered into a number of leases and service contracts. When entering into these agreements, management considers the substance of the service being rendered in order to classify the agreement as either a lease or a service contract. In making this judgement, particular importance is attached to whether fulfilment of the agreement depends on the use of specific assets. The Group's leases and significant service contracts are disclosed in notes 38 and 39.

For leases an assessment is 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 INFORMATION

The Carlsberg Group's activities comprise the production and sale of beer and other beverages. In accordance with the Group's management and reporting structure, beverage activities are segmented according to the geographical regions where production takes place. Intra-segment revenue is based on arm's length prices.

From 2008 the segment reporting format of the Group's results has been changed. The new segmentation reflects the structure used for internal reporting and monitoring of the strategic and financial targets of the Carlsberg Group. The new segment reporting reflects the inclusion of the acquisition of part of the activities in S&N as well as a broader geographic definition of North and Western Europe. The comparative figures have been restated.

A segment's operating profit/loss before special items includes revenue, operating costs and share of profit/loss in associates to the extent that they

can be allocated directly to the individual segment. Income and expenses related to Group functions have not been allocated and, as is the case with eliminations and other activities, are not included in the operating profit/loss before special items of the segments.

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

Allocated goodwill and trademarks by segment are specified in note 16.

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

DKK million	Northern & Western Europe	Eastern Europe	Asia	Not allocated	Beverages, total	Other	2008 Carlsberg Group, total
<b>Income statement:</b>							
Net revenue	37,059	19,136	3,552	197	59,944	-	59,944
Intra-segment revenue	69	1	3	-73	-	-	-
<b>Total revenue</b>	<b>37,128</b>	<b>19,137</b>	<b>3,555</b>	<b>124</b>	<b>59,944</b>	<b>-</b>	<b>59,944</b>
Allocated	62%	32%	6%	0%	100%	-	100%
Segment profit/loss	3,938	4,102	461	-968	7,533	365	7,898
Share of profit/loss after tax in associates	15	7	50	-	72	9	81
<b>Operating profit before special items</b>	<b>3,953</b>	<b>4,109</b>	<b>511</b>	<b>-968</b>	<b>7,605</b>	<b>374</b>	<b>7,979</b>
Special items					-1,641	-	-1,641
Financial items, net					-3,455	-1	-3,456
<b>Profit before tax</b>					<b>2,509</b>	<b>373</b>	<b>2,882</b>
Corporation tax					395	-71	324
<b>Consolidated profit</b>					<b>2,904</b>	<b>302</b>	<b>3,206</b>
<b>Balance sheet:</b>							
Segment assets, non-current	35,350	68,298	3,402	775	107,825	12,723	120,548
Segment assets, current	9,748	3,796	1,441	966	15,951	48	15,999
Investments in associates	170	59	1,960	-	2,189	35	2,224
Assets held for sale	153	-	-	-	153	9	162
Other assets					4,217	156	4,373
<b>Total assets</b>					<b>130,335</b>	<b>12,971</b>	<b>143,306</b>
Segment liabilities, non-current	3,094	18	49	149	3,310	244	3,554
Segment liabilities, current	13,404	2,788	1,225	2,533	19,950	80	20,030
Liabilities associated with assets held for sale	367	-	-	-	367	1	368
Interest-bearing debt, gross					50,006	-1,485	48,521
Other liabilities					9,334	748	10,082
Equity					47,368	13,383	60,751
<b>Total equity and liabilities</b>					<b>130,335</b>	<b>12,971</b>	<b>143,306</b>
<b>Other segment items:</b>							
Acquisition of property, plant and equipment and intangible assets	2,517	2,149	391	235	5,292	1,117	6,409
Depreciation and amortisation	2,128	1,239	183	68	3,618	13	3,631
Impairment losses	336	-	-	-	336	-	336

**NOTE 2** SEGMENT INFORMATION – CONTINUED

DKK million	Northern & Western Europe	Eastern Europe	Asia	Not allocated	Beverages, total	Other	2007 Carlsberg Group, total
<b>Income statement:</b>							
Net revenue	32,026	9,657	2,886	181	44,750	-	44,750
Intra-segment revenue	61	1	-	-62	-	-	-
<b>Total revenue</b>	<b>32,087</b>	<b>9,658</b>	<b>2,886</b>	<b>119</b>	<b>44,750</b>	<b>-</b>	<b>44,750</b>
Allocated	72%	22%	6%	0%	100%	-	100%
Segment profit/loss	3,330	2,132	327	-882	4,907	254	5,161
Share of profit/loss after tax in associates	53	2	39	-	94	7	101
<b>Operating profit/loss before special items</b>	<b>3,383</b>	<b>2,134</b>	<b>366</b>	<b>-882</b>	<b>5,001</b>	<b>261</b>	<b>5,262</b>
Special items, net					-427	-	-427
Financial items, net					-971	-230	-1,201
<b>Profit before tax</b>					<b>3,603</b>	<b>31</b>	<b>3,634</b>
Corporation tax					-1,190	152	-1,038
<b>Consolidated profit</b>					<b>2,413</b>	<b>183</b>	<b>2,596</b>
<b>Balance sheet:</b>							
Segment assets, non-current	21,487	7,798	2,996	472	32,753	12,170	44,923
Segment assets, current	8,786	1,692	1,035	567	12,080	515	12,595
Investments in associates	264	28	299	-	591	31	622
Assets held for sale	34	-	-	-	34	-	34
Other assets					4,372	-1,326	3,046
<b>Total assets</b>					<b>49,830</b>	<b>11,390</b>	<b>61,220</b>
Segment liabilities, non-current	2,402	10	20	2	2,434	55	2,489
Segment liabilities, current	9,800	1,272	982	707	12,761	385	13,146
Interest-bearing debt, gross					19,873	3,381	23,254
Other liabilities					1,623	764	2,387
Equity					13,139	6,805	19,944
<b>Total equity and liabilities</b>					<b>49,830</b>	<b>11,390</b>	<b>61,220</b>
<b>Other segment items:</b>							
Acquisition of property, plant and equipment and intangible assets	2,780	1,537	579	33	4,929	667	5,596
Depreciation and amortisation	1,982	593	164	105	2,844	12	2,856
Impairment losses	108	-	1	4	113	-	113

**NOTE 3** COST OF SALES

DKK million	2008	2007
Cost of materials	16,879	11,822
Direct staff costs	1,508	1,239
Machinery costs	920	759
Depreciation, amortisation and impairment losses	2,512	1,647
Indirect production overheads	3,131	2,491
Purchased finished goods and other costs	6,298	4,465
<b>Total</b>	<b>31,248</b>	<b>22,423</b>
Of which staff costs, see note 13	2,535	2,019

**NOTE 4 SALES AND DISTRIBUTION EXPENSES**

DKK million	2008	2007
Marketing expenses	5,304	4,321
Sales expenses	4,899	4,099
Distribution expenses	7,389	6,108
<b>Total</b>	<b>17,592</b>	<b>14,528</b>
Of which staff costs, see note 13	4,440	4,028

**NOTE 5 FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING**

DKK million	2008	2007
<b>KPMG:</b>		
Statutory audit	43	22
Non-audit services	45	25

The statutory audit fees have increased compared to 2007 as a result of the acquisition of part of the activities in S&N. Further, the audit fee in 2008 included the audit of the opening balances of each of the acquired entities.

In 2008 non-audit services included fees for assistance in the acquisition of part of the activities in S&N, including due diligence related to the acquisi-

tion, advisory services related to the separation of the acquired entities and assets, fees for issuance of declarations and other services related to the capital increase in Carlsberg A/S in June 2008 and tax consultancy. In 2007 non-audit services included fees for preparation of the acquisition, tax consultancy and due diligence in connection with acquisitions.

**NOTE 6 OTHER OPERATING INCOME AND EXPENSES**

DKK million	2008	2007
<b>Other operating income:</b>		
Gains on disposal of real estate under other activities	487	347
Gains on disposal of real estate within beverage activities	69	150
Gains on disposal of other property, plant and equipment and intangible assets within beverage activities	212	38
Interest and amortisation of on-trade loans	105	128
Rental income, real estate	65	88
Funding and grants received for research and development activities	21	38
Other, incl. repaid property tax	219	144
<b>Total</b>	<b>1,178</b>	<b>933</b>
<b>Other operating expenses:</b>		
Loss on disposal of other property, plant and equipment and intangible assets within beverage activities	-44	-84
Losses and write-downs on on-trade loans	-45	-34
Real estate costs	-95	-121
Expenses relating to research centres	-152	-91
Other	-114	-118
<b>Total</b>	<b>-450</b>	<b>-448</b>
Of which staff costs, cf. note 13	-106	-96
<b>Recognised gains on construction contracts comprise:</b>		
Construction contract revenue for work performed during the year	184	219
Production costs	-107	-177
<b>Total</b>	<b>77</b>	<b>42</b>

Gains on construction contracts are recognised under "Gains on disposal of real estate under other activities" and comprise a construction contract for owner-occupied property. The construction contract was completed and the real estate delivered in 2008.

Other operating income includes gains on disposal of trademarks of DKK 149m in 2008.

Funding and grants received for research and development activities include funding from the Carlsberg Foundation for the operation of the Carlsberg Laboratory of DKK 11m (2007: DKK 13m).

**NOTE 7** SPECIAL ITEMS

DKK million	2008	2007
Impairment, Türk Tuborg	-	-100
Impairment of Leeds Brewery, Carlsberg UK	-197	-
Impairment of Braunschweig Brewery, Carlsberg Deutschland	-135	-
Impairment losses and expenses relating to withdrawal from the market for discount soft drinks in Denmark (2007: reversal of provision)	-	7
Loss on disposal of Türk Tuborg	-232	-
Provision for onerous malt contracts	-245	-
Relocation costs, termination benefits and impairment of non-current assets in connection with new production structure in Denmark (2007: reversal of provision)	-19	14
Termination benefits and impairment of non-current assets in connection with new production structure at Sinebrychoff, Finland	-30	-3
Termination benefits etc. in connection with Operational Excellence programmes	-150	-190
Termination benefits and expenses, transfer of activities to Accounting Shared Service Centre in Poland	-16	-29
Restructuring, Carlsberg Italia	-93	-67
Restructuring, Brasseries Kronenbourg, France	-291	-
Restructuring, Ringnes, Norway	-26	-
Costs in connection with outsourcing of distribution, Carlsberg Sverige	-	-26
Other restructuring costs etc., other entities	-138	-33
Integration costs related to acquisition of part of the activities in S&N	-69	-
<b>Special items, net</b>	<b>-1,641</b>	<b>-427</b>
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Cost of sales	-919	-145
Sales and distribution expenses	-114	-135
Administrative expenses	-226	-44
Other operating income	27	29
Other operating expenses	-409	-126
	-1,641	-421
Impairment of goodwill	-	-6
<b>Special items, net</b>	<b>-1,641</b>	<b>-427</b>

Special items constitute significant items that can not be attributed directly to the Group's ordinary operating activities and are significant over time.

**NOTE 8** FINANCIAL INCOME

DKK million	2008	2007
Interest income	249	186
Dividends from securities	21	19
Fair value adjustments of financial instruments, net, cf. note 36	556	-
Foreign exchange gains, net	-	55
Realised gains on disposal of associates and securities	126	43
Expected return on plan assets, defined benefit plans	308	321
Other financial income	50	27
<b>Total</b>	<b>1,310</b>	<b>651</b>

Interest income relates to interest from cash and cash equivalents.

**NOTE 9 FINANCIAL EXPENSES**

DKK million	2008	2007
Interest expenses	2,635	1,262
Fair value adjustments of financial instruments, net, cf. note 36	-	65
Realised foreign exchange losses, net	1,358	-
Realised losses on disposal of securities	5	20
Impairment of financial assets	3	4
Interest cost on obligations, defined benefit plans	340	323
Loss on other financial instruments	-	73
Other financial expenses	425	105
<b>Total</b>	<b>4,766</b>	<b>1,852</b>

Interest expenses primarily relate to interest on borrowings.

In addition, fair value adjustments of financial instruments were affected by DKK 110m related to the inefficient part of the currency options acquired to hedge the GBP exposure on the S&N transaction.

Other financial expenses consist mainly of payment to establish credit facilities and fees for unutilised draws on these facilities. Approximately DKK 315m relates to up-front and commitment fees etc. from establishing of financing related to the acquisition of part of the activities in S&N.

**NOTE 10 CORPORATION TAX**

DKK million	2008	2007
<b>Tax for the year comprises:</b>		
Current tax on profit for the year	1,072	951
Change in deferred tax during the year	-227	54
Change in tax rate	-1,520	-85
Adjustments to tax for previous years	16	17
<b>Total tax for the year</b>	<b>-659</b>	<b>937</b>
<b>Of which recognised in equity:</b>		
Deferred tax on items recognised directly in equity	334	117
Tax for the year on items recognised directly in equity	1	-16
<b>Tax on profit for the year</b>	<b>-324</b>	<b>1,038</b>
<b>Reconciliation of the effective tax rate for the year:</b>		
Tax rate in Denmark	25.0%	25.0%
Change in tax rate, Danish subsidiaries	0.0%	-1.3%
Change in tax rate, foreign subsidiaries	-52.7%	-0.8%
Differences in tax rates, foreign subsidiaries	-3.6%	-2.0%
Adjustments to tax for previous years	-0.4%	-0.2%
Non-capitalised tax assets	10.2%	2.9%
Non-taxable income	-0.6%	-1.1%
Non-deductible expenses	5.4%	4.6%
Tax, associates	2.8%	-0.1%
Special items	-4.5%	-0.5%
Withholding taxes	7.4%	2.1%
Other	-0.2%	0.1%
<b>Effective tax rate for the year</b>	<b>-11.2%</b>	<b>28.7%</b>

Change in tax rate in foreign subsidiaries mainly relates to the reduction of the corporate tax rate in Russia in 2009 from 24% to 20%.

In 2007 the Danish corporate tax rate was reduced from 28% to 25%.

DKK million	2008	2007
<b>The change in deferred tax recognised in the income statement can be broken down as follows:</b>		
Tax losses	2,436	41
Change in tax rate	-1,520	-85
Intangible assets and property, plant and equipment etc.	-2,328	130
<b>Deferred tax liabilities recognised in income statement</b>	<b>-1,412</b>	<b>86</b>



**NOTE 11** MINORITY INTERESTS

DKK million	2008	2007
Minority interests' share of profit for the year relates to the following:		
Baltika Brewery	448	206
Other entities in Eastern Europe	-40	-6
Northern & Western Europe	73	50
Carlsberg Brewery Malaysia Berhad	57	60
Other entities in Asia	35	-15
Other	2	4
<b>Total</b>	<b>575</b>	<b>299</b>

Minority interests' share of the profit for the year has increased compared with 2007, as Carlsberg after the acquisition of part of the activities in S&N

in April 2008 fully consolidates investments in the former BBH Group. The entities were consolidated proportionately by 50% for 2007.

**NOTE 12** EARNINGS PER SHARE

Carlsberg has adjusted the calculation of basic and diluted earnings per share for the current year as well as the comparative year in accordance with IAS 33 Earnings per Share. The standard requires that if the number of ordinary shares outstanding increases as a result of a bonus element in a rights issue to existing shareholders, the per share calculation for the current and any prior periods presented shall be based on the new number of shares.

As the Carlsberg rights issue was offered to all existing shareholders, the number of ordinary shares to be used in calculating basic and diluted earnings per share for all periods prior to the rights issue is the number of ordinary Carlsberg B shares outstanding before the issue, multiplied by an adjustment factor calculated as the fair value of B shares in Carlsberg A/S immediately before the exercise of rights divided by the theoretical ex-rights fair value per share.

The theoretical ex-rights fair value per share is calculated by adding the aggregate market value of the shares immediately before the exercise of the rights to the proceeds from the exercise of the rights, and dividing by the number of shares outstanding after the exercise of the rights.

The closing price of Carlsberg's B share on 21 May 2008 was DKK 651.

The price of Carlsberg's new B shares, cf. prospectus published on 15 May 2008, was DKK 400.

Calculated adjustment factor:  
Exercise price: 1.23882017

DKK million	2008	2007
Consolidated profit	3,206	2,596
Minority interests	-575	-299
<b>Shareholders in Carlsberg A/S</b>	<b>2,631</b>	<b>2,297</b>
<b>1,000 shares</b>		
Average number of shares	118,785	94,496
Average number of treasury shares	-7	-30
Average number of shares outstanding	118,778	94,466
Average dilutive effect of outstanding share options	-	276
<b>Diluted average number of shares outstanding</b>	<b>118,778</b>	<b>94,742</b>
<b>DKK</b>		
Earnings per share of DKK 20 (EPS)	22.2	24.3
Diluted earnings per share of DKK 20 (EPS-D)	22.2	24.2

Diluted earnings per share exclude 1,577,786 share options (2007: 0) that do not have a dilutive effect because the exercise price of the options was higher than the market price of the shares.

**NOTE 13** STAFF COSTS AND REMUNERATION OF THE BOARD OF DIRECTORS,  
THE EXECUTIVE BOARD AND OTHER EXECUTIVE EMPLOYEES

DKK million	2008	2007
Salaries and other remuneration	6,831	6,048
Severance pay	198	176
Social security costs	988	840
Retirement benefit costs – defined contribution plans	155	191
Retirement benefit costs – defined benefit plans	90	158
Share-based payment	31	21
Other employee benefits	421	97
<b>Total</b>	<b>8,714</b>	<b>7,531</b>

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

Cost of sales	2,535	2,019
Sales and distribution expenses	4,440	4,028
Administrative expenses	1,517	1,174
Other operating expenses	106	96
Special items (restructuring)	116	214
<b>Total</b>	<b>8,714</b>	<b>7,531</b>

The Group had an average of 45,505 (2007: 33,420) full-time employees during the year.

DKK million	2008		2007	
	Group Executive Board	Executive employees	Group Executive Board	Executive employees
<b>Remuneration of key management personnel:</b>				
Salaries and other remuneration	27	53	26	30
Retirement benefit costs	-	3	-	3
Share-based payment	3	3	6	2
<b>Total</b>	<b>30</b>	<b>59</b>	<b>32</b>	<b>35</b>

Remuneration of the Group Executive Board and executive employees is based on a fixed salary and cash bonus payments of up to 60% of the fixed salary and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes and incentive schemes have been established for the Group Executive Board and key management personnel. These programmes and schemes cover a number of years.

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

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

Executive employees comprise members of ExCom and Senior Vice Presidents and Vice Presidents heading Group functions at Carlsberg's headquarters in Copenhagen, a total of 21 persons (2007: 16 persons), who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the Group's activities.

The Board of Directors of Carlsberg A/S received remuneration of DKK 6m (2007: DKK 6m) for duties performed in the Company and some subsidiaries. The remuneration is a fixed annual amount. The Board of Directors is not included in share option programmes, retirement benefit plans and other schemes, and 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 management personnel and to align their interests with those of the shareholders. Key management personnel comprise the Group Executive Board, ExCom, Senior Vice Presidents and Vice Presidents and the managements of significant subsidiaries. No share option programme has been set up for Carlsberg A/S's Board of Directors.

Share options currently vest over a period of three years from the grant date. The options may be exercised no earlier than three years and no later than eight years after the grant date. Upon resignation, a proportion of the options may be exercised within one to three months unless special severance terms are agreed. Special terms and conditions apply in the case of retirement, illness, death and changes in Carlsberg A/S's capital resources. Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares (equity-settled scheme). The Carlsberg Group has not purchased a significant number of treasury shares to meet this obligation. Treasury share holdings at 31 December 2008 totalled 3,276 shares (2007: 32,762 shares).

To ensure that holders of share options receive the same nominal yield on a given increase in the share price after the rights issue in Carlsberg A/S, adjustment has been made to the share option programmes which existed at the time of the rights issue. The exercise price of the options has been adjusted for the bonus element on the issue of new shares at a discount. The bonus element has been calculated as described in note 12 Earnings per share. Correspondingly, the number of granted options has been adjusted by a factor calculated as 1 divided by the bonus element. With these adjustments, the fair value of the share option programme in place at the time of the rights

issue is unchanged. In connection with the adjustments, comparative figures have been restated.

The closing price of Carlsberg's B share on 21 May 2008 was DKK 651. The price of Carlsberg's new B share, cf. prospectus published on 15 May 2008, was DKK 400.

Calculated adjustment factors:

Exercise price: 0.80721966

Number of options: 1.23882017

Using the adjustment factor, the total number of outstanding options end of 2007 has been adjusted to 93,778 for the Executive Board, 590,004 for key management personnel and 201,216 for retired employees from 75,700, 476,262 and 162,425 options for each of the groups respectively end of 2007.

In 2008, a total of 799,942 (2007: 270,186) share options were granted to 173 (2007: 145) key employees. The fair value at grant date of these options was a total of DKK 74m (2007: DKK 30m). The fair value is recognised in the income statement over the vesting period of three years. In 2008, DKK 20m was recognised in respect of share options granted (2007: DKK 10m). The total cost of share-based payment was DKK 31m (2007: DKK 21m) in respect of options granted in the period 2005-2008 (2007: 2004-2007) and included options granted under the new long-term incentive programme. The cost of share-based payment is included in staff costs. At 31 December 2008, an amount of DKK 73m (2007: DKK 23m) has not been recognised in respect of current share option programmes.

Grant year	Exercise year	Number					31 Dec. 2008	For exercise 31 Dec.	Exercise price Fixed	Fair value		
		1 Jan. 2008	Granted	Expired/ forfeited	Exercised	Transferred				DKK per option	31 Dec. 2008	31 Dec. 2007
<b>Executive Board:</b>												
2001	2004-2009	9,105	-	-	-	-	9,105	9,105	312.02	0.00	-	2
2002	2005-2010	9,105	-	-	-	-	9,105	9,105	261.39	4.67	-	2
2003	2006-2011	13,008	-	-	-	-	13,008	13,008	173.12	32.12	1	4
2004	2007-2012	13,008	-	-	-	-	13,008	13,008	216.65	25.69	-	4
2005	2008-2013	12,388	-	-	-	-	12,388	12,388	232.71	22.78	-	3
2006	2009-2014	12,388	-	-	-	-	12,388	12,388	306.89	21.02	-	3
2007	2010-2015	24,776	-	-	-	-	24,776	24,776	472.11	15.19	1	3
2008	2011-2016		89,552	-	-	-	89,552		383.34	32.00	3	-
<b>Total</b>		<b>93,778</b>	<b>89,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,330</b>	<b>56,614</b>			<b>5</b>	<b>21</b>
<b>Key management personnel:</b>												
2001	2004-2009	11,707	-	-	-3,902	-	7,805	7,805	312.02	0.00	-	2
2002	2005-2010	13,658	-	-	-3,902	-	9,756	9,756	261.39	4.67	-	4
2003	2006-2011	18,273	-	-	-	-	18,273	18,273	173.12	32.12	1	6
2004	2007-2012	42,042	-	-2,276	-2,989	-	36,777	36,777	216.65	25.69	1	12
2005	2008-2013	133,276	-	-2,685	-45,318	-2,787	82,486	82,486	232.71	22.78	2	37
2006	2009-2014	175,500	-	-9,498	-6,296	-7,433	152,273	152,273	306.89	21.02	3	38
2007	2010-2015	195,548	-	-11,974	-1,033	-7,433	175,108	175,108	472.11	15.19	3	24
2008	2011-2016		710,390	-3,097	-	-	707,293		383.34	32.00	22	-
<b>Total</b>		<b>590,004</b>	<b>710,390</b>	<b>-29,530</b>	<b>-63,440</b>	<b>-17,653</b>	<b>1,189,771</b>	<b>155,097</b>			<b>32</b>	<b>123</b>
<b>Retired employees:</b>												
2001	2004-2009	26,046	-	-	-11,706	-	14,340	14,340	312.02	0.00	-	5
2002	2005-2010	20,812	-	-	-	-	20,812	20,812	261.39	4.67	-	5
2003	2006-2011	29,918	-	-	-	-	29,918	29,918	173.12	32.12	1	10
2004	2007-2012	37,722	-	-	-	-	37,722	37,722	216.65	25.69	1	11
2005	2008-2013	29,732	-	-413	-	2,787	32,106	32,106	232.71	22.78	1	8
2006	2009-2014	30,351	-	-826	-	7,433	36,958	36,958	306.89	21.02	1	7
2007	2010-2015	26,635	-	-1,239	-	7,433	32,829	32,829	472.11	15.19	-	3
2008	2011-2016		-	-	-	-	-		383.34	32.00	-	-
<b>Total</b>		<b>201,216</b>	<b>-</b>	<b>-2,478</b>	<b>-11,706</b>	<b>17,653</b>	<b>204,685</b>	<b>134,898</b>			<b>4</b>	<b>49</b>
<b>Total</b>		<b>884,998</b>	<b>799,942</b>	<b>-32,008</b>	<b>-75,146</b>	<b>-</b>	<b>1,577,786</b>	<b>346,609</b>			<b>41</b>	<b>193</b>

**NOTE 14** SHARE-BASED PAYMENT – CONTINUED

	2008					2007				
	Executive Board	Key management personnel	Resigned	Total	Average exercise price	Executive Board	Key management personnel	Resigned	Total	Average exercise price
Share options outstanding at 1 January	93,778	590,004	201,216	884,998	317.61	163,091	665,773	68,972	897,836	254.91
Granted	89,552	710,390	-	799,942	383.34	49,552	220,634	-	270,186	472.11
Expired/forfeited	-	-29,530	-2,478	-32,008	368.89	-	-65,060	-	-65,060	340.30
Exercised	-	-63,440	-11,706	-75,146	259.54	-	-217,964	-	-217,964	244.06
Transferred	-	-17,653	17,653	-	-	-118,865	-13,379	132,244	-	295.55
Share options outstanding at 31 December	183,330	1,189,771	204,685	1,577,786	352.66	93,778	590,004	201,216	884,998	317.61
Exercisable at 31 December	56,614	155,097	134,898	346,609	228.57	44,226	85,679	114,498	244,403	232.01
Exercised options as % of share capital	0.00%	0.04%	0.01%	0.05%		0.00%	0.14%	0.00%	0.14%	

The average share price at the exercise date for share options was DKK 485 (2007: DKK 509).

