Carlsberg Breweries A/S

CVR No. 25 50 83 43

Annual Report for 2012

(13th financial year)

Contents

Carlsberg Breweries Group

Management Review

Five-year summary

DKK million		2008	2009	2010	2011	2012
Sales volumes, gross (million hl)						
Beer		126.8	137.0	136.5	139.8	140.9
Other beverages		22.3	22.2	22.5	22.2	22.0
Sales volumes, pro rata (million hl)						
Beer		109.3	116.0	114.2	118.7	120.4
Other beverages		19.8	19.8	19.3	19.2	19.1
Income statement						
Net revenue		59,944	59,382	60,054	63,561	67,201
Operating profit before special items		7,604	9,460	10,246	9,877	9,909
Special items, net		-1,641	-262	-249	605	-1,812
Financial items, net		-3,455	-2,980	-2,137	-1,908	-1,735
Profit before tax		2,508	6,218	7,860	8,574	6,362
Corporation tax		383	-1,561	-1,847	-2,156	-1,529
Consolidated profit		2,891	4,657	6,013	6,418	4,833
Attributable to:						
Non-controlling interests		572	565	609	543	638
Shareholders in Carlsberg Breweries A/S		2,319	4,092	5,404	5,875	4,195
Statement of financial position						
Total assets		129,668	121,886	132,148	136,195	141,948
Invested capital		106,740	97,354	104,873	105,992	109,096
Interest-bearing debt, net		45,771	36,122	32,847	30,780	31,639
Equity, shareholders in Carlsberg Breweries A/S		41,367	42,613	52,544	55,572	59,529
Statement of cash flows						
Cash flow from operating activities		8,037	13,420	11,225	9,789	10,138
Cash flow from investing activities		-57,427	-2,409	-6,242	-4,876	-5,888
Free cash flow		-49,390	11,011	4,983	4,913	4,250
Financial ratios						
Operating margin	%	12.7	15.9	17.1	15.5	14.7
Return on average invested capital (ROIC)	%	8.9	9.3	9.8	9.4	9.0
Equity ratio	%	31.9	35.0	39.8	40.8	41.9
Debt/equity ratio (financial gearing)	x	0.97	0.76	0.57	0.50	0.50
Interest cover	x	2.20	3.17	4.80	5.18	5.71
Stock market ratios*						
Earnings per share (EPS)	DKK	4,629	8,168	10,786	11,727	8,373
Cash flow from operating activities per share (CFPS)	DKK	16,042	26,786	22,405	19,539	20,236
Free cash flow per share (FCFPS)	DKK	-98,583	21,978	9,946	9,806	8,483
Dividend per share (proposed)	DKK	-	-	-	-	1,827.0
Pay-out ratio	%	-	-	-	-	22
Employees						
Full-time employees (average)		45,364	45,364	41,278	42,552	41,614

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

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts’ guidelines “Recommendations and Financial Ratios 2010”.

ACTIVITIES OF THE GROUP

The Carlsberg Breweries Group is one of the leading brewery groups in the world, with a large portfolio of beer and other beverage brands. Carlsberg Breweries' activities are focused on the markets where the Group has the expertise and the right products to secure a leading position. Due to the variation of the markets, the contribution to growth, earnings and development within the Group differs, both at present and in the longer-term projections.

The parent company's main activities are investments in national and international breweries as well as license and export business.

BUSINESS DEVELOPMENT

A key part of the Group's strategy is to drive both our international premium brands – Carlsberg, Tuborg, Kronenbourg 1664, Grimbergen and Somersby – and our strong local power brands. We will continue the development, enhancement and deployment of our sales and marketing tools across our markets and ensure that best practices are embedded across all relevant markets.

The repositioning of the Carlsberg brand, initiated in 2011, continued to be strongly supported in 2012. An important event was the EURO 2012 sponsorship, which was successfully activated and an important driver of the 8% volume growth of the Carlsberg brand in its premium markets. The brand grew across all three regions.

