Annual Report 2004

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

Carlsberg is one of the world's leading brewing groups, holding a strong portfolio of brands. Our national, regional and international beer brands appeal to a broad diversity of tastes, personalities and lifestyles.

One of the brands is Carlsberg, the world's fastest growing international beer brand and … *Probably the best beer in the world.*

We aim to make our beer brands the consumers' first choice. And we want to lead the industry in profitability and growth – based on proud traditions and focus on quality, innovation and continuous improvement.

- The companies in the Carlsberg Group sell 74 million bottles of beer every day. That is a total of 9 billion litres of beer in a year.
- We sell beer in more than 150 countries and revenue amounts to DKK 36bn a year.
- We brew beer in 91 locations in 47 countries. And we employ around 31,000 highly skilled people.

Carlsberg A/S, the Parent Company of the Group, is listed on the Copenhagen Stock Exchange. The shares in the Company are owned by individual and institutional investors all over the world. 51% is owned by the Carlsberg Foundation, established in 1876 by Carlsberg's founder J. C. Jacobsen. The foundation backs the Company as an active and long-term shareholder, and its objective is also to support scientific research.

Carlsberg beer was first brewed in 1847, when J. C. Jacobsen established a new brewery outside Copenhagen. Brewer Jacobsen was a pioneer in brewing processes and developed techniques to ensure stable quality.

J. C. Jacobsen founded his Company on ethical principles based on social responsibility and fairness, and he placed quality before immediate profit. These principles are still honoured, and today they are apparent in the global brewing Group's environmental policy, beer awareness programme and code of responsible management. We believe that there is more to running a brewery than just brewing fine beer.

The future is in our own hands

2004 was an eventful year in which many results were achieved.

The year was not only characterised by international progress for the Carlsberg brand and the EURO 2004 campaign during the European Football Championships – our most substantial marketing drive to date – but also by the many results achieved through focused work on optimisation and efficiency improvement. But above all, 2004 was the year in which Carlsberg A/S acquired full ownership of Carlsberg Breweries and created a solid platform for future development of the business activities.

In February, Carlsberg announced that negotiations conducted over a period of time had been fruitful, and that an agreement had been entered into for the acquisition of Orkla's 40% stake in Carlsberg Breweries for about DKK 15bn – the largest corporate transaction in Denmark for some time. It concluded four years of constructive cooperation and a transformation, which has strengthened Carlsberg's development. At the same time, it created a simple company structure, which makes the value of the brewery more visible.

Even before the conclusion of this transaction, Carlsberg had been active on the investment scene with the takeover of Holsten-Brauerei in the northern part of Germany. After the divestmet of some of the company's business units, the investment amounted to about DKK 3bn.

Following such substantial investments, it was appropriate to strengthen the capital base, and in the spring existing and new shareholders contributed equity of DKK 3.4bn. Shortly after, we issued bonds of DKK 2.5bn. The interest in participating in Carlsberg's future development was overwhelming – demonstrating strong support of the Company's strategy.

Carlsberg is a branded-product company and holds a broad and well-composed portfolio of strong local, regional and global brands. The star of the portfolio is the Carlsberg brand, which is currently the fastest growing international beer brand. We are very proud of that, and we will continue to build the brand while also strengthening our other market leading brands.

In 2004, we made another marked increase in marketing efforts to secure and expand our brand positions. In the short term this entails expenses, but it is an investment in the future. To consumers the most visible initiative was Carlsberg's EURO 2004 campaign, which resulted in substantial sales growth.

Market conditions in our industry, which is characterised by relatively stable consumption, have become increasingly difficult in recent years. This means that profitability must be improved primarily through systematic optimisation of every link in the value chain and, consequently, efficiency improvement in all processes was an important factor in our work throughout the year – not least in the mature markets in Western Europe. From the outset our goals were ambitious, but the results achieved so far have reinforced our conviction that the expected improvements are obtainable.

Carlsberg is primarily looking for growth in Eastern Europe and Asia. The engine is Baltic Beverages Holding, the market leader in the Russian beer market. Both Russia and other Eastern European markets hold considerable potential for many years ahead. Asia has potential to become the next component in Carlsberg's growth portfolio, including China – the world's biggest beer market – where Carlsberg has acquired a number of medium-sized breweries in recent years.

The Group saw favourable developments in results in most areas, amongst other things due to the initiatives within marketing, production, administration and procurement. However, due to an exceptionally wet summer in Northern Europe and disappointing developments in the Swedish activities the expected progress in operating profit was not realised. Operating profit for the year amounted to DKK 3.4m, slightly below 2003. However, Carlsberg's share of profit before goodwill amortisation totalled DKK 1,425m, which is an increase of 21% on last year.

The financial results are obviously crucial when evaluating the year as a whole. This is reflected in the share price, which showed a modest increase. But seen in a development perspective, it is also very important that the organisation came out of 2004 on a strong note, that the process enjoys full support from the employees and that they are ready to take on the tasks ahead. The competence and skills of the employees have secured considerable volume growth for the Group in a year marked by major changes.

As in the past year, 2005 will pose challenges. Substantial tasks still remain in the daily operations. But it will be equally important to ensure continuous development and optimisation of Carlsberg's business model, enabling us to be a strong and dynamic player in the market and to achieve our goals – to supply high-quality products to the consumers and be the customer's preferred choice.

Nils S. Andersen

"In 2004, we made another significant increase in marketing efforts to secure and expand our brand positions".

"Profitability is primarily improved through systematic optimisation of each link in the value chain".

Key figures and financial ratios, 5 years

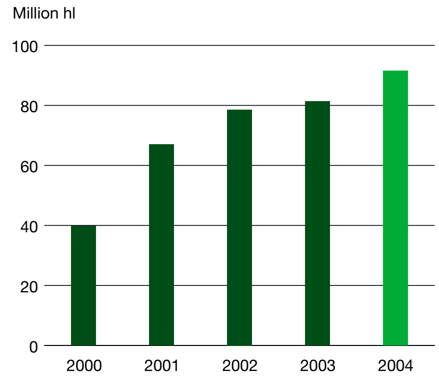
DKK million		2000	2001	2002	2003	2004
Volume (gross, million hl)						
Beer		39.8	67.0	78.6	81.4	**92.0**
Soft drinks		14.8	21.2	20.9	21.2	**19.4**
Income statement						
Net revenue		25,650	34,419	35,544	34,626	**35,987**
Operating profit (EBITA)		1,995	3,294	3,779	3,564	**3,442**
Special items, net		363	32	-23	-401	**-301**
Financials, net		-264	-255	-884	-475	**-1,079**
Profit before tax		2,094	3,071	2,872	2,688	**2,062**
Tax		-547	-617	-723	-590	**-459**
Goodwill amortisation and write-downs		-1,664	-303	-375	-379	**-976**
Consolidated profit		-117	2,151	1,774	1,719	**627**
Minority interests		151	-957	-763	-763	**-150**
Carlsberg's share of profit		34	1,194	1,011	956	**477**
Carlsberg's share of profit before goodwill amortisation, etc.		1,698	1,370	1,231	1,179	**1,425**
Balance sheet						
Assets, total		40,168	47,455	46,523	46,712	**56,731**
Invested capital		26,636	32,195	31,243	29,255	**43,198**
Interest-bearing debt, net		10,309	10,918	10,923	8,929	**21,733**
Capital and reserves		12,529	12,041	10,836	11,276	**14,410**
Cash flow						
Cash flow from operating activities		2,305	2,215	5,550	4,517	**3,806**
Cash flow from investing activities		-6,057	-3,514	-3,946	-1,904	**-2,294**
Free cash flow		-3,752	-1,299	1,604	2,613	**1,512**
Investments						
Acquisition and divestment of property, plant and equipment, net		2,770	3,551	2,991	1,218	**1,141**
Acquisition and divestment of companies, net		4,309	1,996	1,131	143	**4,252**
Financial ratios						
Operating profit/sales (EBITA-margin)	%	7.8	9.6	10.6	10.3	**9.6**
Return on invested capital (ROIC)	%	7.5	10.2	12.1	12.2	**8.0**
Equity interest (solvency ratio)	%	31.2	25.4	23.3	24.1	**25.4**
Debt/equity (financial gearing)	x	0.82	0.91	1.01	0.79	**1.51**
Interest cover	x	7.56	12.92	4.27	7.50	**3.19**

The accounting policies applied remain unchanged from the Annual Report 2003.

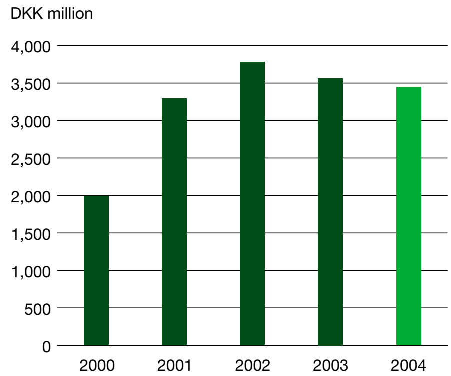
The figures for 2000 are pro forma due to the change of the financial year: Unaudited comparative figures based on the financial year 1999-2000, adapted to the calendar year 2000 (12 months) and adjusted for the effects of the changes made in the basis of the accounts. Cash flow and investment figures cover 15 months.

Unless otherwise stated, the key figures have been prepared in accordance with the publication "Recommendations & Financial Ratios 2005" published by the Danish Society of Financial Analysts.

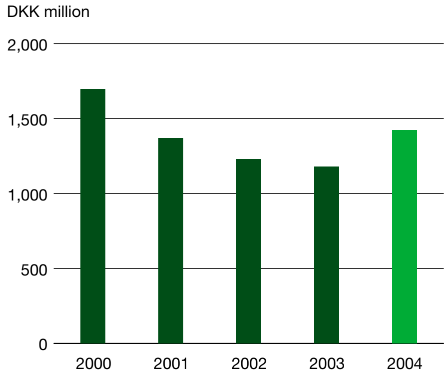
Volume, beer



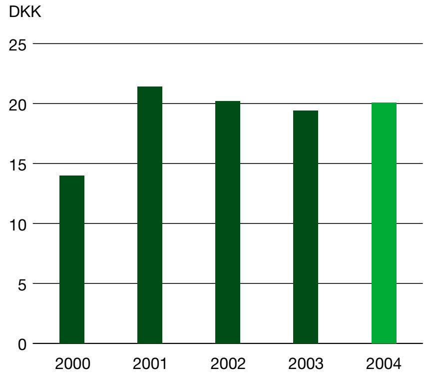
Operating profit (EBITA)



Carlsberg's share of profit before goodwill amortisation, etc.



Earnings per share before goodwill amortisation



DKK million		2000	2001	2002	2003	2004
Stock market ratios						
Earnings per share (EPS)	DKK	0.5	18.7	16.6	15.7	6.7
Earnings per share, before goodwill amortisation	DKK	14.0	21.5	20.2	19.4	20.1
Cash flow from operating activities per share (CFPS)	DKK	40.4	34.7	91.2	74.2	53.6
Dividend per share (proposed)	DKK	5.4	5.0	5.0	5.0	5.0
Dividend paid/profit (pay-out ratio)	%	na	27	30	32	80
Share price (per B-share of DKK 20), year-end*	DKK	440.1	329.8	295.1	259.5	278.1
Number of shares (year-end, 1,000)		63,906	63,906	63,906	63,906	76,278
Number of shares (year-end, excl. treasury shares, 1,000)		63,706	63,706	60,862	60,862	76,078
Number of shares (average, excl. treasury shares, 1,000)		63,706	63,706	60,862	60,862	71,006

* Calculated by the Copenhagen Stock Exchange, taking into account the capital increase in 2004.


HOLSTEN
Pilsener
Ringnes
AV DE FINESTE RÅVARER
DEN EKTE Pilsener


Carlsberg
Carlsberg
Beer
COPENHAGEN · DENMARK
TUBORG
FULL FLAVOUR
TETLEY'S
ORIGINAL BITTER
OFFICIAL BEER
ENGLAND RUGBY

Carlsberg’s strategy

Carlsberg’s core business is the sale, distribution and brewing of beer. Soft drinks and mineral water are also part of Carlsberg’s product portfolio in markets where this is profitable. Since 2000, Carlsberg has sold a series of non-strategic companies and assets, including a number of properties, with the result that the Group is now a focused global brewery business.

Brewing operations are concentrated in Western Europe, Eastern Europe and Asia, while markets outside these regions are serviced through exports and production under licence.

The international brewing industry is undergoing rapid consolidation. Carlsberg’s strategy is to take part in this consolidation wherever this can create value for its shareholders. The emphasis is on acquiring breweries with an already strong market position in growth markets, primarily in Eastern Europe and Asia.

Carlsberg’s goal in all markets is to be the market leader, based on a brand strategy where Carlsberg is the leading international brand supported by strong regional and local brands.

Carlsberg aims as far as possible to increase its stake in the companies in which it has invested with a view to gaining full control. This enables Carlsberg to integrate the companies into the Group better, introduce the same systems and processes, coordinate production internationally, synchronise marketing initiatives, implement common IT and financial management systems, etc., and so realise major synergy gains.

In 2003, Carlsberg defined six strategic focus areas, which have since formed the backdrop to a series of development activities at the Group's majority-owned companies. These are as follows:

- Simplifying the structure of the business
- Commercial Excellence (optimising sales and marketing)
- Growth in the Carlsberg brand
- Operational Excellence (optimising production, administration and procurement)
- Developing a common Carlsberg culture
- Developing human resources

These six focus areas guided a number of the Group’s strategic initiatives in both 2003 and 2004. Substantial resources have been invested in improvement programmes, which not only yielded good financial results but also paved the way for further integration of the companies in the Group.

“Carlsberg’s goal in all markets is to be the market leader, based on a portfolio of strong local, regional and global brands”.

Important steps in our strategic development

2004 was the year when Carlsberg laid the foundations for its future growth. Carlsberg strengthened its market position as one of the world's leading breweries through several major transactions and implemented a series of internal excellence programmes that safeguard earnings in the short and long term

Growth in revenue

Carlsberg achieved substantial growth in beverage sales in 2004. Total beer volumes grew by more than 10m hl to 92.0m hl, and sales amounted to DKK 36bn.

Growth in the Carlsberg brand

The Carlsberg brand heads the Carlsberg Group's international portfolio of beer brands, which also includes a number of leading local brands in most of the major markets. Carlsberg is one of the most widely distributed beer brands in the world, and is now also the fastest growing thanks to focused and coordinated marketing efforts in many countries.

The sponsorship of EURO 2004 helped the Carlsberg brand to grow substantially again in 2004, namely by about 6%. Carlsberg made particular progress in the UK and Eastern Europe, where Russian and Polish consumers in particular have welcomed the brand.

EURO 2004

Carlsberg was an official sponsor of the European Football Championships in Portugal, EURO 2004. It was Carlsberg's biggest sponsorship agreement and marketing campaign yet. The Carlsberg brand achieved an unprecedented high level of exposure, also in countries outside Europe. This was followed up with local marketing activities in a number of countries, and Carlsberg recorded sharply increased sales figures during the period, especially in the UK and Portugal.

Different strategies for different markets

Carlsberg's companies pursue different strategies according to the type of market in which they operate. Thus, in the mature markets of Northern and Western Europe where Carlsberg is typically the market leader, Carlsberg's companies must generate the revenue needed to channel into expansion and investment in the growth markets.

In the growth markets of Eastern Europe and Asia in which Carlsberg is established, the focus is instead on long-term development and positioning to create earnings potential. One of the markets in which Carlsberg is building up its position is China, which is not yet making money but is expected to be very interesting in the longer term.

Developing a balanced portfolio of companies with growth potential in the different types of market remains part of Carlsberg's strategy.

New marketing methods

In 2004, Carlsberg launched a development programme called *Commercial Excellence* with the aim of growing sales and strengthening profitability in customer-oriented activities. The programme is intended to improve how Carlsberg works the market and services customers, based on sharing the best international systems and experience between the companies in the Carlsberg Group.

Existing processes for off-trade (retailers) and on-trade

EURO 2004

Sport – especially football – has been the key international communication platform for the Carlsberg brand for a number of years. Sport's universal appeal and the social aspects of playing and watching sport tie in well with our efforts to associate the Carlsberg brand with values such as prestige, passion and friendship.

The promotional activities connected with the EURO 2004 finals in Portugal made up the single largest marketing drive ever for the Carlsberg brand. The global campaign resulted in major increases in sales both before and during the tournament, and helped to position Carlsberg in the consciousness of beer drinkers worldwide. EURO 2004 was used in marketing in more than 60 countries. This made the campaign the most far-reaching in the Group's history, and cemented the perception of Carlsberg as a single global business.

The EURO 2004 campaign was an important factor in the growth in sales of the Carlsberg brand during the first half of the year. Sales in the second quarter were 15% higher than in 2003, and sales in June 25% higher than the year before. Sales in Portugal in June were 54% up on 2003.

Carlsberg had a massive presence in Portugal, both inside and outside the football stadiums, including many large outdoor advertising hoardings and the distribution of more than 200,000 promotional items to football fans. EURO 2004 was also used as an opportunity for Carlsberg companies to invite more than 10,000 guests and partners to enjoy the finals at close hand.

On TV screens the world over, Carlsberg's advertising boards were on display for an average of 16 minutes per game. EURO 2004 was broadcast to 171 countries, and it is estimated that each game attracted 120-220m viewers. The total media value of sponsoring the event is estimated to have been 50% higher than at the previous finals in 2000, and consumer awareness of the Carlsberg brand in Europe rose by 20% during and after the finals.

Carlsberg has also decided to sponsor the next European Championships finals, which will be held in Switzerland and Austria in 2008.

(restaurants, hotels, cafes etc.) sales and marketing were mapped in detail. The best systems for working the market have been selected and, in some cases, further enhanced. The plan now is to introduce these systems at all of the Group's companies. This will not only boost sales and increase the efficiency of sales and marketing in the individual markets in itself, but also make it possible, for example, to use the same sales and marketing materials in several countries and so make greater use of international campaigns and sponsorships. This is also very important when Carlsberg wishes to market more of its beer brands internationally.

The first phase of the Commercial Excellence programme was implemented as a pilot project at Carlsberg Danmark at the end of 2004, and is expected to be fully implemented at the most significant companies by the end of 2006.

New bottle and crate in Denmark

Carlsberg is the market leader in all of the Nordic countries.

In Denmark, earnings levels were maintained and the Tuborg brand made good progress. An important and ambitious step was taken towards differentiating Carlsberg and Tuborg with a view to creating a clearer and more independent profile for each brand in the mind of the consumer. Carlsberg Pilsner was positioned more closely in line with Carlsberg's international image, which resulted in teething problems with some customer groups.

Pressure on prices in Norway

Price reductions have put particular pressure on earnings in Norway. Carlsberg's Norwegian company, Ringnes, nevertheless retained its high market share through attractive pricing of the Tuborg brand. As a result, Tuborg is now one of the best-selling beers in Norway. Ringnes introduced a series of measures to cut costs in 2003, and these have ensured earnings at a satisfactory level.

Strong position in Finland

The Finnish operation is one of the strong and steady entities in the Carlsberg Group. Carlsberg's Finnish brewery, Sinebrychoff, managed to maintain satisfactory earnings despite the enlargement of the EU and growing private imports from Estonia.

Restructuring in Sweden

After a series of restructuring measures it was expected that Carlsberg's Swedish operation would show improvements relative to 2003. However, structural changes in the market, including growing illegal imports of beer, made conditions difficult, and an unsuccessful pricing strategy led to losses.

Various additional restructuring measures have now been introduced at Carlsberg Sverige under new management to ensure the profitable development of the Swedish operation.

Volume increase in the UK

Carlsberg UK achieved considerable volume growth, partly due to a successful marketing campaign during EURO 2004. The integration of Holsten-Brauerei's UK activities also contributed to a positive development.

Continued good results in Switzerland

Carlsberg's Swiss company, Feldschlösschen, continues to be a success. Taken over by Carlsberg in 2000, the company then underwent considerable restructuring and has since achieved continuous improvements in earnings, customer satisfaction and employee satisfaction. Although poor summer weather also had a negative impact on beer sales in Switzerland, Feldschlösschen managed to increase its earnings, meeting the 10% EBITA target set at the time of the takeover.

Changeover in Italy

The Italian market contracted due to poor summer weather, and this affected Carlsberg's sales. The important summer season led to financial difficulties for a number of customers, and Carlsberg Italia was forced to make significant write-downs on trade receivables. The earnings posted by the Italian operation were not satisfactory. However, this is also ascribable to the changeover to a new business model, including investments and adjustments to build a better distribution platform.

Progress in Portugal

Sales at Carlsberg's Portuguese associate, Unicer, made very satisfactory progress in 2004, not least as a result of the country's successful hosting of the EURO 2004 football championships and Carlsberg's extensive marketing work in this context.

Tuborg conquers Eastern Europe

Sales of Tuborg, the Group's second-largest international brand, grew by more than 8% in 2004, thanks in part to the launch of Tuborg Green in several Eastern European markets.

Outside Denmark, Tuborg Gold has previously been the more high-profile of the two Tuborg variants. The introduction of Tuborg Green in new markets has helped to expand Tuborg's total market potential, since Tuborg Green and Tuborg Gold are now positioned more clearly towards different consumer groups.

In Russia, where Tuborg Green was launched during the spring, sales of Tuborg more than doubled. In Bulgaria, where Tuborg Green was launched during the summer, it managed to win a 14% share of the lucrative licensed premium segment in just six months.

The Eastern European countries have considerable potential for Tuborg Green because the brand's intended positioning here has not previously been exploited to any great degree. Tuborg Green is aimed at young people with a communication platform built on music and festivals, and pricewise it is positioned just above the local non-premium brands. Tuborg Gold, with its slightly more exclusive profile, higher percentage of alcohol and higher price, is aimed at a slightly older consumer segment.