At 31 December 2008 the exercise price for outstanding share options was in the range DKK 173.12 to DKK 472.11 (2007: DKK 173.12 to DKK 472.11). The average remaining contractual life was 5.6 years (2007: 5.4 years).

The fair value of granted share options is estimated using the Black & Scholes call option pricing model based on the exercise price. Fair value at 31 December 2008 is DKK 41m (2007: DKK 193m) which is DKK 152m lower than at year-end 2007.

The assumptions underlying the calculation of the grant date fair value for share options granted in 2008 and 2007 are as follows:

DKK	2008	2007
Fair value per option	104.65	136.67
Share price	383.34	584.86
Exercise price	383.34	584.86
Volatility	27%	19%
Risk-free interest rate	3.8%	3.9%
Dividend yield	1.4%	1.0%
Expected life of share options, years	5.2	5.5

The prices disclosed for the grant in 2007 are not adjusted for the bonus element on the capital increase in 2008.

The **share price** and the **exercise price** are calculated as the average price of Carlsberg A/S's class B shares on NASDAQ OMX Copenhagen A/S the first five trading days after the publication of Carlsberg A/S's annual financial statement following the granting of the options.

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

The **risk-free interest rate** is the interest rate on Danish government bonds of the relevant maturity, while the **dividend yield** is calculated as DKK 6 per share (2007: DKK 6 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	Goodwill	Trademarks	Other intangible assets	Pre- payments	2008 Total
<b>Cost:</b>					
Cost at 1 January 2008	16,956	3,926	1,530	146	22,558
Acquisition of entities	33,780	18,834	111	-	52,725
Value adjustment on step acquisition of subsidiaries	-	16,429	15	-	16,444
Reversal of cost related to step acquisition	-	-	-50	-	-50
Additions	292	-	150	17	459
Disposals of entities	-	-	-33	-	-33
Disposals	-72	-	-98	-	-170
Foreign exchange adjustments etc.	-2,280	-3,639	-43	-1	-5,963
Transfers	-	-	145	-128	17
<b>Cost at 31 December 2008</b>	<b>48,676</b>	<b>35,550</b>	<b>1,727</b>	<b>34</b>	<b>85,987</b>
<b>Amortisation and impairment losses:</b>					
Amortisation and impairment losses at 1 January 2008	10	122	1,219	2	1,353
Reversal of cumulative amortisation related to step acquisition	-	-	-50	-	-50
Amortisation	-	31	161	-	192
Disposals of entities	-	-	-30	-	-30
Disposals	-	-	-89	-	-89
Foreign exchange adjustments etc.	3	-3	-65	-	-65
Transfers	-	-	-	-2	-2
<b>Amortisation and impairment losses at 31 December 2008</b>	<b>13</b>	<b>150</b>	<b>1,146</b>	<b>-</b>	<b>1,309</b>
<b>Carrying amount at 31 December 2008</b>	<b>48,663</b>	<b>35,400</b>	<b>581</b>	<b>34</b>	<b>84,678</b>

DKK million	2008	2007
<b>Amortisation and impairment losses for the year are included in:</b>		
Cost of sales	20	11
Sales and distribution expenses	39	47
Administrative expenses	133	152
Special items	-	6
<b>Total</b>	<b>192</b>	<b>216</b>

**NOTE 15** INTANGIBLE ASSETS – CONTINUED

DKK million					2007
	Goodwill	Trademarks	Other intangible assets	Pre-payments	Total
<b>Cost:</b>					
Cost at 1 January 2007	16,939	3,902	1,469	149	22,459
Acquisition of entities	87	20	32	-	139
Additions	83	1	84	6	174
Disposals	-1	-	-54	2	-53
Foreign exchange adjustments etc.	-152	3	-10	-2	-161
Transfers	-	-	9	-9	-
<b>Cost at 31 December 2007</b>	<b>16,956</b>	<b>3,926</b>	<b>1,530</b>	<b>146</b>	<b>22,558</b>
<b>Amortisation and impairment losses:</b>					
Amortisation and impairment losses at 1 January 2007	4	104	1,072	-	1,180
Amortisation	-	17	191	2	210
Impairment losses	6	-	-	-	6
Disposals	-	-	-41	-	-41
Foreign exchange adjustments etc.	-	1	-3	-	-2
<b>Amortisation and impairment losses at 31 December 2007</b>	<b>10</b>	<b>122</b>	<b>1,219</b>	<b>2</b>	<b>1,353</b>
<b>Carrying amount at 31 December 2007</b>	<b>16,946</b>	<b>3,804</b>	<b>311</b>	<b>144</b>	<b>21,205</b>

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

DKK million	2008	2007
Acquisition of minority shareholdings	292	83
Acquisition of entities, see note 31	33,780	87
<b>Total</b>	<b>34,072</b>	<b>170</b>

Acquisition of entities primarily relates to the acquisition of part of the activities in S&N and comprises recognised intangible assets at the acquisition date and goodwill acquired. Recognised intangible assets primarily consist of the value of trademarks, including Baltika, Kronenbourg, 1664 and regional and local brands.

Measurement of trademarks is based on a number of estimates. See note 1 for further description.

The estimated value of acquired trademarks includes all cash flows associated with the trademarks, including the value of customer relations etc. related to the trademarks. There is a close relationship between trademarks and sales. The consumers' demand for beer and other beverages drives sales and therefore the value of the brand is closely linked to consumer demands, while no separate value is attached to customers (shops, bars etc.) as their choice of products is driven by consumer demands.

The carrying amount of trademarks which have an indefinite useful life and are therefore not amortised was DKK 34,721m (2007: DKK 3,654m) at 31 December 2008, equivalent to 98% (2007: 96%) of the capitalised trademarks – primarily the Carlsberg, Tuborg, Baltika, Kronenbourg, 1664 and Holsten trademarks. Management assesses that the value of these trademarks can be maintained for an indefinite period, as these are well-established trademarks in the markets concerned and these markets are expected to be profitable in the longer term. In the opinion of management, there is only a minimal risk of the current situation in the markets reducing the useful life of these trademarks, primarily due to the respective market share in each market and the current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

Goodwill is determined as the difference between purchase price and the fair value of acquired assets, liabilities and contingent liabilities. Goodwill is allocated to the individual cash-generating units based on an allocation of fair value of each acquired entity determined on the basis of expected future cash flows for each entity discounted at net present value and less the fair value of acquired assets, liabilities and contingent liabilities in each entity. It is management's assessment that the allocation is based on documented estimates taking into consideration the uncertainties inherent in determining the cash flows of the acquired cash-generating units.

Value adjustment on step acquisition of subsidiary relates to fair value revaluation of assets held by the Carlsberg Group – and recognised by proportionate consolidation – prior to obtaining complete control over the BBH Group as a result of the acquisition of part of the activities in S&N. The acquisition of additional ownership interests resulted in control, and in accordance with IFRS the acquired intangible assets are recognised at fair value at the acquisition date. The fair value adjustment of the assets held prior to the acquisition has been recognised directly in equity in accordance with IFRS.

The carrying amount of other intangible assets at 31 December 2008 included capitalised software costs of DKK 300m (2007: DKK 125m) and beer delivery rights of DKK 66m (2007: DKK 77m).

Research and development costs of DKK 106m (2007: DKK 105m) have been recognised in the income statement.

**NOTE 16** IMPAIRMENT TEST

The value of goodwill and trademarks increased significantly in 2008 as a result of the acquisition of part of the activities in S&N.

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

DKK million	Goodwill	Trademarks <sup>1</sup>	Total	2008	
					%
Northern & Western Europe	14,452	3,435	17,887		22%
Eastern Europe	24,512	28,286	52,798		63%
Asia	1,492	-	1,492		2%
Carlsberg Breweries A/S <sup>2</sup>	8,207	3,000	11,207		13%
<b>Total</b>	<b>48,663</b>	<b>34,721</b>	<b>83,384</b>		<b>100%</b>

DKK million	Goodwill	Trademarks <sup>1</sup>	Total	2007	
					%
Northern & Western Europe	5,349	654	6,003		29%
Eastern Europe	1,999	-	1,999		10%
Asia	1,391	-	1,391		7%
Carlsberg Breweries A/S <sup>2</sup>	8,207	3,000	11,207		54%
<b>Total</b>	<b>16,946</b>	<b>3,654</b>	<b>20,600</b>		<b>100%</b>

<sup>1</sup> The trademark is allocated to the segment that owns the trademark. Royalty income generated by the trademark is earned globally and based on the Group's total income.

<sup>2</sup> Relates to Carlsberg A/S's acquisition of the minority holding in Carlsberg Breweries A/S in 2004.

**General assumptions**

The Carlsberg Group performs impairment tests of goodwill for the Group's cash-generating units and for trademarks with an indefinite useful life. Other property, plant and equipment and intangible assets are tested if there are specific indications of impairment. The cash-generating units are based on the management structure. Internal financial control is generally carried out at country level. Impairment test of goodwill is performed at country level and not segment level.

Impairment tests of trademarks are based on the Group's total calculated royalty income for each trademark.

Goodwill and trademarks related to Baltika Brewery (Russia), Brasseries Kronenbourg (France) and the acquisition of the 40% minority holding in Carlsberg Breweries A/S each comprise 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2008. No other goodwill and trademarks comprise 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2008.

The Carlsberg Group performed impairment tests of the carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2008. Impairment tests are performed in December each year based on the budgets and business plans approved by the Board of Directors and the Executive Board.

**Trademarks**

Trademarks are impairment-tested at Group level. The impairment test is performed using the relief from royalty method and is based on expected future free cash flows from the calculated royalty income generated by the individual trademark. Key assumptions include royalty rate, expected useful life, growth 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 a risk premium associated with the particular trademark.

The royalty rate is based on the actual market position of the trademark on the individual global, regional and local markets. If external licence agreements concerning each individual trademark already exist, the market terms of such agreements are considered when assessing the royalty rate which the trademark is expected to generate in a transaction with independent parties.

The tax rate is the expected future tax rate in each country, based on current legislation. The impairment test at year-end 2008 incorporates tax rates of 10-34%.

The impairment test of trademarks is based on the same approach used for determining the fair value at the acquisition date. Note 1 describes the estimates applied in determining the fair value of assets acquired in the acquisition of part of the activities in S&N.

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

**Goodwill**

The impairment test of goodwill is based on the discounted value of expected future free cash flows from the cash-generating unit. The expected future free cash flow (value in use) is based on budgets and business plans for the next three years and projections for subsequent years. Key parameters include revenue growth, operating margin, future capital expenditure and growth expectations beyond the next three years. Budgets and business plans do not incorporate the effect of future restructurings and non-contracted capacity increases.

Budgets and business plans for the next three years are based on concrete commercial initiatives, and the risks associated with the key parameters are assessed and incorporated in expected future free cash flows.

**NOTE 16** IMPAIRMENT TEST – CONTINUED

The impairment test is based on scenarios for possible future cash flows. Potential upsides and downsides identified during the budget process and in the daily business are reflected in multiple scenarios for possible future cash flows for each individual cash-generating unit. The scenarios reflect among others different assumptions of market and price developments and input cost developments. Projections beyond the next three years are based on general expectations and risks. The terminal value beyond the next three years takes account of general growth expectations for the brewery industry in the relevant segments. Growth rates are not expected to exceed the average long-term growth rate for the Group's individual geographical segments.

The average growth rates for the terminal period are presented below. Pre-tax discount rates are applied in calculating the recoverable amounts and reflect the risk-free borrowing rate in each particular geographical segment.

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

Significant assumptions	Growth in the terminal period		Discount rates <sup>1</sup>	
	2008	2007	2008	2007
<b>Goodwill:</b>				
Northern & Western Europe	1.5%	0.5-1.5%	3.9-13.3%	4.2-16%
Eastern Europe	2.5%	2.5%	7.9-16.1%	8.3%
Asia	2.5%	2.5%	3.9-13.0%	4.5-10.9%
<b>Trademarks</b>	1-5%	0-3%	6.7-16.4%	4-7%

<sup>1</sup> Pre-tax discount rates are used for goodwill, whereas post-tax discount rates are used for trademarks.

Growth rates are determined for each individual entity and trademark. For the terminal period, a growth rate equal to the expected rate of inflation is applied. For trademarks in general, the growth rate can only in the first couple of years increase above the expected rate of inflation.

At year-end 2008, risk-free interest rates – in particular short-term interest rates – fluctuated extraordinarily as a result of the international financial crisis. Therefore the impairment test for 2008 applies discount rates based on the expectation that the financial markets will stabilise again in the long term. The pre-tax risk-free borrowing interest rate is used for impairment testing of goodwill.

The discount rate used in impairment tests of trademarks is a post-tax discount rate for each country. In determining the discount rate, a risk premium on the risk-free interest rate (spread) is fixed somewhat lower than the current market level and slightly higher than the market level in spring/summer 2008. Accordingly, the spread is higher than the rates applicable to the Group's borrowings and reflects management's expectations of the spread for future borrowings.

For each country the applied growth rates for projections and discount rates are compared to ensure a reasonable link between them (real interest rate).

**Northern & Western Europe** is generally characterised by stable or declining volumes and by growth markets in the central eastern parts of the region. The entire region continues to experience stiff competition, requiring ongoing optimisation of cost structures and use of capital. A slight increase in revenue is expected in the next three years, while the ongoing Excellence programmes, including Logistics Excellence, and restructuring initiatives already implemented in key countries and under implementation in other 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.

**Eastern Europe** is characterised by growth and increasing market shares driven by investments in capacity, marketing, innovation and new product launches. Increases in revenue are expected in the region, and developments in costs are expected to result in a stable operating margin. Investments are expected to be maintained at a high level to support growth.

**Asia** is a growth area, with significant growth in China and Indochina in particular. Increases in revenue and operating margin on the emerging markets are expected, while stable earnings are expected on the mature markets.



**NOTE 16** IMPAIRMENT TEST – CONTINUED**Impairment losses**

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

DKK million	2008	2007
<b>Goodwill:</b>		
Other	-	6
<b>Property, plant and equipment:</b>		
Impairment of Leeds Brewery, Carlsberg UK	197	-
Impairment of Braunschweig Brewery, Carlsberg Deutschland	135	-
Türk Tuborg	-	100
Other	4	7
<b>Total</b>	<b>336</b>	<b>113</b>

The impairment losses in Carlsberg UK in 2008 relate to the Leeds site. Due to the proposed closure of the brewery, the impairment test of the cash-generating unit for the Leeds site showed a recoverable amount below carrying amount. The decline in the recoverable amount is mainly due to the decline in the property market in the last quarter of 2008. The brewery is written down to its fair value as this value is higher than value in use.

Following the financial crisis, the result from one of the activities in Carlsberg Deutschland has declined significantly, among others due to difficult market conditions. The activity is taking up the full capacity in one for Carlsberg Deutschland's breweries, which results in a recoverable amount of the brewery that is lower than the carrying amount. The brewery is therefore written down to value in use.

The impairment test of Türk Tuborg performed in 2007 resulted in a negative net present value of future cash flows, which led to write-downs of non-current assets by DKK 100m. The company was sold in 2008, see note 31 for further description.

The impairment losses are recognised under special items in the income statement and included in the segment Northern & Western Europe.

**Sensitivity test**

Based on the impairment tests performed, there were no indications of further impairment of goodwill and trademarks with an indefinite useful life at 31 December 2008. A sensitivity test has been performed to determine the lowest growth in the residual period and the highest increase in discount rates that can be achieved for each of the regions without resulting in any impairment losses.

**Goodwill.** Sensitivity tests show that for the country with the lowest margin between recoverable amount and carrying amount, the growth rate in the residual period can decline by 1 percentage point in Northern & Western Europe and by 2.5 percentage points in Eastern Europe and Asia respectively without resulting in any impairment losses. Alternatively the discount rate can increase by 1 percentage point in Northern & Western Europe, 2.25 percentage points in Eastern Europe and 2.85 percentage points in Asia without resulting in any impairment losses.

Notice that for one country in Eastern Europe with goodwill representing less than 1% of the total carrying amount of goodwill it will result in impairment losses if growth in the residual period declines more than 0.6 percentage points or the discount rate increases by more than 0.5 percentage points. For all other countries, the decline in growth rate in the residual period or the increase in discount rate that will lead to impairment losses is even higher than described above.

**Trademarks.** For trademarks with a carrying amount totalling 90% of the total carrying amount for trademarks with indefinite useful life the growth rate in the residual period can be reduced by at least 1 percentage point without resulting in any impairment losses.

For trademarks with a carrying amount totalling 87% of the total carrying amount for trademarks with indefinite useful life, the discount rate can be increased by at least 1 percentage point without resulting in any impairment losses.

For the trademark (a minor local trademark) with the lowest margin between recoverable amount and carrying amount, the growth rate in the residual period can decrease or the discount rate can increase by 0.1 percentage points respectively without resulting in any impairment losses.

**NOTE 17** PROPERTY, PLANT AND EQUIPMENT

	2008					
DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Construction in progress	Total	
<b>Cost:</b>						
Cost at 1 January 2008	12,739	23,544	8,707	2,784	47,774	
Acquisition of entities	3,794	5,360	549	1,011	10,714	
Value adjustment on step acquisition of subsidiaries	1,577	1,429	53	3	3,062	
Reversal of cost related to step acquisition	-192	-2,103	-87	-	-2,382	
Disposals of entities	-338	-1,228	-436	-9	-2,011	
Additions	915	2,434	909	1,717	5,975	
Disposals	-583	-455	-851	-292	-2,181	
Foreign exchange adjustments etc.	-1,193	-2,250	-481	-299	-4,223	
Transfers	846	813	324	-2,122	-139	
Transfer to/from assets held for sale	-32	-	-	-	-32	
<b>Cost at 31 December 2008</b>	<b>17,533</b>	<b>27,544</b>	<b>8,687</b>	<b>2,793</b>	<b>56,557</b>	
<b>Depreciation and impairment losses:</b>						
Depreciation and impairment losses at 1 January 2008	4,669	14,947	6,049	-	25,665	
Reversal of cumulative depreciation related to step acquisition	-192	-2,103	-87	-	-2,382	
Disposals of entities	-195	-1,204	-326	-	-1,725	
Disposals	-129	-425	-806	-	-1,360	
Depreciation	451	1,987	997	-	3,435	
Impairment losses	-	332	4	-	336	
Foreign exchange adjustments etc.	-177	-922	-334	-	-1,433	
Transfers	-1	-13	1	-	-13	
Transfer to/from assets held for sale	-9	-	-	-	-9	
<b>Depreciation and impairment losses at 31 December 2008</b>	<b>4,417</b>	<b>12,599</b>	<b>5,498</b>	<b>-</b>	<b>22,514</b>	
<b>Carrying amount at 31 December 2008</b>	<b>13,116</b>	<b>14,945</b>	<b>3,189</b>	<b>2,793</b>	<b>34,043</b>	
<b>Assets held under finance leases:</b>						
Cost	16	122	18	-	156	
Depreciation and impairment losses	-4	-78	-10	-	-92	
<b>Carrying amount at 31 December 2008</b>	<b>12</b>	<b>44</b>	<b>8</b>	<b>-</b>	<b>64</b>	
Carrying amount of assets pledged as security for loans	951	-	-	944	1,895	
<b>DKK million</b>					<b>2008</b>	<b>2007</b>
<b>Depreciation and impairment losses are included in:</b>						
Cost of sales				2,492	1,636	
Sales and distribution expenses				778	860	
Administrative expenses				169	154	
Special items				332	103	
<b>Total</b>				<b>3,771</b>	<b>2,753</b>	

Value adjustment on step acquisition of subsidiary relates to fair value revaluation of assets held by the Carlsberg Group – and recognised by proportionate consolidation – prior to obtaining complete control over the BBH Group as a result of the acquisition of part of the activities in S&N. The acquisition of additional ownership interests resulted in control, and in accordance with IFRS the acquired tangible assets are recognised at fair value at the acquisition date. The fair value adjustment of the assets held prior

to the acquisition has been recognised directly in equity in accordance with IFRS.

The value adjustments on the step acquisition of subsidiary increased the basis of depreciation by DKK 3,062m without affecting the consolidated cash flows.

**NOTE 17** PROPERTY, PLANT AND EQUIPMENT – CONTINUED

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Construction in progress	2007 Total
<b>Cost:</b>					
Cost at 1 January 2007	12,838	22,075	8,266	1,582	44,761
Acquisition of entities	53	97	10	7	167
Additions	252	1,542	935	2,748	5,477
Disposals	-451	-503	-730	-443	-2,127
Foreign exchange adjustments etc.	-190	-284	-5	-38	-517
Transfers	224	617	231	-1,072	-
Transfer to/from assets held for sale	13	-	-	-	13
<b>Cost at 31 December 2007</b>	<b>12,739</b>	<b>23,544</b>	<b>8,707</b>	<b>2,784</b>	<b>47,774</b>
<b>Depreciation and impairment losses:</b>					
Depreciation and impairment losses at 1 January 2007	4,575	13,998	5,821	-	24,394
Disposals	-216	-442	-709	-	-1,367
Foreign exchange adjustments etc.	-25	-103	13	-	-115
Depreciation	333	1,389	924	-	2,646
Impairment losses	2	105	-	-	107
<b>Depreciation and impairment losses at 31 December 2007</b>	<b>4,669</b>	<b>14,947</b>	<b>6,049</b>	<b>-</b>	<b>25,665</b>
<b>Carrying amount at 31 December 2007</b>	<b>8,070</b>	<b>8,597</b>	<b>2,658</b>	<b>2,784</b>	<b>22,109</b>
<b>Assets held under finance leases:</b>					
Cost	10	126	36	-	172
Depreciation and impairment losses	-2	-71	-29	-	-102
<b>Carrying amount at 31 December 2007</b>	<b>8</b>	<b>55</b>	<b>7</b>	<b>-</b>	<b>70</b>
Carrying amount of assets pledged as security for loans	495	-	-	765	1,260

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

Leased assets with a carrying amount of DKK 64m (2007: DKK 70m) have been pledged as security for lease liabilities totalling DKK 48m (2007: DKK 65m).

**NOTE 18** ASSOCIATES

DKK million	2008	2007
<b>Cost:</b>		
Cost at 1 January	431	435
Acquisition of entities	1,013	-
Additions	642	31
Disposals	-21	-20
Foreign exchange adjustments etc.	5	-15
Transfer to assets held for sale	9	-
<b>Cost at 31 December</b>	<b>2,079</b>	<b>431</b>
<b>Value adjustments:</b>		
Value adjustments at 1 January	191	144
Disposals	-79	15
Dividends	-38	-63
Share of profit after tax	81	101
Foreign exchange adjustments etc.	-10	-6
<b>Value adjustments at 31 December</b>	<b>145</b>	<b>191</b>
<b>Carrying amount at 31 December</b>	<b>2,224</b>	<b>622</b>

**NOTE 18** ASSOCIATES – CONTINUED

DKK million	Revenue	Profit for the year after tax	Assets	Liabilities	2008		
					Ownership interest	Profit for the year after tax	Equity
					Carlsberg Group share		
<b>Key figures for associates:</b>							
Tibet Lhasa Brewery Co. Ltd.	217	50	375	23	33%	16	127
Lanzhou Huanghe Jianjiang Brewery Company	333	18	377	118	30%	5	82
Hanoi Beer Company	-	-	-	-	16.0%	11	578
Chongqing Brewery	-	-	-	-	17.5%	-	1,013
Other associates, Asia (4 entities)	382	44	351	155	30-49.8%	21	85
International Breweries BV	342	-60	671	449	16%	-11	35
Nuuk Imeq A/S	153	27	230	85	31.9%	9	16
Other	941	195	1,857	1,347	20-25%	30	288
						<b>81</b>	<b>2,224</b>

Hanoi Beer Company is included as at 15 May 2008 and Chongqing Brewery as at 23 December 2008.