An important initiative behind Tuborg was the rejuvenation of the brand in early 2012 in selected markets, including a new campaign with a new tagline, new visual identity and new communication. The brand grew 6% for the year. Major commercial activities were the introduction of Tuborg in China in the spring and the launch of the new 3G Tuborg bottle in Russia and India. All initiatives yielded very good results.

Kronenbourg 1664 grew its volume both in France and outside France. We continued to introduce the brand in new markets and saw particularly good results in Russia, Denmark, Canada and in several Asian markets. The wheat beer Kronenbourg Blanc contributed significantly to overall brand development.

Our cider brand, Somersby, almost doubled its volumes and became the fastest growing global top 10 cider brand in 2012 (source: Canadean). The strong growth was driven by both category growth and a significant geographical expansion throughout the Group. The Somersby portfolio was extended with Somersby Double Press, a premium, naturally refreshing dry cider. Somersby was launched in 15 new markets in 2012 and is now available in 35 markets worldwide.

Grimbergen, our super-premium Belgian abbey ale, was launched in nine new markets across Europe and Asia. This, coupled with the introduction of a new proprietary Grimbergen bottle, livery, an impactful marketing activation programme and strong performance in the French market, resulted in solid double-digit volume growth for the Grimbergen brand.

As a result of the strong performance of our international premium portfolio as well as our local power brands, in 2012 the Group once again grew market share across a substantial part of its business, including very solid market share performance in Western Europe (approximately +40bp). In Eastern Europe, our market share developed favourably throughout the year and continued the positive trend seen since Q4 2011. In Asia, we continued to increase our market share across most markets.

During the year, we invested alongside the United Nations Industrial Development Organization (UNIDO) in an initiative to improve the environment in Russia; through the International Centre for Alcohol Policy (ICAP) we pledged a 5-year commitment to strengthen our efforts to reduce the misuse of alcohol; and we continued to make good progress in lowering our energy and water consumption and CO2 emissions.

2012 results

For 2012, overall market growth was mixed across our three regions. Impacted by a challenging macro and consumer environment and bad weather during the summer, the Western European market declined overall by around 3% (excluding the strong-performing Polish market). The Russian beer market was flat for the year. The Asian markets continued to grow.

Group organic beer volumes were flat. Volume development in Q1 and Q4 was impacted by destocking in Russia in Q1, stocking in France in Q4 and less stocking in Russia in Q4 than in 2011. Adjusted for this disruption, organic beer volume growth would have been +1%. Reported beer volumes grew by 1%. The acquisition impact related to Asia. The pro rata volume for other beverages was flat.

Net revenue grew by 6% to DKK 67,201m as a result of 3% organic growth (total beverage volume of -1% and positive price/mix of 4%), +2% from currencies and a net acquisition impact of +1%.

Cost of sales per hl for the year grew organically by 4% in line with expectations. Gross profit per hl grew organically by 3% as the positive price/mix and production efficiencies more than offset the higher input costs. Due to the higher input costs across all regions, gross profit margin decreased by 30bp to 49.7%

Operating expenses grew organically by 4% for the year, largely in line with the organic growth in net revenue. The increase was driven by several factors, including higher logistics costs in Eastern Europe, increased trade marketing investments in Russia and growth in Asia.

Consequently, Group operating profit was flat at DKK 9,909m with a 4% organic decline and reported operating margin declined to 14.7%. The positive currency impact was mainly due to the weakness of the DKK versus Eastern European and Asian currencies. The acquisition impact was due to the 2011 acquisitions in Laos and Vietnam. Adjusted for the stocking/destocking disruptions in Russia and France and the suspended production in Uzbekistan, organic operating profit would have declined by an estimated 1-2%.

Reported net profit declined to DKK 4,195m (2011: DKK 5,875m).

Cash flow

Average trade working capital to net revenue was reduced to 1.0% at the end of 2012 versus 1.9% at the end of 2011.

Free operating cash flow was DKK 5,070m, down 3% from 2011. Free cash flow declined to DKK 4,250m (DKK 4,913m in 2011), driven by slightly higher capital expenditures and financial investments.