The Tuborg brand has also seen strong sales growth in Norway, driven by a price reduction, which has made the Tuborg brand the second-largest in the portfolio.

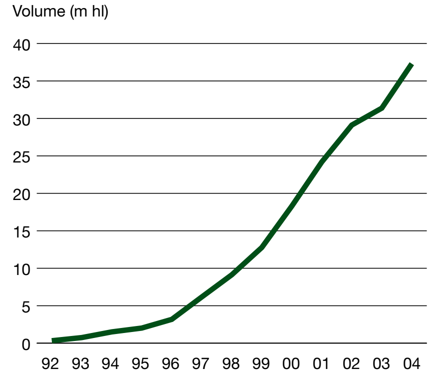
Strong sales growth in Russia

Baltic Beverages Holding (BBH) achieved strong volume growth in 2004 of 15% in Russia, 16% in the Ukraine, 1% in the Baltic States and 67% in Kazakhstan. Overall BBH recorded volume growth of 16%.

BBH's principal market is Russia. Through a substantial increase in marketing, sales and distribution BBH once again underlined its position as the market leader, its market share rising to 34.2% in 2004 compared to 33% last year. BBH owns several of the best-selling beer brands in Russia, including the top brand Baltika. The year also saw sales of Carlsberg and Tuborg taking off – volumes more than doubled in both cases.

To further strengthen its leading market position in Russia, Carlsberg and its joint venture partner, Scottish & Newcastle, have just launched a process which aims to realise further synergies between the Russian breweries over a number of years, and eventually make them a single organisational unit.

BBH's growth since its formation



BBH – a strong card in Carlsberg's growth strategy

Baltic Beverages Holding (BBH), a 50/50 joint venture between Carlsberg and Scottish & Newcastle, was set up in 1992 and has since grown into the region's undisputed market leader and one of the world's ten largest breweries in volume terms. This growth has been achieved through a combination of numerous acquisitions and remarkable organic growth.

With 18 breweries in six countries, BBH is well positioned for the future. The Group has a wide range of possibilities for strengthening the synergies between the breweries in each country. This applies not only to building up an efficient production platform but also to developing sales and marketing activities and building up these countries' brand portfolios. Not least closer cooperation between BBH's Russian breweries – and eventually a reorganisation into a one-company structure – would have potential to boost growth and profitability.

Carlsberg's strategy in China

Carlsberg strengthened its position in northwestern China in 2004 by acquiring stakes in several regional breweries and launched Carlsberg Chill, a product specially tailored to Chinese tastes, in the market for international premium beers.

These activities in China in 2004 reflect the two-pronged strategy which Carlsberg is pursuing in this fast-growing beer market, which is also the world's largest with annual consumption of 250m hl. The market is dominated by local and regional non-premium beer brands where price plays a key role in sales. This type of beer constitutes more than 95% of total sales.

Carlsberg has opted to build its growth strategy around investments and joint ventures in leading regional breweries in the northwestern provinces, where several acquisitions were made in 2004. Carlsberg acquired 33% of Lhasa Brewery in Tibet in February; 30% of Lanzhou Brewery, which operates three breweries in the Gansu province, in July; and 34.5% of Wusu Brewery in the northwestern province of Xinjiang in September. In connection with the investment in Lanzhou Brewery an agreement was reached on the construction of a new brewery in the neighbouring province of Qinghai.

Northwestern China has considerable growth potential since annual beer consumption per capita is well below the Chinese average of 20 litres. Consumption is therefore expected to grow even faster here than elsewhere in the country. Through these new acquisitions and previous investments, Carlsberg has built up a market-leading position in the region, which covers a third of China and has more than 100m inhabitants.

Adjustments in Turkey

Carlsberg's company in Turkey, Türk Tuborg, increased its sales of the Carlsberg brand in 2004 and also grew its exports significantly. The Skol brand was launched in May, and was soon the third best-selling beer in Turkey.

Sharp increases in duties on alcoholic drinks in 2003, 2004 and most recently again in January 2005 could not be offset through price increases, so the earnings expectations at the beginning of the year were not met. Türk Tuborg has since launched a variety of initiatives to adapt costs to market conditions.

Focus on growth in Asia

Some of the countries in Asia, including China, hold growth potential for Carlsberg.

The most important steps taken in the region in 2004 were investments in breweries in the western provinces of China. Beer consumption and income levels in the region are still well below those in the eastern and southern coastal provinces, but then the growth potential is that much greater.

Carlsberg has also launched a new beer, Carlsberg Chill, on a trial basis in a number of China's big cities, including Beijing. With its lighter taste and modern bottle, the product has young, cosmopolitan Chinese as its main target group.

Acquisitions and structural changes

Carlsberg Breweries now wholly owned

Carlsberg made its largest ever investment in February 2004 when it acquired Orkla's stake in Carlsberg Breweries for around DKK 15bn, once again making the shareholders of Carlsberg A/S the sole owners of its most important operating asset, Carlsberg Breweries.

Carlsberg Breweries was formed in 2001 when Carlsberg A/S and Norway's Orkla ASA transferred their brewing operations to the company. Carlsberg then held 60% of Carlsberg Breweries and Orkla 40%.

Many of Carlsberg's original intentions with the formation of Carlsberg Breweries have since been achieved. The addition of Orkla's brewing operations helped to make Carlsberg the market leader in the Nordic region, Russia and the Baltic States. Profitability at a number of the existing Western European businesses has grown substantially, and most of the anticipated synergies have been realised or are expected to be realised in the coming years.

With the acquisition of Orkla's holding in Carlsberg Breweries, Carlsberg has regained 100% ownership of the Group's brewing operations, resulting in a simpler structure and increased transparency, and giving shareholders direct control over earnings and cash flows in the business.

Chill – new beer for the Chinese market

Carlsberg is one of the leading brands in the market for international premium beers in most of China's big cities. In 2004, the new Carlsberg Chill was launched, backed up by substantial marketing initiatives.

Carlsberg Chill has a lighter taste developed specifically to suit the preferences of young, cosmopolitan consumers in the big cities. Carlsberg Chill is also being marketed in a newly developed, modern bottle, which won Chinese magazine New Weekly's 2004 Design Prize.

Acquisition of Holsten-Brauerei in Germany

Another major investment in 2004 was the takeover of Holsten-Brauerei AG in Hamburg, which made Carlsberg the leading brewery in northern Germany and so created a growth platform for Carlsberg in the German market. Germany is the largest beer market in Europe but is still highly fragmented.

The integration of Holsten proceeded as planned in 2004, and a number of synergy gains have already been realised, including increased sales of the Carlsberg and Tuborg brands via Holsten's well-developed sales organisation, and increased sales of the Holsten brand in the UK via Carlsberg UK and in various other countries through Carlsberg's Export & Licence Department.

Holsten made a satisfactory contribution to the Carlsberg Group's earnings even in 2004.

Debt reduction

The acquisition of Holsten and Orkla's stake in Carlsberg Breweries meant that for a brief period Carlsberg's debt grew to around DKK 33bn.

Carlsberg aims to maintain an investment-grade financial profile. A series of transactions were therefore planned and begun to quickly bring down this debt, and these were carried out both more rapidly and more efficiently than planned:

- Two of Holsten's seven breweries, König-Brauerei and Licher Privatbrauerei, and its soft drinks business, Hansa-Brunnen, were sold shortly after the takeover.
- Carlsberg's share capital was increased through a rights issue, which generated net proceeds of DKK 3.4bn.
- The Group's shares in Harboes Bryggeri were sold.
- Carlsberg also sold a number of properties, which brought in DKK 1bn.
- There was a focus on liquidity in the Group companies.

Carlsberg's interest-bearing debt was reduced to around DKK 22bn by the end of the year. The acquisition financing was also refinanced during the autumn on the same favourable terms as the Company enjoyed before the acquisition of Orkla's stake in Carlsberg Breweries.

In May, Carlsberg issued bonds worth DKK 2bn, which were sold successfully to primarily institutional investors and listed on the Copenhagen Stock Exchange. Interest in the market was so strong that Carlsberg was then able to increase the size of the loan to DKK 2.5bn from DKK 2bn.

Other acquisitions and structural changes

The burden of debt resulting from the big acquisitions at the beginning of the year naturally put a damper on further acquisitions in 2004.

Nevertheless Carlsberg continued its strategy of increasing its holdings in the Group's breweries and participating in the consolidation of the industry wherever this can create value. Hence Carlsberg increased its stake in Pivara Celarevo A.D. in Serbia and Carlsberg Okocim in Poland, the latter then being delisted from the Warsaw Stock Exchange and changing name to Carlsberg Polska.

In Sweden, the brewery in Bromma outside Stockholm was closed, and production was transferred to the brewery in Falkenberg and, to a lesser extent, Copenhagen.

In North America, Carlsberg terminated its agreement with Labatt on imports, distribution and marketing, setting up its own companies instead in both Canada and the USA. This will reduce operating profit in the short term but has given the Group full control over sales and marketing activities in North America.

Continued efficiency gains

In 2003, Carlsberg launched its ambitious *Operational Excellence* programme with the aim of making the Group's structure and processes more efficient. In 2004, this led to three projects focusing on the efficiency of the production

apparatus *(Production Excellence)*, administrative processes *(Administration Excellence)* and the procurement of raw and other materials *(Procurement Excellence)*. Once these projects have been implemented at all of the Group's companies by the end of 2006, they are expected to generate annual savings of at least DKK 800m. At the end of 2004, accumulated annual savings are estimated at around DKK 300m.

As part of *Production Excellence*, 2003 saw extensive mapping of processes at all production plants in Europe, and the benchmarking of resource consumption and efficiency. Improvement projects were then carried out at the nine big breweries in the Group (in Western Europe and Poland) on the basis of the benchmarking process. Experience from the most productive plants is now being transferred as far as possible to the others.

New integrated Supply Chain

Production Excellence has resulted in structures and processes at the Group's production plants being made more efficient and gradually more homogeneous. This has paved the way for further integration and coordination of production in Europe.

From 2005, the structure has been modified such that production management in the nine European countries is now being handled centrally by Group Supply Chain in Copenhagen. This will ensure better utilisation of the plants and so better opportunities to realise synergies and apply best practice effectively at all plants. The idea is to cut production costs per litre of beer while also ensuring continued high standards of quality at all production units.

The new integrated European Supply Chain covers 23 production plants in Denmark, Sweden, Norway, Finland, the UK, Germany, Poland, Switzerland and Italy. The volumes produced at these plants amounted to about 40m hl.

Quality management

One of Carlsberg's goals for 2004 was for all of the Group's production sites to have implemented a quality management system based on ISO 9001 by the end of the year. This was achieved by 35 majority-owned companies, and plans have been drawn up for the other operations to follow suit.

Carlsberg has a tradition of effective quality assurance. Wherever Carlsberg's products are produced, samples are taken and analyses performed throughout the process on the basis of carefully specified procedures. So that the reliability of these analyses can be documented, all of the production sites' laboratories take part in monthly ring tests as part of a Proficiency Scheme.

Each month a Quality Index (QI) is computed for each production site on the basis of samples submitted for tasting and quality data from the site. The QI is used for benchmarking the production sites and for identifying areas in need of attention.

Developing organisation and culture

In connection with the increased integration of the companies in the Carlsberg Group, there is a growing focus on employee development. The idea is to make managers and specialists better able to take on the challenges resulting from the Group's new structure.

Managers from all of the Group's companies therefore took part in seminars and workshops in 2004 intended to develop them personally as managers, promote cooperation

between companies, and contribute to the development of a common Carlsberg culture. A programme for identifying and developing young management talent was also launched.

The companies in the Group are also supported by central systems for performance management, management development, training, career planning, expatriation etc.

Two Carlsberg Academies have been set up, one for Supply Chain and one for Marketing. These serve as focal points for supplementary training of Carlsberg's employees and for bringing together the latest information on systems and methods for production and marketing, respectively.

Values, mission and vision

Carlsberg is known in most of the world for its strong brand and its slogan *Probably the best beer in the world* – a slogan which, despite its ironic and understated tone, reflects a real ambition to supply the very best beer in the world.

So it was only natural to use this famous slogan as a starting point when the Carlsberg Group formulated its vision for the business under the heading *Probably the best beer company in the world* as part of the strategic development process in 2003. The message is that Carlsberg aims to be not necessarily one of the biggest, but definitely one of the best companies in the world in areas like customer satisfaction, profitability and quality.

At the same time Carlsberg's senior management group formulated a mission and a set of common values on which all actions and decisions of the Group's many companies and employees are to be based. The mission underlines Carlsberg's desire to be international, to focus on beer and soft drinks, and to improve people's quality of life.

Our values – innovative, ambitious, responsible and honest – were discussed, interpreted and implemented at many of Carlsberg's departments and subsidiaries during the year, e.g. in Finland, Poland, Croatia and Bulgaria. Most recently Carlsberg Danmark held 112 workshops involving all 2,800 employees to work on translating these values into concrete action plans to make the Company the preferred choice of consumers, partners and employees alike.

Working environment

In 2004, Carlsberg carried out its first Employee Attitude Survey (EAS), which covered 18,000 employees. The survey gave employees a chance to express their views anonymously on a wide range of topics concerning the working environment and working relations. The responses provided important information on factors affecting employees' job

satisfaction and commitment, and will therefore help to improve the workplace at Carlsberg and make it more attractive. The survey will be conducted annually, the next one due in October 2005.

Other activities

Besides its beverage operations, the Carlsberg Group is involved in the development and sale of properties, primarily on the former Tuborg site in Copenhagen. In 2004, sales of properties contributed DKK 471m to the Group's operating profit.

The portfolio is being scaled down in line with the Company's focus on its core business, which will reduce the amount of capital tied up in property.

Profit for the year

Carlsberg generated net revenue of DKK 35,987m in 2004, an increase of 4% on 2003. Acquisitions, in particular that of Holsten-Brauerei, contributed DKK 2,218m to this increase (+6%), and organic growth DKK -857m (-2%).

Gross profit amounted to DKK 18,272m, an increase of 4%. Thus Carlsberg was able to achieve a gross margin of 50.8%, which is on a par with 2003, despite a fiercer competitive climate and continued price pressure.

Operating profit came to DKK 3,442m, down DKK 122m (3%) on 2003. The operating margin was 9.6%, down 0.7 percentage points on 2003.

Consolidated profit amounted to DKK 627m. Minority interests' share of this profit was DKK 150m, against DKK 763m in 2003. This change reflects the acquisition of Orkla's minority stake in Carlsberg Breweries in 2004. Carlsberg's share of profit for the year was DKK 477m.

Before goodwill amortisation and write-downs, Carlsberg's share of profit amounted to DKK 1,425m, which is 21% higher than in 2003 and in line with the expectations announced at the beginning of the year and in connection with the publication of the Q3 Financial Statement in November 2004.

The Board of Directors will propose to the Annual General Meeting that shareholders be paid a dividend of DKK 5 per share (excluding treasury shares), making a total payout of DKK 380m. It is proposed that the remaining profit, DKK 97m, be transferred to reserves.

Mission
Carlsberg is a dynamic, international provider of beer and beverage brands, bringing people together and adding to the enjoyment of life.

Vision: *Probably the best beer company in the world*
Our brands will be the consumer's first choice, and we will lead our industry in profitability and growth through a culture of quality, innovation and continuous improvement.

Values
- **Innovative** in our approach. We create excitement among consumers, customers and employees.
- **Ambitious** when setting targets. We are daring when pushing for results.
- **Responsible** in our actions. We value strong relationships with consumers, customers, employees and partners.
- **Honest**. We are proud of our company and trustworthy in what we do.

Incentive programmes

In 2004, a total of 214,988 share options at an exercise price of 268.39 (2003: 128,000 at an exercise price of 214.47) were granted to the Executive Board and other key managers in the Carlsberg Group, about 130 employees in total.

In 2005, approx. 200,000 options will be granted to about 130 persons at an exercise price calculated as the average of the trading price during the first five trading days following the publication of the Preliminary Profit Statement for 2004. The total value of options granted during the period 2001-05 will then total about DKK 42m.

Transition to IFRS from 2005

With effect from 1 January 2005, Carlsberg's accounting policies will be changed in accordance with the International Financial Reporting Standards (IFRS). The effects of this are described in a separate section of the annual report.

Operating profit will be affected to only a limited extent. The main change relative to previous accounting practice is the end of fixed annual goodwill amortisation charges, which in isolation will boost consolidated profit by DKK 963m.

Research into new methods

The Carlsberg Research Center brings together a variety of natural science and biotechnology disciplines, which are helping to develop new and improved methods in every aspect of the beer-brewing process.

The center performs both basic biotechnological research in beer-related fields and applied brewing-related research which focuses on assisting Carlsberg's breweries around the world in areas such as quality development and testing new brewing methods.

The *applied* brewing research takes place at the Carlsberg Research Laboratory, which works on developing new yeast and barley strains, brewing and quality assurance. In 2004, a new pilot brewery was inaugurated which is a faithful copy of a modern production plant where all of the production steps in the brewing process – from malt to bottling the finished beer – can be tested on a small scale. The pilot brewery will be used to try out our brewmasters' ideas for new types of beer in practice, and this is where Carlsberg's new products will first see the light of day, although it is only after a long series of trial batches and tastings that the final recipe for these new products can be approved.

More *basic* research takes place at the Carlsberg Laboratory, which is covered by special statutes under the Carlsberg Foundation. The laboratory was reorganised in 2004 into a series of research groups, each led by one of the laboratory's professors. The new structure was introduced to make it easier to keep the laboratory's overall research profile in line with the needs of a dynamic society, and also to enhance the Carlsberg Research Center's ability to attract researchers from the international elite.

"Applied research in the Carlsberg Research Center supports the Group's breweries. The Center also contributes basic biotechnology research within beer-related areas".

Expectations for 2005

Carlsberg anticipates continued positive growth in volumes as a result of organic growth at BBH and the other Eastern European business units and the acquisitions in Germany and China. Assuming unchanged exchange rates, net revenue is therefore expected to grow to around DKK 38bn (2004: DKK 36bn restated in accordance with IFRS).

Operating profit is forecast to be around DKK 3.4bn, the same level as in 2004 but with a different composition.

Brewing activities are expected to generate substantial growth due in part to positive contributions from the Operational Excellence programme and operational improvements in Sweden and Italy, in particular.

The contribution to operating profit from the Group's *other activities*, comprising the proceeds from sales of properties and costs etc. at the Parent Company, is expected to be around nil, against DKK 441m in 2004.

Special items are currently forecast to result in net costs of DKK 100-150m as a result of anticipated severance payments in connection with the efficiency programmes.

Net financials of around DKK 1.1-1.2bn are anticipated in 2005. The average tax rate for the Group's companies is expected to be slightly higher than in 2004.

Carlsberg's share of consolidated profit is forecast to increase by around 15% in 2005 from about DKK 1,100m in 2004 (restated in accordance with IFRS).

Compared to 2004, greater variations in results from quarter to quarter are anticipated in 2005, due in part to the negative contribution expected from Holsten-Brauerei in the first quarter. Similarly Carlsberg's share of consolidated profit in the first quarter will not include a positive contribution from minority interests as it did in 2004 due to Carlsberg Breweries' former ownership structure.

The above forward-looking statements, including in particular the forecasts of future revenue and profit, reflect management's current expectations and are subject to risk and uncertainty. Several factors, some of which will be beyond management's control, may cause actual developments to differ materially from the expectations expressed. Such factors include – but are not limited to – the areas presented in the risk management section of this report.

The Company will only update or adjust the stated expectations to the extent required by legislation etc.


Euro 2004
PORTUGAL

Shareholder information

Carlsberg's shares are listed on the Copenhagen Stock Exchange in classes Carlsberg A and Carlsberg B. The shares trade in denominations of DKK 20. Each A-share carries 20 votes and each B-share carries 2 votes. The B-share is included in the KFX-index of the Copenhagen Stock Exchange. In 2004, the highest and lowest quoted price for the Carlsberg B-share was DKK 327.50 and DKK 250.04, respectively, and the quoted price of the share at year-end was DKK 278.14. At the end of 2004, the market value of the Company's shares was DKK 20.3bn against DKK 15.7bn at the end of 2003.

In the past year, Carlsberg carried through a rights issue with pre-emptive rights for existing shareholders. The ratio was 1 share for each existing 4 shares at a subscription price of DKK 225 per share. The rights issue gave the Company net proceeds of DKK 3.4bn. The Carlsberg Foundation subscribed for a total of DKK 1bn new shares and other shareholders subscribed for a total of DKK 2.4bn.

Investor Relations policy

It is an objective to ensure a fair pricing of the Carlsberg share. Openness and continuous communication are important means to make certain that all relevant information is reflected to ensure an effective valuation of the share. To achieve this objective, Carlsberg undertakes an active, current dialogue with both existing and potential investors.

The purpose of the Investor Relations policy is to maintain and expand the Company's broad and composite group of shareholders, not least among stable, long-term investors who attach importance to Carlsberg's fundamental value and cash generation. It is also an aim to balance the shareholding of institutional investors versus individual investors. It is a sub-objective to present actively the investment history of Carlsberg to international institutional investors, first and foremost in North America and the UK.

Activities aimed at the stock market

Carlsberg's strategic initiatives helped create a sharper profile for the share's investment history, and the press coverage of the initiatives and developments resulted in increased interest from investors. The rights issue in the spring also generated significant interest in the share, and several new shareholders invested in Carlsberg.

In addition, various activities aimed at investors have taken place with a view to systematically seeking out new, potential Danish and foreign shareholders. During the year, almost 250 meetings with institutional investors were held in ten countries, as well as a capital markets day with particular emphasis on the Group's excellence programmes and marketing and sponsorships, including the EURO 2004 campaign.

Stock exchange announcements and investor presentations are available on www.carlsberg.com/investor.