DKK million	Revenue	Profit for the year after tax	Assets	Liabilities	2007		
					Ownership interest	Profit for the year after tax	Equity
					Carlsberg Group share		
<b>Key figures for associates:</b>							
Tibet Lhasa Brewery Co. Ltd.	166	45	322	50	33%	15	99
Lanzhou Huanghe Jianjiang Brewery Company	313	33	345	108	30%	10	69
Other associates, Asia (4 entities)	298	34	294	100	30-49.8%	16	77
International Breweries BV	481	52	628	404	16%	11	42
Nuuk Imeq A/S	152	27	225	72	31.9%	9	22
Other	2,066	139	2,547	389	20-25%	40	313
						<b>101</b>	<b>622</b>

DKK million	2008	2007
<b>Fair value of investments in listed associates:</b>		
Chongqing Brewery, Chongqing, China	855	-
The Lion Brewery Ceylon, Biyagama, Sri Lanka	25	26
<b>Total</b>	<b>880</b>	<b>26</b>

The significant influence in Chongqing was not achieved until the legal transaction took place late December. Therefore no share of profit for the year after tax is included for 2008. The cost of the acquisition is on par with the fair value of the investment.

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

For those companies with an ownership interest of less than 20%, Carlsberg participates in the management of the company and is therefore exercising significant influence.

**NOTE 19 SECURITIES**

DKK million	2008	2007
Securities are classified in the balance sheet as follows:		
Non-current assets	118	123
Current assets	7	34
<b>Total</b>	<b>125</b>	<b>157</b>
Types of security:		
Listed shares	7	-
Unlisted shares	118	157
<b>Total</b>	<b>125</b>	<b>157</b>

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

No shares in unlisted entities were disposed of during 2007 and 2008.

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

**NOTE 20 RECEIVABLES**

DKK million	2008	2007
Receivables are included in the balance sheet as follows:		
Trade receivables	6,369	6,341
Other receivables	3,095	1,453
<b>Total current receivables</b>	<b>9,464</b>	<b>7,794</b>
Non-current receivables	1,707	1,476
<b>Total</b>	<b>11,171</b>	<b>9,270</b>

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

Non-current receivables consist mainly of on-trade loans. Non-current receivables fall due more than one year from the balance sheet date, of which DKK 171m (2007: DKK 478m) falls due more than five years from the balance sheet date.

Other receivables comprise VAT receivables, loans to associates, interest receivables and other financial receivables.

DKK million	2008	2007
Receivables by origin:		
Receivables from the sale of goods and services	5,724	5,756
On-trade loans	2,278	1,627
Loans to associates	6	28
Receivables from construction contracts (selling price)	-	349
Fair value of hedging instruments	1,131	119
Other receivables	2,032	1,391
<b>Total</b>	<b>11,171</b>	<b>9,270</b>

The increase in loans to the on-trade is primarily attributable to the acquired French entities.

DKK million	2008	2007
Receivables from the sale of goods and services fall due as follows:		
Not fallen due or written down	4,526	4,518
Falling due in less than 30 days	561	781
Falling due between 30 and 90 days	195	316
Falling due in more than 90 days	442	141
<b>Carrying amount at 31 December</b>	<b>5,724</b>	<b>5,756</b>

**NOTE 20** RECEIVABLES – CONTINUED

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

DKK million	2008	2007
<b>Write-downs are specified as follows:</b>		
Write-downs at 1 January	-850	-860
Write-downs for the year	-242	-191
Realised bad debt losses	150	163
Reversed write-downs	49	38
<b>Write-downs at 31 December</b>	<b>-893</b>	<b>-850</b>

No significant losses were incurred in respect of an individual trade receivable or on-trade loan in 2008 and 2007.

In a number of cases the Group receives security for sales on credit and loans to on-trade customers. The fair value of such security is taken into account when assessing the necessary write-downs for bad debt losses. Security is primarily received from on-trade customers and may comprise financial guarantees, pledges or on-trade movables (equipment from bars, cafés etc.).

Loans to associates relate mainly to real estate projects. On-trade loans are concentrated in France, the United Kingdom, Germany and Switzerland, and

spread across a large number of debtors. Some of these loans are secured against various forms of collateral. Apart from these, there is no concentration of credit risk.

On-trade loans are recognised at amortised cost. Based on discounted cash flows using the interest rates at the balance sheet date, these loans have a fair value of DKK 2,360m (2007: DKK 1,687m). For other receivables, the fair value essentially corresponds to the carrying amount.

%	2008	2007
<b>Average effective interest rates:</b>		
Loans to associates	5.4	5.2
On-trade loans	7.1	8.6

**Prepayments.** In 2007, costs of DKK 104m related to the offer for Scottish & Newcastle plc were included in prepayments.

**NOTE 21** INVENTORIES

DKK million	2008	2007
Raw materials and consumables	2,734	2,015
Work in progress	349	289
Finished goods	2,234	1,514
<b>Total</b>	<b>5,317</b>	<b>3,818</b>

Production costs of inventories sold amount to DKK 30,439m (2007: DKK 22,048m).

In accordance with IFRS, inventories acquired in the acquisition of part of the activities in S&N in 2008 were revalued at fair value. The positive revaluation, which did not affect the consolidated cash flows, increased the carrying amount of inventories by DKK 44m. Revalued inventories had been sold at 31 December 2008.

Packing materials, packaging and spare parts are measured at the lower of net realisable value and cost. Write-downs of inventories to net realisable value amount to DKK 2m (2007: DKK 3m) and are included in cost of sales.

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

**NOTE 22 CASH AND CASH EQUIVALENTS**

DKK million	2008	2007
Cash at bank and in hand	2,856	2,249
Short-term marketable securities with a term of three months or less	1	-
<b>Total</b>	<b>2,857</b>	<b>2,249</b>

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

Cash and cash equivalents	2,857	2,249
Bank overdrafts	-792	-898
<b>Cash and cash equivalents, net</b>	<b>2,065</b>	<b>1,351</b>
Of which pledged as security	-	310

Short-term bank deposits amounted to DKK 579m (2007: DKK 1,408m). The average interest rate on these deposits was 5.2% (2007: 5.3%), and the average duration was 41 days (2007: 56 days).

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

**NOTE 23 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES**

DKK million	2008	2007
<b>Assets held for sale comprise the following individual assets:</b>		
Property, plant and equipment	122	34
Financial assets	40	-
<b>Total</b>	<b>162</b>	<b>34</b>
<b>Liabilities associated with assets held for sale:</b>		
Other provisions	368	-
<b>Total</b>	<b>368</b>	<b>-</b>

At 31 December 2008, assets held for sale primarily comprised distribution assets in France that are expected to be disposed of in the short term and land and property which is 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 have been entered into or are expected to be entered into in 2009.

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

Other provisions amounting to DKK 368m associated with assets held for sale comprise liabilities related to terminating the agreements and disposing of the assets classified as assets held for sale.

Assets (properties) which no longer qualified for recognition as assets held for sale were transferred to property, plant and equipment in 2008 as a result

of ongoing sales negotiations not proceeding as expected. This involved an amount of DKK 2m (2007: DKK 13m) and affected the income statement by a total of DKK 0m (2007: DKK 0.5m) in depreciation.

Assets (shares) which no longer qualified for recognition as assets held for sale were transferred to financial assets in 2007 (2008: no transfers) as a result of ongoing sales negotiations not proceeding as expected. This involved an amount of DKK 37m.

Gains on the disposal of assets held for sale are recognised in the income statement under other operating income. The gains recognised as income in all material respects relate to disposal of depots and properties and total DKK 5m (2007: DKK 54m).

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

**NOTE 24** SHARE CAPITAL

	Class A shares		Class B shares		Total share capital	
	Shares of DKK 20	Nominal value, DKK '000	Shares of DKK 20	Nominal value, DKK '000	Shares of DKK 20	Nominal value, DKK '000
1 January 2007 No change in 2007	33,699,252	673,985	42,579,151	851,583	76,278,403	1,525,568
31 December 2007	33,699,252	673,985	42,579,151	851,583	76,278,403	1,525,568
Share capital increase	-	-	76,278,403	1,525,568	76,278,403	1,525,568
31 December 2008	33,699,252	673,985	118,857,554	2,377,151	152,556,806	3,051,136

Each class A share of DKK 20 carries 20 votes. Each class B share of DKK 20 carries 2 votes. Class B shares are entitled to 8% in preferential dividends, but no accumulated dividends. Apart from dividends, all shares rank equally.

In June 2008 Carlsberg A/S carried out a capital increase by issuing 76,278,403 new class B shares of nominally DKK 20 at a price of DKK 400. The nominal share capital increase amounted to DKK 1,525,568 thousand and the total proceeds on the share capital increase were DKK 30,511m less costs incurred of DKK 573m. The amount is specified as follows:

## DKK million

Fees to financial intermediaries	513
Prospectus printing and marketing costs	5
Fees to auditors and legal advisors etc.	36
Other costs	4
Underwriting commission to custodian banks	15
<b>Total</b>	<b>573</b>

	Treasury shares		
	Shares of DKK 20	Nominal value, DKKm	Percentage of share capital
1 January 2007	7,508	-	0.0%
Acquisition of treasury shares	201,199	4	0.3%
Used to settle share options	-175,945	-4	-0.3%
31 December 2007	32,762	-	0.0%
1 January 2008			
Acquisition of treasury shares	37,283	1	0.0%
Used to settle share options	-66,769	-1	0.0%
31 December 2008	3,276	-	0.0%

At 31 December 2008 the fair value of treasury shares amounted to DKK 1m (2007: DKK 20m).

The Annual General Meeting has authorised the Board of Directors to acquire treasury shares of a total nominal amount of 10% of the Company's share capital in the period up to the next Annual General Meeting.

In the financial year the Company acquired class B treasury shares of a nominal amount of DKK 1m (2007: DKK 4m) at an average price of DKK 500 (2007: DKK 637), corresponding to a purchase price of DKK 20m (2007: DKK 127m). Class B treasury shares are primarily acquired to facilitate settlement of share option schemes. The Group holds no class A shares.

In the financial year the Company disposed of class B treasury shares at a total price of DKK 20m (2007: DKK 53m). The disposal was made in connection with settlement of share options.

**Provisions governing alterations to the Articles of Association.** In order to pass a resolution to alter the Articles of Association or dissolve the Company which is not proposed or endorsed by the Board of Directors, it is required

that at least one third of the possible number of votes representing the total share capital shall be represented at the general meeting and the resolution shall be passed by three quarters of both the total number of votes cast and of the voting share capital represented at the general meeting. If the resolution is proposed or endorsed by the Board of Directors, only a qualified majority of two thirds of both the total number of votes cast and of the voting share capital represented at the general meeting is required for its passing.

If the prescribed portion of the voting share capital is not sufficiently represented at the general meeting but a resolution is nonetheless passed, such resolution may be finally passed at an extraordinary general meeting convened by the Board of Directors within fourteen days of the first general meeting, irrespective of the number of votes represented at this general meeting. In order for a resolution not endorsed by the Board of Directors to be passed successfully at this second General Meeting, three quarters of both the total number of votes cast and of the voting share capital represented at the general meeting must vote in favour of the resolution. If the resolution has been endorsed by the Board of Directors, the resolution may be passed by the majority specified.



**NOTE 25** BORROWINGS

DKK million	2008	2007
<b>Non-current borrowings:</b>		
Issued bonds	3,425	7,034
Mortgages	1,984	2,180
Bank borrowings	37,274	9,588
Financial lease liabilities	28	37
Other non-current borrowings <sup>1</sup>	519	546
<b>Total</b>	<b>43,230</b>	<b>19,385</b>
<b>Current borrowings:</b>		
Issued bonds	2,499	-
Mortgages	203	-
Current portion of other non-current borrowings	2	196
Bank borrowings	2,388	2,643
Financial lease liabilities	19	28
Other current borrowings	180	1,002
<b>Total</b>	<b>5,291</b>	<b>3,869</b>
<b>Total non-current and current borrowings</b>	<b>48,521</b>	<b>23,254</b>
Fair value	48,070	23,422

<sup>1</sup> Other non-current borrowings include employee bonds of DKK 5m (2007: DKK 0m).

Borrowings are measured at amortised cost with the exception of two fixed-rate mortgages swapped to floating rates which are measured at fair value. The carrying amount of these borrowings is DKK 362m (2007: DKK 356m).

## Time to maturity for non-current borrowings

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	2008 Total
Issued bonds	-	1,895	-	1,530	5	3,430
Mortgages	1	-	-	-	1,983	1,984
Bank borrowings	15,053	2,180	18,990	175	876	37,274
Financial lease liabilities	14	8	5	1	-	28
Other non-current borrowings	241	256	1	-	16	514
<b>Total</b>	<b>15,309</b>	<b>4,339</b>	<b>18,996</b>	<b>1,706</b>	<b>2,880</b>	<b>43,230</b>

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	2007 Total
Issued bonds	2,495	-	2,507	1	2,031	7,034
Mortgages	203	1	-	-	1,976	2,180
Bank borrowings	480	5,619	61	408	3,020	9,588
Financial lease liabilities	23	11	1	1	1	37
Other non-current borrowings	2	156	1	-	387	546
<b>Total</b>	<b>3,203</b>	<b>5,787</b>	<b>2,570</b>	<b>410</b>	<b>7,415</b>	<b>19,385</b>

**NOTE 25** BORROWINGS – CONTINUED

## Interest rate risk at 31 December

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	2008
					Interest rate risk
<b>Issued bonds:</b>					
GBP 250m maturing 12 December 2011 <sup>1</sup>	Fixed	6.63%	2-3 years	1,895	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	4-5 years	1,530	Fair value
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	0-1 year	2,499	Fair value
<b>Total issued bonds</b>		<b>5.99%</b>		<b>5,924</b>	
<b>Mortgages:</b>					
Floating rate <sup>2</sup>	Floating	5.52%	Various	1,814	Cash flow
Fixed rate <sup>3</sup>	Fixed	4.95%	Various	373	Fair value
<b>Total mortgages</b>		<b>5.42%</b>		<b>2,187</b>	
<b>Bank borrowings:</b>					
Floating rate	Floating			18,078	Cash flow
Fixed rate <sup>4</sup>	Fixed			21,584	Fair value
<b>Total bank borrowings</b>				<b>39,662</b>	

All interest rates stated in the table are including margin.

<sup>1</sup> Swaps have been used to change the interest rate to a fixed EUR rate of 5.55%.

<sup>2</sup> This concerns three mortgages with a time to maturity of more than five years and one that matures by the end of 2009. Two loans (total DKK 362m) were originally at fixed rates but were swapped to floating rates. The loans are adjusted to fair value through the income statement. The total fair value adjustment of borrowings and swaps is DKK 0. The third loan (DKK 1,248m) is repriced semi-annually with reference to CIBOR6. The fourth loan (DKK 204m) is classified as a current loan with a fixed rate until December 2009.

The floating-rate loans were repriced in December 2008 at a rate of 4.93%-4.97% (excl. margin) commencing in January 2009. DKK 1,248 will reprice in June 2009, and the rest will reprice in December 2009.

<sup>3</sup> A floating-rate mortgage of DKK 373m swapped to a fixed rate. Maturity more than 5 years.

<sup>4</sup> The main part of the long-term bank borrowing was originally floating but has been swapped to an average fixed rate of 5.03% including margin.

DKK million	Net financial interest-bearing debt*	Interest rate**			
		Floating	Fixed	Floating %	Fixed %
EUR	34,256	12,620	21,636	37%	63%
DKK	3,136	2,759	377	88%	12%
PLN	1,577	1,568	9	99%	1%
USD	1,863	1,458	405	78%	22%
CHF	2,468	2,468	-	100%	0%
RUB	-807	-808	1	100%	0%
Other	3,171	-330	3,501	-	-
<b>Total</b>	<b>45,664</b>	<b>19,735</b>	<b>25,929</b>	<b>43%</b>	<b>57%</b>

\* After swaps and currency derivatives

\*\* Before currency derivatives

**NOTE 25** BORROWINGS – CONTINUED

Interest rate risk at 31 December:

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	2007 Interest rate risk
<b>Issued bonds:</b>					
GBP 250m maturing 12 December 2011 <sup>1</sup>	Fixed	6.63%	3-4 years	2,507	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	> 5 years	2,032	Fair value
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	1-2 years	2,495	Fair value
<b>Total issued bonds</b>		<b>6.12%</b>		<b>7,034</b>	
<b>Mortgages:</b>					
Floating rate <sup>2</sup>	Floating	4.06%	0-1 year	1,603	Cash flow
Fixed rate <sup>3</sup>	Fixed	5.24%	2-10 years	577	Fair value
<b>Total mortgages</b>		<b>4.37%</b>		<b>2,180</b>	
<b>Bank borrowings:</b>					
Floating rate	Floating	-	-	6,948	Cash flow
Fixed rate	Fixed	-	-	5,283	Fair value
<b>Total bank borrowings</b>				<b>12,231</b>	

<sup>1</sup> Swaps have been used to change the interest rate to a fixed EUR rate of 5.43%.

<sup>2</sup> This concerns three 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 through the income statement.

The total fair value adjustment of borrowings and swaps is DKK 0m (DKK 4m and a negative DKK 4m respectively).

<sup>3</sup> A floating-rate mortgage of DKK 372m has been raised and swapped to a fixed rate.

DKK million	Net financial interest-bearing debt*	Interest rate**			
		Floating	Fixed	Floating %	Fixed %
EUR	10,527	6,296	4,231	60%	40%
DKK	2,297	-776	3,073	-34%	134%
PLN	2,496	2,486	10	100%	0%
USD	1,421	1,175	246	83%	17%
CHF	2,228	881	1,347	40%	60%
RUB	1,100	1,100	-	100%	0%
Other	936	-3,634	4,570	-	-
<b>Total</b>	<b>21,005</b>	<b>7,528</b>	<b>13,477</b>	<b>36%</b>	<b>64%</b>

\* After swaps and currency derivatives

\*\* Before currency derivatives

**NOTE 25** BORROWINGS – CONTINUED

				2008					
Currency profile of borrowings before and after derivative financial instruments				Next repricing (of principal before currency swaps)					
DKK million	Original principal	Effect of swap	After swap	2009	2010	2011	2012	2013	2014-
CHF	1,942	539	2,481	1,942	-	-	-	-	-
DKK	6,528	-3,379	3,149	6,150	-	-	-	-	378
EUR	34,213	217	34,430	12,578	11,184	2	1	7,452	2,996
GBP	3,430	-3,290	140	4	-	1,895	-	1,531	-
NOK	76	865	941	76	-	-	-	-	-
PLN	134	2,160	2,294	125	2	2	2	2	1
RUB	1	1,536	1,537	1	-	-	-	-	-
SEK	46	-249	-203	46	-	-	-	-	-
USD	1,691	172	1,863	1,286	307	98	-	-	-
Other	460	1,429	1,889	384	19	24	19	14	-
<b>Total</b>	<b>48,521</b>	<b>-</b>	<b>48,521</b>	<b>22,592</b>	<b>11,512</b>	<b>2,021</b>	<b>22</b>	<b>8,999</b>	<b>3,375</b>

See also note 35 Financial risks.

				2007					
Currency profile of borrowings before and after derivative financial instruments				Next repricing (of principal before currency swaps)					
DKK million	Original principal	Effect of swap	After swap	2008	2009	2010	2011	2012	2013-
CHF	1,734	494	2,228	387	1,347	-	-	-	-
DKK	5,115	-2,748	2,367	2,042	2,701	-	-	-	372
EUR	8,521	2,251	10,772	4,290	19	3,732	94	1	385
GBP	4,711	-4,693	18	170	1	1	2,507	-	2,032
NOK	203	816	1,019	203	-	-	-	-	-
PLN	668	1,838	2,506	658	2	2	2	2	2
RUB	111	991	1,102	111	-	-	-	-	-
SEK	116	79	195	116	-	-	-	-	-
TRY	316	-	316	316	-	-	-	-	-
USD	1,365	143	1,508	1,119	45	45	156	-	-
Other	394	829	1,223	365	5	-	24	-	-
<b>Total</b>	<b>23,254</b>	<b>-</b>	<b>23,254</b>	<b>9,777</b>	<b>4,120</b>	<b>3,780</b>	<b>2,783</b>	<b>3</b>	<b>2,791</b>

Cross currency swaps and NDF (Non-deliverable forwards) were not included in the column Effect of swap in the Annual Report for 2007. In the stated figures above they are. The effect of the swap is that debt

in RUB and EUR respectively is DKK 991m and DKK 1,545m higher, and debt in GBP is DKK 2,536m lower.

**NOTE 26** RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

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

Approximately 63% (2007: 55%) of the Group's retirement benefit costs relate to defined contribution plans, which limit the Company's obligation to the contributions paid. The retirement benefit plans are funded by payments from the Group's companies and employees to funds that are independent of the Group.

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

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

In 2007 and 2008, a number of changes were agreed to the plan in the United Kingdom in order to reduce the net liability in the plan. In 2007, Carlsberg made an extraordinary payment of GBP 15m to the plan, and in 2008, agreements have been settled about the contribution of payments in 2008-2010 amounting to GBP 15m in the first year and decreasing the following years. The employees contribute by means of increased payments or reduction of the retirement benefit in proportion to the final salary at retirement.

The plans in especially Germany, Sweden and Italy are unfunded. For these plans the retirement benefit obligations amount to approximately 18% (2007: 17%) of the total gross liability.

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

DKK million	2008	2007
<b>Defined benefit plans are recognised in the balance sheet as follows:</b>		
Retirement benefit obligations and similar obligations	1,793	2,220
Plan assets	-2	-11
<b>Net obligations</b>	<b>1,791</b>	<b>2,209</b>
<b>Specification of net obligations:</b>		
Present value of funded plans	5,767	6,923
Fair value of plan assets	-5,245	-6,234
<b>Net obligation for funded plans</b>	<b>522</b>	<b>689</b>
Present value of unfunded plans	1,269	1,228
Assets not recognised due to asset ceiling	-	292
<b>Net obligations recognised</b>	<b>1,791</b>	<b>2,209</b>
<b>Specification of total obligations:</b>		
Present value of funded plans	5,767	6,923
Present value of unfunded plans	1,269	1,228
<b>Total obligations</b>	<b>7,036</b>	<b>8,151</b>
<b>Changes in obligations:</b>		
Total obligations at 1 January	8,151	8,134
Current service cost	139	162
Interest cost	340	323
Actuarial gains (-) and losses (+)	-462	345
Benefits paid	-433	-426
Curtailements and settlements	-49	-4
Additions due to acquisition of entities	91	-
Foreign exchange adjustments etc.	-741	-383
<b>Total obligations at 31 December</b>	<b>7,036</b>	<b>8,151</b>
<b>Changes in plan assets:</b>		
Fair value of assets at 1 January	6,234	6,334
Expected return	308	321
Actuarial gains (+) and losses (-)	-825	-86
Contributions to plans	273	318
Benefits paid	-347	-333
Foreign exchange adjustments etc.	-398	-320
<b>Fair value of assets at 31 December</b>	<b>5,245</b>	<b>6,234</b>

The Group expects to contribute DKK 219m (2007: DKK 153m in 2008) to the plan assets in 2009.

**NOTE 26** RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

DKK million	2008	2007
Actual return on plan assets:		
Expected return	308	321
Actuarial gains (+) and losses (-)	-825	-86
<b>Actual return</b>	<b>-517</b>	<b>235</b>

	2008		2007	
	DKK million	%	DKK million	%
<b>Breakdown of plan assets:</b>				
Shares	1,889	36%	2,314	37%
Bonds and other securities	2,068	40%	2,835	46%
Real estate	834	16%	837	13%
Cash and cash equivalents	454	8%	248	4%
<b>Total</b>	<b>5,245</b>	<b>100%</b>	<b>6,234</b>	<b>100%</b>

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

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

Calculation of the expected return on plan assets is based on a low-risk investment in bonds in the relevant countries. The rate of return is increased if the plan assets comprise shares and properties, which despite the increased risk are expected to provide a higher rate of return than bonds.