The Group invested significant resources in structural changes such as the buyout of minority shareholders in Russia and the Balkans. The net interest-bearing debt is at DKK 31.6bn, an increase of DKK 0.9m from 2011.

The Group took advantage of the attractive market for corporate bonds and issued three bonds during 2012. In July, the Group placed a 7-year EUR 500m bond with a coupon of 2.625%. The principal amount of this issue was increased in November to EUR 750m, together with the issue of a 10-year EUR 750m bond with a coupon of 2.625%.

Structural changes

During 2012, the Group took several important steps to further focus and strengthen the company’s growth profile.

In Q1, the Group increased its ownership in several businesses in the Balkan area and now has 100% ownership of the subsidiaries in Serbia, Croatia and Bulgaria.

In 2012 the Group initiated and completed the buyout of the remaining minority shareholders in Baltika Breweries. Following a successfully executed voluntary offer and compulsory purchase, the Group announced on 29 November that the transaction was complete and that it had obtained 100% ownership of Baltika Breweries at a total purchase price of DKK 4.3bn.

On 14 November, the Group announced the signing of an agreement to acquire a further shareholding of approximately 19% in Chongqing Jianiang Brewery Co. Ltd., taking the total shareholding close to 50%. Our partner in this joint venture is Chongqing Brewery Co. Ltd.

The supply chain integration and business standardisation project

2013 will be a year in which the Group will start implementing one of its largest and most important projects in recent years. The roll-out of the supply chain integration and business standardisation project in Western Europe will start with our Swedish subsidiary going live with the system in the spring, followed later by Norway and the UK.

The project will be a key enabler for the transformation of our Western European operating model, with all procurement, production, planning and logistics across the region being centrally managed, supported by standardised processes and data, and full transparency. The purpose is to improve capabilities, customer service and efficiency, increase speed and optimise asset utilisation. This project will yield significant long-term benefits when fully implemented in Western Europe, but will also require significant resources and entail substantial implementation costs.

For 2013, 2014 and 2015, additional costs related to this project are expected to be approximately DKK 300-400m, DKK 400-500m and DKK 500m respectively.

FINANCIAL REVIEW

Income statement

The Group generated total net revenue of DKK 67,201m, an increase of 6% compared with 2011. Gross profit was DKK 33,370m (DKK 31,773m in 2011), and the gross profit margin declined by 30bp to 49.7% due to higher input costs.

Sales and distribution expenses increased by DKK 1,162m to DKK 19,645m, primarily due to higher sales and marketing investments in Eastern Europe and Asia and higher logistics costs, mainly in Eastern Europe. Administrative expenses amounted to DKK 4,174m (DKK 3,944m in 2011) and other operating income, net was DKK 246m (DKK 357m in 2011). The Group’s share of profit after tax in associates was DKK 112m (DKK 174m in 2011).

Group operating profit before special items was DKK 9,909m (DKK 9,877m in 2011). Strong growth in Asia and Northern & Western Europe was not enough to offset the decline in Eastern Europe.

Net special items (pre-tax) amounted to DKK -1,812m against DKK 605m in 2011. The main items impacting special items were the impairment of Vena Brewery, production and sales equipment in Russia (DKK -589m), impairment and restructuring of our business in Uzbekistan (DKK -290m), restructuring in Norway (DKK -262m) and restructuring of the Nordic Getränke joint venture in Germany (DKK -118m). Generally, special items include costs in connection with the restructuring measures implemented across the Group.

Net financial costs declined to DKK -1,735m against DKK -1,908m in 2011. Net interest costs were DKK -1,529m (2011: DKK 1,707m) due to lower average funding costs coming from lower short-term interest rates and the maturity of a GBP 250m bond in December 2011. Other net financial items decreased to DKK -206m (2011: DKK -201m), primarily due to currency and fair value adjustments.

Tax totalled DKK -1,529m against DKK -2,156m in 2011. The reported tax rate was 24.0% versus 25.2% in 2011 impacted by non-taxed gains within special items.