The day-to-day contact to analysts and investors is carried out by an Investor Relations department. The IR Manager is Mikael Bo Larsen, telephone +45 3327 1223, e-mail investor.relations@carlsberg.com.

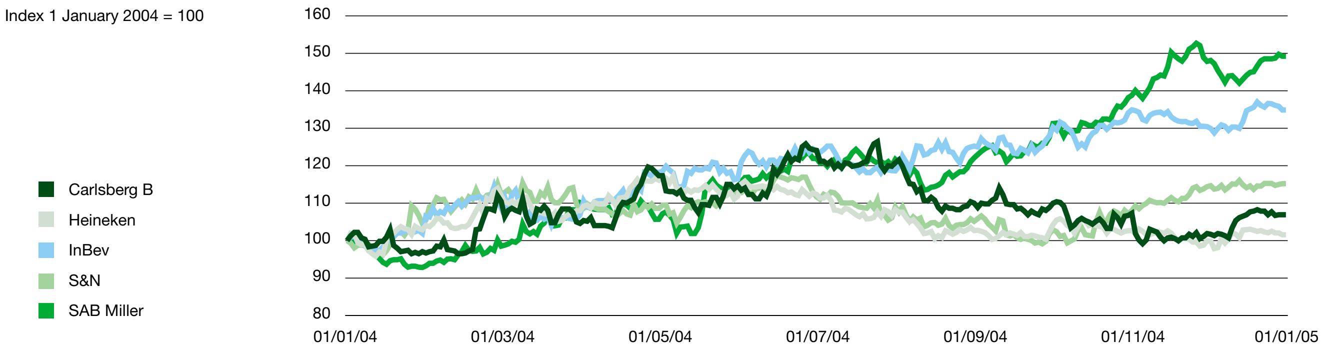
Shareholders

At the end of 2004, Carlsberg had about 19,000 registered shareholders, which is an increase of about 3,000 compared to the previous year. At the end of 2004, the registered shareholders represented a total nominal share capital of DKK 1,296m, corresponding to 85% of the share capital.

The Carlsberg Foundation is the largest investor with 51.3% of the share capital. The foundation holds 29,184,727 A-shares and 9,972,259 B-shares.

In compliance with section 29 of the Danish Securities Trading Act, the following investors have notified Carlsberg

Share prices 2004



that they hold a stake of 5% or more of the share capital: Franklin Resources Inc., USA (including Franklin Mutual Advisers, LLC and Templeton Worldwide Inc.), the most recent holding reported at 5.03% before the rights issue in the spring of 2004.

Not including the Carlsberg Foundation, the shareholders are estimated to be distributed as follows (free float, %):

	End-2004	End-2003
Denmark	24	32
North America	25	34
UK	19	10
Other	8	10
Unidentified shareholders	24	14
Total	100	100

It is estimated that about one fourth of the outstanding shares are owned by shareholders in Denmark and three fourths by foreign or unidentified shareholders (which are also estimated to be primarily foreign).

Carlsberg shares held by the management

Members of the Board of Directors and the Executive Board as well as a number of the Group's employees, who have access to insider information, are listed in Carlsberg's insider register. According to the internal rules of the Company, these individuals and their spouses and children under the age of 18 may only trade in Carlsberg's shares during a four-week period after publication of the financial statements or other similar statements.

At the end of 2004, the members of the Board of Directors and the Executive Board held a total of 2,871 A-shares and 10,155 B-shares in Carlsberg, representing a market value of DKK 3.5m.

At year-end 2004, other persons included in the Company's insider register held a total of 2,815 A-shares and 8,301 B-shares, representing a market value of DKK 3.0m.

"Carlsberg engages in an active dialogue with both existing and potential shareholders".

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

Share register

Shares can be registered in the name of the shareholder by contacting the depository bank. If requested, the registered shareholders can receive financial statements, annual reports and other shareholder publications automatically. The registered shareholders receive an invitation to Carlsberg's General Meeting.

Carlsberg's shareholder register is managed by Danske Bank, Holmens Kanal 2-12, DK-1092 Copenhagen K, Denmark.

Dividend

The Board of Directors proposes that a dividend of DKK 5 per share be paid like last year. This totals DKK 380m.

Annual General Meeting

The Annual General Meeting will take place on 16 March 2005, at 16.30 at Radisson SAS Falconer Hotel, Falkoner Allé 9, Frederiksberg, Copenhagen, Denmark.

Financial calendar 2005

16 March	Annual General Meeting
10 May	Q1 Financial Statement 2005
11 August	Q2 Financial Statement 2005
8 November	Q3 Financial Statement 2005
31 December	End of financial year 2005

Carlsberg's communication to investors, analysts and the press is subject to limitations during a four-week period prior to the publication of quarterly financial statements and preliminary profit statements.

The institutions set out below report on the developments in Carlsberg

Danish/Nordic

ABG Sundal Collier	Peter Kondrup
ABN-AMRO	Jesper Breitenstein
Alm. Brand	Michael Drøscher
Carnegie	Julie Quist
Danske Securities	Fasial Kalim Ahmad
Enskilda Securities	Hans Gregersen
Handelsbanken	Torben Sand
HSH Gudme	Stig Frederiksen
Jyske Bank	Anette Nikolajsen
Nordea Securities	Finn Bjarke Petersen
Sydbank	Bjørn Schwarz

International

BNP Paribas	Nikolaas Faes
CAI Cheuvreux	David Halldén
Cazenove	Matthew Webb
CSFB	Michael Bleakley
Deutsche Bank	Nick Bevan
Dresdner Kleinwort Wasserstein	Andrew Holland
Goldman Sachs	Sonya Ghobrial
ING	Gerard Rijke
Lehman Brothers	David Hayes
Merrill Lynch	Mark Blythman
Morgan Stanley	Alexandra Oldroyd
Natexis Bleichroeder	Oliver Lebrun
Standard & Poor's	Sreedhar Mahamkali
UBS	Fredrik Liljewall

"The number of shareholders investing in Carlsberg increased in 2004."

Corporate Governance

Carlsberg's Board of Directors and Executive Board continuously evaluate whether the Group's management structure and control measures are satisfactory. These evaluations are based on the Company's values as well as the corporate governance of companies similar to Carlsberg in size and global range.

The basis for the organisation of the work on Corporate Governance in Carlsberg includes the Danish Companies Act, the Danish Financial Statements Act, the Danish Securities Trading Act, rules and recommendations governing securities listing on the Copenhagen Stock Exchange A/S, and the Articles of Association of the Company, as amended on 23 April 2004. In addition, a number of internal procedures are observed to ensure active, safe and profitable governance of the Company.

Organisational structure

The General Meeting is the top decision-making body. All shareholders are entitled to participate in and vote in person or by proxy at the General Meeting. Registered shareholders are invited to the General Meeting.

The Board of Directors is elected by the General Meeting and constitutes the Company's top management. It consists of 12 members, eight members elected by the shareholders and four members elected by the employees of the Group in accordance with the Danish Companies Act. Five of the members elected by the shareholders are affiliated to the Carlsberg Foundation, the principal shareholder of the Company.

The board members are elected individually. Each year, the three longest serving board members elected by the shareholders shall retire at the General Meeting. Re-election may take place. The age limit is 70 years.

None of the board members participate in the day-to-day management of the Group.

The Chairman and the Deputy Chairman of the Board constitute the Chairmanship which, among other things, organises board meetings in cooperation with the Executive Board of the Company.

The Board of Directors appoints the CEO as well as the other members of the Executive Board. The Executive Board led by the CEO is responsible for the organisation and implementation of the strategic plans. The members of the Executive Board are not members of the Board of Directors but attend the board meetings.

Please refer to the section "Board of Directors and Executive Board" in the Annual Report or to the Group's website for details on the Board of Directors.

Carlsberg's acquisition of the entire share capital in Carlsberg Breweries A/S in 2004 created the basis for a more transparent governance model for the Carlsberg Group and for the interaction between and the organisation of the Group companies.

Board work

The Boards of the Parent Company, Carlsberg A/S, and other companies in the Group ensure that the 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 current written and oral reports. The reports include the general business environment, commercial developments and the profitability and financial situation of the company.

The Board of Carlsberg A/S meets according to an agreed meeting schedule at least six times a year.

The Carlsberg Foundation

Carlsberg A/S' largest shareholder is the Carlsberg Foundation ("the Foundation"), established in 1876 by the founder of Carlsberg, J. C. Jacobsen.

The Foundation's activities are laid down in a charter according to which it shall act for the promotion and support of the natural sciences, mathematics, philosophy, the humanities and social sciences. Furthermore, the Museum of National History at Frederiksborg castle is part of the Carlsberg Foundation.

According to the charter, the Foundation is required to own a minimum of 51% of the share capital in Carlsberg A/S. At the end of 2004, the Foundation held 51.3% (excl. treasury shares). Due to the combination of A and B shares held by the Foundation, it had 79% of the votes at the General Meeting at the end of 2004.

The Foundation's ownership is long-term and strategic. The Foundation thus supports the efforts of Carlsberg's management to create value for the shareholders and other stakeholders by promoting the growth of the Company and strengthening its profitability.

The Executive Board of the Foundation constitutes an important part of Carlsberg A/S' Board of Directors, and the Chairman of the Executive Board of the Foundation holds the position as Chairman of Carlsberg A/S' Board of Directors.

According to the Foundation's charter and statutes, the Foundation is subject to special obligations and rights in relation to Carlsberg A/S. Among other things, this means that the Company must bear costs related to the running of the Carlsberg Laboratory. As a consequence, Carlsberg A/S' Board of Directors approves the budget of the Carlsberg Laboratory, which receives an annual grant of 9% of the Foundation's total disbursements of about DKK 100m. The Carlsberg Laboratory is an independent unit within the Carlsberg Research Center.

Carlsberg A/S is also subject to special obligations to preserve historical buildings in relation to the site owned in Valby, Denmark.

Carlsberg-related foundations

As part of the Carlsberg Foundation, Carl Jacobsen, the son of J. C. Jacobsen established *the Ny Carlsberg Foundation* in 1902. The Ny Carlsberg Foundation works to promote the study of art and art history. Together with the Danish state and the City of Copenhagen, the foundation runs the Ny Carlsberg Glyptotek.

The Tuborg Foundation was established in 1931. It became part of the Carlsberg Foundation in 1991, but has its own administration. The objective of the Tuborg Foundation is to work for socio-beneficial objectives especially in support of Danish trade and industry.

In 1938, 50 years after the Carlsberg Foundation took over J. C. Jacobsen's brewery Gamle Carlsberg (Old Carlsberg), the Foundation established *The Carlsberg Bequest to the Memory of Brewer J.C. Jacobsen* as a tribute to the Foundation's founder. The trust is to operate in support of socially beneficial aims, particularly in connection with science.

In 2004, the Carlsberg Foundation and the related foundations granted a total of more than DKK 200m to about 800 large and small scale activities.

A strategy seminar is usually held once a year with issues such as Company vision, goals and strategy on the agenda. The Board decides on issues such as acquisitions, large investments and divestments, raising of capital, long-term obligations, control and audit issues and significant operational matters.

In between the ordinary board meetings, the board members receive written material on the activities of the Company on a current basis and extraordinary meetings are convened if the situation calls for it. Seven board meetings were held in 2004.

The Board of Directors also evaluates the various risks arising from the Group's international activities. The evaluation comprises assessment and formulation of policies on financial risks, insurance issues and environmental issues as well as competition law.

Audit

At the Annual Ordinary General Meeting, independent auditors are appointed in accordance with the recommendation of the Board of Directors.

The auditors report to the entire Board of Directors twice a year and immediately after having noted any matters upon which the Board of Directors should decide.

Remuneration

In order to attract and maintain management competence, the remuneration of the members of the Executive Board and senior management is determined on the basis of tasks, value creation as well as the market conditions and competitive situation within international companies.

Incentive programmes have been established as part of the remuneration in order to ensure greater alignment of the interests of the Company's management and the shareholders, as the programme will have a favourable influence on both short and long-term goals.

In 2001, the Board of Directors decided to establish a share option programme for the Executive Board and a number of key managers within the Carlsberg Group. The programme entitles the individuals in question to purchase B-shares in Carlsberg A/S during a period from three to eight years after the option right has been granted. In 2004, options totalling 214,988 shares in Carlsberg A/S were granted, i.e. 26,250 shares to the members of the Executive Board and 188,738 shares to other key managers.

This left a total of 461,738 outstanding options at the end of 2004, corresponding to 0.6% of the Company's share capital. The Company's obligations under the share option programme are partly covered by its portfolio and purchase of treasury shares.

Approximately 200,000 options will be granted in 2005. The total value of options granted during the period 2001-2005 will then amount to about DKK 42m.

The option programmes are supplemented with bonus schemes. These initiatives ensure that part of total compensation will depend on performance.

The Board of Directors of Carlsberg A/S does not receive any other compensation than director's fee, and the board members are not included in the Company's incentive programmes.

Management remuneration and the share option programmes are described in the notes to the accounts.

"Governance policies and procedures ensure active, safe and profitable development of the Group."

Corporate social responsibility

Responsibility is one of Carlsberg's core values and Carlsberg's commitment to social responsibility is a priority wherever the Company operates - to the benefit of the Company's shareholders, employees, customers and society. Under Corporate Social Responsibility (CSR), the Company policy includes:

- Code of Responsible Management: governs the Company's behaviour in all business relations.
- Environmental Policy: ensures that Carlsberg continuously works to minimise adverse effects on the environment and to optimise its use of natural resources.
- Beer Awareness Programme: ensures that the Carlsberg Group operations and their activities support responsible beer consumption.

Read more about Carlsberg's *Corporate Social Responsibility Policy* on www.carlsberg.com/info.

During 2004, Carlsberg initiated a process to ensure that all Group operations, suppliers and business partners adhere to and comply with the CSR policy. The idea is to carry out an annual Plan-Do-Check-Act process, which includes planning, completion, follow-up and corrective measures. This process will include goals as well as action plans, training, communication, monitoring, auditing and management reporting.

As a first step, Carlsberg is setting up CSR guidelines with requirements and recommendations on how to manage CSR-related situations in the Group's companies worldwide. These guidelines include guidance on how to implement the policies, processes, daily procedures and reporting routines. According to plans, the management systems are expected to be implemented by the end of 2006.

In 2005, Carlsberg will increase the awareness of social responsibility and ensure that the CSR policies are anchored throughout the organisation. By means of information, training and practical guidance on how to handle day-to-day situations, Carlsberg will enable its managers and employees to act according to the guidelines.

In this process, Carlsberg seeks an open dialogue with a variety of stakeholders in order to gain new insight and to get the opportunity to ascertain whether the Company's policies are in line with general expectations.




Beer and society

For centuries, beer has played an important part in peoples' lives in most parts of the world. Responsible consumption of beer adds to their social life and Carlsberg is proud of the fact that millions of consumers choose Carlsberg's brands. However, Carlsberg also recognises that irresponsible or excessive consumption of alcohol may cause harm to the individual and to society. Consequently, Carlsberg works actively both on its own account and in close cooperation with national and international organisations to reduce misuse and promote responsible consumption. In local markets, the Company supports initiatives and campaigns with the same aim.

As regards marketing, Carlsberg has been strongly involved in the efforts of the brewing industry to establish self-regulation systems in countries where such systems do not exist and to improve existing systems. In The Brewers of Europe, the association of the European brewing industry, Carlsberg has been involved in the development of a tool-kit to support these efforts, e.g. common standards for commercial communication as well as a manual for the implementation of these standards.

In 2003, Carlsberg introduced its own global Code of Marketing Practice to ensure that the Company's commercial communisations only encourage responsible beer consumption. Carlsberg's Code of Marketing Practice sets high standards and apply to all Carlsberg markets and alcoholic brands. Compliance in terms of both letter and spirit with the Code of Marketing Practice is mandatory worldwide. All marketing activities must pass through a sign-off procedure prior to release.

As prescribed in the Code of Marketing Practice, a compliance audit was performed by external experts in 2004. The results of this audit have been communicated within the Group and will be used in future training. The audit was also used to review the Code of Marketing Practice and to set up explanatory guidelines. Finally, a training programme has been developed to promote better understanding of the Code of Marketing Practice among the employees and external suppliers around the world, who are involved in the development of marketing communications for Carlsberg's brands.

"Corporate responsibility is important to Carlsberg. Therefore we work actively to reduce misuse and to promote responsible consumption of beer."

Environment

Carlsberg's efforts in the environmental sphere are based on an environmental policy, which expresses the management's position and lays down the aims and activities for the ongoing efforts to minimize the Company's impact on the environment.

Carlsberg recognizes its responsibility to protect the natural environment and continuously strives to make the most of the resources and to limit the adverse environmental effects inherent in any industrial activity. Furthermore, Carlsberg has laid down a set of Guidelines for suppliers, compelling the suppliers to organise their production and supplies to the Group companies with due consideration to the environment.

Consumption

Barley, hops, sugar and water as well as energy for heating are the raw materials used for production of beer, malt and soft drinks. The most substantial impact on the environment is caused by water and energy consumption, but significant quantities of packaging material are also used in the production units.

In 2004, the water consumption amounted to approx. 4.4 hl per hl finished product. The consumption of energy used for production of beer and soft drinks totals 38 kWh per hl. The Carlsberg Group's average consumption of both water and energy has remained relatively stable in recent years.

Emission and by-products

The consumption of fossil fuels in the production of beer and other beverages leads to the emission of carbon dioxide (CO_2). The emission is measured and reported and, in recent years, it has totalled approximately 10 kg CO_2 per hl finished product.

The main by-product of the brewing process is mash - the crushed and boiled barley malt and hops. In most countries, it is used for animal feed. In addition, a significant part of the solid waste, e.g. glass, metal, plastic, and paper is collected and re-cycled.

Apart from the efforts to reduce the tangible emissions and by-products, efforts are also made to reduce odour and noise nuisance from the production sites.

Environmental management and reporting

Carlsberg's goal for 2004 was to have an environmental management system (ISO 14001) implemented in all Group production sites by the end of 2004. Apart from the most recent acquisitions, the goal was reached as 37 of 44 majority-owned undertakings have introduced the system. The newly acquired companies are aiming at certification within the next few years.

The Group's companies continuously register all relevant environmental data and report it to a central unit at Group headquarters, where developments are monitored.

Every two to three years, environmental process audits are carried out in all companies. The audits are performed by experienced internal specialists, who check whether the environmental policy and the programmes scheduled are observed.

Every two years, Carlsberg publishes an environmental report describing the environmental achievements and providing information on consumption, emission and by-products in the entire Group. The report includes all majority-owned undertakings in the Group. The first environmental report on the years 1998-2000 was published in 2001, and the report on 2001-2002 was published in 2003. Both environmental reports are available on www.carlsberg.com. The plan is to publish the environmental report for 2003-04 in the spring of 2005.

"Carlsberg recognises its responsibility to protect the natural environment. The companies of the Group continuously strive to make the most of the natural resources and to limit the adverse environmental effects inherent in any industrial activity."

Financial review

- Net revenue totalled DKK 36.0bn, corresponding to an increase of 4%. At local exchange rates revenue rose by 5%.
- Operating profit amounted to DKK 3,442m (-3%).
- Carlsberg A/S' share of profit before goodwill amortisation and write-downs was DKK 1,425m compared to DKK 1,179m in 2003, corresponding to a substantial rise of 21%.
- Net interest-bearing debt was reduced to DKK 21.7bn, having briefly peaked at approx. DKK 33bn earlier on in the year.

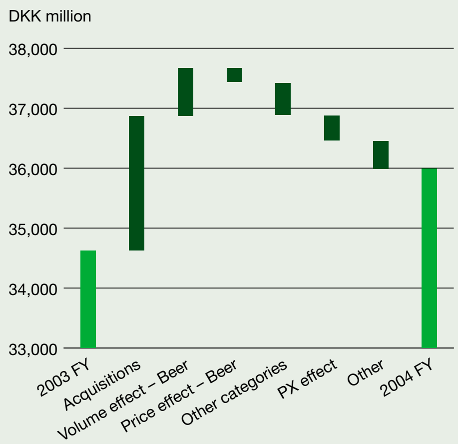
Income statement

Net revenue

The year saw net revenue of DKK 35,987m, corresponding to a 4% increase on 2003. DKK 2,218m (6%) of this revenue derives from acquisitions, in particular Holsten-Brauerei AG. Organic growth was a negative DKK 857m (-2%).

The increase in beer volume resulted in a rise in revenue of DKK 827m. Price developments led to a decline in revenue of DKK 255m. Other product categories caused a decrease of DKK 538m in net revenue – a large part attributable to the discontinued water activities in Switzerland. As a consequence of exchange rate developments, net revenue decreased by DKK 430m. The remaining decrease is partly attributable to changes in the consolidation of Vena, which was consolidated through Baltic Beverages Holding with effect from 2004.

Net revenue from 2003 to 2004



Cost of sales

Cost of sales totalled DKK 17,715m, corresponding to a 4% increase compared to 2003. Cost of sales was reduced by 3.5%, exclusive of the part stemming from acquisitions during the year. Apart from the decline in net revenue (exclusive of acquisitions), cost of sales was favourably affected by the Operational Excellence projects launched in 2003 with the aim of optimising structures and processes within large parts of production. The annual savings at completion of the Production Excellence programme at the end of 2006 are expected to total DKK 500m. It is estimated that the accumulated annual savings at the end of 2004 are around DKK 200m, which is in line with expectations.

Gross profit

Gross profit totalled DKK 18,272m (+4% compared to last year) and it was thus possible - despite increased competition and continued price pressure - to achieve a gross margin of 50.8%, which is at level with last year.

Sales and distribution expenses

Sales and distribution expenses increased by 5.5% compared to 2003 and totalled DKK 12,840m. This amount includes marketing expenses of DKK 3,672m - an increase of DKK 189m on the year before due to investments in marketing activities during the EURO 2004 campaign and advertising campaigns in Russia.