	2008		2007	
	Range	Weighted average	Range	Weighted average
<b>Assumptions applied:</b>				
Discount rate	1.3-6.4%	4.6%	2.0-5.7%	4.7%
Expected return on plan assets	4.3-6.0%	4.6%	4.3-6.8%	5.4%
Future salary increases	1.5-4.5%	2.6%	2.0-6.0%	3.1%
Future retirement benefit increases	0.5-4.3%	1.6%	0.5-3.5%	2.1%

DKK million	2008	2007
<b>Recognised in income statement:</b>		
Current service cost	139	162
Expected return on plan assets	-308	-321
Interest cost on obligations	340	323
Curtailments and settlements	-49	-4
<b>Total recognised in income statement</b>	<b>122</b>	<b>160</b>

The cost is recognised in the income statement as follows:

Cost of sales	16	31
Sales and distribution expenses	77	97
Administrative expenses	2	24
Special items (restructuring)	-5	6
<b>Total staff costs, cf. note 13</b>	<b>90</b>	<b>158</b>
Financial income	-308	-321
Financial expenses	340	323
<b>Total</b>	<b>122</b>	<b>160</b>

**NOTE 26** RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

DKK million	2008	2007
Recognised in equity:		
Recognised at 1 January	-818	-300
Acquisition of entities	18	-
Actuarial gains/losses	-363	-431
Effect of asset ceiling	317	-101
Foreign exchange adjustment of foreign entities	142	14
Recognised in equity during the period	114	-518
Recognised at 31 December	-704	-818
Of which accumulated actuarial gains/losses	-974	-611

DKK million	2008	2007	2006	2005	2004
Five-year overview:					
Obligations	7,036	8,151	8,134	8,065	7,433
Plan assets	-5,245	-6,234	-6,334	-6,105	-5,604
Deficit	1,791	1,917	1,800	1,960	1,829
Experience adjustments to obligations	-450	30	-57	-97	-26
Experience adjustments to plan assets	999	86	123	242	-22

**NOTE 27** DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

DKK million	2008	2007
Deferred tax at 1 January, net	1,458	1,603
Foreign exchange adjustments	-874	-54
Adjustments to previous years	-209	-66
Additions due to acquisition/disposal of entities, net	5,314	6
Value adjustment on step acquisition of subsidiaries	4,607	-
Recognised in equity	-335	-117
Recognised in income statement	108	171
Change in tax rate	-1,520	-85
Deferred tax at 31 December, net	8,549	1,458
Specified as follows:		
Deferred tax liabilities	9,803	2,191
Deferred tax assets	-1,254	-733
Deferred tax at 31 December, net	8,549	1,458

Change in tax rate mainly relates to the reduction of the corporate tax rate in Russia in 2009 from 24% to 20%.

**NOTE 27** DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES – CONTINUED

Specification of deferred tax assets and liabilities at 31 December:

DKK million	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
Intangible assets	174	131	8,834	1,153
Property, plant and equipment	326	185	2,559	1,593
Current assets	81	66	59	52
Provisions and retirement benefit obligations	474	539	40	83
Fair value adjustments	103	12	285	41
Tax losses etc.	3,432	842	1,362	311
<b>Total before set-off</b>	<b>4,590</b>	<b>1,775</b>	<b>13,139</b>	<b>3,233</b>
Set-off	-3,336	-1,042	-3,336	-1,042
<b>Deferred tax assets and liabilities at 31 December</b>	<b>1,254</b>	<b>733</b>	<b>9,803</b>	<b>2,191</b>
<b>Expected to be used as follows:</b>				
Within 12 months of balance sheet date	739	141	1,335	123
More than 12 months after balance sheet date	515	592	8,468	2,068
<b>Total</b>	<b>1,254</b>	<b>733</b>	<b>9,803</b>	<b>2,191</b>

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

Of the total deferred tax assets recognised, DKK 3,016m (2007: DKK 410m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Tax assets of DKK 1,404m (2007: DKK 837m) were not recognised. These relate primarily to tax losses which are not expected to be utilised in the foreseeable future. Tax losses that will not expire amount to DKK 707m (2007: DKK 210m)

Additions due to acquisitions/disposals, net, mainly relate to deferred tax on the acquired net assets and contingent liabilities from the acquisition of part of the activities in S&N.

Value adjustment on step acquisition of subsidiaries relates to deferred tax on fair value revaluation of assets, liabilities and contingent liabilities held by the Carlsberg Group – and recognised by proportionate consolidation – prior to obtaining complete control over the BBH Group as a result of the acquisition of part of the activities in S&N. The adjustment of deferred tax and the fair value revaluation of assets, liabilities and contingent liabilities related to the ownership interest held prior to the acquisition have been recognised directly in equity in accordance with IFRS.

Deferred tax on temporary differences relating to investments in subsidiaries, joint ventures and associates amounts to DKK 0m (2007: DKK 0m).

Deferred tax of DKK 159m (2007: 79m) has been recognised in respect of earnings in the region Eastern Europe which are intended for distribution in the short term, as tax of 5% is payable on distributions. For other subsidiaries where distributable reserves are planned to be distributed, any distribution of earnings will not trigger a significant tax liability based on current tax legislation.



**NOTE 28** PROVISIONS

Restructuring provisions totalling DKK 603m (2007: DKK 263m) relate primarily to restructurings in connection with the Operational Excellence programmes and restructurings at Carlsberg Danmark A/S, Carlsberg Sverige AB, Ringnes a.s., Carlsberg Deutschland GmbH, Brasseries Kronenbourg S.A. and Carlsberg Italia S.p.A.

Other provisions totalling DKK 1,572m (2007: DKK 480m) relate primarily to profit sharing in France, provisions for losses in connection with Carlsberg UK's outsourcing of the servicing of draught beer equipment, warranty obligations, onerous contracts, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

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.

DKK million	Restructuring	Other	2008 Total
Provisions at 1 January 2008	263	480	743
Acquisition of entities	236	885	1,121
Value adjustment on step acquisition of subsidiaries	-	3	3
Additional provisions recognised	345	513	858
Disposal of entities	-	-11	-11
Used during the year	-227	-183	-410
Reversal of unused provisions	-	-17	-17
Transfers	5	-74	-69
Discounting	4	11	15
Foreign exchange adjustments etc.	-23	-35	-58
<b>Provisions at 31 December 2008</b>	<b>603</b>	<b>1,572</b>	<b>2,175</b>
Provisions are recognised in the balance sheet as follows:			
Non-current provisions	387	1,111	1,498
Current provisions	216	461	677
<b>Total</b>	<b>603</b>	<b>1,572</b>	<b>2,175</b>

Of total non-current provisions DKK 1,427m is falling due within 5 years from the balance sheet date.

DKK million	Restructuring	Other	2007 Total
Provisions at 1 January 2007	327	505	832
Additional provisions recognised	210	81	291
Used during the year	-229	-68	-297
Reversal of unused provisions	-31	-47	-78
Transfers	-	2	2
Foreign exchange adjustments etc.	-14	7	-7
<b>Provisions at 31 December 2007</b>	<b>263</b>	<b>480</b>	<b>743</b>
Provisions are recognised in the balance sheet as follows:			
Non-current provisions	41	208	249
Current provisions	222	272	494
<b>Total</b>	<b>263</b>	<b>480</b>	<b>743</b>

Of total non-current provisions DKK 187m is falling due within 5 years from the balance sheet date.

**NOTE 29** OTHER LIABILITIES ETC.

DKK million	2008	2007
Other liabilities are recognised in the balance sheet as follows:		
Non-current liabilities	263	20
Current liabilities	9,905	5,611
<b>Total</b>	<b>10,168</b>	<b>5,631</b>
Other liabilities by origin:		
Excise duties and VAT payable	1,953	1,889
Staff costs payable	1,434	980
Interest payable	681	321
Fair value of hedging instruments	2,727	603
Liabilities related to the acquisition of entities	215	90
Amounts owed to associates	2	2
Deferred income	1,172	171
Other	1,984	1,575
<b>Total</b>	<b>10,168</b>	<b>5,631</b>

In 2008 deferred income was affected by new agreements entered into in the region Northern & Western Europe where under the agreements pre-payments have been received covering a number of years.

**NOTE 30** CASH FLOWS

DKK million	2008	2007
<b>Adjustment for other non-cash items:</b>		
Share of profit after tax, associates	-81	-101
Gains on disposal of property, plant and equipment and intangible assets, net	-664	-464
Amortisation of on-trade loans etc.	141	162
<b>Total</b>	<b>-604</b>	<b>-403</b>
<b>Change in working capital:</b>		
Inventories	-68	-639
Receivables	987	-749
Trade payables and other liabilities	755	1,460
Retirement benefit obligations and other liabilities related to operating activities before special items	-88	-296
Adjusted for unrealised foreign exchange gains/losses	-30	-6
<b>Total</b>	<b>1,556</b>	<b>-230</b>
<b>Change in on-trade loans:</b>		
Loans provided	-752	-665
Repayments	462	522
<b>Total</b>	<b>-290</b>	<b>-143</b>
<b>Change in financial receivables:</b>		
Loans and other receivables	428	-163
Other	-255	-
Repayments	254	77
<b>Total</b>	<b>427</b>	<b>-86</b>
<b>Shareholders in Carlsberg A/S:</b>		
Increase of share capital	29,938	-
Dividends to shareholders	-458	-458
Acquisition of treasury shares	-20	-127
Disposal of treasury shares	22	53
Repurchase of investments	-	24
<b>Total</b>	<b>29,482</b>	<b>-508</b>
<b>Minority interests:</b>		
Acquisition of minority interests	-299	-69
Minority interests' share of capital increase in subsidiaries	15	43
Dividends to minority interests	-265	-227
Repurchase of investments from minority interests	-	-198
<b>Total</b>	<b>-549</b>	<b>-451</b>
<b>External financing:</b>		
Debt institutions, long term	24,522	-747
Debt institutions, short term	-2,701	1,159
Loans from associates	-712	395
Finance lease liabilities	-205	-21
Other financing liabilities	247	-11
<b>Total</b>	<b>21,151</b>	<b>775</b>

**NOTE 31** ACQUISITION AND DISPOSAL OF ENTITIES

DKK million	Acquired ownership interest	Acquisition date	Main activity	2008
				Cost
<b>Name of acquired entities:</b>				
Activities in S&N, including:		28 April 2008		52,374
Baltic Beverages Holding (BBH) AB	50.0%	28 April 2008	Brewery	-
Brasseries Kronenbourg	100.0%	28 April 2008	Brewery	-
Mythos Brewery	100.0%	28 April 2008	Brewery	-
Other	17.5 - 100.0%	28 April 2008	Brewery	-
Baku-Castel Brewery	100.0%	25 August 2008	Brewery	455
<b>Total</b>				<b>52,829</b>

DKK million	Activities in S&N		Baku-Castel Brewery		Total	
	Carrying amount prior to acquisition	Fair value at acquisition	Carrying amount prior to acquisition	Fair value at acquisition	Carrying amount prior to acquisition	Fair value at acquisition
Intangible assets	354	18,935	10	10	364	18,945
Property, plant and equipment	7,212	10,624	90	90	7,302	10,714
Investments, excl. deferred tax	1,217	2,304	-	-	1,217	2,304
Inventories	1,893	1,935	23	23	1,916	1,958
Loans and receivables, current	4,431	3,540	35	35	4,466	3,575
Cash and cash equivalents	1,340	1,446	32	32	1,372	1,478
Assets classified as held for sale	-	177	-	-	-	177
Provisions, excl. deferred tax liabilities	-910	-1,212	-	-	-910	-1,212
Deferred tax assets and liabilities, net	-213	-5,326	-	4	-213	-5,322
Borrowings	-6,217	-5,827	-	-	-6,217	-5,827
Bank overdrafts	-77	-92	-	-	-77	-92
Trade payables and other payables	-4,644	-4,686	-68	-68	-4,712	-4,754
Liabilities associated with assets held for sale	-	-506	-	-	-	-506
<b>Net assets</b>	<b>4,386</b>	<b>21,312</b>	<b>122</b>	<b>126</b>	<b>4,508</b>	<b>21,438</b>
Minority interests	-639	-2,389	-	-	-639	-2,389
<b>Equity, Carlsberg's share</b>	<b>3,747</b>	<b>18,923</b>	<b>122</b>	<b>126</b>	<b>3,869</b>	<b>19,049</b>
Goodwill		33,451		329		33,780
<b>Cash consideration paid</b>		<b>52,374</b>		<b>455</b>		<b>52,829</b>
Cash and cash equivalents, acquired		-1,446		-32		-1,478
Bank overdrafts, acquired		92		-		92
<b>Cash outflow, net</b>		<b>51,020</b>		<b>423</b>		<b>51,443</b>
<b>Elements of cash consideration paid:</b>						
Cash		52,176		455		53,312
Directly attributable acquisition costs		198		-		198
<b>Total</b>		<b>52,374</b>		<b>455</b>		<b>52,829</b>

**Activities in S&N.** The above stated figures for the acquisition of part of the activities in S&N comprise the acquired 50% of the carrying amount prior to the acquisition and the fair value of the acquired share at the acquisition date for the entities in the BBH Group equivalent to the share that was acquired.

The determination of the fair value of identifiable assets, liabilities and contingent liabilities acquired in the acquisition of part of the activities in S&N is almost completed. For some of the estimated fair values, verification is still outstanding, and minor adjustments to the recognised fair value might occur. Also, adjustments will be made to the purchase price as the cost figures are dependent on the final allocation of debt between the consortium parties

according to the net debt statement mechanism provided for in the Consortium Agreement. Such final allocation has not yet been completed. Changes to the opening balance sheet and cost will be made in accordance with IFRS.

The acquisition of part of the activities in S&N increases the Carlsberg Group's operations and long-term growth opportunities. The acquisition is a result of Carlsberg's strategy of acquiring complete control over the most important operating activities. The acquisition comprises the remaining 50% of BBH, which operates in Russia, the Ukraine, the Baltic region, Kazakhstan, Uzbekistan and Belarus. Also, complete ownership is acquired of Brasseries Kronenbourg and other French activities and Mythos, Greece, and 17.5% of Chongqing, China, and a 50% interest in a joint venture in Vietnam.

**NOTE 31** ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

The acquisition will generate the following significant advantages:

- Complete control over BBH and the elimination of uncertainties as to long-term control over the asset and a considerable improvement of the Carlsberg Group's long-term growth profile, including realisation of synergies.
- Complete ownership of BBH and the opportunity for the Carlsberg Group to take full advantage of the potential of the Carlsberg and Tuborg brands on BBH's markets.
- Significant exposure to growth markets.
- The acquisition of the French and Greek breweries supports the Carlsberg Group's existing portfolio of leading market positions in Europe, which increases capacity and provides the opportunity for synergies through the implementation of the Carlsberg Group's Excellence programmes.
- Increased sales volumes provide the Carlsberg Group with the opportunity for generating significant synergies due to reduced indirect production overheads, implementation of best practice in the brewing industry and cost savings on purchases.
- The acquisition strengthens the Carlsberg Group's existing and growing presence in Asia through the acquisition of additional activities on the attractive Chinese and Vietnamese markets.

Assets held for sale at the acquisition date mainly comprise logistics entities in France following changes in logistics and distribution.

The preliminary goodwill represents a significant amount due to considerable synergies that are expected to be generated in the acquired entities,

the intellectual capital represented by the acquired staff and the positive growth expectations for BBH. The synergies comprise cost savings from the purchase and Excellence programmes. Also, goodwill will reflect synergies in the form of increased sales through presence in a larger part of Europe and Asia, the opportunity to launch global and/or regional brands throughout the new organisation, synergies from research and development and improved utilisation of the workforce and its intellectual capital.

**Baku-Castel Brewery.** Baku-Castel Brewery is the largest brewery in Azerbaijan, providing a solid foundation for expanding the Carlsberg Group's activities in Eastern Europe. Baltika Brewery is exporting beer to Azerbaijan, which represents a positive growth potential. Goodwill represents the value of workforce acquired and synergies in the expanded business. The balance sheet for Baku-Castel Brewery is based on a preliminary estimate of the fair value of acquired assets and liabilities, which may be adjusted in 2009.

The acquired activities contribute positively to operating profit before special items by approximately DKK 2,367m and to the profit before tax by approximately DKK 1,312m. In addition, financial items in the Carlsberg Group include hedging of the acquisition and exchange rate adjustments, cf. notes on the financial items. No calculation has been made of the estimated profit for the period January – December had the acquisition been completed at 1 January 2008, as this is not possible due to material differences in accounting policies in some of the acquired entities where the effect of the difference prior to the acquisition cannot be determined.

**NOTE 31 ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED**

**Recognition in the balance sheet at the acquisition date, including revaluation of existing ownership interest.** When a business combination is achieved in stages (step acquisition), each significant transaction is accounted for separately to determine the cost and fair value of identifiable assets, liabilities and contingent liabilities acquired, including any goodwill.

When a transaction in a step acquisition results in control, previously acquired interests in identifiable assets, liabilities and contingent liabilities associated with existing ownership interests are remeasured at fair value at the acquisition date. The remeasurement is accounted for as a revaluation and recognised in equity.

In the acquisition of part of the activities in S&N, Carlsberg achieved control over BBH, and the acquisition of the remaining 50% of BBH is accounted for as a step acquisition. The acquisition date is 28 April 2008.

The part of the fair value adjustment of net assets which relates to the existing 50% of BBH held by Carlsberg is recognised in the Carlsberg Group's equity as a revaluation made in accordance with IFRS. In accordance with IFRS, fair value adjustment is made of all assets, liabilities and contingent liabilities at the acquisition date, and all fair value adjustments relating to the 50%, which had already been proportionately consolidated in the financial statements of the Carlsberg Group, are recognised in equity as a revaluation.

The total effect on balance sheet totals (fair values) at the acquisition date of the acquisition of part of the activities in S&N on the carrying amount of the Carlsberg Group's recognised assets, liabilities, contingent liabilities and equity can be specified as follows:

DKK million	Acquired	Revaluation of original 50% of BBH	Total acquisition effect
<b>Assets:</b>			
Goodwill	33,451	-	33,451
Other intangible assets	18,935	16,444	35,379
Property, plant and equipment	10,624	3,062	13,686
Investments, excl. deferred tax assets	2,304	10	2,314
Current assets	6,921	28	6,949
Asset held for sale	177	-	177
<b>Total assets</b>	<b>72,412</b>	<b>19,544</b>	<b>91,956</b>
<b>Equity and liabilities:</b>			
Equity	52,374	13,060	65,434
Minority interests	2,389	1,750	4,139
<b>Total equity</b>	<b>54,763</b>	<b>14,810</b>	<b>69,573</b>
Provisions, excl. deferred tax liabilities	1,212	3	1,215
Deferred tax, net	5,326	4,607	9,933
Borrowings	5,827	-73	5,754
Bank overdrafts	92	25	117
Trade payables and other liabilities	4,686	172	4,858
Liabilities associated with assets held for sale	506	-	506
<b>Total liabilities</b>	<b>17,649</b>	<b>4,734</b>	<b>22,383</b>
<b>Total equity and liabilities</b>	<b>72,412</b>	<b>19,544</b>	<b>91,956</b>

The total acquired net assets in the acquisition of part of the activities in S&N amount to DKK 69,573m, of which DKK 54,763m relates to the fair value of assets, liabilities and contingent liabilities associated with the 50% ownership

interest acquired in 2008, and DKK 14,810m relates to fair value adjustment of existing net assets associated with the existing 50% ownership interest in the BBH Group recognised in equity.

**NOTE 31** ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

DKK million	Main activity	Acquisition date	Acquired ownership interest	2007 Cost
<b>Name of acquired entities:</b>				
Brewery Olivaría	Brewery	1 Jan. 2007	70.0%	127
Ningxia Brewery Ltd	Brewery	1 Jan. 2007	70.0%	102
Lao Soft Drink Co. Ltd	Beverages	1 Dec. 2007	65.0%	45
<b>Total</b>				<b>274</b>

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

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

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

The balance sheet for Lao Soft Drink Co. Ltd was based on a preliminary estimate of the fair value of acquired assets and liabilities end of 2007. No major changes have been made to the opening balance sheet in 2008.

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

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

**Acquisition of entities after the balance sheet date.** No entities have been acquired after the balance sheet date 31 December 2008.

**NOTE 31** ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

## Disposal of entities

DKK million	2008	2007
Disposals related to Türk Tuborg in 2008:		
Intangible assets	3	-
Property, plant and equipment	286	-
Financial assets, non-current	2	-
Inventories	101	-
Receivables	258	-
Cash and cash equivalents	253	-
Provisions	-11	-
Deferred tax liabilities, net	-8	-
Borrowings	-254	-
Trade payables and other liabilities etc.	-264	-
<b>Net assets</b>	<b>366</b>	<b>-</b>
Minority interests	6	-
Equity, Carlsberg's share	372	-
Recycling of cumulative exchange differences	-55	-
Directly attributable cost	167	-
Gains/losses – recognised under special items	-232	-
<b>Cash consideration received</b>	<b>252</b>	<b>-</b>
Cash and cash equivalents, disposed of	-253	-
<b>Cash inflow, net</b>	<b>-1</b>	<b>-</b>
DKK million	2008	2007
Acquisition and disposal of entities, net:		
Acquisitions, cash outflow	-51,443	-179
Disposals, cash inflow	-1	-
<b>Net</b>	<b>-51,444</b>	<b>-179</b>

**NOTE 32** SPECIFICATION OF INVESTED CAPITAL

DKK million	2008	2007
Invested capital is calculated as follows:		
Total assets	143,306	61,220
Less:		
Deferred tax assets	-1,254	-733
Loans to associates	-6	-28
Interest income receivable, fair value of hedging instruments and financial receivables	-1,470	-138
Securities (current and non-current)	-125	-157
Cash and cash equivalents	-2,857	-2,249
Assets held for sale	-162	-34
<b>Total assets included</b>	<b>137,432</b>	<b>57,881</b>
Trade payables	-7,993	-5,833
Deposits on returnable packaging	-1,455	-1,207
Provisions, excluding restructuring	-1,572	-480
Corporation tax	-279	-197
Deferred income	-1,172	-171
Finance lease liabilities, included in borrowings	-47	-65
Other liabilities, excluding deferred income, interest payable and fair value of hedging instruments	-5,588	-4,534
<b>Total liabilities offset</b>	<b>-18,106</b>	<b>-12,487</b>
<b>Total invested capital</b>	<b>119,326</b>	<b>45,394</b>

The acquisition of part of the activities in S&N affected both total invested capital and the distribution between individual balance sheet items and thus the calculation and composition of the invested capital.



**NOTE 33** SPECIFICATION OF NET INTEREST-BEARING DEBT

DKK million	2008	2007
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	43,230	19,385
Current borrowings	5,291	3,869
<b>Gross interest-bearing debt</b>	<b>48,521</b>	<b>23,254</b>
Cash and cash equivalents	-2,857	-2,249
Loans to associates	-6	-28
On-trade loans	-2,278	-1,627
Non-interest-bearing portion	1,403	821
Other receivables	-2,032	-1,391
Non-interest-bearing portion	1,405	946
<b>Net interest-bearing debt</b>	<b>44,156</b>	<b>19,726</b>
<b>Changes in net interest-bearing debt:</b>		
Net interest-bearing debt at 1 January	19,726	19,229
Cash flow from operating activities	-7,812	-4,837
Cash flow from investing activities, excl. acquisition of entities, net	5,709	4,748
Cash flow from acquisition of entities, net	51,444	179
Dividends to shareholders and minority interests	723	685
Acquisition of minority interests	299	69
Acquisition/disposal of treasury shares	-2	74
Acquired net interest-bearing debt from acquisition/disposal of entities	4,015	54
Change in interest-bearing lending	140	-209
Proceeds from capital increase, net	-29,938	-
Effect of currency translation	-226	-325
Other	78	59
<b>Total change</b>	<b>24,430</b>	<b>497</b>
<b>Net interest-bearing debt at 31 December</b>	<b>44,156</b>	<b>19,726</b>

**NOTE 34** INVESTMENTS IN PROPORTIONALLY CONSOLIDATED ENTITIES

The amounts shown below represent the Group's share of the assets and liabilities, revenue and profit of proportionally consolidated entities, as shown

in the overview of Group companies. These amounts are recognised in the consolidated balance sheet, including goodwill, and in the income statement.

DKK million	2008	2007
Revenue	5,538	12,615
Total costs	-4,484	-9,784
<b>Operating profit before special items</b>	<b>1,054</b>	<b>2,831</b>
<b>Consolidated profit</b>	<b>678</b>	<b>1,819</b>
Non-current assets	2,505	10,569
Current assets	980	3,498
Non-current liabilities	-813	-3,906
Current liabilities	-1,055	-4,438
<b>Net assets</b>	<b>1,617</b>	<b>5,723</b>
Free cash flow	-563	315
Net cash flow	-469	-574
Cash and cash equivalents, year-end	6	483
Contingent liabilities in joint ventures	152	95
Capital commitments in joint ventures	49	439

The decrease in key figures is attributable to the BBH Group, which was previously recognised as a proportionately consolidated entity, being recognised as a subsidiary as at 28 April 2008. Accordingly, the 2008 figures only include

4 months' activity from the BBH Group proportionately consolidated in the income statement and cash flows, while proportionately consolidated figures for the BBH Group are not included in the balance sheet at 31 December 2008.

**NOTE 35** FINANCIAL RISKS

As a result of the Carlsberg Group's activities, the Group's profit, debt and equity are exposed to a variety of financial risks, primarily relating to changes in exchange rates and interest rates. The Group's financial risks are managed centrally by Group Treasury in accordance with written principles approved by the Board of Directors, primarily through currency and interest rate instruments 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, GBP, CHF, NOK, SEK, PLN and UAH. There is also some exposure to a number of Asian currencies, which in total represent 5-10% of the Group's operating profit. Further, a currency risk exists relating to cash flows from operations in currencies other than loan currencies.