Non-controlling interests were DKK -638m, an increase of DKK -95m versus 2011 (DKK -543m) due to the increased shareholding in Lao Brewery in 2011, since when the company has been fully consolidated (51% ownership) versus previous proportional consolidation. This more than offset lower non-controlling interests from Baltika Breweries following the buyout of minority shareholders during the year.

Carlsberg’s share of net profit was DKK 4,195m versus DKK 5,875m in 2011.

Statement of financial position

At 31 December 2012, Carlsberg had total assets of DKK 141.9bn against DKK 136.2bn at 31 December 2011.

Assets

Intangible assets increased to DKK 80.0bn against DKK 77.8bn at 31 December 2011, driven by currency impact from Russia.

Property, plant and equipment increased to DKK 31.0bn against DKK 30.8bn at 31 December 2011, mainly due to investments being on a par with depreciation, an exchange rate difference of DKK 0.7bn and impairment of DKK -0.9bn, mainly related to activities in Russia and Norway.

Financial assets increased to DKK 9.1bn against DKK 7.6bn at 31 December 2011. The increase was largely related to investments in the 48.58% shareholding in Chongqing Jianiang Brewery Co. Ltd. In China and the 25% shareholding in the consortium developing the Copenhagen brewery site.

Current assets increased to DKK 21.7bn against DKK 19.6bn at 31 December 2011. The increase was primarily related to cash.

Liabilities

Total equity increased to DKK 62.9bn versus DKK 61.3bn at 31 December 2011. DKK 59.5bn can be attributed to shareholders in Carlsberg Breweries A/S and DKK 3.4bn to non-controlling interests.

The increase in equity of DKK 1.6bn was mainly due to profit for the period of DKK 4.8bn and foreign exchange gains of DKK 1.9bn, actuarial losses to DKK -0.7bn and acquisition of non-controlling interests to DKK -4.6bn, mainly related to the acquisition of minority shares in Baltika Breweries.

Liabilities increased to DKK 79.0bn against DKK 74.7bn at 31 December 2011. The increase was in both current and non-current liabilities.

Non-current liabilities increased to DKK 51.6bn (DKK 48.2bn at 31 December 2011), principally due to higher borrowings related to increased financial investments in associated entities and non-controlling interests.

Current liabilities increased to DKK 27.4bn (DKK 26.5bn at 31 December 2011) due to a DKK 1.9bn bond that matures February 2013 and thus became a current liability, and an increase in trade payables of DKK 0.8bn as a result of our continued focus on reducing average trade working capital.

Cash flow

Operating profit before depreciation and amortisation was DKK 13,917m (DKK 13,643m in 2011).

The change in trade working capital was DKK 865m (DKK 361m in 2011). Average trade working capital to net revenue was 1.0% at the end of 2012 versus 1.9% at the end of 2011.

Paid net interest etc. amounted to DKK -1,873m (DKK -2,049m in 2011).
Cash flow from operating activities was DKK 10,138m against DKK 9,789m in 2011. The 4% increase was driven by improved trade working capital.

Cash flow from investing activities was DKK -5,888m against DKK -4,876m in 2011. Total operational investments of DKK -5.1bn were above 2011 (DKK -4.6bn in 2011) and primarily included sales investments and capacity expansion in Asia. Total financial investments of DKK -798m (DKK -314m in 2011) were mainly related to the acquisition of associates, including the establishment of the Chongqing Jianiang Brewery Co. Ltd. joint venture and the subsequent acquisition of an additional 18.58% shareholding.

Free cash flow was DKK 4,250m against DKK 4,913m for 2011.

Financing

At 31 December 2012, gross interest-bearing debt amounted to DKK 39.8bn and net interest-bearing debt amounted to DKK 31.6bn. The difference of DKK 8.2bn was other interest-bearing assets, including DKK 5.8bn in cash and cash equivalents. Net interest-bearing debt was impacted by DKK 4.9bn from acquisition of non-controlling interests, mainly related to the increased shareholding in Baltika Breweries.

Of the gross interest-bearing debt, 92% (DKK 36.5bn) was long term, i.e. with maturity after more than one year. The net interest-bearing debt consisted primarily of facilities in EUR and approximately 86% was at fixed interest (fixed-interest period exceeding one year).