Distribution expenses rose by 6%, which is 3%-point less than the increase in volume.

Sales expenses were up by 5% at DKK 3,803m, reflecting a general increase in activities. The increase in costs is broadly founded in the Group companies.

Administrative expenses

Administrative expenses totalled DKK 2,859m against DKK 2,712m in 2003. When excluding acquisitions, the expenses were in line with last year. The launch of Administration Excellence, which is part of the Operational Excellence Programme, is the main reason that it was possible to maintain the level of expenses.

Other operating income, net

Other operating income, gross, amounted to DKK 1,134m, and other operating expenses totalled DKK 531m, net DKK 603m.

Income includes gains of DKK 471m from the sale of property. The majority – DKK 456m – is attributable to the Parent Company against an average level in recent years of about DKK 100-200m. The 2003 figures were affected by the sale of two depot properties in the UK – included with a gain of DKK 172m.

Net profit from the sale of other property, plant and equipment totalled DKK 97m (2003: DKK 53m).

Net income from rental properties totalled DKK 25m against DKK 67m in 2003. The reduction is due to the divestment of properties during 2004.

Distribution from the Danish Brewers' Association amounted to DKK 41m against DKK 67m in 2003, which also included distribution from the Swedish brewers' association.

The 2003 figures include DKK 60m relating to a profit guarantee in the first half of 2003 regarding activities in Thailand.

In 2004, other operating expenses, net, totalled DKK 31m (2003: DKK 72m), including various income and expenses relating to the Carlsberg Laboratory, pension contributions received and paid as well as other income and expenses.

Profit from associated undertakings

The profit from associated undertakings before tax amounted to DKK 266m. The majority stems from Hite Brewery (DKK 180m against DKK 210m in 2003).

Other associated undertakings include e.g. Lao Brewery Co. Ltd., Nuuk Imeq A/S, Israel Beer Breweries Ltd., and International Breweries (Netherlands) B.V., the latter with activities in Romania.

Operating profit

Operating profit totalled DKK 3,442m, which was DKK 122m (3%) down on 2003.

The profit margin was 9.6%, which is 0.7%-point lower than last year. As to the brewery-related activities, a profit margin of 8.3% was realised, representing a decline of 1.6%-point compared to 2003. The effect of the acquisitions made during the year represents -1.0%-point while the sale of two depot properties in the UK in 2003 accounts for a reduction of 0.5%-point.

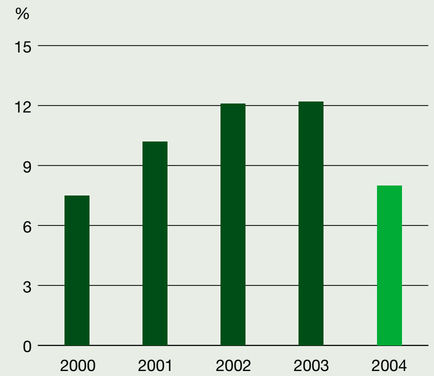
Return on invested capital

Return on invested capital (ROIC) totalled 8.0% in 2004, which is down on 2003. Apart from the decline in earnings, the trend is ascribable to the acquisition of the minority stake in Carlsberg Breweries, which does not affect operating profit but increases invested capital by approx. DKK 15bn.

Special items

Special items totalled DKK -301m against DKK -401m in 2003. The income side included gains from the divestment of brewery properties of DKK 223m as well as gains of DKK 194m stemming from the divestment of the remaining shares in Vena to BBH. Expenses included an accounting loss incurred in connection with the outsourcing of Carlsberg UK's service agreements on draught beer equipment (DKK 305m), severance costs in connection with the Operational Excellence programmes (DKK 58m) as well as restructuring in Italy, Sweden, Poland and other companies (DKK 289m).

Return on invested capital



Financials

Financials (net) amounted to DKK -1,079m against DKK -475m in 2003. The development is primarily attributable to an increase in interest expenses in relation to the acquisition of Holsten-Brauerei and Orkla's minority stake in Carlsberg Breweries.

Other financial expenses were affected by borrowing costs in connection with the establishment of financing of the above-mentioned acquisition of shares in Carlsberg Breweries A/S (DKK 164m). These costs were expensed as the financing was repaid/refinanced. This item also includes costs of DKK 90m in the Parent Company and affiliated companies for the establishment of other credit facilities, guarantee commission, etc.

In December 2004, Carlsberg A/S released Royal Scandinavia A/S from its loan of DKK 338m. The loan had been written off, and the release therefore has no effect on the accounts.

Corporation tax

Tax for the year amounted to DKK 459m in 2004. Consequently, when corrected for non-deductible goodwill amortisation, the effective tax rate was 22.3%, which is at level with 2003.

Goodwill amortisation and write-downs

Goodwill amortisation and write-downs etc. totalled DKK 976m against DKK 379m in 2003. The increase mainly reflects goodwill in connection with the acquisition of Orkla's minority stake (40%) in Carlsberg Breweries A/S.

Segment information by regions (beverages)

	2004	2003
Beer sales (DKK million hl)		
Western Europe	28.1	23.7
Baltic Beverages Holding (BBH)	17.8	15.4
Eastern Europe (excl. BBH)	11.3	10.2
Asia	6.0	5.1
Total	**63.2**	**54.4**
Net revenue (DKK million)		
Western Europe	26,589	26,182
Baltic Beverages Holding (BBH)	5,121	4,313
Eastern Europe (excl. BBH)	2,877	3,018
Asia	1,463	1,290
Not distributed	-63	-177
Beverages, total	**35,987**	**34,626**
Net revenue (shares, %)		
Western Europe	74	76
Baltic Beverages Holding (BBH)	14	12
Eastern Europe (excl. BBH)	8	9
Asia	4	4
Not distributed	0	-1
Beverages, total	**100**	**100**
Operating profit, EBITA (DKK million)		
Western Europe	2,165	2,364
Baltic Beverages Holding (BBH)	1,035	986
Eastern Europe (excl. BBH)	117	240
Asia	454	451
Not distributed	-770	-612
Beverages, total	**3,001**	**3,429**
Profit margin, EBITA (%)		
Western Europe	8.1	9.0
Baltic Beverages Holding (BBH)	20.2	22.9
Eastern Europe (excl. BBH)	4.1	8.0
Asia *	18.7	17.6
Not distributed	na	na
Beverages, total	**8.3**	**9.9**

* Exclusive of the one-line consolidated associated undertaking Hite Brewery Co. Ltd. (South Korea) and for the first six months of 2003 the effect of the profit guarantee for the companies in Thailand.

In connection with the closing of the accounts for 2004, an impairment test was carried out of all goodwill amounts and trademarks with indefinite useful life. The tests did not result in any write-downs.

Consolidated profit

Consolidated profit totalled DKK 627m. Minority interests account for DKK 150m against 763m in 2003. The change reflects the effect on profit of the acquisition of the entire stake in Carlsberg Breweries.

Carlsberg's share of profit

Carlsberg's share of profit was DKK 477m. Due to the change in ownership of Carlsberg Breweries, the figure is not comparable to last year.

Carlsberg's share of profit before goodwill amortisation and write-downs totalled DKK 1,425m, which was 21% up on last year. This is in line with the expectations expressed at the beginning of the year and in connection with the publication of the Q3 Financial Statement 2004 in November.

The Company's announcements regarding expectations for 2004

DKK billion		**Operating profit (EBITA)**	**Carlsberg's share of consolidated profit before goodwill amortisation and write-downs**
19 Feb 2004	Preliminary Financial Statement 2003	3.5-3.7	1.3-1.4
6 May 2004	Q1 2004 Financial Statement	3.5-3.7	1.4-1.5
12 Aug 2004	Q2 2004 Financial Statement	3.5-3.7	1.5-1.6
4 Nov 2004	Q3 2004 Financial Statement	3.4	1.4
22 Feb 2005	Preliminary Financial Statement 2004	3.445	1.424

The composition of the results expected was changed during the year, cf. the quarterly financial statements.

Beverages and other activities

			2004			**2003**
DKK million	Beverages	Other activities	Total	Beverages	Other activities	Total
Net revenue	35,987	0	35,987	34,626	0	34,626
Operating profit (EBITA)	**3,001**	**441**	**3,442**	**3,429**	**135**	**3,564**
Special items, net	-301	0	-301	-401	0	-401
Profit before financials	2,700	441	3,141	3,028	135	3,163
Financials, net	-742	-337	-1,079	-637	162	-475
Profit before tax	1,958	104	2,062	2,391	297	2,688
Corporation tax	-537	78	-459	-493	-97	-590
Profit before goodwill amortisation and write-downs	1,421	182	1,603	1,898	200	2,098
Goodwill amortisation and write-downs	-518	-458	-976	-390	11	-379
Profit	903	-276	627	1,508	211	1,719
Minority interests	-243	93	-150	-266	-497	-763
Carlsberg's share of profit	660	-183	477	1,242	-286	956

Segment information by quarters (unaudited)

DKK million	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004
Net revenue								
Western Europe	5,274	7,128	7,137	6,643	5,034	7,614	7,369	6,572
Baltic Beverages Holding (BBH)	801	1,250	1,351	911	904	1,522	1,604	1,091
Eastern Europe (excl. BBH)	525	885	997	611	496	804	949	628
Asia	273	199	445	373	402	360	384	317
Not distributed	-18	-20	-70	-69	-71	-136	-169	313
Beverages, total	6,855	9,442	9,860	8,469	6,765	10,164	10,137	8,921
Other activities	0	0	0	0	0	0	0	0
Total	**6,855**	**9,442**	**9,860**	**8,469**	**6,765**	**10,164**	**10,137**	**8,921**
EBITA								
Western Europe	-18	771	945	666	102	729	845	489
Baltic Beverages Holding (BBH)	110	343	400	133	107	317	442	169
Eastern Europe (excl. BBH)	-49	99	202	-12	-65	55	142	-15
Asia	113	95	167	76	119	112	157	66
Not distributed	-151	-123	-131	-207	-143	-213	-127	-287
Beverages, total	5	1,185	1,583	656	120	1,000	1,459	422
Other activities	13	45	88	-11	34	387	54	-34
Total	**18**	**1,230**	**1,671**	**645**	**154**	**1,387**	**1,513**	**388**
Special items, net	-2	5	-19	-385	-114	-276	-96	185
Profit before financials	16	1,235	1,652	260	40	1,111	1,417	573
Financials, net	-218	-147	-73	-37	-96	-487	-250	-246
Profit before tax	-202	1,088	1,579	223	-56	624	1,167	327
Corporation tax	90	-289	-435	44	57	-186	-308	-22
Profit before goodwill amortisation and write-downs	-112	799	1,144	267	1	438	859	305
Goodwill amortisation and write-downs	-95	-90	-98	-96	-149	-266	-286	-275
Profit	-207	709	1,046	171	-148	172	573	30
Minority interests	81	-328	-460	-56	52	-79	-113	-10
Carlsberg A/S' share of profit	-126	381	586	115	-96	93	460	20

Balance sheet

Carlsberg's total assets amounted to DKK 56,731m at the end of 2004 – an increase of DKK 10,019m on 2003.

Assets

The increase in assets was primarily caused by Carlsberg's acquisition of Orkla ASA's minority stake in Carlsberg Breweries as well as the acquisition of Holsten-Brauerei AG.

Intangible assets accounted for 32.8% of the balance sheet total, corresponding to DKK 18,603m against DKK 5,661m at the end of 2003; this amount includes the two above-mentioned transactions with approx. DKK 10bn and approx. DKK 1.9bn in goodwill and trademarks, respectively.

Property, plant and equipment totalled DKK 20,519m and increased by DKK 1,388m compared to last year, also primarily due to the acquisition of Holsten-Brauerei. The outsourcing of draught beer equipment in the UK pulled in the other direction and reduced the balance sheet total by approx. DKK 700m.

Receivables from associates saw a rise, mainly as a result of the increase in receivables from BBH in connection with the sale of the Vena shares.

Capital and Reserves and Liabilities

Capital and reserves totalled DKK 14,410m, which is an increase of DKK 3,134m compared to year-end 2003. The development is particularly affected by the raising of new capital through the rights issue, totalling DKK 3,363m. To this should be added profit for the year (DKK 477m), payment of dividend (DKK -304m), value adjustment of hedging transactions (DKK -185m) as well as currency translation adjustments, etc. (DKK -217m).

The equity interest amounted to 25.4% at the end of 2004 compared to 24.1% the previous year.

At year-end 2004, provisions totalled DKK 5,658m, which is an increase of DKK 2,297m. The increase is mainly ascribable to the acquisitions made during the year. The rise in retirement benefit obligations and similar obligations is thus attributable to retirement benefit obligations in Holsten-Brauerei AG, DKK 567m, and to partial recognition under liabilities of not included actuarial losses in Carlsberg UK of DKK 268m in connection with the acquisition of Orkla's 40% stake in Carlsberg Breweries.

Deferred tax primarily increased due to the allocation of deferred tax on adjustments to balance sheet items in connection with the takeover of Orkla's stake in Carlsberg Breweries.

Non-current liabilities amounted to DKK 21,948m and rose by DKK 10,853m, primarily due to borrowings related to the acquisition of the minority stake in Carlsberg Breweries. Current liabilities totalled DKK 13,019m, which is a decline of DKK 1,331m due to the reduction of the current maturities of borrowings.

At year-end 2004, net interest-bearing debt totalled DKK 21,733m against DKK 8,929m at year-end 2003. Following the acquisitions carried out at the beginning of the year, which led to an increase in net interest-bearing debt to approx. DKK 33bn, it was a key priority for Carlsberg to reduce debt through the raising of new share capital, divestment of non-core activities and generation of cash flow. The ambitious goal of reducing the debt to DKK 22bn was thus achieved.

Rating

In order to ensure optimum and flexible access to the financial markets and to strengthen the basis for existing bond loans, Carlsberg Breweries has initiated a process with a view to achieving a public credit rating corresponding to "Investment Grade". Net interest-bearing debt in Carlsberg Breweries totalled DKK 15.9bn at the end of 2004.

Cash flow

Cash flow from operating activities amounted to DKK 3,806m, which is DKK 711m down on the year before. This development is mainly attributable to a significant reduction of capital tied up in receivables but a trend of reduction in trade payables, etc. materialised, partly due to reduced excise duties in Denmark and Finland.

In total, free cash flow amounted to DKK 1.5bn against DKK 2.6bn in 2003. When excluding property divestments, the net effect of the acquisition of Holsten-Brauerei AG and paid restructuring costs the figure totalled DKK 1.6bn against almost DKK 1.7bn in 2003.

Investments

The acquisition of shareholdings in other companies totalled DKK 4,556m in 2004, cf. note 29 in the accounts. The acquisition of Holsten-Brauerei AG was the largest acquisition (DKK 4,261m), but the subsequent divestment of a number of undertakings and activities in the Holsten Group to a third party (DKK 3,030m) should be deducted from this figure. When including the takeover of debt, the investment in Holsten-Brauerei AG amounted to just over DKK 3bn.

Investments in property, plant and equipment in the brewery-related activities, excluding the acquisition of shareholdings, totalled DKK 3,164m against DKK 2,941m in 2003, which is an increase of DKK 223m. The development is due to Holsten-Brauerei but, to a certain extent, it is countered by reduced investments in property, plant and equipment in BHH as the market is maturing and the need for further capacity decreases.

Adoption of IFRS

As of 1 January 2005, the accounting policies will be changed to comply with the requirements under International Financial Reporting Standards (IFRS). The adoption of IFRS will result in the following changes for the Carlsberg Group:

a) Goodwill, trademarks and other intangible assets with indefinite useful life will no longer be amortised. Instead, these assets will be subject to an annual impairment test, in order to ensure that, as a minimum, the value of the assets corresponds to the carrying amount.

Trademarks and other intangibles with a finite useful life will still be amortised on a systematic basis.

b) Provisions for retirement benefit obligations and similar obligations will be determined in accordance with IAS 19. All actuarial gains and losses will be recognised in the balance sheet as of 1 January 2004 in accordance with IFRS 1.

c) The Carlsberg Group advances loans to the on-trade in certain countries. In connection with the transition to IFRS, it has been decided that interest of such loans should be included in operating profit, since the lending activities are closely connected with trade conducted with such customers.

d) Tax on profit from associated undertakings will be deducted from the results included in operating profit. Under the policy applied so far tax was included in tax for the Group.

e) The Carlsberg Group operates in certain countries with hyperinflation. The accounts of these entities will be translated in accordance with IAS 29.

f) To the extent that specific dividend plans exist for subsidiaries, associated undertakings and joint ventures, deferred tax on profit is included for countries imposing withholding tax upon distribution.

g) Restructuring costs in connection with acquisitions will no longer be recognised in the opening balance sheet but will be taken directly to the income statement.

h) In accordance with IFRS 2, the Carlsberg Group's costs in connection with the share option programmes will be charged to the income statement as the options are granted. The value of the share options is calculated in accordance with Black & Schole's valuation model for call options on the basis of the exercise price.

i) The IFRS principles for accounting treatment of financial instruments set out in IAS 39 and 32 will be fully implemented with effect from 1 January 2005.

In addition, certain reclassifications have been made in the income statement and the balance sheet.

The effect of adopting IFRS is set out in the following tables with a description of the most significant changes. The restated IFRS figures comply with the requirements under IFRS, including the transition principles set out in IFRS 1 "First-time adoption of IFRS". The statements have been prepared in accordance with the accounting standards in force as of 1 January 2005. The 2005 Annual Report will be presented in accordance with the accounting standards in force on 31 December 2005. As a result changes may occur.

For 2004 the changes will have the following effects:
- Operating profit decreases by DKK 41m.
- Consolidated profit increases by DKK 642m.
- The balance sheet total at 31 December 2004 increases by DKK 988m.
- Equity increases by DKK 686m.

Income statement – Effect of IFRS adoption (Unaudited)

Carlsberg Group		2004	
DKK million	Current policy	IFRS effect	IFRS
Net revenue	**35,987**	**0**	**35,987**
Cost of sales	-17,715	-53	-17,768
Gross profit	**18,272**	**-53**	**18,219**
Sales and distribution expenses	-12,840	7	-12,833
Administrative expenses	-2,859	52	-2,807
Other operating income, net	603	9	612
Profit after tax, associates (Current policy: before tax)	266	-56	210
Operating profit	**3,442**	**-41**	**3,401**
Special items, net	-301	-297	-598
Profit before financials	**3,141**	**-338**	**2,803**
Financial income	429	94	523
Financial expenses	-1,508	-167	-1,675
Profit before tax	**2,062**	**-411**	**1,651**
Corporation tax	-459	77	-382
Profit before goodwill amortisation and write-downs	**1,603**	**-334**	**1,269**
Goodwill amortisation and write-downs	-976	976	-
Consolidated profit	**627**	**642**	**1,269**
Attributable to:			
Carlsberg A/S shareholders	477	623	1,100
Minority interests	150	19	169
	627	**642**	**1,269**
Earnings per share (EPS)	6.72		15.49

	DKK million	2004
	Operating profit, current policy	3,442
c)	Interest on on-trade loans	106
b)	Pension costs, including interest	-10
d)	Tax on profit from investments in associates	-56
a)	Trademark amortisation	-13
h)	Costs relating to share option programmes	-17
e)	Effect of translation of companies in countries with hyperinflation	-52
	Other adjustments	1
	Total effect on operating profit	-41
	Operating profit IFRS	3,401
	Consolidated profit, current policy	627
	Effect on operating profit, cf. above	-41
	Interest on on-trade loans	-90
	Goodwill / trademark amortisation and write-downs	976
	Tax on profit from investments in associates	56
g)	Restructuring provisions relating to acquisitions in 2004	-294
	Effect of translation of companies in countries with hyperinflation	12
	Other adjustments	2
	Tax effect of adjustments	21
	Total effect on consolidated profit	642
	Consolidated profit IFRS	1,269

Balance sheet – Effect of IFRS adoption (Unaudited)

Carlsberg Group		1 January 2004			31 December 2004		
		Current	IFRS		Current	IFRS	
DKK million		policy	effect	IFRS	policy	effect	IFRS
Note							
1	Goodwill	5,140	-456	4,684	17,955	-2,903	15,052
2	Trademarks		381	381		3,776	3,776
	Other intangible assets	521	17	538	648	13	661
3	Property, plant and equipment	19,131	-715	18,416	20,519	-84	20,435
	Retirement benefit plans, net assets		14	14		21	21
	Deferred tax assets	732	29	761	861	6	867
4	Other investments	4,438	-250	4,188	3,814	-250	3,564
	Total non-current assets	**29,962**	**-980**	**28,982**	**43,797**	**579**	**44,376**
	Inventories	2,675	5	2,680	2,878	5	2,883
	Trade receivables	6,539	12	6,551	6,756	89	6,845
5	Other current receivables, etc.	2,371	165	2,536	1,542	36	1,578
	Securities and cash and cash equivalents	5,165	-	5,165	1,758	-	1,758
	Total current assets	**16,750**	**182**	**16,932**	**12,934**	**130**	**13,064**
	Assets held for sale		885	885		279	279
	Total assets	**46,712**	**87**	**46,799**	**56,731**	**988**	**57,719**
	Total capital and reserves, shareholders of Parent Company	11,276	-261	11,015	14,410	674	15,084
	Minority interests	6,630	-208	6,422	1,696	12	1,708
	Total equity		**-469**	**17,437**		**686**	**16,792**
6	Retirement benefit obligations, etc.	600	834	1,434	1,414	501	1,915
	Deferred tax	1,167	-105	1,062	2,314	15	2,329
7	Deposit liability	1,234	-1,234		1,260	-1,260	
7	Other provisions	360	-231	129	670	-481	189
	Borrowings	10,883	-	10,883	21,708	-	21,708
8	Other non-current liabilities	212	-197	15	240	-222	18
	Total non-current liabilities	**14,456**	**-933**	**13,523**	**27,606**	**-1,447**	**26,159**
	Borrowings	4,985	14	4,999	3,355	2	3,357
	Trade payables, etc.	4,187	-	4,187	4,140	-	4,140
7	Deposit liability		1,234	1,234		1,260	1,260
7	Other provisions		231	231		481	481
	Other current liabilities and deferred income	5,178	10	5,188	5,524	6	5,530
	Total current liabilities	**14,350**	**1,489**	**15,839**	**13,019**	**1,749**	**14,768**
	Total equity and liabilities	**46,712**	**87**	**46,799**	**56,731**	**988**	**57,719**

		1 Jan. 2004	31 Dec. 2004
	Equity, current policy	11,276	14,410
a)	Goodwill	-108	841
a)	Negative goodwill	16	12
a)	Trademarks	11	15
b)	Retirement benefit obligations, net	-750	-482
e)	Effect of translation of companies in countries with hyperinflation	178	214
	Other adjustments	-7	39
	Tax effect of adjustments	191	47
	Minority interests' share of IFRS effect	208	-12
	Effect on capital and reserves, shareholders of Parent Company	-261	674
	Total capital and reserves, shareholders of Parent Company	11,015	15,084
	Reclassification of minority interests	6,630	1,696
	Minority interests' share of IFRS effect	-208	12
	Total equity, IFRS	17,437	16,792

Balance sheet – Effect of IFRS adoption (Unaudited), continued

DKK million		1 Jan. 2004	31 Dec. 2004
Note			
1	**Goodwill**		
	Trademarks, recognised separately	-368	-3,761
	Reversal of amortisation for 2004	-	963
	Reversal of restructuring provisions relating to acquisitions in 2004	-	-193
	Other adjustments	-88	88
		-456	-2,903
2	**Trademarks**		
	Separation from goodwill	368	3,761
	Reversal of amortisation on trademarks with indefinite useful life	13	15
		381	3,776
3	**Property, plant and equipment**		
	Assets held for sale, recognised separately	-885	-279
	Effect of translation of companies in countries with hyperinflation	166	210
	Other adjustments	4	-15
		-715	-84
4	**Other investments**		
	Partial reclassification of on-trade loans	-284	-313
	Other adjustments	34	63
		-250	-250
5	**Other current receivables, etc.**		
	Reclassification of accrued amortisation charge relating to on-trade loans	91	22
	Other adjustments	74	14
		165	36
6	**Retirement benefit obligations, etc.**		
	Recognition of actuarial losses	670	378
	Adjustment of discount rates, etc.	164	123
		834	501
7	**Provisions**		
	Deposit liability, transferred from non-current to current liabilities	-1,234	-1,260
	Other provisions, transferred from non-current to current liabilities	-231	-481
8	**Other non-current liabilities**		
	Partial reclassification of on-trade loans	-197	-222

Risk management

Carlsberg's business is exposed to a variety of risks, which can be divided into four categories: strategic, operational, insurable and financial risks. The risks described below are not listed in order of priority.