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

**Impact of exchange rates on operating profit.** As the Carlsberg Group has extensive operations outside Denmark, developments in exchange rates between DKK and the functional currencies of subsidiaries have an increasing impact on the Carlsberg Group's operating profit measured in DKK. In a number of countries (particularly in Russia and Asia) where the Carlsberg Group has activities, the currency correlates partly with developments in the USD. In 2008, the average USD rate (5.09) was 6.5% lower than in 2007 (5.45). Operating profit has been weakened as a result of a fall in the average RUB/DKK rate (a negative 4% compared with 2007), the GBP/DKK rate (a negative 13.9%), the NOK/DKK rate (a negative 2.2%) and the SEK/DKK rate (a negative 3.6%). The average CHF/DKK rate had a positive impact (3.7% higher than 2007).

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

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

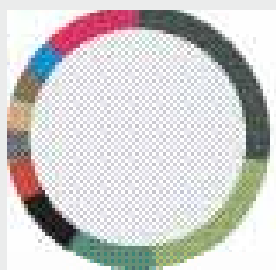
**The BBH Group.** Following the acquisition of the 50% of BBH that Carlsberg did not already own, the impact from entities in Eastern Europe and especially Baltika Brewery on Carlsberg's operating profit has increased. For various reasons the currency risk in the entities in the BBH Group is managed differently than in Carlsberg's operations in main parts of the rest of the Group.

With regard to transaction risks, since 2006 it has been policy for Baltika Brewery to reduce the financial risk measured in RUB by balancing expenses in foreign currency. This means that roughly 55% of the total foreign cost base has been denominated in USD and 45% in EUR, thus neutralising the effect from changes in USD vis-à-vis EUR, which has proven an effective hedge as long as the Russian central bank has maintained a fixed currency against the basket (consisting of 55% USD and 45% EUR). In the last part of 2008, the Russian central bank on several occasions made a devaluation against the basket. This affected and will continue to affect the operating profit measured in RUB. Basket hedging has been chosen as the preferred method to outright hedging due to both regulatory and cost issues.

With regard to foreign exchange risks, Carlsberg will be exposed to both the impact on RUB from changes in the USD (via the basket mechanism) and the impact from central bank devaluation against the basket.

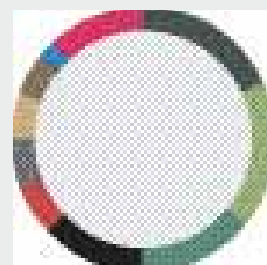
**NOTE 35 FINANCIAL RISKS – CONTINUED**

**Distribution of revenue 2008**



28%	20%	11%	8%	5%	4%	4%	4%	4%	12%
RUB	EUR	DKK	GBP	CHF	SEK	NOK	PLN	UAH	Other

**Distribution of revenue 2007**



18%	18%	14%	13%	6%	6%	6%	5%	2%	12%
RUB	EUR	DKK	GBP	CHF	SEK	NOK	PLN	CNY	Other

**Impact of exchange rates on net finance costs.** The main principle for funding currency in subsidiaries is that loans and borrowings should be in local currency or hedged to local currency to avoid exchange rate risk. However, in some Group entities debt is denominated 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 an 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 – in some countries financing in local currency is not available at all.

**Impact of exchange rates on balance sheet and equity.** The Carlsberg Group holds a number of investments in foreign subsidiaries where the translation of equity to DKK is exposed to foreign exchange risks. The Group hedges part of this foreign exchange exposure by taking up borrowings denominated in the relevant currencies or by entering into forward exchange contracts. This applies to net investments in NOK, CHF, SEK, EUR, RUB, PLN, LVL and MYR. The basis for hedging is reviewed annually, and the two parameters, risk reduction and cost, are balanced.

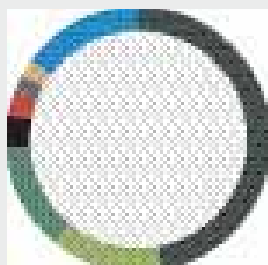
In 2008, the Group incurred net losses on foreign exchange and made fair value adjustments of financial instruments of DKK 802m (2007: losses of DKK 10m). The main source for the losses in 2008 was USD and EUR denominated debt in a number of Group companies in Eastern Europe, in particular Baltika Brewery in Russia and Slavutich in the Ukraine. Both RUB and UAH (the currency in the Ukraine) came under pressure in the fourth quarter of 2008.

The gross and net exposure to foreign currency on net investments is presented in the table below.

Changing exchange rates will also affect the level of debt, as funding is obtained in the currencies presented in the table in the section on interest rate risk. In 2008, the net interest-bearing debt was reduced by DKK 228m due to exchange rates. The primary impact derives from net debt in GBP, USD and CHF.

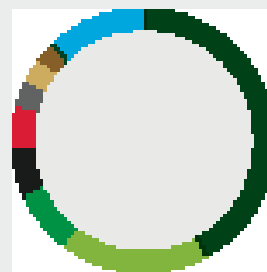
Distribution of equity, including loans granted as an addition to net investment in foreign currencies (Carlsberg's share):

**Equity 2008**



47%	14%	13%	4%	3%	2%	2%	15%
RUB	EUR	SEK	CHF	PLN	CNY	UAH	Other

**Equity 2007**



42%	18%	8%	6%	5%	3%	3%	3%	12%
EUR	RUB	CHF	PLN	GBP	MYR	SEK	NOK	Other

The Carlsberg Group's net investment in foreign currencies (including loans granted to subsidiaries as an addition to the net investment) is greatly influenced by the acquisition of the remaining 50% of BBH. RUB exposure has – in both absolute and relative terms – more than doubled due to the PPA

(Purchase Price Allocation) process. In this process the assets in Russia are adjusted to their fair value, both with regard to the existing and the acquired ownership interest.

**NOTE 35** FINANCIAL RISKS – CONTINUED

2008

DKK million	Carlsberg's share of net investment in foreign subsidiary	Minorities' share	Foreign exchange 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	26,583	3,381	-6,257	-1,374	422	28,590	-5,835	-495	-5,340
EUR	8,031	167	17	-6,691	-37	1,507	-20	-	-20
SEK	7,455	-	-1,336	-6,315	1,134	1,140	-202	-	-202
CHF	2,402	-	241	-1,917	-188	485	53	-	53
PLN	1,560	-	-247	-1,330	183	230	-64	-	-64
CNY	1,322	45	130	-	-	1,367	130	-	130
UAH	1,266	80	-738	-	-	1,346	-738	-32	-706
GBP	1,050	-	-323	-	-	1,050	-323	-	-323
VND	906	56	-8	-	-	962	-8	-	-8
MYR	837	351	-9	-684	2	504	-7	-2	-5
LTL	632	206	-2	-	-	838	-2	-	-2
Other	4,624	944	-105	-622	134	4,946	29	-4	33
<b>Total</b>	<b>56,668</b>	<b>5,230</b>	<b>-8,637</b>	<b>-18,933</b>	<b>1,650</b>	<b>42,965</b>	<b>-6,987</b>	<b>-533</b>	<b>-6,454</b>

2007

EUR	10,719	-	5	-6,696	-1	4,023	4	-	4
RUB	4,735	587	-209	-800	20	4,522	-189	-	-189
CHF	2,097	-	-65	-1,729	57	368	-8	-	-8
PLN	1,687	-	101	-1,452	-88	235	13	-	13
GBP	1,408	-	-161	-	57	1,408	-104	-	-104
MYR	844	353	-54	-688	64	509	10	-15	25
SEK	766	-	-55	-709	49	57	-6	-	-6
NOK	667	-	22	-655	-23	12	-1	-	-1
UAH	569	-	-44	-	-	569	-44	-	-44
CSD	474	60	-4	-	-	534	-4	-	-4
LAK	494	-	-23	-	-	494	-23	-	-23
Other	1,666	323	-203	-	-	1,989	-203	-55	-148
<b>Total</b>	<b>26,126</b>	<b>1,323</b>	<b>-690</b>	<b>-12,729</b>	<b>135</b>	<b>14,720</b>	<b>-555</b>	<b>-70</b>	<b>-485</b>

The most significant net risk relates to foreign exchange adjustment of equity in RUB, which has only to some extent been hedged.

Foreign exchange adjustment of the net investment in 2008 in "Other" relates to various Eastern European and Asian currencies, and NOK.

**Interest rate risk.** The most significant interest rate risk in the Carlsberg Group relates to interest-bearing debt. The management objective is for duration measured in years to be between 1 and 5 years.

The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2008 gross debt (non-current and current borrowings) amounted to DKK 48,521m (2007: DKK 23,254m). After deducting cash and cash equivalents, net debt is DKK 45,664m (2007: DKK 21,005m), an increase of DKK 24,659m.

Interest rate risks are mainly managed using interest rate swaps and to a smaller degree fixed-rate bonds.

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

At year-end 57% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2007: 62%). It is estimated that an interest rate rise of 1 percentage point would lead to an increase in annual interest expenses of DKK 197m (2007: DKK 66m).

At the end of 2008, the duration of the loan portfolio was 1.9 years (2007: 1.8 years) and in value terms amounted to DKK 849m (2007: DKK 380m). Accordingly, the effect of a 1 percentage point increase in interest rates would lead to a financial gain of DKK 849m. However, since only interest rate swaps and not fixed interest borrowing are marked-to-market, only the duration contained in financial instruments will affect equity. It is estimated that DKK 625m (2007: DKK 110m) of the duration is contained in interest rate derivatives that are designated as cash flow hedges, meaning that the impact from changes in interest rates will be recognised directly in equity. The remaining duration is borrowing with fixed interest – primarily the three issued bonds described in note 25. If the market interest rates had been 1 percentage point higher (lower) at 31 December 2008, shareholders' equity would have been DKK 625m (31 December 2007: DKK 110m) higher (lower).

The recognised impact from interest rate derivatives is disclosed in note 36. The sensitivity analysis is based on the financial instruments recognised at 31 December 2008 (31 December 2007). All hedging relationships relating to interest-bearing instruments are 100% effective. The reasonable change is based on the current market conditions and expectations to interest rate changes.

Carlsberg's exposure to an increase in short-term interest rates is primarily in EUR and DKK, and secondarily in CHF and USD. The exposure to medium- and long-term interest rates is primarily in EUR. The table below shows the breakdown of currencies and interest rate fixing for the net debt.

**NOTE 35** FINANCIAL RISKS – CONTINUED

Net financial debt before swaps		Next repricing					
DKK million		2009	2010	2011	2012	2013	2014-
CHF	1,861	1,861	-	-	-	-	-
DKK	6,358	5,981	-	-	-	-	377
EUR	33,715	12,079	11,184	2	1	7,452	2,997
GBP	3,068	-358	-	1,895	-	1,531	-
NOK	-11	-11	-	-	-	-	-
PLN	134	125	2	2	2	2	1
RUB	-173	-173	-	-	-	-	-
SEK	-62	-62	-	-	-	-	-
USD	1,561	1,156	307	98	-	-	-
Other	-787	-863	19	24	19	14	-
<b>Total</b>	<b>45,664</b>	<b>19,735</b>	<b>11,512</b>	<b>2,021</b>	<b>22</b>	<b>8,999</b>	<b>3,375</b>

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

The Carlsberg Group grants loans to the on-trade in certain countries. The individual Group entities monitor and control these loans as well as ordinary trade credit in accordance with central guidelines. It is estimated that the provisions made, cf. note 20, are sufficient to cover expected losses.

Developments of importance to the on-trade may increase the credit risk for groups of customers in a country/market. Such developments include changes in local legislation, which may have an adverse effect on the earnings in the industry in general, and are taken into consideration when write-downs for bad debt losses are made. The credit risk is therefore assessed to be reflected in the carrying amount.

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

Carlsberg applies the below formula in the monitoring of credit resources available:

Total committed loans and credit facilities	2008
Total current and non-current borrowings	52,096
Unused committed non-current credit facilities	-48,521
Cash and cash equivalents	3,575
<b>Credit resources available</b>	<b>2,857</b>
	<b>6,432</b>

The unused committed non-current credit facilities of DKK 3,575m are net of non-current and current borrowings, and therefore DKK 5,291m (the current borrowing) lower than the unutilised long-term committed credit facilities of DKK 8,866m.

**Liquidity risk.** Liquidity risk is the risk of the Carlsberg Group failing to meet its contractual obligations due to insufficient liquidity. Carlsberg's policy is for funding and 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 2008, Carlsberg had unutilised long-term committed credit facilities of DKK 8,866m (2007: DKK 7,033m).

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

The major long-term committed credit facilities include financial covenants with reference to the ratio between net debt and EBITDA. Management monitors this ratio, and at 31 December 2008 there was sufficient headroom under the ratio.

**NOTE 35** 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 solid 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. This rating was confirmed following the acquisition of part of the activities in S&N.

Carlsberg A/S'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 (in terms of control), 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 2008 the Carlsberg Group had net interest-bearing debt totalling DKK 44,156m (2007: DKK 19,726m). The credit resources available and the access to unused committed credit facilities are considered reasonable in the light of the Group's current needs in terms of financial flexibility.

Committed credit facilities and non-current credit facilities at 31 December:

DKK million	2008
1 - 2 years	16,770
2 - 3 years	5,526
3 - 4 years	24,902
4 - 5 years	1,662
> 5 years	3,236
<b>Total</b>	<b>52,096</b>
Current borrowings	5,291
Non-current borrowings	43,230
<b>Total</b>	<b>48,521</b>

No changes have been made to the Group's guidelines for control of capital structure and management in 2008. The increased net interest-bearing debt following the acquisition of part of the activities in S&N resulted in changes to daily procedures, including the management of the acquired entities.

**Raw material risk.** Raw material risks are associated in particular with purchasing of cans (aluminium), malt (barley) and energy. Management of both raw material risks and foreign exchange risks is coordinated centrally. 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 increases. 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, Carlsberg's purchase price under the majority of purchase

agreements is variable and based on the global market price (London Metal Exchange, LME) of aluminium. Carlsberg is thus able to hedge the underlying aluminium price risk. For 2009 the majority of the aluminium price risk has been hedged for Western and Eastern Europe, whereas the risk has been partially hedged for the period up to 2012. The total volume of aluminium purchased via financial instruments was approximately 80,000 tonnes at the end of 2008 (2007: 89,000 tonnes). Based on this volume, and assuming 100% efficiency, a 10% increase (decrease) in aluminium prices would impact equity positively (negatively) by DKK 75m (2007: DKK 125m). Fair values are specified in note 36.

For a number of entities, purchases of raw materials such as malt and hops are made in a currency other than the functional currency. It is Group policy to secure the delivery for the coming budget year, and the exposure for 2009 was thus hedged in autumn 2008.

For Eastern Europe hedging of the foreign exchange risk has not been made for 2009, as forward prices for the currencies contained an implicit expectation of devaluation – and thereby the cost of hedging – which was higher than Carlsberg's estimate of the likely development.

**NOTE 36 FINANCIAL INSTRUMENTS**

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods. Both external valuation reports and internally calculated fair values based on discount-

ing of cash flows are used. Where internally calculated fair values are applied, these are tested against external market valuations on a quarterly basis. Carlsberg uses three forms of financial hedging:

**Fair value hedges and financial derivatives not designated as hedging instruments (economic hedges)**

Changes in the fair value of financial instruments used as fair value hedges and derivatives not designated as hedging instruments are recognised in the income statement. These are mainly non-designated instruments to hedge financial risks relating to borrowings. Financial risks primarily comprise the exchange rate risk on borrowings, and secondarily the interest rate risk. The fair value at the balance date of these instruments was DKK -1,029m (2007: DKK -470m). The change is primarily due to the GBP 250m cross currency swap, which is a hedge of the GBP 250m bond issue.

GBP depreciated 25% year-on-year and thus increased the negative fair value of the swap. The only fair value adjustments of a designated fair value hedge are two swaps hedging two fixed interest rate loans. In 2008 DKK -7m (2007: DKK 4m) arising from the change in fair value of financial instruments designated as the hedged item in a fair value hedge was recognised in the income statement. The fair value adjustment of the loan was DKK 7m (2007: DKK -4m).

DKK million	2008		2007	
	Fair value adjustment recognised in income statement	Fair value	Fair value adjustment recognised in income statement	Fair value
Interest rate instruments	28	2	7	24
Exchange rate instruments	533	-1,026	-72	-494
Ineffective portion of hedge	-5	-5	-	-
<b>Total</b>	<b>556</b>	<b>-1,029</b>	<b>-65</b>	<b>-470</b>

**Cash flow hedge**

Cash flow hedges are primarily used on interest rate swaps where the hedged item is the underlying (floating rate) borrowing, and on currency derivatives where the hedged item is the underlying acquisitions. Cash flow hedges are also used on aluminium hedges (where the hedged item is aluminium cans used in a number of Group entities in Northern & Western Europe and Eastern Europe).

During 2008 Carlsberg hedged the acquisition of part of the activities in S&N in GBP using both forward exchange contracts and options, and used forward exchange contracts in hedging the purchase of shares in Habeco in Vietnam.

The former resulted in losses as GBP depreciated from inception and until closing. The loss on the effective part of hedges is recognised in equity and will remain in the cash flow hedge reserve as long as the acquired entities are recognised. Interest rate swaps have been applied to parts of the increase in net debt resulting from the S&N acquisition to maintain a balance between fixed and floating interest rates. Together with the pre-acquisition interest rate swaps, the details are presented in the table below. The sharp decline in interest rates in Q4 of 2008 has led to losses on the interest rate instruments – these losses will be recognised in earnings in 2009-2015. The losses on other instruments are aluminium hedges to cover (parts of) the risk on can prices. Aluminium prices fell in the second half of 2008.

**Main financial instruments – overview**

DKK million	Maturity	Purpose
<b>Instrument:</b>		
CHF 300m interest rate swap	2009	Swap of borrowing with 1 month CHF Libor to fixed
EUR 500m interest rate swap	2010	Swap of borrowing with 1 month EURIBOR to fixed
EUR 1,000m interest rate swap*	2010	Swap of borrowing with 1 month EURIBOR to fixed
EUR 1,000m interest rate swap*	2013	Swap of borrowing with 1 month EURIBOR to fixed
EUR 400m interest rate swap*	2015	Swap of borrowing with 1 month EURIBOR to fixed
GBP 250m currency swap	2011	Swap of fixed GBP interest to fixed DKK interest
Aluminium	2009-2012	Fixing of aluminium risk related to purchase of cans

\* These EUR interest rate swaps were entered into during 2008 following the acquisition of part of the activities in S&N and the subsequent increase in debt.

DKK million	2008			2007		
	Fair value adjustment recognised in equity	Fair value	Expected recognition	Fair value adjustment recognised in equity	Fair value	Expected recognition
Interest rate instruments	-998	-1,102	2009-2015	109	-10	2008-2011
Exchange rate instruments	-832	-	-	2	-	-
Other instruments	-181	-266	2009-2012	-27	-22	2008-2012
<b>Total</b>	<b>-2,011</b>	<b>-1,368</b>		<b>84</b>	<b>-32</b>	

**NOTE 36** FINANCIAL INSTRUMENTS – CONTINUED**Hedging of net investments in foreign subsidiaries**

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

Where the fair value adjustments do not exceed the value adjustments of the investment, the adjustments of the financial instruments are recognised

directly in equity; otherwise the fair value adjustments are recognised in the income statement. The accumulated gains/losses will remain in equity reserves as long as the hedged entities are recognised.

In addition, loans have been granted to subsidiaries which are classified as additions to net investments. Foreign exchange adjustments of these loans are recognised directly in equity in the same line as the gains/losses on the hedges of net investments.

Hedging of net investments			2008	2007		
DKK million	Fair value adjustment recognised in equity	Fair value		Fair value adjustment recognised in equity	Fair value	
Exchange rate instruments	459	799		115	18	
<b>Total</b>	<b>459</b>	<b>799</b>		<b>115</b>	<b>18</b>	

2008					2007				
DKK million	Hedging of investment, amount in currency	Addition to net investment, amount in currency	Total adjustment to equity	Income statement	Hedging of investment, amount in currency	Addition to net investment, amount in currency	Total adjustment to equity	Income statement	
SEK	-9,282	5,424	542	-	-1,583	5,247	-66	-	
NOK	-700	3,200	-450	-	-700	3,182	72	-	
CHF	-385	-	-188	-	-385	-	57	-	
GBP	-	-	-	-	-	-	57	-	
MYR	-450	-	2	-	-450	-	64	-	
EUR	-898	5,119	-70	-	-898	635	-1	-	
RUB	-7,644	-	422	-	-3,858	-	20	-	
PLN	-740	-	183	-	-700	-	-88	-	
EEK	-	1,538	-	-	-	-	-	-	
LVL	-9	-	18	-	-	-	-	-	
<b>Total</b>			<b>459</b>	<b>-</b>			<b>115</b>	<b>-</b>	

**Liquidity risk**

2008				
DKK million	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Total
<b>Financial liabilities:</b>				
Derivative financial instruments	660	1,827	240	2,727
Financial debt	5,291	40,350	2,880	48,521
Trade payables and other liabilities	10,346	-	-	10,346
Financial liabilities associated with assets held for sale	368	-	-	368
<b>Total</b>	<b>16,665</b>	<b>42,177</b>	<b>3,120</b>	<b>61,962</b>

Other liabilities include accrued interest, liabilities related to the acquisition of entities and deposits on returnable packaging.

All items are stated at their carrying amount. The fair value of the derivative financial instruments is the discounted value. If the fair value of derivative financial instruments were recalculated to the undiscounted value, the fair value would be approximately DKK 150-200m higher (2007: DKK 25-50m

higher). The maturity analysis is based on the contractual maturity of the notional amount of the three non-derivative financial instrument categories. Derivative financial instruments are presented gross. The notional amount of the financial debt is DKK 196m higher (2007: DKK 33m) than the carrying amount. The difference between the notional amount and the carrying amount is cost that has been capitalised and is amortised over the duration of the borrowings.



**NOTE 36** FINANCIAL INSTRUMENTS – CONTINUED

DKK million				2007
	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Total
<b>Financial liabilities:</b>				
Derivative financial instruments	112	491	-	603
Financial debt	3,869	11,970	7,415	23,254
Trade payables and other liabilities	7,451	-	-	7,451
<b>Total</b>	<b>11,432</b>	<b>12,461</b>	<b>7,415</b>	<b>31,308</b>

**NOTE 37** RELATED PARTY DISCLOSURES

**Related parties exercising control.** The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V, Denmark, holds 30.3% of the shares and 72.9% of the voting power in Carlsberg A/S, excluding treasury shares. The Foundation participated in the capital increase in June 2008. Apart from this and dividends and grants, cf. note 6, no transactions were carried out with the Carlsberg Foundation during the year.

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

**Associates**

DKK million	2008	2007
<b>The income statement and balance sheet include the following transactions with associates:</b>		
Revenue	462	213
Cost of sales	386	261
Loans	7	7
Borrowings	27	7
Receivables from the sale of goods and services	78	28
Trade payables	114	15

No losses on loans to or receivables from associates were recognised or provided for in either 2008 or 2007.

**Proportionally consolidated entities**

DKK million	2008	2007
<b>The income statement and balance sheet include the following transactions with proportionally consolidated entities:</b>		
Revenue	34	41
Costs	4	4
Interest income	7	5
Interest expenses	13	1
Loans	-	24
Receivables	23	70
Trade payables and other liabilities etc.	1	23
Borrowings	-	373

The decrease in key figures is attributable to the BBH Group, which was previously recognised as a proportionately consolidated entity, being recognised as a subsidiary as at 28 April 2008. Accordingly, the 2008 figures only include 4 months' activity from the BBH Group proportionately

consolidated in the income statement and cash flows, while proportionately consolidated figures for the BBH Group are not included in the balance sheet at 31 December 2008.

**NOTE 38** CONTINGENT LIABILITIES AND OTHER COMMITMENTS

The Carlsberg Group has issued guarantees for loans etc. raised by joint ventures (non-consolidated share of loan) of DKK 125m (2007: DKK 60m) and for loans etc. raised by third parties (non-consolidated entities) of DKK 886m (2007: DKK 245m).

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

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

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

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

**Contractual commitments.** The Carlsberg Group has entered into service contracts in respect of sales, logistics and IT. Costs related to the contracts are recognised as the services are received.

## Capital commitments

DKK million	2008	2007
Capital commitments which at the balance sheet date are agreed to be made at a later date and therefore not recognised in the consolidated financial statements:		
Intangible assets	7	-
Property, plant and equipment and construction contracts	490	972
<b>Total</b>	<b>497</b>	<b>972</b>

**NOTE 39** OPERATING LEASE LIABILITIES

DKK million					2008
	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Non-current assets under construction	Total
Future lease payments:					
Within one year	149	41	584	-	774
Between one and five years	272	49	1,249	2	1,572
After more than five years	265	-	40	-	305
<b>Total</b>	<b>686</b>	<b>90</b>	<b>1,873</b>	<b>2</b>	<b>2,651</b>

DKK million					2007
	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Non-current assets under construction	Total
Future lease payments:					
Within one year	108	78	298	-	484
Between one and five years	246	22	444	-	712
After more than five years	286	-	45	-	331
<b>Total</b>	<b>640</b>	<b>100</b>	<b>787</b>	<b>-</b>	<b>1,527</b>

DKK million	2008	2007
Operating lease recognised in the income statement	677	505
Expected future income under non-cancellable subleases (matures within 10 years)	123	138

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.