The Group issued three bonds during 2012. In July, the Group placed a 7-year EUR 500m bond with a coupon of 2.625%. The principal amount of this issue was increased to EUR 750m in November together with the issue of a 10-year EUR 750m bond with a coupon of 2.625%.

INCENTIVE PROGRAMMES

In 2012, a total of 131,500 share options were granted to members of the Executive Board of the Carlsberg Group.

In addition, a total of 202,955 performance share units (PSUs) have been granted to other management personnel as part of the long-term incentive programme. The number of PSUs in this programme is preliminary, as the final number will be determined on the basis of a per-unit value calculated as an average of the share price on the first five trading days after publication of the present Company announcement.

The share options were granted to a total of two employees with an exercise price of DKK 444.60 (2011: 61,200 share options to three employees with an exercise price of DKK 566.78). The PSUs were granted to a total of 319 employees with an exercise price of DKK 0 (2011: no grant).

Long-term incentive awards for the Executive Board for 2013 will be determined following the Annual General Meeting.

RISK MANAGEMENT

At Carlsberg we consider effective risk management an integral part of our business operations as it reduces uncertainty, helps the group achieve its strategic ambition and facilitates value creation for all stakeholders.

Carlsberg’s comprehensive approach to risk management involves the identification, assessment, prioritisation and economic management of risks that might prevent the Group from achieving its strategic ambition. The Risk Management Policy sets out the requirements for the risk management process in the Group.

Risk management framework

Carlsberg’s risk management framework is a systematic process of risk identification, analysis and evaluation, providing a comprehensive overview of strategic risks and enabling the Group to mitigate and monitor the most significant risks.

Our risk management approach is top-down and covers all major entities across regions, markets and functions. The framework is based at the strategic level to ensure that the risks related to carrying out the Group’s strategy – both short-term and long-term – are identified and that relevant preventive actions are taken.

Risk management governance structure

Ultimately, the Supervisory Board is responsible for risk management. The Supervisory Board has appointed the Audit Committee to act on behalf of the Supervisory Board. The Audit Committee monitors the overall strategic risk exposure and the individual risk factors associated with the Group’s activities. Monitoring is mainly performed in connection with the quarterly reporting process. The Audit Committee adopts guidelines for key areas of risk, monitors developments and sees that plans are in place for the management of individual risk factors, including commercial and financial risks.

The Executive Committee (ExCom) is responsible for reviewing the overall risk exposure associated with the Group's activities. Strategic risks are assessed according to a two-dimensional heat map rating system that estimates the impact of the risk on net revenue or brand/image and the likelihood of the risk materialising. Based on this assessment, ExCom updates the existing heat map to reflect changes in perceived risks to the business, and a number of high-risk issues for the coming year are identified. In addition, any risks in relation to the Group strategy for the subsequent three-year period are identified and appropriate actions are agreed upon.

In accordance with the Risk Management Policy, ExCom identifies owners of short-term and long-term risks who are responsible for mitigating the risks through a programme of risk-reducing activities.

Local entities and Group functions are responsible for the identification, evaluation, qualification, recording and reporting of the management of strategic risks at local level. Local-level risk assessment follows the same principles as Group- level risk assessment and is based upon the heat map described above. The local risk review is carried out regularly, and, following the review, local risk owners are appointed and given responsibility for mitigating the risks through a programme of risk-reducing activities.

A formal procedure is in place for on-going identification, assessment and reporting during the year of any new or emerging risks that are determined to have a material impact upon the business.

Group Internal Audit is responsible for facilitating and following up on risk-reducing activities/action plans for the most significant risks in the Group.

The financial risks, including foreign exchange, interest rate, and credit and liquidity risks, are described in the notes to the consolidated financial statements.

Risk assessment 2013

In October 2012, ExCom carried out the annual risk management workshop to evaluate the adequacy of the existing heat map. The review resulted in a revision of the identified high risks, and a revised set of high risks for 2013-2017 were defined. Local risk management workshops and heat mapping were carried out during the third quarter of 2012.