Strategic risks

Consumer demand

Consumption of beer is price sensitive, and any changes in national economy or the disposable income of consumers may affect demand for Carlsberg's products. Furthermore, sales are influenced by a number of other factors, including consumer preferences.

Competition

Carlsberg's industry is characterised by strong competition. The beer market is under pressure from other beverages. The undertakings of the industry mainly compete on brands, price, service, quality and distribution. Increased competition could have either a negative or a positive effect on Carlsberg. As a branded-product company, Carlsberg is competing with private labels in several markets.

Emerging markets

Carlsberg has activities in several emerging markets and is thus exposed to political and financial uncertainties in some countries. However, the new markets constitute an important part of the Group's activities and very often have comparatively high earnings and considerable long-term growth potential.

Operational risks

Customer and supplier dependency

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

Significant consolidation is taking place among the customers as well as increased marketing of private labels. This affects demand and pricing in the market. Carlsberg takes part in this development and considers it to be both a risk and an opportunity.

Revenue by geographic segment is set out in note 1 of the accounts. The most substantial part of revenue is generated in a number of European countries and certain countries in Asia, and the Group also has significant exposure in Russia and the Baltic States through Baltic Beverages Holding.

Carlsberg's policy is to ensure the availability of more than one supplier of raw materials and packaging. In specific areas within cans, glass and plastic bottles, there is a certain dependency on individual suppliers because of their dominant market position. However, most raw materials are traded at market prices and with many national and international suppliers.

Carlsberg has a number of licence agreements, e.g. with The Coca-Cola Company and PepsiCo Inc., which are material to the business, primarily in the Nordic countries. The agreements are important both in order to be able to offer a broad and attractive product range to the customers and to capitalise on the synergies within sales and logistics.

Taxes and excise duties

Beer consumption is price sensitive, and any changes in taxes and excise duties will have a significant impact on demand. Differences in excise duties and provisions on returnable packaging between countries affect cross-border trade, and a number of countries have, from time to time, experienced an increase in illegal imports.

Season and weather

Beer consumption is significantly affected by weather and season, in particular by temperature, hours of sunshine and precipitation during the summer season. When these factors occur simultaneously in several markets, it may have a substantial impact on the Group's earnings. The fact that the Group is present in a number of regions reduces this risk.

The difference between a good and a poor summer may result in a difference in operating profit of about a couple of hundred million Danish kroner.

Quality

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

Organisation and staff

Carlsberg must attract and develop competent employees in order to be able always to supply products that meet consumer needs and customer demands. Continued development is required of the Company as well as its employees.

The on-going optimisation of the Company's operations, including the Production Excellence programmes, entail restructurings, which may lead to changes in work processes and organisation. This may affect the relationship between the management and the employees and cause concern. However, such changes are carried out in cooperation with the employees so as to limit possible conflicts.

Ensuring management capacity and quality is important to the Group, and constant focus is placed on initiatives within talent and management development.

Insurable risks

Risk cover in the form of insurance is evaluated in relation to the significance of the individual risk as well as Carlsberg's overall risk profile.

Carlsberg has taken out insurances deemed to be relevant and usual in the industry and for groups of Carlsberg's size, including All Risk insurance, covering e.g. buildings, contents and consequential loss, and liability insurance.

In specific areas the Group has chosen not to take out insurance and is self-insured. Carlsberg's ability to control a number of risks has resulted in the establishment of Carlsberg Breweries Insurance A/S as the Group's own insurance company (captive). As of 1 January 2005, a small part of the Group's risks under the All Risk insurance programme is placed with Carlsberg Breweries Insurance A/S. The own risk does not exceed what is usual in the industry or for undertakings of Carlsberg's size.

Financial risks

As a result of Carlsberg's activities, the Group's results and capital and reserves are exposed to a variety of financial risks, primarily relating to changes in foreign currency exchange rates and interest rates. The financial risks of the Group are managed centrally in Corporate Treasury according to principles approved by the Board of Directors, primarily through currency and interest swaps as well as forward contracts.

Foreign exchange risk

The Carlsberg Group operates internationally and is exposed to foreign exchange risks from currency translations, as the predominant part of revenue originates from foreign companies, being translated into DKK. As appears from the diagram below, the Group is mainly exposed to foreign exchange risks in the following currencies: EUR, GBP, RUB and CHF.

As a result of the Group's increasing international activities, developments in the exchange rates between DKK and the various reporting currencies in the Group companies have, in recent years, had an increasing impact on Carlsberg's operating profit measured in DKK.

In a number of countries, the currency strongly correlates with developments in the USD. A rise of one percent in the USD exchange rate is estimated to have a positive effect of approximately DKK 20m on operating profit.

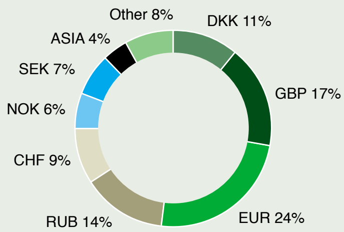
Carlsberg is, to a lesser degree, exposed to transaction risks. Therefore, it is Group policy to hedge future cash flow in foreign currency for a one-year period. However, transactions between countries are limited and, consequently, the hedging of projected cash flows in foreign currency is also very limited.

Carlsberg holds a number of investments in foreign subsidiaries, whose capital and reserves are exposed to foreign exchange risks. The Group hedges the foreign exchange exposure arising from the translation of net investments by taking up borrowings denominated in the relevant currencies or by entering into forward exchange contracts. Carlsberg actively manages the debt and seeks to minimise translation risks.

Interest rate risk

Interest rate exposure is the risk of changes in the fair value of assets and liabilities or cash flow due to changes in the

Revenue by currencies (2004)



interest rates. The most significant interest rate exposure relates to net interest-bearing debt, as the Group did not hold any significant long-term, interest-bearing assets at 31 December 2004.

The Company's loan portfolio consists of listed bonds, bilateral loan agreements and syndicated credit facilities. At 31 December 2004, net interest-bearing debt amounted to DKK 21,733m. The management of the interest rate exposure involves various interest rate instruments. According to Group policy loans should primarily be taken out at fixed rates. At the end of 2004, 72% of the loan portfolio was at fixed rates with an average duration on the interest-bearing debt (net) of 3.4 years.

A change in the market rate of one percentage point is estimated to affect total annual interest expenses within the next year with about DKK 22m.

Credit risk

Credit risk is the risk that a counterpart fails to honour its obligations and thereby may cause a loss to Carlsberg. The Group policies stipulate that financial transactions can only be entered into with institutions with a high credit rating.

The Carlsberg Group advances loans to the on-trade in certain countries. The individual Group companies monitor and control these loans as well as ordinary trade credit in accordance with central guidelines. It is estimated that the provisions made are sufficient to cover any loss.

Liquidity risk

Liquidity risk is the risk that Carlsberg fails to honour its obligations due to liquidity shortfall. Consequently, it is Corporate Treasury's task to ensure efficient liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources. At 31 December 2004, Carlsberg had unutilised long-term committed credit facilities of DKK 7.2bn.

Accounts 2004

Accounting policies

The annual report of the Carlsberg Group for 2004 has been prepared in accordance with the Danish Financial Statements Act of 7 June 2001 (reporting class D), current Danish accounting standards and the reporting requirements of the Copenhagen Stock Exchange.

The accounting policies applied remain unchanged compared to last year.

Consolidation policies

The consolidated financial statements of the Carlsberg Group (the "Group") comprise the financial statements of Carlsberg A/S and subsidiaries, i.e. undertakings in which the Parent Company, directly or indirectly, holds the majority of the voting rights or in some other way has a controlling interest.

Associated undertakings, which by agreement are managed jointly with one or more other undertakings (joint ventures), are consolidated proportionally with the proportionate share of the individual items. Undertakings in which the Group holds between 20% and 50% of the voting rights and holds significant influence are considered associated undertakings and are included at a proportionate share of profit and capital and reserves (the equity method).

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company, its subsidiaries and proportionally consolidated associated undertakings. Intercompany sales, licences, interest, dividends, profit and balances are eliminated and investments in subsidiaries and proportionally consolidated associated undertakings are offset against a proportionate share of the undertaking's capital and reserves stated in accordance with the accounting policies of the Group.

Investments in subsidiaries and associated undertakings are treated according to the purchase accounting method and any balance between cost and capital and reserves at the time of acquisition, stated in accordance with the accounting policies of the Group, is allocated to the assets and liabilities of the individual undertakings based on their fair values. Provision is made for liabilities relating to restructuring of acquired undertakings, which has been decided and announced to the relevant parties at the time of acquisition.

Any remaining balance (goodwill) is recognised under intangible assets and amortised under the straight-line method over the estimated useful life, however not exceeding 20 years.

Any negative balance (negative goodwill) equivalent to expected future losses or costs is included in the balance sheet and recorded as income as the losses or costs are realised. Any negative goodwill apart from this is systematically recorded as income over the economic lives of intangible assets and property, plant and equipment.

Minority shareholders' share of the profit and capital and reserves of the subsidiaries is stated separately. Minority interests are included on the basis of their proportionate share of assets and liabilities acquired, revalued to fair value at the time of acquisition of the subsidiaries.

When disposing of subsidiaries, proportionally consolidated undertakings and other associated undertakings, the undertaking's results are included in the consolidated income statement until the date of disposal. Any realised gains or losses constituting the difference in value compared to net carrying amount at the date of disposal are recorded in the income statement.

Foreign currency translation

The exchange rates at the day of transaction are applied to transactions in foreign currency.

Amounts receivable and payable in foreign currencies are translated into Danish kroner at the exchange rates ruling at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement.

The financial statements of independent foreign subsidiaries and associated undertakings are translated into Danish kroner at the average exchange rates during the financial year for the income statements, and at the exchange rates ruling at the balance sheet date for assets and liabilities. Differences in exchange rates when translating foreign undertakings' capital and reserves at the exchange rate at the balance sheet date are taken directly to capital and reserves. Net currency exchange rate gains and losses on transactions, etc. to hedge investments in subsidiaries and associated undertakings are taken directly to capital and reserves.

Goodwill relating to foreign subsidiaries and proportionally consolidated undertakings is treated as an asset belonging to the foreign undertakings and translated into Danish kroner at the exchange rates ruling at the balance sheet date. Goodwill amortisation is translated at average rates for the financial year.

Where the statements of foreign subsidiaries and associated undertakings are presented in a currency for which the accumulated inflation over the past three years exceeds 100%, adjustment for inflation is made. The adjusted statement is translated into Danish kroner at the exchange rates at the balance sheet date.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at fair value. Derivative financial instruments are included in other receivables and other liabilities.

Changes in the fair value of derivatives, which qualify as fair value hedges of a recognised asset or a recognised liability, are recognised in the income statement along with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivatives, which qualify as hedges of future assets or liabilities, are recognised in retained profit in capital and reserves. Income and costs relating to such hedging transactions are transferred from capital and reserves upon realisation of the hedged item to the same item as the hedged transactions.

For derivative financial instruments, which do not meet the criteria for hedge accounting, changes in the fair value are recognised in the income statement on a current basis.

Incentive programmes

The value of share options granted is not recognised in the income statement but covered by the portfolio of treasury shares. Costs for the share option programmes are thus recognised under capital and reserves in accordance with the applicable accounting policies.

Income statement

Net revenue

Sales are recorded as income upon delivery. Licence fee income is recorded on the basis of the amounts earned during the year. Contract work for the account of third parties is recorded under the percentage of completion method and is recorded in the balance sheet under receivables after a prudent evaluation of each contract. Net revenue consists of the above items less the taxes and duties imposed on sales, including excise duties on beer and soft drinks as well as discounts and returnable packaging.

Cost of sales

Cost of sales represents direct and indirect costs paid to achieve the net revenue for the year, including depreciation.

Sales and distribution expenses

Sales and distribution expenses represent salaries to sales and distribution staff, marketing expenses and costs relating to operation of vehicles, including depreciation of property, plant and equipment and amortisation of intangible assets relating to sales and distribution activities, other than goodwill.

Administrative expenses

Administrative expenses include management costs, administrative staff costs, office premises and other expenses, including depreciation of property, plant and equipment and amortisation of intangible assets relating to administrative activities, other than goodwill.

Other operating income and other operating expenses

Other operating income and other operating expenses include items of a nature secondary to the primary activities, such as income from rental properties, gains and losses from the sale of property, plant and equipment as well as government grants not related to acquisition of assets or refunds of expenses.

Special items

This item includes income and costs not directly attributable to the operating activities of the Group, including costs related to any basic restructuring of set-up and procedures as well as any profit or loss arising from disposals in this connection. This item also includes significant non-recurring items.

The items are listed separately in order to give a more true and fair view of the Group's operating profit.

Write-down of assets

The net carrying amount of intangible assets and property, plant and equipment is assessed on an annual basis to determine any indication of impairment of value. If this is the case, the assets are written down to the higher value of the net market value or the net present value of the future net payments in the case of continued use.

Profit from investments in associated undertakings

The share of the profit or loss from associated undertakings is recorded in accordance with the accounting policies of the Group. Adjustments are made for changes in unrealised inter-company profit and loss. The share of the calculated tax of these undertakings is charged to the income statement under corporation tax.

Financial income and expenses

Financial income and expenses include interest, realised and unrealised exchange rate adjustments, adjustment of securities and other financial instruments to fair value, amortisation of debt and receivables, interest on financial leasing, dividends and refunds as well as deductions and additions under the on-account taxation scheme.

Corporation tax

Tax for the year recognised in the income statement consists of current and deferred tax for the year, the effect on deferred tax from changes of tax rates as well as adjustments of actual tax from previous years. The portion of the tax for the year that is directly attributable to capital and reserves is recognised directly under capital and reserves.

Current tax is calculated at the tax rate applicable for the year. Deferred tax is calculated at the adopted or expected tax rates.

The Parent Company is taxed jointly with some of its wholly-owned Danish subsidiaries. The jointly-taxed, profit-yielding Danish undertakings pay tax to the Parent Company. The Parent Company settles the tax with the tax authorities (the full allocation method).

Balance sheet

Intangible assets

The cost of goodwill and other intangible assets is capitalised and amortised under the straight-line method over the expected useful lives of the assets. There is no revaluation to fair value.

Research costs are recognised in the income statement as incurred. Costs incurred in connection with development activities are recognised as an asset if expected to generate probable future economic benefit. Other development costs are charged to the income statement as incurred.

Amortisation is calculated systematically over the estimated useful lives of the assets as follows:

- Goodwill: maximum 20 years
- Brands: maximum 20 years
- Software, etc.: 3-5 years
- Delivery rights: depending on contract, but not exceeding 5 years

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Borrowing costs incurred during the production period relating to assets of own manufacture are not capitalised.

Depreciation to scrap value is provided under the straight-line method over the estimated useful lives of the assets as follows:

- Buildings: 20-40 years
- Plant, machinery and equipment: 5-15 years
- Other assets, vehicles, fixtures and equipment, including draught beer equipment and soft drink machines: 5-10 years
- Returnable packaging: 3-5 years

Items costing less than DKK 25,000 are fully charged to the income statement in the year of acquisition.

Leased and rented assets qualifying as finance leases are treated according to the same principles as corresponding owned assets.

Investments

Investments in associated undertakings are recognised in the consolidated balance sheet with a proportionate share of the net carrying amount of the undertakings in question (capital and reserves stated under Group policies) deducting or adding inter-company profit and losses.

Subsidiaries and associated undertakings with a negative carrying amount are measured at DKK nil and any receivables in these undertakings are written down with the Parent Company's share of the negative net asset value. If the negative net asset value exceeds the receivables, the remaining amount is recognised under provisions for liabilities and charges to the extent that the Parent Company holds a legal or constructive obligation to cover the negative balance of the undertaking.

Non-current receivables from associated undertakings, i.e. amounts falling due after more than one year, are recognised at the lower of amortised cost or recoverable value.

Associated beverage undertakings are recognised under operating profit as these undertakings are an integrated part of the primary activities of the Group.

Other securities and investments include financial assets such as bonds, shares and similar items of a non-current nature. The assets are recognised at cost and subsequently valued at fair value. Listed securities are recognised at the rates ruling at the balance sheet date. Unlisted securities are recognised based on a prudent estimation of fair value. Any adjustment to fair value is included under financials.

Other non-current receivables, i.e. amounts falling due after more than one year, are recognised at amortised cost or recoverable value, if lower.

Inventories

Inventories are recognised at cost, stated under the average method. Write-down is made to net realisable value if lower.

Indirect production overheads are included in the cost price.

Receivables

Receivables from trade with third party customers, associated undertakings and other receivables, which are expected to be realised within 12 months from the balance sheet date, are recognised at amortised cost or net realisable value, if lower. Short-duration receivables with no stated interest rate are as a rule recognised at nominal value unless the effect of imputing interest would be significant.

Receivables also include current trade loans and contract work in progress at the account of third parties. Contract work in progress on behalf of third parties is recognised under net revenue and in the balance sheet at the percentage of completion method. The net amount of recorded cost, recognised profit/loss and progress billings is included in trade receivables, unless the progress billings exceed the sales price. In such cases they are included in trade payables.

Capital and reserves

Dividends are recognised at the time of adoption at the Annual General Meeting. Dividends proposed for the year are shown as a separate item in capital and reserves.

Acquisition and divestment sums relating to treasury shares are recognised in capital and reserves.

Retirement benefit obligations and similar obligations

To the extent that pension obligations and other post retirement obligations relating to defined benefit schemes are not covered by insurance or a separate pension fund, provision is made in the balance sheet.

Commitments for defined benefit plans are computed on the basis of an annual actuarial valuation at present value of the expected future benefits to be paid. If the actuarial gain or loss exceeds 10% of the computed pension obligation or the fair value of the pension fund assets, such gain or loss is amortised over the relevant employees' expected remaining term of service in the Group. Actuarial gain or loss not exceeding 10% is not recognised in the financial statements but included in the future actuarial valuation.

Payments to defined contribution schemes are charged to the income statement in the year in which they are made.

Deferred tax

Deferred tax is provided for all temporary differences between accounting and tax values using the liability method with a balance sheet focus based on the tax rates adopted or expected at the balance sheet date. However, no provision is made for investments in subsidiaries, joint ventures and associated undertakings, where it is not likely that the temporary difference will be reversed in the foreseeable future or where sale is tax-exempt. Deferred tax assets, including assets relating to tax losses carried forward, are stated at recoverable value based on a conservative valuation.

Deposit on returnable packaging

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

Provisions for restructuring, etc.

Restructuring provisions, etc. are recognised on the balance sheet date when the decision has been adopted and announced to the parties involved, provided that a reliable estimate of the liability can be made. Restructuring provisions are based on a plan according to which restructuring starts immediately after the decision has been made.

Interest-bearing loans and similar liabilities

Debt is recognised at nominal value less capital losses at the time of raising the loan. Subsequently, debt is stated at amortised cost. Capital losses and costs of loans are thus allocated over the term of the liabilities based on the calculated effective rate of interest when raising the loan.