**NOTE 40** EVENTS AFTER THE BALANCE SHEET DATE

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

**NOTE 41** ACCOUNTING POLICIES

The 2008 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 NASDAQ OMX Copenhagen A/S for listed companies and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

In addition, the Annual Report has been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB.

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

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

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

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures. For 2008 the segment reporting of the Group's results has been changed. The new segmentation reflects the structure used for the Group's management and evaluation of strategic and financial objectives. Comparative figures have been restated.

**New International Financial Reporting Standards and Interpretations**

In October 2008 the IASB issued "Amendments to IAS 39 and IFRS 7: Reclassification of Financial Assets" with effect from 1 July 2008. The Standard was subsequently adopted by the EU. The changes, which were made in response to the international financial crisis and allow reclassification of certain financial instruments, did not affect recognition and measurement in the Group's financial statements.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset" regarding retirement benefit plans limited by the asset ceiling and introducing minimum funding requirements is effective for financial years beginning on or after 1 January 2008. The interpretation was adopted by the EU in December 2008. In accordance with EU regulations, the Interpretation is implemented before the effective date in the EU with effect from 1 January 2008. The implementation did not affect the Annual Report.

The IASB has issued the following new and amended Standards and Interpretations, which have been adopted by the EU but are not yet mandatory for the preparation of the Carlsberg Group's Annual Report:

- IFRS 8 "Operating Segments" which was issued by the IASB and adopted by the EU in 2007. The Standard will be adopted effective for 2009. The Standard will only affect the financial disclosures for the Group's segments. The Standard will not affect the Group's segmentation, which is already made in compliance with the Standard, or recognition and measurement in the Annual Report.
- IFRS 2 "Share-based Payment: Vesting conditions and Cancellations". The amended Standard is effective for financial years beginning on or after 1 January 2009. The amended Standard is not expected to significantly affect the Annual Report.
- IAS 23 "Borrowing Costs" effective for financial years beginning on or after 1 January 2009. The Standard requires that borrowing costs are included in the cost of qualifying assets (intangible assets and property, plant and equipment) that take a substantial period of time to get ready for use or

sale. The Standard only applies to assets where production commences on or after 1 January 2009. The Standard will affect building, repairs and maintenance of large production plants and breweries. Capitalised borrowing costs are expected to be a minor amount for 2009.

- IAS 1 "Presentation of Financial Statements" which describes the presentation of financial statements and changes the presentation of the primary financial statements in the Annual Report for 2009. The Standard is effective for financial years beginning on or after 1 January 2009. First-time adoption of the Standard will take place in the interim report for the first quarter 2009.
- IFRIC 13 "Customer Loyalty Programmes" regarding customer loyalty programmes. The standard is effective for financial years beginning on or after 1 January 2009. The interpretation is not expected to significantly affect the financial reporting.

In addition, the following new or amended Standards and Interpretations of relevance to the Carlsberg Group have been issued but not yet adopted by the EU:

- IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". The Standards are effective for financial years beginning on or after 1 July 2009 and are expected to be adopted by the Carlsberg Group as of the financial year 2010.
- IFRIC 15 "Agreements for the Construction of Real Estate". The Interpretation is effective for financial years beginning on or after 1 January 2009.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". The Interpretation is effective for financial years beginning on or after 1 October 2008.
- IFRIC 17 "Distribution of Non-cash Assets to Owners". The Interpretation is effective for financial years beginning on or after 1 July 2009.

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2008. The Carlsberg Group expects to adopt the Standards and Interpretations when they become mandatory in 2009 and 2010 respectively.

The amendments did not affect recognition and measurement or result in changes to note disclosures. The accounting policies used in the preparation of the Annual Report are consistent with those of last year.

**Consolidated financial statements**

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

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

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

A group chart is included on page 138.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company, subsidiaries and proportionally consolidated entities prepared according to the Group accounting policies. On consolidation, intra-group income and expenses,

**NOTE 41** ACCOUNTING POLICIES – CONTINUED

shareholdings etc., intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates and proportionally consolidated entities are eliminated in proportion to the Group's ownership share of the entity. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

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

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

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

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

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

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

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

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Carlsberg Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

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

write-down of the carrying amount of goodwill to the amount which would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the acquisition date.

When a business combination is achieved in stages (step acquisition), each significant transaction is accounted for separately to determine the cost and fair value of identifiable assets, liabilities and contingent liabilities acquired, including any goodwill.

The fair value of identifiable assets, liabilities and contingent liabilities acquired may differ at the various acquisition dates. When a transaction in a step acquisition results in control, previously acquired interests in identifiable assets, liabilities and contingent liabilities associated with existing ownership interests are remeasured at fair value at the acquisition date. The remeasurement is accounted for as a revaluation and recognised in equity.

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

Gains or losses on the disposal or winding-up of subsidiaries, joint ventures and associates are stated as the difference between the sales amount and the carrying amount of net assets including goodwill at the date of disposal or winding-up, foreign exchange adjustments recognised directly in equity plus costs to sell or winding-up expenses. Gains or losses on disposal or winding-up of subsidiaries are recognised in the income statement under Special items, whereas gains or losses on disposal or winding-up of associates are recognised as financial income or financial expenses.

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

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

On disposal of minority interests, the difference between the sales amount and the carrying amount of the minority interests is deducted proportionally from the carrying amount of goodwill.

**Foreign currency translation.** For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

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

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

**NOTE 41** ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

The fair values of derivative financial instruments are included in other receivables and other payables respectively, and set-off of positive and negative values is only made when the Company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

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

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

Derivatives designated as and qualifying for recognition as a cash flow hedge of financial investments are recognised in equity. On complete or partial disposal of the financial investment, the portion of the hedging instrument that is recognised in equity and relates to that financial investment is recognised in the income statement when the gain or loss on disposal is recognised.

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

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

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

**Income statement**

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

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

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

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

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

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

**Other operating income and expenses.** Other operating income and costs comprise items secondary to the principal activities of the entities, including income and expenses relating to rental properties and construction contracts (real estate projects) and gains and losses on the disposal of intangible assets and property, plant and equipment. Gains and losses on the disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the disposal date. Also included in this item is the effective interest rate on on-trade loans calculated on the basis of amortised cost, expenses relating to the research activities in Denmark and France and funding from the Carlsberg Foundation for the operation of the Carlsberg Laboratory.

Revenue on construction contracts (real estate projects) which are specifically negotiated is recognised as the work is carried out, corresponding to the selling price of work performed during the year (the percentage of completion method). Revenue is recognised when total income and expenses on a construction contract as well as the stage of completion at the balance sheet date can be determined reliably, and when it is probable that the economic benefits, including payments, will be received by the Group. On disposal of real estate projects which are not specifically negotiated, the gain is recognised at the disposal date (the sales method).

**NOTE 41** ACCOUNTING POLICIES – CONTINUED

Profit on real estate projects is recognised net under other operating income. Revenue and expenses relating to construction contracts which are specifically negotiated are disclosed in the notes.

**Government grants.** Government grants relate to grants and funding for R&D activities, investment grants, etc.

Grants for R&D activities which are recognised directly in the income statement are recognised as other operating income.

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

**Operating profit before special items.** Operating profit before special items is an important financial ratio for year-to-year comparison and for comparison of companies in the brewing industry.

**Special items.** Special items include significant income and costs of a special nature in terms of the Group's revenue-generating operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments, as well as any gains or losses arising from disposals in this connection, which have a material effect over a given period. This item also includes significant non-recurring items, including impairment of goodwill and gains on the disposal of activities.

These items are shown separately in order to give a more true and fair view of the Group's operating profit.

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

**Financial income and expenses.** Financial income and expenses comprise interest income and expenses, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets (other than loans to customers in the on-trade, which are included in other operating income) and liabilities, including defined benefit retirement benefit plans, surcharges and refunds under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements and the ineffective portion of those designated as hedging arrangements are also included.

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

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

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

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

**Balance sheet****Intangible assets**

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

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

**Other intangible assets.** Research costs are recognised in the income statement as they are incurred. Development costs are recognised as intangible assets if the costs are expected to generate future economic benefits.

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

Trademarks and customer agreements/portfolios acquired in connection with business combinations are recognised at cost and amortised over their expected useful life. Trademarks with an indefinite useful life are not amortised but impairment-tested at least annually.

CO<sub>2</sub> emission rights are measured at cost at the date of allocation (i.e. normally DKK 0), while acquired rights are measured at cost. Acquired rights are amortised over the production period during which they are expected to be utilised. A liability is recognised (at fair value) only if actual emissions of CO<sub>2</sub> exceed allocated levels based on the holding of rights.

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

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

**Trademarks with finite useful lives**

Useful life, normally maximum 20 years

**Software etc.**

3-5 years

**Delivery rights**

Depending on contract, if no contract term has been agreed, normally not exceeding 5 years

**Customer agreements/relationships**

Depending on contract with the customer. When no contract exists, normally not exceeding 20 years

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

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

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

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

**NOTE 41** ACCOUNTING POLICIES – CONTINUED

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

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

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

Land is not depreciated.

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

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

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

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

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

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

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

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

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

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

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

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

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

Objective indication of impairment is assessed for a portfolio of receivables when no objective indication of individual impairment losses exists. The portfolios are based on on-trade and off-trade customers and on-trade receivables and on-trade loans. The objective indications used for portfolios are based on historic experiences and actual market developments.

Impairment losses are calculated as the difference between carrying amount and net realisable value, including the expected net realisable value of any collateral provided.

As regards loans to the on-trade, any difference between present value and the nominal amount at the loan date is treated as a prepaid discount to the customer, which is recognised in the income statement in accordance with the terms of the agreement. The market interest rate is used as the discount rate, corresponding to the money market rate based on the maturity of the loan with the addition of a risk premium. The effective interest rate on these loans is recognised in other operating income, and the amortisation of the difference between the discount rate and the effective interest rate is included as a discount in revenue.

**Construction contracts.** Construction contracts (real estate projects) are measured at the contract revenue of the work performed less progress billings and anticipated losses.

The contract revenue is measured by reference to the percentage of completion at the balance sheet date and total expected revenue from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is measured as the proportion of contract costs incurred for work performed relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is recognised as an expense immediately. The selling price of construction contracts is recognised under other receivables and disclosed in the notes.

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

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

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

**Impairment of assets.** Goodwill and trademarks with indefinite useful lives are subject to an annual impairment test, initially before the end of the acquisition year.



**NOTE 41** ACCOUNTING POLICIES – CONTINUED

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

The carrying amount of trademarks with indefinite useful lives is subject to an impairment test and written down to the recoverable amount through the income statement if the carrying amount is higher. The recoverable amount is generally calculated as the present value of expected future net cash flows from the trademark in the form of royalties. Impairment of trademarks is recognised under special items in the income statement.

The carrying amount of other non-current assets is subject to an annual impairment test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Minor impairment losses are recognised in the income statement under cost of sales, sales and distribution costs, administrative expenses and other operating costs. Significant impairment losses and impairment losses arising on extensive structuring of processes and fundamental structural adjustments are recognised under special items.

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

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

**Equity**

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

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

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

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

**Proposed dividends.** Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The dividend recommended by the Board of Directors and therefore expected to be paid for the year is disclosed in the notes.

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

**Treasury shares.** Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly as retained earnings in equity. Capital reductions from the cancellation of treasury shares are

deducted from the share capital at an amount corresponding to the nominal value of the shares.

Proceeds from the sale of treasury shares in connection with the exercise of share options are recognised directly in equity.

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

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

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

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

**Employee benefits.** Wages and salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits are recognised in the financial year in which the employee renders the related service.

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

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

For defined benefit plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under retirement benefit obligations.

Pension costs for the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in pension plan assets and liabilities and realised amounts determined at year-end constitutes actuarial gains or losses and is recognised directly in equity.

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

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

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

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

Realised gains and losses on the curtailment or settlement of retirement benefit plans are recognised in the income statement.

**NOTE 41** ACCOUNTING POLICIES – CONTINUED

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

Deferred tax on all temporary differences is measured using the balance sheet liability method between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on management's planned use of the asset or settlement of the liability respectively.

If specific dividend plans exist for subsidiaries, joint ventures and associates in countries levying withholding tax on distributions, deferred tax is recognised on expected dividend payments.

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

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

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

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

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

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

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

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

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

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

Other liabilities are measured at amortised cost.

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

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

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

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

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

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

**Assets held for sale.** Assets held for sale comprise non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction and those liabilities directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale if management has decided to sell the asset or disposal group and taken the necessary steps to carry out the sale, such that the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

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

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

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

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

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

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

**NOTE 41** ACCOUNTING POLICIES – CONTINUED**Cash flow statement**

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

**Cash flow from operating activities.** Cash flows from operating activities are calculated using the indirect method as the operating profit before special items adjusted for non-cash operating items, changes in working capital, restructuring costs paid, interest received and paid, and corporation tax paid.

**Cash flow from investing activities.** Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

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

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

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

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

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

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

**Segment information**

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

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

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

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

**Financial ratios**

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

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

The key figures and financial ratios stated in the Annual Report have been calculated as follows:

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

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

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

**Earnings per share, diluted (EPS-D).** Consolidated profit for the year, excluding minority interests, divided by the average number of shares outstanding, fully diluted for share options in the money and the bonus element in a rights issue in accordance with IAS 33<sup>3</sup>.

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

**Financial gearing.** Net interest-bearing debt<sup>2</sup> at year-end divided by total equity at year-end.

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

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

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

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

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

**Operating profit.** Expression used for operating profit before special items in the management review.

**Organic development.** Measure of growth excluding the impact of acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this provides investors with a more complete understanding of underlying trends.

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

**Return on average invested capital, including goodwill (ROIC)\*.** Operating profit before special items as a percentage of average invested capital<sup>1</sup>.

\* This financial ratio is not defined in the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2005".

<sup>1</sup> The calculation of invested capital is specified in note 32.

<sup>2</sup> The calculation of net interest-bearing debt is specified in note 33.

<sup>3</sup> 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.

<sup>4</sup> The calculation of free cash flow is specified in the cash flow statement.

## Group companies

### CARLSBERG A/S

		Owner- ship share	Nominal share capital (1,000)	Cur- rency	Exchange rate	Northern & Western Europe	Eastern Europe	Asia	Other activities
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				◆
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	4)	◆ 50%	-	DKK	100.00				◆
Ejendomsinteressentskabet Waterfront, Copenhagen, Denmark	4)	◆ 50%	-	DKK	100.00				◆
Carlsberg Breweries A/S, Copenhagen, Denmark		100%	501,000	DKK	100.00				◆
Carlsberg Danmark A/S, Copenhagen, Denmark	3 subsidiaries	100%	100,000	DKK	100.00	◆			
Investeringsselskabet RH, Oslo, Norway	7 subsidiaries	100%	49,900	NOK	75.72	◆			
Ringnes a.s., Oslo, Norway	2 subsidiaries	100%	238,714	NOK	75.72	◆			
Oy Sinebrychoff Ab, Helsinki, Finland		100%	96,707	EUR	745.06	◆			
Saku Õlletehase AS, Estonia	1)	100%	80,000	EEK	47.62	◆			
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary	100%	287,457	SEK	68.04				◆
Carlsberg Sverige AB, Stockholm, Sweden	4 subsidiaries	100%	70,000	SEK	68.04	◆			
BBH – Baltic Beverages Holding AB, Stockholm, Sweden		100%	12,000	EUR	745.06		◆		
A/S Aldaris, Latvia		85%	7,500	LVL	1,052.49	◆			
Svyturys-Utenos Alus AB, Lithuania		75%	118,000	LTL	215.78	◆			
UAB BBH Baltics, Lithuania		100%	10	LTL	215.78	◆			
Baltic Beverages Eesti, Estonia		100%	400	EEK	47.62	◆			
Baltika Brewery, St. Petersburg, Russia	2 subsidiaries	1) 89%	164,364	RUB	17.98		◆		
Slavutich Brewery, Ukraine		92%	853,692	UAH	68.63		◆		
Lvivska Brewery, Ukraine		100%	72,741	UAH	68.63		◆		
Derbes Company Ltd. Liability Partnership, Kazakhstan		98%	4,820,426	KZT	4.36		◆		
Olivaria, Belarus	3)	30%	61,444,801	BYR	0.24		◆		
Carlsberg Uzbekistan, Uzbekistan		75%	35,217,146	UZS	0.36		◆		
Baltic Beverages Invest AB, Stockholm, Sweden		100%	11	EUR	745.06		◆		
Baltic Beverages Holding Oy, Helsinki, Finland		100%	4	EUR	745.06		◆		
Carlsberg Italia S.p.A, Lainate, Italy	13 subsidiaries	100%	82,400	EUR	745.06	◆			
Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal	7 subsidiaries	5) 44%	50,000	EUR	745.06	◆			
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	3 subsidiaries	100%	95,000	CHF	449.08	◆			
Carlsberg Deutschland GmbH, Mönchengladbach, Germany	6 subsidiaries	100%	26,897	EUR	745.06	◆			
Göttsche Getränke GmbH, Germany		100%	2,000	EUR	745.06	◆			
Holsten-Brauerei AG, Hamburg, Germany	5 subsidiaries	100%	41,250	EUR	745.06	◆			
Tuborg Deutschland GmbH, Mönchengladbach, Germany		100%	51	EUR	745.06	◆			
Carlsberg GB Limited, Northampton, UK		100%	692	GBP	764.79	◆			
Carlsberg UK Holdings PLC, Northampton, UK	2 subsidiaries	100%	90,004	GBP	764.79	◆			
Emeraude SAS, France	4 subsidiaries	5) 100%	405,037	EUR	745.06	◆			
Brasseries Kronenbourg SAS, France		100%	547,891	EUR	745.06	◆			
Sorex Holding SAS, France		100%	14,600	EUR	745.06	◆			
Mythos Brewery SA, Greece		100%	39,405	EUR	745.06	◆			
Carlsberg Polska S. A., Warsaw, Poland	3 subsidiaries	100%	28,721	PLN	179.68	◆			
Carlsberg Accounting Centre Sp.z.o.o., Poznan, Poland		100%	50	PLN	179.68				◆
Dyland BV, Bussum, Netherlands	1 subsidiary	100%	18,198	EUR	745.06	◆			
Carlsberg Croatia d.o.o., Koprivnica, Croatia		80%	239,932	HRK	101.15	◆			
Bottling and Brewing Group Ltd., Blantyre, Malawi	3 subsidiaries	2,5) 44%	1,267,128	MWK	3.75			◆	
Nuuk Imeq A/S, Nuuk, Greenland		32%	45,679	DKK	100.00	◆			
International Breweries (Netherlands) B.V., Bussum, Netherlands	2 subsidiaries	16%	2,523	USD	528.49	◆			
Carlsberg Bulgaria AD, Mladost, Bulgaria		80%	37,325	BGN	380.95	◆			
B to B Distribution EOOD, Mladost, Bulgaria		100%	10	BGN	380.95	◆			
Carlsberg Serbia d.o.o., Serbia	2 subsidiaries	80%	2,169,547	RSD	8.30	◆			

		Owner- ship share	Nominal share capital (1,000)	Cur- rency	Exchange rate	Northern & Western Europe	Eastern Europe	Asia	Other activities
Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary		100%	25,200	HUF	2.80	◆			
Carlsberg International A/S, Copenhagen, Denmark		100%	1,000	DKK	100.00				◆
South-East Asia Brewery Ltd., Hanoi, Vietnam		60%	212,705,000	VND	0.03			◆	
International Beverages Distributors Ltd., Hanoi, Vietnam		60%	10,778,000	VND	0.03			◆	
Hue Brewery Ltd., Hue, Vietnam		50%	216,788,000	VND	0.03			◆	
Tibet Lhasa Brewery Company Limited, Lhasa, Tibet, China		33%	380,000	CNY	77.32			◆	
Xinjiang Wusu Beer Co. Ltd., Urumqi, Xinjiang, China	3 subsidiaries	61%	105,480	CNY	77.32			◆	
Lanzhou Huanghe Jianjiang Brewery Company Limited, China		30%	210,000	CNY	77.32			◆	
Qinghai Huanghe Jianjiang Brewery Company Ltd., Xining, Qinghai, China		33%	85,000	CNY	77.32			◆	
Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China		30%	15,000	CNY	77.32			◆	
Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China		30%	16,620	CNY	77.32			◆	
Ningxia Xixia Jianiang Brewery Ltd, China		70%	194,351	CNY	77.32			◆	
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia	1)	51%	154,039	MYR	151.93			◆	
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		100%	10,000	MYR	151.93			◆	
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		100%	100	MYR	151.93			◆	
The Lion Brewery Ceylon, Biyagama, Sri Lanka	1)	25%	850,000	LKR	4.73			◆	
Carlsberg Distributors Taiwan Ltd, Taiwan	1 subsidiary	50%	100,000	TWD	16.30			◆	
Carlsberg Asia Pte Ltd., Singapore		100%	54,914	SGD	366.57			◆	
Brewery Invest Pte. Ltd, Singapore		100%	3,200	SGD	366.57			◆	
Carlsberg Brewery Hong Kong Ltd., Hong Kong, China	1 subsidiary	100%	260,000	HKD	68.19			◆	
Carlsberg Brewery Guangdong Ltd., Huizhou, China		100%	442,330	CNY	77.32			◆	
Tsingtao Beer Shanghai Songjiang Co. Ltd., Shanghai, China		25%	303,659	CNY	77.32			◆	
Carlsberg Hong Kong Ltd., Hong Kong, China		100%	(-)	HKD	68.19			◆	
Kunming Huashi Brewery Company Ltd., Kunming, China		100%	79,528	CNY	77.32			◆	
Lao Brewery Co. Ltd., Vientiane, Laos		50%	14,400,000	LAK	0.06			◆	
Carlsberg Singapore Pte. Ltd., Singapore		100%	1,000	SGD	366.57			◆	
Carlsberg Marketing (Singapore) Pte Ltd., Singapore		100%	1,000	SGD	366.57			◆	
Gorkha Brewery Pvt. Ltd., Kathmandu, Nepal		50%	466,325	NPR	6.93			◆	
Dali Beer (Group) Limited Company, Dali, China		100%	97,799	CNY	77.32			◆	
Hanoi Vung Tau Joint Stock, Vietnam	5)	40%	150,000,000	VND	0.03			◆	
Hanoi Beer Company, Vietnam	5)	16%	2,318,000,000	VND	0.03			◆	
Kronenbourg Vietnam Limited, Vietnam	5)	50%	629,936,908	VND	0.03			◆	
Chongqing Brewery Co. Ltd, China	1,5)	18%	483,971	CNY	77.32			◆	
Caretech Ltd, Hong Kong, China	5)	50%	10,000	HKD	68.19			◆	
Cambrew Pte Ltd, Singapore	5)	100%	21,720	SGD	366.57			◆	
Cambrew Ltd, Phnom Penh, Cambodia	1 subsidiary 5)	100%	125,000	USD	528.49			◆	
Lao Soft Drinks Co. Ltd, Laos		65%	2,448,000	LAK	0.06			◆	
Carlsberg IndoChina		100%	8,000	USD	528.49			◆	
South Asian Breweries Pvt Ltd, Singapore		45%	65,000	SGD	366.57			◆	
South Asian Breweries Pvt Ltd, India		100%	700,000	INR	10.99			◆	
Parag Breweries Ltd, India		52%	5,200	INR	10.99			◆	
Halong Beer and Beverage, Vietnam		30%	9,000,000,000	VND	0.03			◆	
Danish Malting Group A/S, Vordingborg, Denmark		100%	100,000	DKK	100.00				◆
Danish Malting Group Polska Sp. z o.o., Sierpc, Poland		100%	20,000	PLN	179.68				◆
Carlsberg Finans A/S, Copenhagen, Denmark		100%	25,000	DKK	100.00				◆
Carlsberg Invest A/S, Copenhagen, Denmark	1 subsidiary	100%	52,847	DKK	100.00				◆
CTDD Beer Imports Ltd., Quebec, Canada		100%	-	CAD	429.90	◆			
Carlsberg USA Inc., New York, USA		100%	1,260	USD	528.49	◆			
Carlsberg Canada Inc., Mississauga, Ontario, Canada		100%	5,000	CAD	429.90	◆			
Carlsberg IT A/S, Copenhagen, Denmark		100%	50,000	DKK	100.00				◆
Carlsberg Insurance A/S, Copenhagen, Denmark		100%	25,000	DKK	100.00				◆

○ Subsidiary ◆ Proportionally consolidated entity ■ Associate

1) Listed company 2) Carlsberg is responsible for management 3) Carlsberg can exercise control due to call options 4) In accordance with section 5(1) of the Danish Financial Statements Act (exemption provision), a separate annual report is not prepared 5) Company not audited by KPMG

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Parent Company  
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## Income statement