The correlation between the high risks identified at Group level and at local level was significant, which indicates that the strategy and associated risks at local and regional level are aligned with the overall Group strategy.

Among the risks identified, the change agenda related to the supply chain integration, legal restrictions in Eastern Europe and increased promotional pressure from retail customers were classifi ed as high risks for 2013. These three risks are presented on the opposite page. The other strategic high risks identifi ed included declining beer markets and the image of beer in Europe, increasing excise taxes, tightened regulation and lack of top-line growth. The Group closely monitors and undertakes risk-reducing activities in order to minimise the likelihood and potential impact of strategic high risks.

Economic downturn. The uncertain global environment and an economic downturn impacting consumer sentiment were considered a high risk at the end of 2011.

A number of risk-reducing activities were initiated to mitigate the impact of an economic downturn. These included a revision of the regional structure of the Group, which led to the Northern and Western Europe entities being combined into one managed region to allow more focused allocation of resources, the development and deployment of various tools to extract maximum return on investments, acceleration of working capital initiatives, and on-going cost reduction initiatives.

The mitigation initiatives alongside other Group projects, such as the supply chain integration and the focus on investment opportunities in growth markets outside Europe, mean that “economic downturn” is no longer dealt with as a high risk for the Group.

Russian consumer sentiment and Russian dependency. Russia is the Group’s largest market, accounting for approximately 30% of beer volumes and 40% of operating profit. All other markets account for less than 10% of Group operating profi t. Group earnings are therefore highly exposed to the performance of the Russian business.

For 2012, the dependency on Russia and the Russian consumer sentiment was viewed as a high risk. To counter the risk, a number of changes were undertaken during 2011 and early 2012, including the roll-out of a number of Group tools, a sharpened focus on public affairs, structural changes, the appointment of a new CEO and other management changes, particularly within sales. In addition, the planning for 2012 was based on detailed analyses and modelling of anticipated developments in consumer sentiment, inflation and other macroeconomic indicators, pricing, changes in regulation etc. to allow a fast response if assumptions did not materialise.

The many changes implemented in our Russian business have yielded satisfying results and, notwithstanding the fact that the dependency on Russia remains high and, consequently, a strategic risk, it is not as such deemed a high risk for 2013.

Ability to increase prices. Lack of ability to raise prices was identified as a high risk for 2012 as a large number of our input costs increased and we therefore had to increase our sales prices accordingly.

Risk-mitigating activities included sophisticated value management tools to increase net sales/hl. Value management levers embrace price, customer investment, promotions, value engineering and product mix. Systems were established to allow ExCom to regularly monitor net sales/hl and deviation from budgets and estimates. In addition, the Group invested in key account capability building.

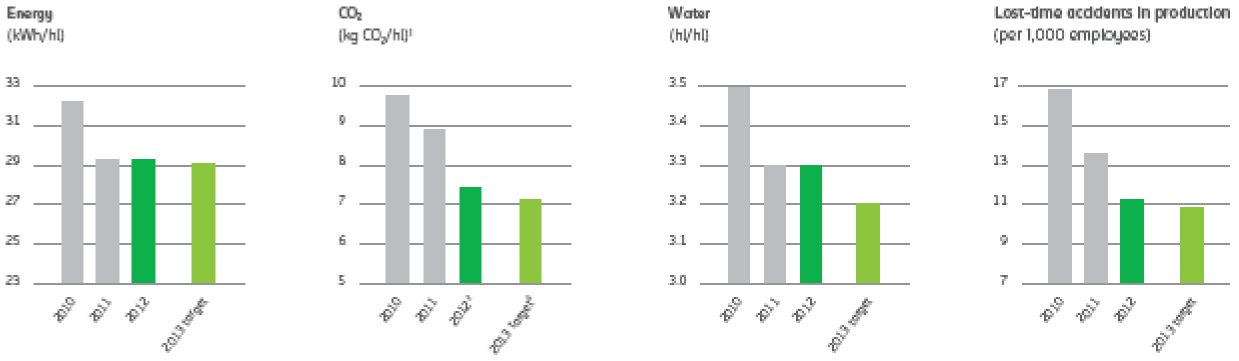
The measures and actions taken to mitigate the risk of being able to increase prices were considered adequate, and the risk is not considered a high risk for 2013.