Government grants

Government grants relating to the purchase of property, plant and equipment and intangible assets are offset in the balance sheet against the cost price of the assets acquired. Other government grants are either offset against the costs to which they relate or included in other operating income and as such form part of cash generated from operating activities.

Cash flow statement

The statement shows the consolidated cash flows in operating activities, investing activities and financing activities and consolidated cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are reported using the indirect method and comprise the consolidated operating profit of the Group adjusted for non-cash financials, corporation tax, depreciation and other items. This adjusted operating profit is adjusted for the change in working capital such as inventories, receivables, payables, etc. for the year.

Cash flows from investing activities arise from the acquisition and disposal of undertakings, investments in other non-current assets and dividends received. Cash flows from financing activities comprise changes in share capital, acquisition and sale of treasury shares, dividend paid and changes in non-current liabilities, etc.

Cash and cash equivalents comprise in hand and demand deposits as well as short-term, highly liquid investments that are readily convertible into cash and only subject to an insignificant risk of changes in value less short-term credit facility drawdowns. Cash equivalents include bonds and other investments with a maturity at the date of acquisition not exceeding 3 months. Shares and other short-term bank borrowings are not included.

Segment information

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

The segment’s operating profit includes net revenue, operating costs, and share of profit from associated undertakings to the extent that they are directly attributable to this. Income and costs related to Group functions have not been distributed and, as is also the case with eliminations and other activities, they are not included in the operating profit of the segments.

Non-current assets in the segment consist of the non-current assets used directly for segment operations, including intangible assets, property, plant and equipment and investments in associated undertakings. Current assets are distributed on the segments to the extent that they are directly attributable to these, including inventories, trade receivables, other receivables and prepayments and accrued income.

Segment liabilities comprise segment operating liabilities, including trade payables and other liabilities.

Income statement

PARENT COMPANY				GROUP	
2003 DKK million	2004 DKK million	Note		2004 DKK million	2003 DKK million
-	-		Revenue	49,393	47,345
-	-		Excise duties on beer and soft drinks, etc.	-13,406	-12,719
-	**-**	1	**Net revenue**	**35,987**	**34,626**
-	-	2,4	Cost of sales	-17,715	-16,989
-	**-**		**Gross profit**	**18,272**	**17,637**
-	-	3,4	Sales and distribution expenses	-12,840	-12,172
-40	-33	4,5	Administrative expenses	-2,859	-2,712
49	414	6	Other operating income, net	603	575
1,120	822	7	Profit before tax, subsidiaries	-	-
-4	2	7	Profit before tax, associates	266	236
1,125	**1,205**	1	**Operating profit**	**3,442**	**3,564**
-	-	8	Special items, net	-301	-401
1,125	**1,205**		**Profit before financials**	**3,141**	**3,163**
218	91	9	Financial income	429	416
-57	-415	10	Financial expenses	-1,508	-891
1,286	**881**		**Profit before tax**	**2,062**	**2,688**
-330	-404	11	Corporation tax	-459	-590
			Profit before goodwill amortisation and write-downs	**1,603**	**2,098**
		13	Goodwill amortisation and write-downs	-976	-379
			Consolidated profit	**627**	**1,719**
		12	Minority interests	-150	-763
956	**477**		**Profit for the year, Carlsberg A/S' share**	**477**	**956**
			Proposed appropriation:		
304	380		Dividend to shareholders		
652	97		Appropriated to reserves		
956	477				

Balance sheet at 31 December

PARENT COMPANY			ASSETS	GROUP	
31 Dec. 03 DKK million	31 Dec. 04 DKK million	Note		31 Dec. 04 DKK million	31 Dec. 03 DKK million
			Non-current assets		
		13	**Intangible assets**		
-	-		Goodwill	17,955	5,140
-	-		Other intangible assets	524	356
-	-		Advance payments	124	165
-	**-**			**18,603**	**5,661**
		14	**Property, plant and equipment**		
868	325		Land and buildings	9,120	7,786
6	10		Plant, machinery and equipment	7,905	7,462
-	-		Other assets, vehicles, etc.	2,537	2,973
197	148		Construction in progress	957	910
1,071	**483**			**20,519**	**19,131**
			Investments		
7,771	19,571	15	Investments in subsidiaries	-	-
151	164	15	Investments in associates	1,786	1,630
233	1	15,16	Other investments	415	672
61	121	24	Deferred tax	861	732
-	-	15,16	Other receivables	1,613	2,136
8,216	**19,857**			**4,675**	**5,170**
9,287	**20,340**	1	**Total non-current assets**	**43,797**	**29,962**
			Current assets		
-	-	17	Inventories	2,878	2,675
-	-	18	Trade receivables	6,179	6,212
65	1,715		Receivables from subsidiaries	-	-
-	-		Receivables from associates	577	327
-	14		Tax receivable	84	-
47	86	19	Other receivables	939	1,751
-	-	19	Prepayments	519	620
112	**1,815**			**11,176**	**11,585**
2,536	11	20	Securities, and cash and cash equivalents	1,758	5,165
2,648	**1,826**		**Total current assets**	**12,934**	**16,750**
11,935	**22,166**		**Total assets**	**56,731**	**46,712**

PARENT COMPANY			CAPITAL AND RESERVES AND LIABILITIES	GROUP	
31 Dec. 03	31 Dec. 04			31 Dec. 04	31 Dec. 03
DKK million	DKK million	Note		DKK million	DKK million
			Capital and reserves		
1,278	1,526	21	Share capital	1,526	1,278
9,998	12,884		Reserves	12,884	9,998
11,276	**14,410**		**Total capital and reserves**	**14,410**	**11,276**
-	**-**	22	**Minority interests**	**1,696**	**6,630**
			Liabilities		
			Provisions		
51	20	23	Retirement benefit obligations and similar obligations	1,414	600
-	-	24	Deferred tax	2,314	1,167
-	-		Liabilities for deposits on returnable packaging	1,260	1,234
10	20	25	Other	670	360
61	**40**			**5,658**	**3,361**
		26	**Non-current liabilities**		
-	6,920		Borrowings	21,708	10,883
-	-		Other	240	212
-	**6,920**			**21,948**	**11,095**
			Current liabilities		
117	91	26	Borrowings	3,355	4,985
3	4		Trade payables, etc.	4,074	4,173
366	334		Payables to subsidiaries	-	-
13	45		Payables to associates	66	14
1	-		Corporation tax	710	464
66	301	27	Other	4,675	4,573
32	21		Deferred income	139	141
598	**796**			**13,019**	**14,350**
659	**7,756**	1	**Total liabilities**	**40,625**	**28,806**
11,935	**22,166**		**Total capital and reserves and liabilities**	**56,731**	**46,712**

30 Invested capital
31 Net interest-bearing debt
32 Investments in proportionally consolidated undertakings
33 Financial instruments
34 Related parties
35 Contingent liabilities and other commitments, etc.

Movements in Parent Company's capital and reserves

DKK million	Share capital	Net revaluation according to equity method	Retained earnings	Dividend	Total
			2004		
Capital and reserves at 1 January	1,278	1,499	8,195	304	11,276
Profit for the year	-	330	147	-	477
Dividend paid to shareholders	-	-	-	-304	-304
Dividends received	-	-1,427	1,427	-	-
Capital increase	305	-	3,058	-	3,363
Cancellation of treasury shares	-57	-	57	-	-
Value adjustment of hedging instruments	-	-185	-	-	-185
Currency translation adjustment related to foreign entities, etc.	-	-217	-	-	-217
Proposed dividend to shareholders	-	-	-380	380	-
Capital and reserves at 31 December	**1,526**	**-**	**12,504**	**380**	**14,410**

Costs related to the capital increase amounted to DKK 61m, which was set off against the proceeds of the capital increase.

DKK million	Share capital	Net revaluation according to equity method	Retained earnings	Dividend	Total
			2003		
Capital and reserves at 1 January	1,278	1,019	8,235	304	10,836
Profit for the year	-	850	106	-	956
Dividend paid to shareholders	-	-	-	-304	-304
Dividends received	-	-158	158	-	-
Value adjustment of hedging instruments	-	7	-	-	7
Change in capital and reserves due to the dissolution of Carlsberg Asia joint venture	-	390	-	-	390
Currency translation adjustment related to foreign entities, etc.	-	-609	-	-	-609
Proposed dividend to shareholders	-	-	-304	304	-
Capital and reserves at 31 December	**1,278**	**1,499**	**8,195**	**304**	**11,276**

Movements in consolidated capital and reserves

DKK million	Share capital	Retained earnings	Dividend	Total
			2004	
Capital and reserves at 1 January	1,278	9,694	304	11,276
Profit for the year	-	477	-	477
Dividend paid to shareholders	-	-	-304	-304
Capital increase	305	3,058	-	3,363
Cancellation of treasury shares	-57	57	-	
Value adjustment of hedging instruments	-	-185	-	-185
Currency translation adjustment related to foreign entities, etc.	-	-217	-	-217
Proposed dividend to shareholders	-	-380	380	-
Capital and reserves at 31 December	**1,526**	**12,504**	**380**	**14,410**

Costs related to the capital increase amounted to DKK 61m, which was set off against the proceeds of the capital increase.

DKK million	Share capital	Retained earnings	Dividend	Total
			2003	
Capital and reserves at 1 January	1,278	9,254	304	10,836
Profit for the year	-	956	-	956
Dividend paid to shareholders	-	-	-304	-304
Value adjustment of hedging instruments	-	7	-	7
Change in capital and reserves due to the dissolution of Carlsberg Asia joint venture	-	390	-	390
Currency translation adjustment related to foreign entities, etc.	-	-609	-	-609
Proposed dividend to shareholders	-	-304	304	-
Capital and reserves at 31 December	**1,278**	**9,694**	**304**	**11,276**

Cash flow statement

		GROUP	
		2004	**2003**
Note		DKK million	DKK million
28	Cash flow relating to operations	5,268	5,824
	Interest received	324	425
	Interest paid	-1,101	-975
	Corporation tax paid	-685	-757
	Cash flow from operating activities	**3,806**	**4,517**
29	Acquisition/divestment of undertakings, net	-4,252	-143
	Capital expenditure, net	-1,141	-997
	Trade loans etc., net	45	-13
	Other financial investments, net	3,193	-572
	Acquisition of intangible assets, net	-202	-221
	Dividends received	63	42
	Cash flow from investing activities	**-2,294**	**-1,904**
	Free cash flow	**1,512**	**2,613**
	Increase of share capital	3,363	-
	Minorities' share of increase of share capital in subsidiaries	79	45
	Dividend paid to shareholders	-304	-304
	Dividend paid to minority interests	-178	-253
	Acquisition of minority interests	-15,611	-522
	Repurchase of treasury shares	-	-12
	Proceeds from bond issue	2,583	-
	Borrowings, net	2,120	-764
	Other financing activities, net	3,722	271
	Cash flow from financing activities	**-4,226**	**-1,539**
	Net cash flow	**-2,714**	**1,074**
	Securities and cash and cash equivalents, beginning of year	4,246	2,995
	Acquired/sold cash and cash equivalents	-	237
	Currency translation adjustments	-32	-60
20	**Securities and cash and cash equivalents, net**	**1,500**	**4,246**

Notes

(DKK million)

1 Segment information

2004

	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Bever-ages, total	Other	Carlsberg Group, total
Net revenue	26,589	5,121	2,877	1,463	-63	35,987	-	35,987
%	74%	14%	8%	4%	0%	100%	-	100%
Operating profit	2,165	1,035	117	454	-770	3,001	441	3,442
Non-current assets	19,655	4,453	3,914	2,488	1,190	31,700	12,097	43,797
Liabilities 1)	16,636	2,623	2,172	1,371	10,551	33,353	7,272	40,625

2003

	Western Europe	BBH Group (50%)	Eastern Europe excl. BBH	Asia	Not distributed	Bever-ages, total	Other	Carlsberg Group, total
Net revenue	26,182	4,313	3,018	1,290	-177	34,626	-	34,626
%	76%	12%	9%	4%	-1%	100%	-	100%
Operating profit	2,364	986	240	451	-612	3,429	135	3,564
Non-current assets	17,983	3,657	3,699	2,473	760	28,572	1,390	29,962
Liabilities1)	15,637	1,897	2,333	1,538	6,977	28,382	424	28,806

1) Not distributed liabilities of DKK 10,551m (2003: DKK 6,977m) primarily relate to Group funding in connection with acquisition of undertakings.

Other primarily relates to the Parent Company.

2 Cost of sales

	2004 Parent	2004 Group	2003 Parent	2003 Group
Cost of sales, total	-	17,715	-	16,989
From this staff costs, cf. note 4	-	1,991	-	1,879

Cost of sales comprises staff costs, cost of materials and process costs, including depreciation and purchasing of finished goods for resale.

Notes

(DKK million)

3 Sales and distribution expenses

	2004		2003	
	Parent	Group	Parent	Group
Marketing expenses	-	3,672	-	3,483
Sales expenses	-	3,803	-	3,605
Distribution expenses	-	5,365		5,084
	-	12,840	-	12,172
From this staff costs, cf. note 4	-	3,841	-	3,566

4 Staff costs, management remuneration and fees to auditors appointed by the General Meeting are:

Staff costs

	2004		2003	
	Parent	Group	Parent	Group
Wages, salaries and remuneration	77	6,054	70	5,500
Social security costs	1	781	1	830
Pension costs - defined contribution plans	8	134	10	127
Pension costs - defined benefit plans	-31	157	-	249
Other benefits	1	106	1	52
	56	7,232	82	6,758

Wages, salaries and remuneration for the Parent Company and the Group include remuneration paid to the Executive Board of the Parent Company of DKK 20m (2003: DKK 4m), including the value of the share options in Carlsberg A/S, and to the Board of Directors of the Parent Company of DKK 6m (2003: 4 mio. kr.). In 2004, the Executive Board consists of three members against previously only one member.

Total staff costs are distributed on the following items:

	2004		2003	
	Parent	Group	Parent	Group
Cost of sales	-	1,991	-	1,879
Sales and distribution expenses	-	3,841	-	3,566
Administrative expenses	7	1,126	22	1,181
Other operating income, net	49	49	60	60
Special items (restructuring)	-	225	-	72
	56	7,232	82	6,758

In the financial year, the average number of employees in the Parent Compay was 155 (2003: 156) and 31,703 (2003: 31,531) in the Group, of whom 8,101 (2003: 8,185) in proportionally consolidated undertakings.

Fees to auditors appointed by the General Meeting

		2004		2003	
		Parent	Group	Parent	Group
PricewaterhouseCoopers:	Audit	0.3	19.0	0.7	14.4
	Other services	5.0	23.0	1.0	10.6
KPMG:	Audit	0.5	4.0	0.5	3.6
	Other services	3.0	4.0	1.0	3.5

Other services include fees for assistance in connection with tax consultancy, due diligence, capital increase, etc.

5 Share options

Granted in	Fair value	Exercise period: First year	Exercise period: Last year	Number: 1 Jan. 04	Number: Granted [1]	Number: Expiry/ Lapse	Number: Exercised	Number: 31 Dec. 04	Exercise price: Fixed [1]
Executive Board (all grants are share options)									
2001	0	2004	2008	14,700	-	-	-	14,700	386.54
2002	0	2005	2009	14,700	-	-	-	14,700	323.82
2003	2	2006	2010	21,000	-	-	-	21,000	214.47
2004	2	2007	2011	-	26,250	-	-	26,250	268.39
Total	4			50,400	26,250	-	-	76,650	
Key managers (all grants are share options)									
2001	1	2004	2008	70,875	-	6,300	-	64,575	386.54
2002	2	2005	2009	70,875	-	9,450	-	61,425	323.82
2003	8	2006	2010	89,250	-	-	13,650	75,600	214.47
2004	13	2007	2011	-	188,738	5,250	-	183,488	268.39
Total	24			231,000	188,738	21,000	13,650	385,088	
Total	28			281,400	214,988	21,000	13,650	461,738	

[1] In order to maintain the relative value of the options, the number of options and the exercise prices were adjusted in March 2004 in connection with the capital increase in Carlsberg A/S.

Assumptions when calculating fair value

Share price	277
Volatility	27%
Risk-free interest rate	2.7-3.3%
Dividend rate	1.81%
Time to expiry	Until mid-exercise period

Exercise possibilities

The options can be exercised during a period from three to eight years after the right has been granted. In case of resignation a proportionate share of the options may be exercised within a deadline of one month to a year.

The exercise price is calculated as an average of the price at the Copenhagen Stock Exchange of Carlsberg A/S B-shares during the first five trading days after the publication of the Preliminary Profit Statement of Carlsberg A/S, following immediately after the options have been granted.

The valuation is based on Black & Schole's valuation model for call options on the basis of the exercise price.

The Carlsberg Group has acquired 200,000 own shares to cover part of the obligations relating to the granted options.

Notes

(DKK million)

6 Other operating income, net

Other operating income, net, comprises:

	2004		2003	
	Parent	Group	Parent	Group
Property gains	456	471	42	400
Rental income from properties, net	24	25	46	67
Gain on divestment of other non-current assets, net	-	97	-	53
Distribution from brewery organisations	-	41	-	67
Profit guarantee, Thailand	-	-	-	60
Other operating expenses, net	-66	-31	-39	-72
	414	603	49	575

7 Profit from investments

	2004		2003	
	Parent	Group	Parent	Group
Profit from investments in subsidiaries:				
Profit before tax	822	-	1,120	-
Corporation tax	-492	-	-270	-
Profit after tax	330	-	850	-

	2004		2003	
	Parent	Group	Parent	Group
Profit from investments in associated undertakings:				
Hite Brewery	-	180	-	210
Lao Brewery Co. Ltd.	-	25	-	27
Other associated undertakings	2	61	-4	-1
Profit before tax	2	266	-4	236
Corporation tax	-1	-56	-1	-69
Profit after tax	1	210	-5	167

8 Special items, net

	2004		2003	
	Parent	Group	Parent	Group
Gain on divestment of brewery plants, Sweden and Norway	-	223	-	-
Gain on sale of Vena shares	-	194	-	-
Restructuring of sales and logistics in Carlsberg Danmark A/S	-	-66	-	-
Accounting loss relating to outsourcing of Carlsberg UK's draught beer equipment service	-	-305	-	-
Severance pay in connection with Operational Excellence programmes	-	-58	-	-
Restructuring, Carlsberg Italia	-	-65	-	-
Restructuring, Carlsberg Sverige	-	-86	-	-346
Impairment of non-current assets in connection with restructuring in Carlsberg Polska	-	-54	-	-32
Reversal of impairment relating to Hannen Brauerei GmbH	-	-	-	138
Loss on sale of water bottling plant Eglisau, Feldschlösschen	-	-	-	-100
Restructuring costs of closing brewery in Tou, Norway	-	-	-	-55
Various restructuring costs, Carlsberg UK	-	-	-	-45
Other restructuring costs, etc., other undertakings	-	-84	-	39
	-	-301	-	-401

9 Financial income

	2004 Parent	2004 Group	2003 Parent	2003 Group
Interest income	63	279	77	234
Dividend income	-	12	-	2
Gains on foreign currency translation, net	-	95	-	34
Other financial income	28	43	141	146
	91	429	218	416

The Parent Company's interest income from subsidiaries amounted to DKK 20m (2003: DKK 17m).
Gains on foreign currency translation, net, include loss of DKK 4m (2003: gain of DKK 16m) relating to monetary net assets in hyperinflation economies.

10 Financial expenses

	2004 Parent	2004 Group	2003 Parent	2003 Group
Interest expenses	253	1,163	21	775
Fair value adjustments, net	22	19	-	4
Loss on foreign currency translation, net	-	-	1	1
Write-downs, investments	-	7	35	35
Other financial expenses	140	319	-	76
	415	1,508	57	891

Interest paid by the Parent Company to subsidiaries amounted to DKK 5m (2003: DKK 3m).

Fair value adjustments, net, in the Group relate to the following instruments:

	2004 Parent	2004 Group	2003 Parent	2003 Group
Interest rate swaps: fair value	-	-	-	-6
Forward exchange contracts: fair value hedging	-	25	-	12
Fair value adjustments, other assets	-22	-44	-	-10
	-22	-19	-	-4

11 Corporation tax

Tax on profit for the year comprises:

	2004 Parent	2004 Group	2003 Parent	2003 Group
Current tax	7	671	28	842
Movement in deferred tax during the year	-56	-203	-24	-288
Share of tax in subsidiaries, cf. note 7	492	-	270	-
Share of tax in associates, cf. note 7	1	56	1	69
Adjustment of tax for previous year	-40	-65	55	-33
	404	459	330	590

Reconciliation of the effective tax rate for the year:

	2004 Group	2003 Group
Tax rate in Denmark	30.0%	30.0%
Difference in tax rates, foreign subsidiaries	-1.1%	-3.5%
Non-taxable income and non tax-deductible expenses, net	-7.7%	-2.7%
Adjustment of tax for previous years	-1.5%	1.5%
Capitalised loss relating to previous years, net	-0.4%	-5.1%
Other	2.9%	1.7%
Effective tax rate for the year	22.2%	21.9%

The Parent Company and its Danish subsidiaries participate in the joint tax on account scheme.