DKK million	Note	2008	2007
Administrative expenses		-44	-38
Other operating income	3	322	290
Other operating expenses	3	-151	-164
<b>Operating profit</b>		<b>127</b>	<b>88</b>
Financial income	4	1,332	539
Financial expenses	5	-342	-297
<b>Profit before tax</b>		<b>1,117</b>	<b>330</b>
Corporation tax	6	-62	80
<b>Profit for the year</b>		<b>1,055</b>	<b>410</b>
<b>Attributable to:</b>			
Dividend to shareholders		534	458
Reserves		521	-48
<b>Profit for the year</b>		<b>1,055</b>	<b>410</b>
<b>Earnings per share:</b>	7		
Earnings per share		8.9	4.3
Earnings per share, diluted		8.9	4.3



## Statement of recognised income and expenses for the year

DKK million	Note	Fair value adjustments	Retained earnings	2008
				Total
Profit for the year		-	1,055	1,055
Value adjustments:				
Hedging instruments, value adjustment for the year	25	-26	-	-26
Other adjustments:				
Retirement benefit obligations	19	-	-5	-5
Share-based payment	9	-	3	3
Share-based payment to employees in subsidiaries		-	28	28
Tax on changes in equity	6	7	11	18
Net amount recognised directly in equity		-19	37	18
Total recognised income and expenses		-19	1,092	1,073

DKK million	Note	Fair value adjustments	Retained earnings	2007
				Total
Profit for the year		-	410	410
Value adjustments:				
Hedging instruments, value adjustment for the year	25	1	-	1
Other adjustments:				
Retirement benefit obligations	19	-	-6	-6
Share-based payment	9	-	2	2
Share-based payment to employees in subsidiaries		-	19	19
Other		-	-12	-12
Tax on changes in equity	6	-	4	4
Net amount recognised directly in equity		1	7	8
Total recognised income and expenses		1	417	418

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

## Balance sheet

### ASSETS

DKK million	Note	31 Dec. 2008	31 Dec. 2007
<b>Non-current assets:</b>			
Property, plant and equipment	10	1,418	733
Investments in subsidiaries	11	45,630	21,514
Investments in associates and joint ventures	12	-	-
Securities	13	7	7
Deferred tax assets	20	88	167
<b>Total non-current assets</b>		<b>47,143</b>	<b>22,421</b>
<b>Current assets:</b>			
Receivables from subsidiaries and associates	14	6,731	357
Tax receivables	20	14	2
Other receivables	14	99	421
Cash and cash equivalents	15	124	-
<b>Total current assets</b>		<b>6,968</b>	<b>780</b>
Assets held for sale	16	10	-
<b>Total assets</b>		<b>54,121</b>	<b>23,201</b>

**EQUITY AND LIABILITIES**

DKK million	Note	31 Dec. 2008	31 Dec. 2007
<b>Equity:</b>			
Share capital	17	3,051	1,526
Reserves		44,632	15,602
<b>Total equity</b>		<b>47,683</b>	<b>17,128</b>
<b>Non-current liabilities:</b>			
Borrowings	18	2,389	3,223
Retirement benefit obligations and similar obligations	19	27	29
Provisions	21	38	35
Other liabilities etc.	22	175	-
<b>Total non-current liabilities</b>		<b>2,629</b>	<b>3,287</b>
<b>Current liabilities:</b>			
Borrowings	18	3,549	2,500
Trade payables		110	116
Other liabilities	22	149	170
<b>Total current liabilities</b>		<b>3,808</b>	<b>2,786</b>
Liabilities associated with assets held for sale	23	1	-
<b>Total liabilities</b>		<b>6,438</b>	<b>6,073</b>
<b>Total equity and liabilities</b>		<b>54,121</b>	<b>23,201</b>

## Statement of changes in equity

DKK million	Note	Share capital	Fair value adjustments	Retained earnings	Total reserves	2008
						Total equity
Equity at 1 January 2008		1,526	1	15,601	15,602	17,128
Total recognised income and expenses for the year, cf. separate statement		-	-19	1,092	1,073	1,073
Capital increase	17	1,525	-	28,413	28,413	29,938
Acquisition/disposal of treasury shares		-	-	2	2	2
Dividends paid to shareholders		-	-	-458	-458	-458
<b>Total changes in equity</b>		<b>1,525</b>	<b>-19</b>	<b>29,049</b>	<b>29,030</b>	<b>30,555</b>
Equity at 31 December 2008		3,051	-18	44,650	44,632	47,683

DKK million		Share capital	Fair value adjustments	Retained earnings	Total reserves	2007
						Total equity
Equity at 1 January 2007		1,526	-	15,716	15,716	17,242
Total recognised income and expenses for the year, cf. separate statement		-	1	417	418	418
Acquisition/disposal of treasury shares		-	-	-74	-74	-74
Dividends paid to shareholders		-	-	-458	-458	-458
<b>Total changes in equity</b>		<b>-</b>	<b>1</b>	<b>-115</b>	<b>-114</b>	<b>-114</b>
Equity at 31 December 2007		1,526	1	15,601	15,602	17,128

The proposed dividend of DKK 3.50 per share, in total DKK 534m (2007: DKK 4.84 per share, in total DKK 458m), is included in retained earnings at 31 December 2008. Dividends paid out in 2008 for 2007 amount to DKK 458m (paid out in 2007 for 2006: DKK 458m), which is DKK 4.84 per share (2007: DKK 4.84). Dividends paid out to shareholders of Carlsberg A/S do not impact taxable income in Carlsberg A/S.

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

## Cash flow statement

DKK million	Note	2008	2007
Operating profit		127	88
Adjustment for depreciation and amortisation		13	15
<b>Operating profit before depreciation and amortisation</b>		<b>140</b>	<b>103</b>
Adjustment for other non-cash items	23	-244	-206
Change in working capital	23	-14	62
Interest etc. received		256	39
Interest etc. paid		-328	-290
Corporation tax paid		24	77
<b>Cash flow from operating activities</b>		<b>-166</b>	<b>-215</b>
Investments in associates and joint ventures		-	-97
Capital injections in subsidiaries		-24,000	-
Loans to subsidiaries		-6,545	43
Loans to associates		143	-23
Dividends from subsidiaries		800	445
Dividends from associates and joint ventures		223	239
<b>Total financial investments</b>		<b>-29,379</b>	<b>607</b>
Other investments in property, plant and equipment		-963	-395
Disposal of other property, plant and equipment		863	33
<b>Total other activities<sup>1</sup></b>		<b>-100</b>	<b>-362</b>
<b>Cash flow from investing activities</b>		<b>-29,479</b>	<b>245</b>
<b>Free cash flow</b>		<b>-29,645</b>	<b>30</b>
Shareholders in Carlsberg A/S	23	29,482	-532
External financing	23	169	506
<b>Cash flow from financing activities</b>		<b>29,651</b>	<b>-26</b>
<b>Net cash flow</b>		<b>6</b>	<b>4</b>
Cash and cash equivalents at 1 January <sup>2</sup>		-63	-67
<b>Cash and cash equivalents at 31 December<sup>2</sup></b>	<b>15</b>	<b>-57</b>	<b>-63</b>

<sup>1</sup> Other activities cover real estate and assets under construction, including costs of construction contracts.

<sup>2</sup> Cash and cash equivalents less bank overdrafts.

## Notes

### NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Carlsberg A/S' Annual Report, management makes various accounting estimates and assumptions which form the basis of recognition and measurement of the Company's assets and liabilities. The most significant accounting estimates and judgements for the Company are presented below. The most significant accounting estimates and judgements for the Carlsberg Group are presented in note 1 to the consolidated financial statements. The Company's accounting policies are described in detail in note 29.

#### 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 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 international financial market showed extraordinary fluctuations in 2008, including fluctuations in interest and currency exchange rates, and with a derived effect on the general economic situation. Therefore estimates in the Annual Report 2008 have been given special attention. It has been ensured that one-off effects which are not expected to exist in the long term do not affect estimated and assessed factors including discount rates and expectations to the future.

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

**Investments in subsidiaries, joint ventures and associates.** Management performs an annual test for indications of impairment of investments in subsidiaries, joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Carlsberg Group, see note 41 to the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2008, and impairment tests have therefore not been made of subsidiaries, joint ventures and associates.

**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.

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

#### Assessment in applied accounting policies

In applying the Group's accounting policies management makes judgements which may significantly influence the amounts recognised in the Annual Report.

Such judgements include the recognition of income from real estate projects.

**Recognition of real estate projects.** When entering contracts, management makes judgements as to whether the individual real estate project is sufficiently modified for the percentage of completion method to apply. The majority of projects are accounted for using the sales method under which gains on disposal of real estate are recognised when the real estate is transferred to the buyer. The selling price of real estate projects less production costs is recognised under other operating income.

### NOTE 2 FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

DKK million	2008	2007
KPMG:		
Statutory audit	1	0.5
Non-audit services	9	-

In 2008 non-audit services mainly included fees for issuance of declaration and other services related to the capital increase in June 2008.

**NOTE 3** OTHER OPERATING INCOME AND EXPENSES

DKK million	2008	2007
<b>Other operating income:</b>		
Gains on disposal of real estate	245	208
Rental income, real estate	5	8
Funding from the Carlsberg Foundation for the operation of the Carlsberg Laboratory	11	13
Other, incl. grants received	61	61
<b>Total</b>	<b>322</b>	<b>290</b>
<b>Other operating expenses:</b>		
Real estate costs	-36	-42
Expenses relating to the Carlsberg Research Center	-99	-91
Other	-16	-31
<b>Total</b>	<b>-151</b>	<b>-164</b>
Of which staff costs, cf. note 8	-85	-72
<b>Recognised gains on construction contracts comprise:</b>		
Construction contract revenue for work performed during the year	184	219
Production costs	-107	-177
<b>Total</b>	<b>77</b>	<b>42</b>

Gains on construction contracts are recognised under "Gains on disposal of real estate" and comprise a construction contract for owner-occupied property. The construction contract was completed and the real estate delivered in 2008.

**NOTE 4** FINANCIAL INCOME

DKK million	2008	2007
Interest income	307	39
Dividends from subsidiaries	800	445
Dividends from associates	223	52
Other financial income	2	3
<b>Total</b>	<b>1,332</b>	<b>539</b>

Interest income relates to interest from cash and cash equivalents.

**NOTE 5** FINANCIAL EXPENSES

DKK million	2008	2007
Interest expenses	335	294
Interest cost on obligations, defined benefit plans	1	1
Other financial expenses	6	2
<b>Total</b>	<b>342</b>	<b>297</b>

Interest expenses primarily relate to interest on borrowings.

In addition, interest expenses include DKK 7m (2007: DKK 4m) related to fair value adjustment of the interest element of fixed-rate borrowings swapped to floating rates.

**NOTE 6** CORPORATION TAX

DKK million	2008	2007
Tax for the year comprises:		
Change in deferred tax during the year	46	-111
Change in tax rate	-	20
Adjustments to tax for previous years	-2	7
<b>Total tax for the year</b>	<b>44</b>	<b>-84</b>
Of which recognised in equity:		
Deferred tax on items recognised directly in equity	18	4
<b>Tax on profit for the year</b>	<b>62</b>	<b>-80</b>
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	25.0%	25.0%
Change in Danish tax rate	0.0%	6.1%
Tax on partnerships	5.0%	9.2%
Adjustments to tax for previous years	-0.2%	2.1%
Non-capitalised tax loss	0.0%	-29.7%
Non-deductible expenses	0.1%	1.0%
Tax-free dividend	-22.9%	-38.0%
Other	-1.5%	0.1%
<b>Effective tax rate for the year</b>	<b>5.5%</b>	<b>-24.2%</b>

In 2007 the Danish corporate tax rate was reduced from 28% to 25%.

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

Tax losses	68	-120
Intangible assets and property, plant and equipment etc.	-4	13
<b>Deferred tax recognised in income statement</b>	<b>64</b>	<b>-107</b>

**NOTE 7** EARNINGS PER SHARE

Carlsberg has adjusted the calculation of basic and diluted earnings per share for the current year as well as the comparative year in accordance with IAS 33 Earnings per Share. The standard requires that if the number of ordinary shares outstanding increases as a result of a bonus element in a rights issue to existing shareholders, the per share calculation for the

current and any prior periods presented shall be based on the new number of shares. The assumptions underlying the calculation of the adjustment of earnings per share are described in note 12 to the consolidated financial statements.

DKK million	2008	2007
<b>Profit for the year</b>	<b>1,055</b>	<b>410</b>
1,000 shares		
Average number of shares	118,785	94,496
Average number of treasury shares	-7	-30
Average number of shares outstanding	118,778	94,466
Average dilutive effect of outstanding share options	-	276
<b>Diluted average number of shares outstanding</b>	<b>118,778</b>	<b>94,742</b>
DKK		
Earnings per share of DKK 20 (EPS)	8.9	4.3
Diluted earnings per share of DKK 20 (EPS-D)	8.9	4.3

Diluted earnings per share excludes 327,031 share options (2007: 0) that do not have a dilutive effect because the exercise price of the options was higher than the market price of the shares.



**NOTE 8** STAFF COSTS AND REMUNERATION OF THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD AND OTHER EXECUTIVE EMPLOYEES

DKK million	2008	2007
Salaries and other remuneration	91	79
Social security costs	6	-
Retirement benefit costs – defined contribution plans	-	6
Share-based payment	3	2
Other employee benefits	2	-
<b>Total</b>	<b>102</b>	<b>87</b>
Staff costs are included in the following items in the income statement:		
Administrative expenses	17	15
Other operating expenses	85	72
<b>Total</b>	<b>102</b>	<b>87</b>

The Group had an average of 141 (2007: 141) full-time employees during the year.

DKK million	2008		2007	
	Group Executive Board	Executive employees	Group Executive Board	Executive employees
Remuneration of key management personnel:				
Salaries and other remuneration	27	6	26	4
Share-based payment	3	-	6	1
<b>Total</b>	<b>30</b>	<b>6</b>	<b>32</b>	<b>5</b>

Remuneration of the Group Executive Board and executive employees is based on a fixed salary and cash bonus payments of up to 60% of the fixed salary and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes and incentive schemes are established for the Group Executive Board and executive employees. These programmes and schemes cover a number of years. The remuneration is specified in note 13 to the consolidated financial statements.

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

Executive employees comprise non-Group Executive Board members who, directly or indirectly, have influence over and responsibility for planning, implementing and controlling the company's activities.

The Board of Directors of Carlsberg A/S received remuneration of DKK 6m (2007: DKK 6m) for duties performed in the Company and some subsidiaries. The remuneration is a fixed annual amount. The Board of Directors is not included in share option programmes, retirement benefit plans and other schemes, and no agreements have been entered into concerning termination benefits and no such payments were made.

**NOTE 9** SHARE-BASED PAYMENT

In 2008 a total of 92,649 (2007: 56,365) share options were granted to 4 (2007: 6) key employees. The grant date fair value of these options was a total DKK 8m (2007: DKK 6m). The total cost of share-based payment was DKK 3m (2007: DKK 2m), which is recognised in the income statement under staff costs. Refunds etc. between Carlsberg A/S and its subsidiaries are recognised directly in equity.

To ensure that holders of share options receive the same nominal yield on a given increase in the share price after the capital increase in Carlsberg A/S, adjustment has been made to the share option programmes which existed at the time of the rights issue. The assumptions underlying the calculation of the adjustment of share options are described in note 14 to the consolidated financial statements.

Grant year	Exercise year	Number					31 Dec. 2008	For exercise 31 Dec.	Exercise price Fixed	Fair value		
		1 Jan. 2008	Granted	Expired/ forfeited	Exercised	Transferred				DKK per option	31 Dec. 2008	31 Dec. 2007
<b>Executive Board:</b>												
2001	2004-2009	9,105	-	-	-	-	9,105	9,105	312.02	0.00	-	2
2002	2005-2010	9,105	-	-	-	-	9,105	9,105	261.39	4.67	-	2
2003	2006-2011	13,008	-	-	-	-	13,008	13,008	173.12	32.12	1	4
2004	2007-2012	13,008	-	-	-	-	13,008	13,008	216.65	25.69	1	4
2005	2008-2013	12,388	-	-	-	-	12,388	12,388	232.71	22.78	-	3
2006	2009-2014	12,388	-	-	-	-	12,388	-	306.89	21.02	-	3
2007	2010-2015	24,776	-	-	-	-	24,776	-	472.11	15.19	-	3
2008	2011-2016		89,552	-	-	-	89,552	-	383.34	32.00	3	
<b>Total</b>		<b>93,778</b>	<b>89,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183,330</b>	<b>56,614</b>			<b>5</b>	<b>21</b>
<b>Key management personnel:</b>												
2001	2004-2009	1,332	-	-	-	-	1,332	1,332	312.02	0.00	-	-
2002	2005-2010	3,902	-	-	-	-	3,902	3,902	261.39	4.67	-	1
2003	2006-2011	5,853	-	-	-	-	5,853	5,853	173.12	32.12	-	2
2004	2007-2012	1,951	-	-	-	-	1,951	1,951	216.65	25.69	-	-
2005	2008-2013	2,271	-	-	-	-	2,271	2,271	232.71	22.78	-	1
2006	2009-2014	2,684	-	-	-	-	2,684	-	306.89	21.02	-	1
2007	2010-2015	3,097	-	-	-	-	3,097	-	472.11	15.19	-	-
2008	2011-2016		3,097	-	-	-	3,097	-	383.34	32.00	-	-
<b>Total</b>		<b>21,090</b>	<b>3,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,187</b>	<b>15,309</b>			<b>-</b>	<b>5</b>
<b>Retired employees:</b>												
2001	2004-2009	9,105	-	-	-	-	9,105	9,105	312.02	0.00	-	2
2002	2005-2010	9,105	-	-	-	-	9,105	9,105	261.39	4.67	-	2
2003	2006-2011	13,008	-	-	-	-	13,008	13,008	173.12	32.12	-	4
2004	2007-2012	20,162	-	-	-	-	20,162	20,162	216.65	25.69	1	6
2005	2008-2013	18,582	-	-	-	-	18,582	18,582	232.71	22.78	-	5
2006	2009-2014	24,776	-	-	-	-	24,776	-	306.89	21.02	1	6
2007	2010-2015	24,776	-	-	-	-	24,776	-	472.11	15.19	-	3
2008	2011-2016		-	-	-	-	-	-	383.34	32.00	-	-
<b>Total</b>		<b>119,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,514</b>	<b>69,962</b>			<b>2</b>	<b>28</b>
<b>Total</b>		<b>234,382</b>	<b>92,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>327,031</b>	<b>141,885</b>			<b>7</b>	<b>54</b>

**NOTE 9** SHARE-BASED PAYMENT – CONTINUED

	2008					2007				
	Executive Board	Key management personnel	Resigned	Total	Average exercise price	Executive Board	Key management personnel	Resigned	Total	Average exercise price
Share options outstanding at 1 January	93,778	21,090	119,514	234,382	297.91	163,091	45,620	-	208,711	246.51
Granted	89,552	3,097	-	92,649	383.34	49,552	6,813	-	56,365	472.11
Exercised	-	-	-	-	-	-	-32,582	-	-32,582	267.82
Transferred	-	-	-	-	-	-118,865	1,239	119,514	1,888	295.55
<b>Share options outstanding at 31 December</b>	<b>183,330</b>	<b>24,187</b>	<b>119,514</b>	<b>327,031</b>	<b>322.11</b>	<b>93,778</b>	<b>21,090</b>	<b>119,514</b>	<b>234,382</b>	<b>297.91</b>
Exercisable at 31 December	56,614	15,309	69,962	141,885	230.74	44,226	13,039	51,380	108,645	230.14
Exercised options as % of share capital	0.00%	0.00%	0.00%	0.00%		0.00%	0.02%	0.00%	0.02%	

No share options were exercised in 2008. In 2007 the average share price at the exercise date for share options was DKK 572.

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

At 31 December 2008 the exercise price for outstanding share options was in the range DKK 173.12 to DKK 472.11 (2007: DKK 173.12 to DKK 472.11). The average remaining contractual life was 4.8 years (2007: 4.7 years).

**NOTE 10** PROPERTY, PLANT AND EQUIPMENT

					2008
DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Construction in progress	Total
<b>Cost:</b>					
Cost at 1 January 2008	603	103	7	489	1,202
Additions	355	-	-	608	963
Disposals	-92	-	-2	-195	-289
Transfers	-	3	-	-3	-
Transfer to/from assets held for sale	-14	-	-	-	-14
<b>Cost at 31 December 2008</b>	<b>852</b>	<b>106</b>	<b>5</b>	<b>899</b>	<b>1,862</b>
<b>Depreciation and impairment losses:</b>					
Depreciation and impairment losses at 1 January 2008	371	92	6	-	469
Disposals	-30	-	-3	-	-33
Depreciation	6	6	-	-	12
Transfer to/from assets held for sale	-4	-	-	-	-4
<b>Depreciation and impairment losses at 31 December 2008</b>	<b>343</b>	<b>98</b>	<b>3</b>	<b>-</b>	<b>444</b>
<b>Carrying amount at 31 December 2008</b>	<b>509</b>	<b>8</b>	<b>2</b>	<b>899</b>	<b>1,418</b>
Carrying amount of assets pledged as security for loans	506	-	-	899	1,405
					<b>2007</b>
DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Construction in progress	Total
<b>Cost:</b>					
Cost at 1 January 2007	612	97	6	141	856
Additions	-	-	1	394	395
Disposals	-9	-3	-	-37	-49
Transfers	-	9	-	-9	-
<b>Cost at 31 December 2007</b>	<b>603</b>	<b>103</b>	<b>7</b>	<b>489</b>	<b>1,202</b>
<b>Depreciation and impairment losses:</b>					
Depreciation and impairment losses at 1 January 2007	362	89	6	-	457
Disposals	-	-3	-	-	-3
Depreciation	9	6	-	-	15
<b>Depreciation and impairment losses at 31 December 2007</b>	<b>371</b>	<b>92</b>	<b>6</b>	<b>-</b>	<b>469</b>
<b>Carrying amount at 31 December 2007</b>	<b>232</b>	<b>11</b>	<b>1</b>	<b>489</b>	<b>733</b>
Carrying amount of assets pledged as security for loans	170	-	-	489	659

Depreciations and impairment losses are included in administrative expenses.

**NOTE 11** INVESTMENTS IN SUBSIDIARIES

DKK million	2008	2007
Cost:		
Cost at 1 January	21,514	21,662
Additions during the year	24,000	-
Share-based payment to employees in subsidiaries	116	-148
Cost at 31 December	45,630	21,514
Carrying amount at 31 December	45,630	21,514

The carrying amount includes goodwill of DKK 11,207m (2007: DKK 11,207m) on acquisition of subsidiaries.

Share-based payment to employees in subsidiaries comprises exercised as well as outstanding share options.

**NOTE 12** INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

DKK million	2008	2007
Cost:		
Cost at 1 January	-	90
Additions	-	97
Disposals	-	-187
Cost at 31 December	-	-
Carrying amount at 31 December	-	-

The dividends received from associates and joint ventures exceed the original investments.

**NOTE 13** SECURITIES

DKK million	2008	2007
Unlisted shares	7	7

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

No shares in unlisted entities were disposed of during 2007 and 2008.

**NOTE 14** RECEIVABLES

DKK million	2008	2007
Receivables by origin:		
Loans to subsidiaries	6,588	43
Loans to associates	-	143
Receivables from subsidiaries	143	171
Receivables from construction contracts (selling price)	-	349
Other receivables	99	72
<b>Total</b>	<b>6,830</b>	<b>778</b>

%	2008	2007
Average effective interest rates:		
Loans to subsidiaries	5.4	4.8
Loans to associates	-	5.2

Loans to subsidiaries have increased compared to 2007 due to loans to Carlsberg Breweries A/S as part of the financing of the acquisition of part of the activities in S&N.

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

**NOTE 15** CASH AND CASH EQUIVALENTS

DKK million	2008	2007
Cash at bank and in hand	124	-
<b>Total</b>	<b>124</b>	<b>-</b>

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

Cash and cash equivalents	124	-
Bank overdrafts	-181	-63
<b>Cash and cash equivalents, net</b>	<b>-57</b>	<b>-63</b>

**NOTE 16** ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

DKK million	2008	2007
Assets held for sale comprise the following individual assets:		
Property, plant and equipment	10	-
<b>Total</b>	<b>10</b>	<b>-</b>

Liabilities associated with assets held for sale:

Deferred tax	1	-
<b>Total</b>	<b>1</b>	<b>-</b>

Assets held for sale represents a depot in Valby.

**NOTE 17** SHARE CAPITAL

	Class A shares		Class B shares		Total share capital	
	Shares of DKK 20	Nominal value, DKK '000	Shares of DKK 20	Nominal value, DKK '000	Shares of DKK 20	Nominal value, DKK '000
1 January 2007	33,699,252	673,985	42,579,151	851,583	76,278,403	1,525,568
No change in 2007						
31 December 2007	33,699,252	673,985	42,579,151	851,583	76,278,403	1,525,568
Share capital increase	-	-	76,278,403	1,525,568	76,278,403	1,525,568
31 December 2008	33,699,252	673,985	118,857,554	2,377,151	152,556,806	3,051,136

Each class A share of DKK 20 carries 20 votes. Each class B share of DKK 20 carries 2 votes. Class B shares are entitled to 8% in preferential dividends, but no accumulated dividends. Apart from dividends, all shares rank equally.