Notes

(DKK million)

12 Minority interests

Minority interests' share of profit for the year relate to the following undertakings:

	2004 Group	2003 Group
Carlsberg Breweries A/S (only January and February 2004)	94	-497
Baltic Beverages Holding AB	-179	-208
Carlsberg Brewery Malaysia Berhad	-73	-71
Other	8	13
	-150	-763

13 Intangible assets

Group	Goodwill	Other intangible assets	Advance payments
Cost			
Cost at 1 Jan. 2004	6,802	916	165
Additions relating to the acquisition of undertakings	2,271	359	-
Additions during the year	11,689	108	128
Disposals during the year	-109	-200	-
Currency translation adjustments, etc.	-41	3	-
Transfers	-14	152	-169
Cost at 31 Dec. 2004	20,598	1,338	124
Amortisation and impairment losses			
Amortisation and impairment losses at 1 Jan. 2004	1,662	560	-
Additions relating to the acquisition of undertakings	-	233	-
Additions during the year	4	-	-
Disposals during the year	-	-184	-
Currency translation adjustments, etc.	3	-	-
Amortisation for the year	976	231	-
Transfers	-2	-26	-
Amortisation and impairment losses at 31 Dec. 2004	2,643	814	-
Carrying amount at 31 Dec. 2004	17,955	524	124

Amortisation of intangible assets other than goodwill is included in the following items:

	2004	2003
Cost of sales	4	7
Sales and distribution expenses	39	25
Administrative expenses	188	107
	231	139

The carrying amount of other intangible assets at 31 Dec. 2004 includes capitalised software of DKK 357m (2003: DKK 268m) and delivery rights of DKK 123m (2003: DKK 42m).

Research and development costs of DKK 109m (2003: DKK 45m) have been expensed.

When Carlsberg Breweries included Orkla's brewing activities on 1 January 2001, Orkla received shares in Carlsberg Breweries as payment. The price of the shares was established based on the carrying amounts, as only a relative ownership structure was negotiated and agreed between Carlsberg and Orkla. Consequently, Carlsberg has not capitalised goodwill relating to that transaction, cf. accounting standard 3, section 41.

14 Property, plant and equipment

Group	Land and buildings	Plant, machinery and equipment	Other assets, vehicles, etc.	Construction in progress
Cost				
Cost at 1 Jan. 2004	11,393	18,302	8,007	918
Additions relating to the acquisition of undertakings	2,359	2,008	923	79
Disposals relating to the divestment of undertakings	-127	-224	-17	-16
Additions during the year	182	807	852	1,213
Disposals during the year	-906	-679	-2,039	-131
Currency translation adjustments, etc.	45	-139	55	-9
Transfers	422	223	238	-1,087
Cost at 31 Dec. 2004	13,368	20,298	8,019	967
Depreciation and impairment losses				
Depreciation and impairment losses at 1 Jan. 2004	3,607	10,840	5,034	8
Additions relating to the acquisition of undertakings	453	1,210	656	-
Disposals relating to the divestment of undertakings	-16	-48	-13	-
Disposals during the year	-175	-586	-1,215	-
Currency translation adjustments, etc.	-	-69	52	2
Depreciation during the year	351	1,212	959	-
Impairment losses during the year	36	26	1	-
Transfers	-8	-192	8	-
Depreciation and impairment losses at 31 Dec. 2004	4,248	12,393	5,482	10
Carrying amount at 31 Dec. 2004	9,120	7,905	2,537	957

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

	2004	2003
Depreciation during the year is included in the following items:		
Cost of sales	1,574	1,462
Sales and distribution expenses	732	874
Administrative expenses	201	179
Other operating income	15	19
	2,522	2,534

The cost of finance leases amounted to DKK 225m (2003: DKK 894m). Accumulated depreciation on finance leases amounted to DKK 71m (2003: DKK 83m), and the net carrying amount of finance leases thus totalled DKK 154m (2003: DKK 811m). Depreciation of DKK 32m (2003: DKK 31m) was recognised in 2004.

The carrying amount of land and buildings in Denmark amounted to DKK 2,170 (2003: DKK 1,818m). The value of property in Denmark as assessed for tax purposes amounted to DKK 4,968m (2003: DKK 3,451m).

Parent	Land and buildings	Plant, machinery and equipment	Other assets, vehicles, etc.	Construction in progress
Cost				
Cost at 1 Jan. 2004	1,240	86	6	197
Additions during the year	-	-	-	74
Disposals during the year	-552	-3	-	-88
Transfers	28	7	-	-35
Cost at 31 Dec. 2004	716	90	6	148
Depreciation and impairment losses				
Depreciation and impairment losses at 1 Jan. 2004	372	80	6	-
Disposals during the year	-11	-3	-	-
Depreciation during the year	30	3	-	-
Depreciation and impairment losses at 31 Dec. 2004	391	80	6	-
Carrying amount at 31 Dec. 2004	325	10	-	148

The value of property in Denmark as assessed for tax purposes at 1 Jan. 2004 amounted to DKK 2,028m (2003: DKK 1,754m).

Notes

(DKK million)

15 Investments

Group	Associates Investments	Associates Receivables	Other investments	Other receivables
Cost				
Cost at 1 Jan. 2004	1,065	-	1,026	2,237
Additions relating to the acquisition of undertakings	94	-	7	570
Additions during the year	23	-	202	517
Disposals during the year	-121	-	-631	-897
Currency translation adjustments, etc.	40	-	-78	-68
Transfers	339	-	-97	-
Transfers to/from current assets	-	-	3	-237
Cost at 31 Dec. 2004	1,440	-	432	2,122
Revaluation and impairment losses				
Revaluation and impairment losses at 1 Jan. 2004	565	-	-354	-101
Additions relating to the acquisition of undertakings	-88	-	-5	-171
Disposals during the year	-37	-	322	-
Dividends	-63	-	-	-
Share of profit before tax	266	-	-	-
Tax of profit for the year	-56	-	-	-
Impairment losses during the year	-	-	-3	-362
Currency translation adjustments, etc.	-14	-	23	75
Transfers	-227	-	-	-
Transfers to/from current assets	-	-	-	50
Revaluation and impairment losses at 31 Dec. 2004	346	-	-17	-509
Carrying amount at 31 Dec. 2004	1,786	-	415	1,613

Investments in associated undertakings at 31 Dec. 2004 include goodwill of DKK 77m net of accumulated amortisation of DKK 14m (2003: DKK 92m net of accumulated amortisation of DKK 12m).

Parent	Subsidiaries Investments	Subsidiaries Receivables	Associates Investments	Other investments
Cost				
Cost at 1 Jan. 2004	6,349	112	-102	570
Additions during the year	15,172	-	-	12
Disposals during the year	-	-	-	-569
Transfers	-	-	230	-12
Cost at 31 Dec. 2004	21,521	112	128	1
Revaluation and impairment losses				
Revaluation and impairment losses at 1 Jan. 2004	1,422	-112	253	-337
Disposals during the year	-	-	-	337
Dividends	-3,300	-	-	-
Share of profit before tax	822	-	2	-
Tax of profit for the year	-492	-	-1	-
Currency translation adjustments, etc.	-402	-	-	-
Transfers	-	-	-218	-
Revaluation and impairment losses at 31 Dec. 2004	-1,950	-112	36	-
Carrying amount at 31 Dec. 2004	19,571	-	164	1

The carrying amount includes goodwill from the acquisition of subsidiaries of DKK 9,755m (2003: DKK 0m).

16 Other investments and other non-current receivables

Other investments in the Group include shares of DKK 394m (2003: DKK 576m) and other financial assets of DKK 21m (2003: DKK 10m). 2003 included bonds of DKK 86m sold in 2004.

Non-current receivables in the Group of DKK 1,613m (2003: DKK 2,136m) relate mainly to on-trade loans and receivables. In 2003, receivables of DKK 560m were included relating to the sale and lease back of draught beer equipment in the UK transfered to an associated undertaking and are thus not included in 2004.

The average effective interest rate for the interest-bearing non-current assets is as follows:

	2004		2003	
	Parent	Group	Parent	Group
Bonds	-	-	-	6.5%
Non-current receivables	-	3.7%	4.4%	4.5%
Repayment falling due after 5 years from the balance sheet date:				
Non-current receivables	-	383	-	795

17 Inventories

	2004		2003	
	Parent	Group	Parent	Group
Raw materials and consumables	-	1,219	-	1,105
Work in progress	-	247	-	221
Finished goods	-	1,412	-	1,349
	-	2,878	-	2,675

18 Trade receivables

	2004		2003	
	Parent	Group	Parent	Group
Trade receivables	-	6,719	-	6,764
Contract work in progress, net	-	5	-	5
Provision for bad and doubtful debts	-	-545	-	-557
	-	6,179	-	6,212

Impairment losses for bad and doubtful debts in the Group of DKK 106m (2003: DKK 96m) have been recognised in the income statement. The Parent Company did not recognise losses on bad and doubtful debts in 2004 and 2003.

	2004	2003
Contract work in progress, net from construction contracts in the Group:		
Work in progress	23	40
Advances received on construction contracts	-18	-35
	5	5

19 Other receivables and prepayments

Other receivables consist of VAT receivables, interest receivables and other receivables not arising from the sale of beverages.

The main part of prepayments is attributable to prepaid sponsorships and marketing expenses.

Notes

(DKK million)

20 Securities and cash and cash equivalents

	2004		2003	
	Parent	Group	Parent	Group
Cash at bank and in hand	11	1,755	1,895	4,521
Liquid securities	-	3	641	644
	11	1,758	2,536	5,165

For the purpose of the Group's cash flow statement, bank overdrafts are offset against cash and cash equivalents:

	2004	2003
Cash and cash equivalents and liquid securities	1,758	5,165
Bank overdrafts	-258	-919
Securities and cash and cash equivalents, net	1,500	4,246

Short-term bank deposits amounted to DKK 1,090m (2003: DKK 3,795m). The average interest rate on these deposits is 2.7% (2003: 2.4%) and the average duration was 43 days (2003: 30 days).

21 Share capital

Specification of share capital:

	1 Jan. 2004		Share capital increase/ Cancellation of treasury shares		31 Dec. 2004	
	Shares of DKK 20	Nominal amount	Shares of DKK 20	Nominal amount	Shares of DKK 20	Nominal amount
A-shares	35,257,090	705	-1,557,838	-31	33,699,252	674
B-shares	28,649,192	573	13,929,959 1)	279	42,579,151	852

The share capital has remained unchanged during the period 1999 to 2003.

1) The share capital increase of 15,215,680 shares, reduced by 1,285,721 cancelled B-shares.

Of this treasury shares:

	Number		Nominal amount		% of share capital	
	2004	2003	2004	2003	2004	2003
1 January	3,043,559	3,043,559	61	61	4.8%	4.8%
Cancellation of treasury shares	-2,843,559	0	-57	0	-4.5%	0.0%
31 December	200,000	3,043,559	4	61	0.3%	4.8%

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

The fair value of treasury shares amounts to DKK 56m at 31 Dec. 2004.

22 Minority interests

		2004		2003
Minority interests at 1 January		6,630		6,450
Acquisitions of undertakings	58		-	
Carlsberg Asia joint venture dissolution	-		266	
Acquisition of minorities	-4,977		-93	
Disposals relating to acquisition of undertakings, net	-4,919	-4,919	173	173
Capital injection		79		62
Minority interests' share of profit after tax		150		763
Dividend to minority interests		-178		-253
Currency translation adjustments, etc.		-66		-565
Minority interests at 31 December		1,696		6,630

23 Retirement benefit obligations and similar obligations

	2004		2003	
	Parent	Group	Parent	Group
Net retirement benefit obligations at 1 January	51	600	51	699
Currency translation adjustments, etc.	-	11	-	-20
Transfer to/from other provisions	-	9	-	-3
Addition relating to the acquisition of undertakings, etc.	-	831	-	-
Expensed during the year	-31	157	-	247
Payments during the year	-	-194	-	-323
Net retirement benefit obligations at 31 December	20	1,414	51	600

At 31 December 2004 not recognised acturial loss amounted to DKK 378m (2003: DKK 670m) and was primarily attributable to Carlsberg UK Holdings PLC, UK.

In connection with the transition to presentation of the financial statements in accordance with international accounting standards (IFRS) at 1 January 2005, the acturarial loss will be fully included in the opening balance sheet. Please refer to the section “Adoption of IFRS”.

24 Deferred tax assets and liabilities

Provision for deferred tax at 31 December relates to the following items:

	Assets		Liabilities	
Group	2004	2003	2004	2003
Intangible assets	136	159	1,599	429
Land and buildings	27	28	518	638
Plant, machinery and equipment, etc.	223	186	741	885
Investments	-	89	-	-
Inventories	34	45	45	48
Receivables	120	45	2	5
Provisions	93	71	35	66
Tax losses, retirement benefit obligations, etc	922	1,098	68	85
Tax assets and liabilities	1,555	1,721	3,008	2,156
Netting	-694	-989	-694	-989
Tax assets and liabilities, net	861	732	2,314	1,167

	Assets		Liabilities	
Parent	2004	2003	2004	2003
Intangible assets	-	-	-	-
Land and buildings	-	-	-	37
Plant, machinery and equipment, etc.	6	4	-	-
Investments	-	77	-	-
Receivables	-	-	-	1
Provisions	6	15	-	-
Tax losses, etc.	109	3	-	-
Tax assets and liabilities	121	99	-	38
Netting	-	-38	-	-38
Tax assets and liabilities, net	121	61	-	-

Non-capitalised tax assets for the Group amounted to DKK 437m (2003: DKK 133m) and relate to tax losses.

Movements in deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	Parent	Group	Parent	Group
Deferred tax assets and liabilities at 1 January 2004	61	732	-	1,167
Additions relating to the acquisition of undertakings, etc.	-	40	-	1,121
Taken to the income statement	56	769	-	440
Taken to capital and reserves	-	-84	-	-15
Adjustments for previous years	31	-109	27	61
Currency translation adjustments	-	-24	-	3
Transfers	-27	-463	-27	-463
Deferred tax assets and liabilities at 31 December 2004	121	861	-	2,314

Notes

(DKK million)

25 Other providers

Group	2004 Restructuring	2004 Other	2003 Restructuring	2003 Other
Other provisions at 1 January	290	70	90	108
Additions relating to the acquisition of undertakings	357	14	-	-
Additions during the year	258	6	294	-19
Disposals relating to the divestment of undertakings	-35	-	-	-
Disposals during the year	-277	-28	-84	-44
Currency translation adjustments, etc.	1	1	-2	-2
Re-classification from current liabilities	-	-	-	14
Transfer to retirement benefit obligations	-	-9	-	-
Transfers	1	21	-8	13
Other provisions at 31 December	595	75	290	70

26 Borrowings

	2004 Parent	2004 Group	2003 Parent	2003 Group
Current liabilities:				
Current share of non-current liabilities	28	430	-	1,004
Bank borrowings and overdrafts	63	1,496	117	2,506
Other current liabilities	-	1,429	-	1,475
Total current liabilities	91	3,355	117	4,985
Non-current liabilities:				
Bond loans	2,486	11,148	-	8,672
Mortgages	634	1,377	-	405
Bank borrowings	-	4,582	-	512
Other borrowings	3,800	4,601	-	1,294
Total non-current borrowings	6,920	21,708	-	10,883
Payables to associates	-	-	-	-
Other non-current liabilities	-	240	-	212
Total non-current liabilities	6,920	21,948	-	11,095
The non-current liabilities fall due from the balance sheet day:				
Between 2 and 5 years	6,410	16,030	-	5,367
After 5 years	510	5,918	-	5,728
	6,920	21,948	-	11,095

The weighted average effective interest rate at 31 December 2004 in the Group and the periods in which the borrowings reprice are:

	Weighted average interest rate	Carrying amounts allocated in interest repricing periods: 1 year	2-5 years	After 5 years
Bond loans	6.0%	-	6,472	4,676
Bank borrowings and other borrowings	3.1%	8,956	4,623	336
Effect of interest rate swaps	0.0%	-1,879	-2,008	3,887
Total	4.4%	7,077	9,087	8,899

Of the bond loans DKK 11,148m (2003: DKK 8,672m) is at fixed rates. The main part of the bank borrowings totalling DKK 6,078m (2003: DKK 3,018m) is either at fixed rates or swapped to fixed rate.

27 Other current liabilities

	2004 Parent	2004 Group	2003 Parent	2003 Group
Duties and VAT	-	1,660	-	1,760
Social costs, etc.	11	945	-	843
Interest payable	155	425	-	199
Market value adjustments, etc.	-	633	62	448
Other	135	1,012	4	1,323
	301	4,675	66	4,573

28 Cash flow from operating activities

	2004	2003
Profit before financials	3,141	3,163
Adjustment of non-cash transactions:		
Depreciation	2,753	2,673
Impairment losses	63	268
Profit before tax, associates	-266	-236
Loss/gain from divestment of activities/subsidiaries	52	-138
Gain from disposal of non-current assets	-753	-465
Other non-cash adjustments	101	-12
Cash flow from operations before change in working capital	5,091	5,253
Change in working capital:		
Inventories	-42	-18
Trade receivables and other receivables	1,300	489
Trade payables and other payables	-996	46
Retirement benefit obligations and other obligations	-52	87
Adjustment of unrealised gains/losses on working capital	-33	-33
	177	571
Cash flow from operating activities	5,268	5,824

29 Acquisition and divestment of undertakings, net

Acquisition and divestment of undertakings had the following effect on the Group's assets and liabilities:

	2004		2003	
	Acquisition	Divestment	Acquisition	Divestment
Intangible assets exclusive of goodwill	-126	-	-9	-
Property, plant and equipment	-3,050	307	-289	-
Investments, exclusive of deferred tax assets	-407	-	-10	-
Inventories	-207	45	-61	-
Trade receivables and other receivables	-791	47	-137	-
Short-term investments	-3,038	-	-	-
Cash and cash equivalents and securities	-39	33	-89	-
Provisions, exclusive of deferred tax	922	-	1	-
Deferred tax assets and liabilities, net	474	-10	-	-
Borrowings	2,554	-312	176	-
Bank overdrafts	384	-	-	-
Trade payables and other payables	829	-47	194	-
Minority interests	172	-	43	-
Identifiable assets and liabilities, net	-2,323	63	-181	-
Share of capital and reserves transferred from other investments	264	-	-	-
Share of capital and reserves transferred from investments in associated undertakings	119	-	85	-
Goodwill etc. on acquisitions/divestments	-2,271	274	-136	-
Cash consideration paid/received	-4,211	337	-232	-
Cash and cash equivalents and securities, acquired/sold	-345	-33	89	-
Cash outflow/inflow	-4,556	304	-143	-
Acquisition and divestment of undertakings, net		-4,252		-143

Adjustments to the opening balance sheet for the acquired undertaking Holsten-Brauerei AG may still take place until 1 April 2005.

The termination of the joint venture, Carlsberg Asia, at 1 July 2003 is not included in the comparative figures.

Notes

(DKK million)

30 Invested capital

Invested capital in the Group comprises:

	2004	2003
Total non-current assets	43,797	29,962
exclusive of deferred tax assets	-861	-732
Inventories	2,878	2,675
Trade receivables	6,179	6,212
Receivables from associates	577	327
exclusive of loans to associates	-563	-307
Other receivables	1,023	1,751
exclusive of fair value adjustments, etc.	-98	-391
Prepayments	519	620
Liabilities for deposits on returnable packaging	-1,260	-1,234
Finance lease liabilities, also in borrowings (non-current liabilities)	-104	-593
Other non-current liabilities, non interest-bearing	-240	-212
Finance lease liabilities, also in borrowings (current liabilities)	-41	-105
Trade payables, etc.	-4,074	-4,173
Payables to associates	-66	-14
Corporation tax	-710	-464
Other	-4,675	-4,573
exclusive of fair value adjustments and accrued interest, etc.	1,056	647
Deferred income	-139	-141
	43,198	29,255

31 Net interest-bearing debt

Net interest-bearing debt in the Group comprises:

	2004	2003
Non-current borrowings	21,708	10,883
Current borrowings	3,355	4,985
Securities and cash and cash equivalents	-1,758	-5,165
Interest-bearing part of trade receivables	-203	-89
Other receivables (non-current)	-1,613	-2,136
exclusive of non interest-bearing receivables	869	773
Receivables from associates	-577	-327
exclusive of non interest-bearing part	14	20
Other interest-bearing receivables included in other receivables (current)	-62	-15
	21,733	8,929

32 Investments in proportionally consolidated undertakings

The amounts shown below represent the Group's share of the assets and liabilities, net revenue and results in proportionally consolidated undertakings. These amounts are included in the consolidated balance sheet, income statement and cash flow statement.

	2004	2003
Non-current assets	5,570	4,712
Current assets	1,952	1,771
Non-current liabilities	-1,290	-1,066
Current liabilities	-2,597	-2,123
Net assets	3,635	3,294
Net revenue	6,513	6,059
Operating profit	1,254	1,381
Profit before financials	1,114	1,313
Free cash flow	290	178
Cash flow, net	277	89
Securities and cash and cash equivalents at the end of the period	322	449

33 Financial instruments

The fair value at 31 December of derivative financial instruments primarily designated for fair value hedging of investments and borrowings:

	2004		2003	
	Parent	Group	Parent	Group
Contracts with positive fair value:				
Interest rate swaps	-	-	-	167
Forward exchange contracts	-	23	-	130
Other	-	-	-	-
Contracts with negative fair value:				
Interest rate swaps	-	157	-	19
Forward exchange contracts	-	34	-	62
Other	-	442	-	-
Interest rate swaps:				
The notional principal amount on outstanding interest rate swaps	-	6,239	-	4,378
The fixed interest rate varies from (lowest)		2.5%		5.4%
The fixed interest rate varies to (highest)		6.6%		7.0%
The floating interest rate varies from (lowest)		0.7%		1.2%
The floating interest rate varies to (highest)		2.2%		4.7%

Net interest-bearing debt by currencies and next interest rate adjustment:

		Next interest rate adjustment					
Amounts in DKK million	31 Dec 2004	2005	2006	2007	2008	2009	After 5 years
DKK	8,073	1,095	3,861	42	26	2,729	320
USD	2,690	2,265	92	35	-	298	-
EUR	7,021	81	205	4	202	3	6,526
GBP	2,440	387	-	-	-	-	2,053
CHF	2,667	1,213	-	-	9	1,445	-
NOK	676	676	-	-	-	-	-
SEK	180	180	-	-	-	-	-
RUB	130	32	-	98	-	-	-
TRL	25	25	-	-	-	-	-
PLN	937	937	-	-	-	-	-
Other	224	186	38	-	-	-	-
Total interest-bearing debt	25,063	7,077	4,196	179	237	4,475	8,899
Short-term bank deposits	-1,090	-1,090					
Liquid assets (other securities and cash and cash equivalents)	-668	-668					
Other interest-bearing debt	-1,572	-1,572	-	-	-	-	-
Net interest-bearing debt	21,733	3,747	4,196	179	237	4,475	8,899

Notes

(DKK million)

34 Related parties

Related parties with controlling interest:
The Carlsberg Foundation, H.C. Andersens Boulevard 35, DK-1553 Copenhagen V Denmark owns 51.3% of the shares in Carlsberg A/S, exclusive of treasury shares. Apart from dividend and grants received there have been no transactions with the Carlsberg Foundation.

Related parties with significant interest:
The Group has not during the year undertaken significant transactions with major shareholders, the Board of Directors or the Executive Board or companies outside the Carlsberg Group in which the relevant parties have interests.

The income statement and the balance sheet contain the following transactions with associated undertakings (exclusive of proportionally consolidated undertakings).

	2004		2003	
	Parent	Group	Parent	Group
Net revenue	-	205	-	206
Cost of goods sold	-	34	-	19
Borrowings, net	-	13	-	323
Receivables	-	40	-	24
Trade payables	45	50	-	3

35 Contingent liabilities and other commitments etc.

Contingent liabilities

The following assets have been pledged as security for borrowings at DKK 1,297m (2003: DKK 588m) in the Group:

	2004		2003	
	Parent	Group	Parent	Group
Land and buildings, carrying amount	321	1,672	-	1,075
Plant, machinery and equipment, carrying amount	-	205	-	630
	321	1,877	-	1,705

Carlsberg Breweries A/S has issued guarantees for loans amounting to DKK 18,544m (31 December 2003: DKK 13,666m) raised by subsidiaries and associated undertakings.

Carlsberg A/S is registered jointly with Carlsberg Breweries A/S and Carlsberg Danmark A/S regarding VAT and excise duties and has joint and several liability in connection with payment thereof. Carlsberg A/S has joint and several liability for payment of corporation tax in the undertakings included in the joint taxation.

Following Carlsberg Breweries A/S' termination of the joint venture agreements with Chang Beverages Pte. Ltd, the latter has started arbitration proceedings in London in 2003. Chang Beverages Pte. Ltd. originally filed three claims:

- primarily that the joint venture be re-established
- further, damages for Carlsberg Breweries' unjustified termination of the agreement,
- further, that Carlsberg Breweries A/S until the matter has been settled be ordered to observe a number of restrictions as regards material decisions, etc. made in or regarding Carlsberg Asia.

Chang Beverages Pte. Ltd. waived its claims that the joint venture be re-established and that Carlsberg Breweries A/S until the matter has been settled be ordered to observe a number of restrictions (injunctions) as regards material decisions, etc. made in or regarding Carlsberg Asia.

What remains is the claim that Chang Beverages Pte. Ltd. be granted compensation for Carlsberg's termination of the joint venture agreement. Chang Beverages Pte. Ltd. claims damages of USD 2bn. The claim is contested by Carlsberg in its entirety.

In August 2003, Carlsberg International A/S terminated its licence agreement with Carlsberg Brewery Thailand Ltd. due to lack of royalty payment. Carlsberg Brewery Thailand Ltd. has started arbitration proceedings in Thailand against Carlsberg A/S and Carlsberg International A/S claiming that the termination of the licence was unfounded and that Carlsberg Brewery Thailand Ltd. be awarded damages for the loss incurred by Carlsberg Brewery Thailand Ltd. in that connection, currently calculated by Carlsberg Brewery Thailand Ltd. to be approx. USD 500m. This claim is also contested by Carlsberg in its entirety.

It was not deemed necessary to make provisions in the Annual Report relating to the above two proceedings.

Carlsberg A/S is party to certain other lawsuits, etc. The management does not expect the outcome of such cases to have a material negative impact on the financial position of the Group.

Until end-2006, Orkla will be entitled to a proportionate share of any gains arising from Carlsberg's sale of, in full or in part, Carlsberg Breweries or its 50% stake in BBH. Carlsberg does not at present intend to sell Carlsberg Breweries or its 50% stake in BBH.

No post balance sheet events have occurred which may affect the Annual Report.

35 Contingent liabilities and other commitments etc. (continued)

Capital commitments

Capital expenditure contracted for on the balance sheet day but not recognised in the accounts can be specified as follows:

	2004		2003	
	Parent	Group	Parent	Group
Intangible assets	-	110	-	300
Plant, machinery and equipment	-	612	-	355
	-	722	-	655

Operating lease commitments

The future aggregate lease payments under non-cancellable operating leases can be specified as follows:

	2004		2003	
	Parent	Group	Parent	Group
Not later than 1 year	-	191	-	111
Later than 1 year and not later than 5 years	-	335	-	249
After 5 years	-	354	-	101
	-	880	-	461

Group companies

				Investment	Nominal share capital ('000)	Currency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe excl. BBH	Asia	Other
CARLSBERG A/S												
VersaMatrix A/S, Copenhagen, Denmark			●	100%	1,000	DKK	100.00					◆
Ejendomsaktieselskabet Tuborg Nord B, Copenhagen, Denmark			●	100%	25,000	DKK	100.00					◆
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen, Denmark			●	100%	10,000	DKK	100.00					◆
Ejendomsaktieselskabet Tuborg Nord D, Copenhagen, Denmark			●	100%	10,000	DKK	100.00					◆
Ejendomsinteressentskabet Tuborg Nord B, Copenhagen, Denmark			●	70%	-	DKK	100.00					◆
Ejendomsaktieselskabet af 4. marts 1982, Copenhagen, Denmark			●	100%	9,500	DKK	100.00					◆
Investeringsselskabet af 17. januar 1991, Copenhagen, Denmark			●	100%	14,500	DKK	100.00					◆
Coca-Cola Nordic Beverages a/s, Hellerup, Denmark			■	51%	10,000	DKK	100.00					◆
Carlsberg Breweries A/S, Copenhagen, Denmark			●	100%	500,000	DKK	100.00					◆
Carlsberg Danmark A/S, Copenhagen, Denmark	3 subsidiaries		●	100%	100,000	DKK	100.00	◆				
Oy Sinebrychoff Ab, Helsinki, Finland			●	100%	96,707	EUR	743.81	◆				
Carlsberg Holding Sverige AB, Falkenberg, Sweden	2 subsidiaries		●	100%	150,000	SEK	82.50	◆				
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary		●	100%	287,457	SEK	82.50	◆				
Ringnes a.s., Oslo, Norway	4 subsidiaries		●	100%	238,714	NOK	90.23	◆				
BBH - Baltic Beverages Holding AB, Stockholm, Sweden	15 subsidiaries		◆	50%	12,000	EUR	743.81		◆			
Carlsberg Italia S.p.A, Lainate, Italy	22 subsidiaries		●	100%	48,400	EUR	743.81	◆				
Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal	12 subsidiaries		◆	44%	50,000	EUR	743.81	◆				
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	3 subsidiaries		●	100%	95,000	CHF	481.74	◆				
Hannen Brauerei GmbH, Mönchengladbach, Germany	3 subsidiaries		●	100%	17,897	EUR	743.81	◆				
Carlsberg Deutschland GmbH, Mönchengladbach, Germany			●	100%	9,000	EUR	743.81	◆				
Holsten-Brauerei AG, Hamburg, Germany	20 subsidiaries	1)	●	98%	41,250	EUR	743.81	◆				
Tuborg Deutschland GmbH, Mönchengladbach, Germany			●	100%	51	EUR	743.81	◆				
Carlsberg GB Limited, Northampton, UK			●	100%	692	GBP	1.049.39	◆				
Carlsberg UK Holdings PLC, Northampton, UK	2 subsidiaries		●	100%	90,004	GBP	1.049.39	◆				
Carlsberg Polska S.A., Warszaw, Poland	4 subsidiaries		●	94%	28,721	PLN	182.57			◆		
Dyland BV, Bussum, Netherlands	1 subsidiary		●	100%	9,099	EUR	743.81			◆		
Carlsberg Croatia d.o.o., Koprivnica, Croatia			●	80%	159,932	HRK	97.05			◆		
Bottling and Brewing Group Ltd., Blantyre, Malawi	2 subsidiaries	2)	●	44%	1,132,877	MWK	5.11			◆		
Nuuk Imeq A/S, Nuuk, Greenland			■	24%	34,720	DKK	100.00			◆		
Israel Beer Breweries Ltd, Ashkelon, Israel			■	20%	15,670	ILS	126.99			◆		
International Breweries (Netherlands) B.V., Bussum, Netherlands	2 subsidiaries		■	16%	2,523	USD	546.76			◆		
Türk Tuborg Bira ve Malt Sanayii A.S., Izmir, Turkey	1 subsidiary	1)	●	96%	186,988	USD	546.76			◆		
Carlsberg Bulgaria AD, Mladost, Bulgaria			●	80%	37,325	BGN	380.29			◆		
B to B Distribution EOOD, Mladost, Bulgaria			●	100%	10	BGN	380.29			◆		
D.O.O. Pivara Celarevo, Celarevo, Serbia/Montenegro			●	80%	758	CSD	9.38			◆		
Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary			●	100%	25,000	HUF	3.03			◆		
Carlsberg International A/S, Copenhagen, Denmark			●	100%	1,000	DKK	100.00					◆
Hue Brewery Ltd., Hue, Vietnam			◆	50%	19,708	USD	546.76				◆	
South-East Asia Brewery Ltd., Hanoi, Vietnam			●	60%	19,736	USD	546.76				◆	
International Beverage Distributors Ltd., Hanoi, Vietnam			●	60%	10,000	USD	546.76				◆	
Tibet Lhasa Brewery Company Limited, Lhasa, Tibet, China			■	33%	45,910	USD	546.76				◆	
Huanghe Jianjiang (Lanzhou) Brewery Company Limited, Lanzhou, Gansu, China			■	30%	25,373	USD	546.76				◆	
Qinghai Huanghe Jianiang Brewery Company Ltd., Xining, Qinghai, China			■	40%	6,041	USD	546.76				◆	
Wusu Beer, Urumqi, Xinjiang, China			■	35%	105,480	CNY	66.67				◆	
Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China			■	30%	725	USD	546.76				◆	
Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China			■	30%	993	USD	546.76				◆	
Carlsberg Thai Co. Ltd., Bangkok, Thailand			●	50%	1,000	THB	14.15				◆	
Hite Brewery Co. Ltd., Seoul, Korea		1)	■	22%	98,292,435	KRW	0.52				◆	

			Investment	Nominal share capital ('000)	Currency	Exchange rate	Western Europe	Baltic Beverages Holding	Eastern Europe excl. BBH	Asia	Other
Carlsberg Asia Pte Ltd., Singapore		●	100%	170,000	SGD	333.77				◆	
Brewery Invest Pte. Ltd, Singapore		◆	50%	4,200	SGD	333.77				◆	
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia	1) 2)	●	50%	300,000	MYR	145.20				◆	
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		●	100%	10,000	MYR	145.20				◆	
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		●	100%	100	MYR	145.20				◆	
The Lion Brewery Ceylon, Biyagama, Sri Lanka	1)	■	25%	500,000	LKR	5.33				◆	
Carlsberg Brewery Hong Kong Ltd., Hong Kong, China		●	51%	260,000	HKD	70.33				◆	
Carlsberg Brewery Guangdong Ltd., Huizhou, China		●	99%	53,000	USD	546.76				◆	
Tsingtao Beer Shanghai Songjiang Co. Ltd., Shanghai, China		■	25%	36,640	USD	546.76				◆	
Carlsberg Hong Kong Ltd., Hong Kong, China		●	100%	-	HKD	70.33				◆	
Kunming Huashi Brewery Company Ltd., Kunming, China		●	100%	7,250	USD	546.76				◆	
Lao Brewery Co. Ltd., Vientiane, Laos		■	25%	20,000	USD	546.76				◆	
Carlsberg Singapore Pte. Ltd., Singapore		●	100%	1,000	SGD	333.77				◆	
Carlsberg Marketing (Singapore) Pte Ltd., Singapore		●	100%	1,000	SGD	333.77				◆	
Gorkha Brewery Pvt. Ltd., Kathmandu, Nepal		■	50%	466,325	NPR	7.66				◆	
Dali Beer (Group) Limited Company, Dali, China	3 subsidiaries	●	100%	12,070	USD	546.76				◆	
CTDD Beer Imports Ltd., Quebec, Canada		●	100%	-	CAD	451.26			◆		
Carlsberg USA Inc., New York, USA		●	100%	1,260	USD	546.76			◆		
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	182.57					◆
Carlsberg Finans A/S, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					◆
Danbrew Ltd. A/S, Copenhagen, Denmark	1 subsidiary	●	100%	2,000	DKK	100.00					◆
Carlsberg Invest A/S, Copenhagen, Denmark		●	100%	52,847	DKK	100.00					◆
Carlsberg Canada Inc., Mississauga, Ontario, Canada		●	100%	750	CAD	451.26			◆		
Carlsberg IT A/S, Copenhagen, Denmark		●	100%	50,000	DKK	100.00					◆
Carlsberg Breweries Insurance A/S, Copenhagen, Denmark		●	100%	25,000	DKK	100.00					◆

● Subsidiaries
◆ Proportionally consolidated undertakings
■ Associated undertaking

1) Listed company
2) Managed by Carlsberg

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 2004.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act, Danish accounting standards and the reporting requirements of the Copenhagen Stock Exchange. In our opinion, the Annual Report has been prepared in accordance with appropriate accounting policies and gives a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position at 31 December 2004 as well as profit and consolidated cash flow for the financial year 2004.

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

Copenhagen, 22 February 2005

Executive Board of Carlsberg A/S

Nils S. Andersen	Paul Bergqvist	Jørn P. Jensen

Board of Directors of Carlsberg A/S

Povl Krogsgaard-Larsen Chairman	Jens Bigum Deputy Chairman	Hans Andersen
Torkild Andersen	Søren Bjerre-Nielsen	Henning Dyremose
Claes Gjermansen	Niels Kærgård	Axel Michelsen
Erik Dedenroth Olsen	Bent Ole Petersen	Per Øhrgaard

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 2004, which has been prepared in accordance with the Danish Financial Statements Act, Danish accounting standards and the reporting requirements of the Copenhagen Stock Exchange.

The Annual Report is the responsibility of Company Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish and International Auditing Standards (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies applied and significant estimates made by Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2004 of the Group and the Parent Company and of the results of the Group and the Parent Company operations and consolidated cash flows for the financial year 2004 in accordance with the Danish Financial Statements Act, Danish accounting standards and the reporting requirements of the Copenhagen Stock Exchange.

Copenhagen, 22 February 2005

PricewaterhouseCoopers
Statsautoriseret Revisionsinteressentskab

Fin T. Nielsen
State Authorised
Public Accountant

Gert R. L. Andersen
State Authorised
Public Accountant

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
State Authorised
Public Accountant

Poul Erik Olsen
State Authorised
Public Accountant

Board of Directors

Professor, D.Sc.
Povl Krogsgaard-Larsen
Chairman

Managing Director
Jens Bigum
Deputy Chairman

Brewery Worker
Hans Andersen

Professor, D.Phil.
Torkild Andersen

Executive Vice President
Søren Bjerre-Nielsen

President, CEO
Henning Dyremose

Head of section
Claes Gjermansen

Professor, D.Econ.
Niels Kærgård

Professor, D.Phil.
Axel Michelsen

IT Office Manager
Erik Dedenroth Olsen

Senior Manager
Bent Ole Petersen

Professor, D.Phil.
Per Øhrgaard

Board of Directors

Povl Krogsgaard-Larsen, Chairman *)
Professor, D.Sc., Ph.D., Dr.h.c. Born 1941. Chairman of The Carlsberg Foundation. Member of the Board of Directors of Auriga A/S. Elected 1993, 2004.

Jens J. Bigum, Deputy Chairman *)
Managing Director. Born 1938. Member of the Board of Directors of Arla Foods plc (Deputy Chairman), Per Aarsleff A/S, L. Hammerich & Co. A/S (Chairman) and The University of Aarhus (Chairman). Elected 2001, 2004.

Hans S. Andersen **)
Brewery Worker, Carlsberg Danmark A/S. Born 1955. Elected 1998, 2002.

Torkild Andersen
Professor, D.Phil. Born 1934. Member of the Board of Directors of property companies affiliated to The Carlsberg Foundation. Elected 1996, 2004.

Søren Bjerre-Nielsen
Executive Vice President, Danisco A/S. Born 1952. Member of the Board of Directors of companies in the Danisco Group as well as of VKR Holding A/S, VELUX A/S, Villum Kann Rasmussen Fonden and Danmarks Nationalbank. Elected 2003, 2003.

Henning Dyremose
President, Chief Executive Officer, TDC A/S. Born 1945. Member of the Board of Directors of companies in the TDC Group as well as of Brødrene A & O Johansen A/S (Deputy Chairman). Elected 1999, 2002.

Claes Gjermansen **)
Head of section, Carlsberg Research Center. Born 1952. Elected 2002, 2002.

Niels Kærgård
Professor, D.Econ. Born 1942. Member of the Board of Directors of property companies affiliated to The Carlsberg Foundation. Elected 2003, 2003.

Axel A. Michelsen
Professor, D.Phil. Born 1940. Elected 1986, 2002.

Erik Chr. Dedenroth Olsen **)
IT Office Manager, Carlsberg Danmark A/S. Born 1949. Elected 1998, 2002.

Bent Ole Petersen **)
Senior Manager, Carlsberg Research Center. Born 1954. Elected 2002, 2002.

Per Chr. Øhrgaard
Professor, D.Phil. Born 1944. Member of the Board of Directors of JP/Politikens Hus A/S and of property companies affiliated to The Carlsberg Foundation. Elected 1993, 2003.

*) Member of the chairmanship of the Board of Directors.
**) Elected by the employees.

Years provided indicate first and most recent election to the Board.

Executive Board

President,
Chief Executive Officer
Nils S. Andersen

Executive Vice President
Paul Bergqvist

Executive Vice President
Chief Financial Officer
Jørn P. Jensen

Executive Board

Nils S. Andersen
President, Chief Executive Officer. Born 1958. Chairman or member of the Board of Directors of companies in the Carlsberg Group as well as of William Demant Holding A/S and Oticon A/S. Appointed to the Executive Board of Carlsberg A/S in 1999, of Carlsberg Breweries A/S in 2001 and of Carlsberg A/S again in 2004.

Paul Bergqvist
Executive Vice President. Born 1946. Swedish citizen. Chairman or member of the Board of Directors of companies in the Carlsberg Group, including Chairman of the Board of Directors of Baltic Beverages Holding AB, as well as of East Capital Private Equity AB, Sweden, and CityMail Sweden AB, Sweden. Appointed to the Executive Board of Carlsberg Breweries A/S in 2001 and of Carlsberg A/S in 2004.

Jørn P. Jensen
Executive Vice President, Chief Financial Officer. Born 1964. Chairman or Deputy Chairman or member of the Board of Directors of companies in the Carlsberg Group as well as of JL-Fondet/Vesterhavet A/S. Appointed to the Executive Board of Carlsberg A/S in 2000.

Senior management

UK, Switzerland, Italy and Portugal
Lars Fellman, Senior Vice President

Asia, Malawi, Balkan and Export & Licence
Jesper Bjørn Madsen,
Senior Vice President

Supply Chain & Procurement
Kasper Madsen,
Senior Vice President

Group Sales & Marketing
Alex Myers, Senior Vice President

Human Resources
Vibeke Frank, Vice President

IT
Torben Melskens, Vice President

Communications
Anne-Marie Skov, Vice President

Accounting & Tax
Jan Thieme Rasmussen,
Vice President

Controlling
Morten Leth, Vice President

Treasury & Risk Management
Jørgen Andersen, Vice President

Legal Counselling
Ulrik Andersen, Vice President

Carlsberg Properties
Orla Kristensen, Vice President

Carlsberg Research Center
Klaus Bock, Vice President


SPLUGEN
PAN
Хмільне
HOLSTEN
SAKU
PAN
BATTERY
SPLUGEN
МАСТЕР
TUBORG
Лайт
PURE
CARL'S
KOFF
SUPER BOCK
CARDINAL
МАСТЕР
Арсенал
PRIPPS BLÅ
PAN
L-AV
xider
cactus
МАСТЕР
FALCON
SKOL
HOLSTEN
PANNON
CARL
SKOL
ЯРПИВО
SUPER BOCK
FALCON
IMPERIAL
DAFES
ЯРПИВО

Carlsberg Pilsner – a 100-year-old brand

2004 marked the 100th anniversary of the first Carlsberg Pilsner being bottled at the Carlsberg brewery in Copenhagen and the distribution of the new brand in the brewery's own drays. The brewery thus gained control of deliveries of a beer with a light and fresh taste, a clear, bright colour, a fine white head and – not least – a stable and high quality.

The new beer was given a new oval label. It was green with a white edge and featured the distinctive Carlsberg logo designed by the architect Thorvald Bindesbøll on the occasion of the brewery's 50th anniversary in 1897.

Carlsberg Pilsner was embraced by consumers. Today, its distribution covers most of the world and Carlsberg is the fastest growing international brand and … *Probably the best beer in the world.*

Carlsberg A/S
CVR No. 61056416
Ny Carlsberg Vej 100
DK-1760 Copenhagen V, Denmark

Phone: +45 3327 3300
Fax: +45 3327 4701
E-mail: carlsberg@carlsberg.com
www.carlsberg.com