In June 2008 Carlsberg A/S carried out a capital increase by issuing 76,278,403 new class B shares of nominally DKK 20 at a price of DKK 400. The nominal share capital increase amounted to DKK 1,525,568 thousand and the total proceeds on the share capital increase were DKK 30,511m less costs incurred of DKK 573m. The amount is specified as follows:

## DKK million

Fees to financial intermediaries	513
Prospectus printing and marketing costs	5
Fees to auditors and legal advisors etc.	36
Other costs	4
Underwriting commission to custodian banks	15
<b>Total</b>	<b>573</b>

	Treasury shares		
	Shares of DKK 20	Nominal value, DKKm	Percentage of share capital
1 January 2007	7,508	-	0.0%
Acquisition of treasury shares	201,199	4	0.3%
Used to settle share options in Carlsberg Group	-175,945	-4	-0.3%
31 December 2007	32,762	-	0.0%
Acquisition of treasury shares	37,283	1	0.0%
Used to settle share options in Carlsberg Group	-66,769	-1	0.0%
31 December 2008	3,276	-	0.0%

At 31 December 2008 the fair value of treasury shares amounted to DKK 1m (2007: DKK 20m).

The Annual General Meeting has authorised the Board of Directors to acquire treasury shares of a total nominal amount of 10% of the Company's share capital in the period up to the next Annual General Meeting.

In the financial year the Company acquired class B treasury shares of a nominal amount of DKK 1m (2007: DKK 4m) at an average price of DKK 500 (2007: DKK 637), corresponding to a purchase price of DKK 20m (2007: DKK 127m). Class B treasury shares are primarily acquired to facilitate settlement of share option schemes. The Group holds no class A shares.

In the financial year the Company disposed of class B treasury shares at a total price of DKK 20m (2007: DKK 53m). The disposal was made in connection with settlement of share options.

**Provisions governing alterations to the Articles of Association.** In order to pass a resolution to alter the Articles of Association or dissolve the Company which is not proposed or endorsed by the Board of Directors, it is required

that at least one third of the possible number of votes representing the total share capital shall be represented at the general meeting and the resolution shall be passed by three quarters of both the total number of votes cast and of the voting share capital represented at the general meeting. If the resolution is proposed or endorsed by the Board of Directors, only a qualified majority of two thirds of both the total number of votes cast and of the voting share capital represented at the general meeting is required for its passing.

If the prescribed portion of the voting share capital is not sufficiently represented at the general meeting but a resolution is nonetheless passed such resolution may be finally passed at an extraordinary general meeting convened by the Board of Directors within fourteen days of the first general meeting, irrespective of the number of votes represented at this general meeting. In order for a resolution not endorsed by the Board of Directors to be passed successfully at this second General Meeting, three quarters of both the total number of votes cast and of the voting share capital represented at the general meeting must vote in favour of the resolution. If the resolution has been endorsed by the Board of Directors, the resolution may be passed by the majority specified.

**NOTE 18** BORROWINGS

DKK million	2008	2007
<b>Non-current borrowings:</b>		
Issued bonds	-	2,495
Mortgages	735	728
Bank borrowings	1,649	-
Other non-current borrowings <sup>1</sup>	5	-
<b>Total</b>	<b>2,389</b>	<b>3,223</b>
<b>Current borrowings:</b>		
Current portion of other non-current borrowings	2,499	-
Bank borrowings	181	63
Borrowings from subsidiaries	869	2,437
<b>Total</b>	<b>3,549</b>	<b>2,500</b>
<b>Total non-current and current borrowings</b>	<b>5,938</b>	<b>5,723</b>
Fair value	5,888	5,740

<sup>1</sup> Other non-current borrowings include employee bonds of DKK 5m (2007: DKK 0m).

Borrowings are measured at amortised cost with the exception of two fixed-rate mortgages swapped to floating rates which are measured at fair value. The carrying amount of these borrowings is DKK 362m (2007: DKK 356m).

## Time to maturity for non-current borrowings

DKK million						2008
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	-	-	-	-	5	5
Mortgages	-	-	-	-	735	735
Bank borrowings	-	1,649	-	-	-	1,649
<b>Total</b>	<b>-</b>	<b>1,649</b>	<b>-</b>	<b>-</b>	<b>740</b>	<b>2,389</b>
DKK million						2007
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	2,495	-	-	-	-	2,495
Mortgages	-	-	-	-	728	728
<b>Total</b>	<b>2,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>728</b>	<b>3,223</b>



**NOTE 18** BORROWINGS – CONTINUED

## Interest rate risk on non-current borrowings at 31 December 2008

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	2008 Interest rate risk
<b>Issued bonds:</b>					
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	0-1 year	2,499	Fair value
<b>Total issued bonds</b>		<b>4.88%</b>		<b>2,499</b>	
<b>Mortgages:</b>					
Floating rate <sup>1</sup>	Floating	4.06%	0-1 year	362	Cash flows
Fixed rate <sup>2</sup>	Fixed	4.95%	5-10 years	373	Fair value
<b>Total mortgages</b>		<b>4.38%</b>		<b>735</b>	

<sup>1</sup> This concerns three mortgages with a time to maturity of more than five years and one that matures by the end of 2009. Two loans (total DKK 362m) were originally at fixed rates but were swapped to floating rates. The loans are adjusted to fair value through the income statement. The total fair value adjustment of borrowings and swaps is DKK -7m and DKK 7m respectively. (2007: DKK 4m and DKK -4m respectively).

<sup>2</sup> A floating-rate mortgage of DKK 373m swapped to a fixed rate. Maturity more than 5 years.

## Currency profile of borrowings before and after derivative financial instruments

DKK million	Original principal	Effect of swap	After swap	Next repricing (of principal before currency swaps)					
				2009	2010	2011	2012	2013	2014-
DKK	5,938	-	5,938	5,561	-	-	-	-	377

## Interest rate risk on non-current borrowings at 31 December 2007

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	2007 Interest rate risk
<b>Issued bonds:</b>					
DKK 2,500m maturing 4 June 2009	Fixed	4.88%	1-2 years	2,495	Fair value
<b>Total issued bonds</b>		<b>4.88%</b>		<b>2,495</b>	
<b>Mortgages:</b>					
Floating rate <sup>1</sup>	Floating	4.06%	0-1 year	355	Cash flow
Fixed rate <sup>2</sup>	Fixed	4.70%	2-10 years	373	Fair value
<b>Total mortgages</b>		<b>4.39%</b>		<b>728</b>	

<sup>1</sup> This concerns three 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 through the income statement. The total fair value adjustment of borrowings and swaps is DKK 0 (DKK 4m and DKK -4m respectively).

<sup>2</sup> A floating-rate mortgage of DKK 372m has been raised and swapped to a fixed rate.

## Currency profile of borrowings before and after derivative financial instruments

DKK million	Original principal	Effect of swap	After swap	Next repricing (of principal before currency swaps)					
				2008	2009	2010	2011	2012	2013-
DKK	5,723	-	5,723	2,856	2,495	-	-	-	372

Financial risk comprises 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 2,390m, DKK 377m 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 payment to retired directors that are not covered by an insurance company. The plan is unfunded.

DKK million	2008	2007
<b>Changes in obligations:</b>		
Total obligations at 1 January	29	28
Interest cost	1	1
Actuarial losses	5	6
Benefits paid	-8	-6
<b>Total obligations at 31 December</b>	<b>27</b>	<b>29</b>
<b>Assumptions applied:</b>		
Discount rate	2.0%	2.0%
Future retirement benefit increases	3.5%	3.5%
<b>Recognised in income statement:</b>		
Interest cost on obligations	1	1
<b>Total recognised in income statement</b>	<b>1</b>	<b>1</b>
<b>Recognised in equity:</b>		
Recognised at 1 January	-24	-18
Actuarial gains/losses during the period	-5	-6
<b>Recognised at 31 December</b>	<b>-29</b>	<b>-24</b>

DKK million	2008	2007	2006	2005	2004
<b>Five-year overview:</b>					
Unfunded obligations	27	29	28	24	20
Experience adjustments to obligations	-	-1	-1	-1	-

**NOTE 20** DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

DKK million	2008	2007
Deferred tax at 1 January, net	167	159
Joint taxation contribution	-37	-76
Adjustments to previous years	3	-7
Recognised in equity	18	4
Recognised in income statement	-64	107
Change in tax rate	-	-20
	87	167
Of which transferred to liabilities associated with assets held for sale	1	-
<b>Deferred tax at 31 December, net</b>	<b>88</b>	<b>167</b>
<b>Specified as follows:</b>		
Deferred tax liabilities	-	-
Deferred tax assets	88	167
<b>Deferred tax at 31 December, net</b>	<b>88</b>	<b>167</b>

**NOTE 20** DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES – CONTINUED

Specification of deferred tax assets and liabilities at 31 December:

DKK million	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
Property, plant and equipment	1	-	1	3
Provisions and retirement benefit obligations	24	17	2	-
Tax losses etc.	65	153	-	-
<b>Total before set-off</b>	<b>90</b>	<b>170</b>	<b>3</b>	<b>3</b>
Set-off	-3	-3	-3	-3
<b>Total after set-off</b>	<b>87</b>	<b>167</b>	<b>-</b>	<b>-</b>
Transferred to liabilities associated with assets held for sale	1	-	-	-
<b>Deferred tax assets and liabilities at 31 December</b>	<b>88</b>	<b>167</b>	<b>-</b>	<b>-</b>
Expected to be used as follows:				
Within 12 months of balance sheet date	65	1	-	-
More than 12 months after balance sheet date	23	166	-	-
<b>Total</b>	<b>88</b>	<b>167</b>	<b>-</b>	<b>-</b>

Of the total deferred tax assets recognised, DKK 65m (2007: DKK 153m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Deferred tax has not been calculated on temporary differences relating to investments in subsidiaries, as these investments are not expected to be disposed of within the foreseeable future and are therefore not expected to trigger tax liability on disposal. At 31 December 2008, deferred tax on such temporary differences amounted to approximately DKK 0 (2007: DKK 0).

**NOTE 21** PROVISIONS

Provisions primarily comprise warranty provisions regarding real estate disposed of and provisions for ongoing disputes and lawsuits etc.

DKK million	2008	2007
Provisions at 1 January	35	35
Additional provisions recognised	3	-
<b>Provisions at 31 December</b>	<b>38</b>	<b>35</b>

Of provisions DKK 10m is expected to be used after more than 5 years from the balance sheet date.

**NOTE 22** OTHER LIABILITIES ETC.

DKK million	2008	2007
Other liabilities are recognised in the balance sheet as follows:		
Non-current liabilities	175	-
Current liabilities	149	170
<b>Total</b>	<b>324</b>	<b>170</b>
Other liabilities by origin:		
Staff costs payable	14	13
Interest payable	82	72
Fair value of hedging instruments	25	6
Deferred income	5	61
Other	198	18
<b>Total</b>	<b>324</b>	<b>170</b>

Non-current liabilities are due in 2013.

**NOTE 23** CASH FLOWS

DKK million	2008	2007
Adjustment for other non-cash items:		
Gains on disposal of property, plant and equipment and intangible assets, net	-246	-208
Other non-cash adjustments	2	2
<b>Total</b>	<b>-244</b>	<b>-206</b>
Change in working capital:		
Receivables	22	-24
Trade payables and other liabilities	-31	93
Retirement benefit obligations and other provisions	-5	-7
<b>Total</b>	<b>-14</b>	<b>62</b>
Shareholders in Carlsberg A/S:		
Increase of share capital	29,938	-
Dividends to shareholders	-458	-458
Acquisition of treasury shares	-20	-127
Disposal of treasury shares	22	53
<b>Total</b>	<b>29,482</b>	<b>-532</b>
External financing:		
Proceeds from issue of bonds	5	-
Debt institutions, long term	1,649	-1,177
Intercompany loans, short term	-1,661	1,683
Other financing liabilities	176	-
<b>Total</b>	<b>169</b>	<b>506</b>

**NOTE 24** SPECIFICATION OF NET INTEREST-BEARING DEBT

DKK million	2008	2007
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	2,389	3,223
Current borrowings	3,549	2,500
<b>Gross interest-bearing debt</b>	<b>5,938</b>	<b>5,723</b>
Cash and cash equivalents	-124	-
Loans to subsidiaries	-6,588	-107
Loans to associates	-	-143
<b>Net interest-bearing debt</b>	<b>-774</b>	<b>5,473</b>
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	5,473	5,015
Cash flow from operating activities	166	215
Cash flow from investing activities	29,573	-245
Dividends to shareholders	458	458
Acquisition/disposal of treasury shares	-2	75
Change in interest-bearing lending	-	-44
Proceeds from capital increase, net	-29,938	-
Other	-7	-1
<b>Total change</b>	<b>-6,247</b>	<b>458</b>
<b>Net interest-bearing debt at 31 December</b>	<b>-774</b>	<b>5,473</b>

**NOTE 25 FINANCIAL INSTRUMENTS**

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods. Both external valuation reports and internally calculated fair values based on discounting of cash flows

are used. Where internally calculated fair values are applied, these are tested against external market valuations on a quarterly basis. Carlsberg A/S uses two 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. In Carlsberg A/S interest rate swaps are used to swap fixed-rate mortgages to floating rate. Foreign exchange adjustments of both financial instruments and underlying loans are recognised in the income statement. This had no net effect on the profit for the year.

DKK million	2008	2007
Recognised in income statement:		
Interest rate instruments	7	-4
<b>Total</b>	<b>7</b>	<b>-4</b>

**Cash flow hedge**

A negative fair value of an interest rate swap is recognised in equity in accordance with hedge accounting rules for cash flow hedges. The swap was entered into in December 2007 and hedges against the floating rate on a mortgage. The swap matures in 10 years.

DKK million	2008	2007
Recognised in equity:		
Interest rate instruments	-26	1
<b>Total</b>	<b>-26</b>	<b>1</b>

DKK million	2008		2007	
	Positive	Negative	Positive	Negative
Fair value of financial instruments:				
Cash flow hedge	-	-25	1	-
Fair value hedge	1	-	-	-6
<b>Total</b>	<b>1</b>	<b>-25</b>	<b>1</b>	<b>-6</b>

**NOTE 26** RELATED PARTY DISCLOSURES

**Related parties exercising control.** The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V, Denmark, holds 30.3% of the shares and 72.9% of the voting power in Carlsberg A/S, excluding treasury shares. The Foundation participated in the capital increase in June 2008. Apart from this and of dividends and grants, cf. note 3, no transactions were carried out with the Carlsberg Foundation during the year.

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

**Associates** Dividends of DKK 223m (2007: DKK 52m) were received from associates.

DKK million	2008	2007
<b>The income statement and balance sheet include the following transactions with associates:</b>		
Interest income	12	8
Loans	-	48
Receivables	12	102
Trade payables	1	32

No losses on loans to or receivables from associates were recognised or provided for in either 2008 or 2007.

**Subsidiaries.** Dividends of DKK 800m (2007: DKK 445m) were received from subsidiaries.

DKK million	2008	2007
<b>The income statement and balance sheet include the following transactions with subsidiaries:</b>		
Other operating income	48	37
Other operating costs	14	18
Interest income	251	3
Interest expenses	51	40
Loans	6,588	43
Receivables	99	64
Capital increase	24,000	-
Trade payables	23	7
Borrowings	869	2,437

**NOTE 27** CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Carlsberg A/S has issued guarantees for loans etc. of DKK 551m (2007: DKK 353m) raised by subsidiaries.

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

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

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

**Capital commitments**

DKK million	2008	2007
<b>Capital commitments which at the balance sheet date are agreed to be made at a later date and therefore not recognised in the consolidated financial statements:</b>		
Property, plant and equipment and construction contracts	-	73
<b>Total</b>	<b>-</b>	<b>73</b>

Carlsberg A/S has entered into an operating lease which relates to cars. The lease contains no special purchase rights etc. Future lease payments are less

than DKK 1m (2007: DKK 0). Operating lease payments recognised in the income statement in 2008 are less than DKK 1m (2007: DKK 0).

**NOTE 28** EVENTS AFTER THE BALANCE SHEET DATE

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

**NOTE 29** ACCOUNTING POLICIES

The 2008 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 NASDAQ OMX Copenhagen A/S for listed companies, and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

In addition, the Annual Report has been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB.

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

The accounting policies for the Parent Company are the same as for the Carlsberg Group, cf. note 41 to the consolidated financial statements, with the exception of the items below.

**Income statement****Dividends on investments in subsidiaries, joint ventures and associates**

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

**Financial income and financial expenses**

Foreign exchange adjustments of balances with foreign entities which are considered part of the total net investment in the entity are recognised in the income statement of the Parent Company.

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

Tax on profit/loss for the year comprises profit/loss from real estate partnerships (associated companies) as these are not individually taxed but included in the taxable income of the partners. In addition, tax on profit/loss and deferred tax is calculated and recognised as described in note 41 to the consolidated financial statements.

**Balance sheet****Investments in subsidiaries, joint ventures and associates**

Investments in subsidiaries, joint ventures and associates are measured at the lower of cost or the recoverable amount.

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

**Share-based payment to employees in subsidiaries**

The value of granted equity-settled share options to employees in the Company's subsidiaries is recognised in investments in subsidiaries, as the services rendered in exchange for the options are received in the subsidiaries, with a set-off directly against equity.

The difference between the purchase price and the sales price for the exercise of equity-settled share options by employees in subsidiaries is settled between Carlsberg A/S and the individual subsidiary with a set-off directly against investments in subsidiaries.

The difference at the balance sheet date between the fair value of the Company's equity instruments and the exercise price of outstanding equity-settled share options is recognised as a receivable in Carlsberg A/S with a set-off directly against investments in subsidiaries.

Equity-settled share options granted to the Company's own employees are recognised and measured in accordance with the accounting policies used by the Carlsberg Group. See note 41 to the consolidated financial statements for a description of accounting policies.

500  
brands

150  
markets









Management  
statement

Auditors'  
report

# 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 2008.

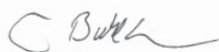
The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the Annual Report gives a true and fair view of the Carlsberg Group's and the Parent Company's assets, liabilities and financial position at 31 December 2008 and of the results of the Carlsberg Group's and the Parent Company's operations and cash flows for the financial year 2008.

Further, in our opinion the management's review gives a true and fair view of the development in the Carlsberg Group's and the Parent Company's operations and financial matters, the result of the Carlsberg Group and the Parent Company for the year and the financial position as a whole, and describes the significant risks and uncertainties pertaining to the Carlsberg Group and the Parent Company.

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

Copenhagen, 18 February 2009

## Executive Board of Carlsberg A/S



Jørgen Buhl Rasmussen



Jørn P. Jensen

## Board of Directors of Carlsberg A/S



Povl Krogsgaard-Larsen  
Chairman



Jens Bigum  
Deputy Chairman



Hans Andersen



Flemming Besenbacher



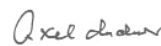
Hanne Buch-Larsen



Henning Dyremose



Niels Kærgård



Axel Michelsen



Erik Dedenroth Olsen



Bent Ole Petersen



Jess Søderberg



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 2008, which comprises the management statement, management review, income statement, statement of recognised income and expenses for the year, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. 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 2008 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 2008 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, 18 February 2009

## KPMG

Statsautoriseret Revisionspartnerselskab



Henrik Kronborg Iversen  
State Authorised Public Accountant



Jesper Koefoed  
State Authorised Public Accountant



Board  
of Directors



**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, 2007.

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 such as Pharma-Biotec, NeuroScience PharmaBiotec and Drug Research Academy. He also has experience from directorships at other international companies.

**JENS J. BIGUM**

**Deputy Chairman** Managing Director. Born 1938. Member of the Boards of Directors of Per Aarsleff A/S, Toms Gruppen A/S (Chairman), Gerda og Victor B. Strands Fond and the University of Aarhus (Chairman). Elected 2001, 2007.

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.

**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, 2008.

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.

**HANNE BUCH-LARSEN <sup>E)</sup>**

Head of Section, Carlsberg A/S. Born 1952. Elected 2006.

**ERIK DEDENROTH OLSEN <sup>E)</sup>**

Head of Section, Carlsberg Danmark A/S. Born 1949. Elected 1998, 2006.

**BENT OLE PETERSEN <sup>E)</sup>**

Head of Section, Carlsberg Research Center. Born 1954. Elected 2002, 2006.

<sup>E)</sup> Elected by employees.



**AXEL MICHELSEN**



Professor, D.Phil. Born 1940. Member of the Executive Board of the Carlsberg Foundation. Chairman of the Board of Directors of the Carlsberg Laboratory. Elected 1986, 2008.

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 the Centre for Sound Communication 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.

**PER ØHRGAARD**



Professor, D.Phil. Born 1944. Member of the Executive Board of the Carlsberg Foundation and the Boards of Directors of property companies affiliated to the Carlsberg Foundation. Elected 1993, 2008.

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.

**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.

**HANS S. ANDERSEN <sup>E)</sup>**



Brewery Worker, Carlsberg Danmark A/S. Born 1955. Elected 1998, 2006.

**JESS SØDERBERG**



Managing Director. Born 1944. Former CEO of the A.P. Møller – Mærsk Group (1993-2007) and before that CFO in the same company since 1981. Member of the Board of Directors of The Chubb Corporation and member of Danske Bank's Advisory Board. Elected 2008.

Jess Søderberg has acquired broad international experience of management and finance as a result of many years in the senior management of A.P. Møller – Mærsk.

**HENNING DYREMOSE**



Managing Director. Born 1945. Member of the Boards of Directors of Brødrene A & O Johansen A/S (Chairman) and Koff A/S. Chairman of the Danish Trade Council. Elected 1999, 2007.

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).

## COUNTRY CEOs

### Northern & Western Europe

Pekka Tiainen, CEO, Sinebrychoff, Finland  
Jesper Friis, CEO, Ringnes, Norway  
Jesper Jørgensen, CEO, Carlsberg Danmark, Denmark  
Otto Drakenberg, CEO, Carlsberg Sverige, Sweden  
Isaac Sheps, CEO, Carlsberg UK, United Kingdom  
Jörg Croseck, CEO, Carlsberg Deutschland, Germany  
Thomas Metzger, CEO, Feldschlösschen Getränke, Switzerland  
Thomas Amstutz, CEO, Brasseries Kronenbourg, France  
Alberto Frausin, CEO, Carlsberg Italia, Italy  
John Kamviselis, Managing Director, Mythos, Greece  
Jacek Pastuszka, CEO, Carlsberg Polska, Poland  
Pekka Tennilä, CEO, Saku, Estonia  
Thomas Pantelli, General Manager, Aldaris, Latvia  
Rolandas Virsilas, Managing Director, Svyturys, Lithuania  
Aleksandar Radosavljevic, CEO, South East Europe (Serbia, Croatia and Bulgaria)  
Aleksandar Radosavljevic, CEO, Carlsberg Serbia  
Alexander Grancharov, CEO, Carlsberg Bulgaria  
Thomas Kure Jakobsen, CEO, Carlsberg Croatia  
Lars Lehmann, Managing Director, Export & License

### Eastern Europe

Anton Artemiev, President, Baltika Brewery, Russia  
Peter Chernyshov, CEO, Ukraine  
Evgeny Shevchenko, CEO, Uzbekistan  
Eduard Babayan, President, Kazakhstan  
Viktor Semak, CEO, Belarus

### Asia

Sunny Wong, CEO, Greater China  
Henrik Juel Andersen, CEO, Carlsberg Indochina  
Søren Holm Jensen, Managing Director, Carlsberg Brewery Malaysia  
Lars Stjernstrøm, Managing Director, Carlsberg Singapore  
Pradeep Gidwani, Managing Director, South Asia Breweries, India  
Abel Chanje, CEO, Carlsberg Malawi

## CARLSBERG GROUP CENTRE – SENIOR MANAGEMENT (EXCL. EXECUTIVE COMMITTEE)

### Regions

Mark Jensen, VP, Business Development (Northern Europe)  
Geir Nesheim, VP, Business Development (Western Europe)  
Julia Isdale, Commercial VP (Eastern Europe)  
Bjørn Søndenskov, VP, Business Development (Eastern Europe)  
Graham Fewkes, Commercial VP (Asia)

### Headquarters functions

Esko Pajunen, VP, Carlsberg Research Center  
Bengt Erlandsson, VP, Group Procurement  
Vibeke Aggerholm, VP, Internal Audit  
Ulrik Andersen, General Counsel & VP, Group Legal and Risk Management  
Lars Larsen, VP, Group Finance  
Lars Cordi, VP, Group Treasury  
Kenneth Egelund Smith, VP, Carlsberg IT  
Lars Krejberg Petersen, VP, BSP  
Torben Larsen, VP, M&A  
Lars Holten Petersen, VP, Carlsberg Properties



**Editors**

CARLSBERG GROUP COMMUNICATION

**Design**

KONTRAPUNKT

**Layout and production**

KP2

**Print**

SCANPRINT A/S

**Photos**

NANA REIMERS

**Translation (Management review) and proofreading**

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