CORPORATE SOCIAL RESPONSIBILITY

Integrating CSR into our business functions is necessary to maintain our licence to operate, address risks, and create commercial and efficiency opportunities. Across the Carlsberg Group, we make decisions that have a positive impact on our business and the communities in which we operate and we are committed to conducting our operations in a socially and environmentally responsible way.

In 2012, we further developed our CSR strategy and priorities and will consequently increase our efforts with sustainable packaging and responsible drinking. Furthermore, we will continue our efforts to reduce consumption of water and energy to maintain our position – according to the most recent data available – as the world’s most efficient global brewer from this perspective.

SELECTED CSR TARGETS



The Carlsberg Group reduces energy consumption through individual breweries' energy efficiency projects and process optimisation.

Reductions in CO_2 emissions is a primary measure of how the Group is progressing on our ambitious targets for reducing our environmental impact.

Making more beer with less water is a high priority for Carlsberg's breweries around the world.

A measure used to monitor safety in the Carlsberg breweries. A strong safety performance is a prerequisite for a sustainable and healthy workplace for our employees.

2010 and 2011 restated due to changes in methodology. 2 For 2012, Carlsberg purchased renewable power documented by Guarantees of Origin certifi cates to offset CO2 emissions. 3 Target revised in 2012 from 7.5 to 7.1 kg CO2 /hl.

CSR reporting and management

We publish an annual CSR report on eight different areas: environment, health & safety, community engagement, labour & human rights, responsible sourcing, business ethics, responsible drinking and marketing communication. The CSR report serves as our Communication on Progress to the United Nations Global Compact, and further enables us to live up to our legal responsibility on CSR disclosure stated in §99a of the Danish Financial Statements Act. As in previous years, a selected set of indicators used to track our performance with respect to environment, health and safety has been independently assured by the KPMG Climate Change & Sustainability team. Progress towards our targets on energy, CO2, water and last-time accidents in production is shown on page 23 in the Carlsberg Report 2012. The full 2012 CSR report, including the KPMG assurance statement and GRI G3 table, is available online at http://www.carlsberggroup.com/investor/downloadcentre/Documents/CSR%20Reports/Carlsberg%20Group%20CSR%20Report%202012.pdf.

Reducing environmental impact

Carlsberg is proud to be the most efficient global brewer in terms of energy, CO2 and water, according to the most recent data available. We reached our ambitious 2013 target for CO2 emissions per hl in production already in 2012 and have therefore set a new target for 2013. The reductions are driven by focused efforts at our production sites as well as offsetting emissions through the purchase of renewable power documented by Guarantees of Origin certificates in Western Europe. Water efficiency continues to be an important area for Carlsberg. Reducing water consumption in and around our breweries is of particular importance in parts of the world where water resources are under pressure.

A sustainable packaging strategy

Packaging represents both a risk and an opportunity for Carlsberg. Constituting approx. 45% of the Group's total CO2 emissions, packaging holds great potential in terms of reducing our environmental impact. An increased focus on reducing the environmental impact of packaging is expected to bring about many benefits, both for Carlsberg and the communities where we operate.

Packaging affects nearly all steps in the value chain – from procurement to point-of-sale activities. In 2012, we developed a new strategy for sustainable packaging. A baseline for primary packaging weight and CO2 emissions was established and reduction potentials were estimated. In 2013, we will implement a number of projects and initiatives to reduce the environmental impact of our packaging. Read more about our sustainable packaging efforts on page 38 in the Carlsberg Report 2012.

Promoting responsible drinking

While the vast majority of consumers enjoy beer in moderation as part of a healthy lifestyle, we recognise that a minority of consumers may have a harmful drinking pattern leading to unwanted health and social effects. As a responsible brewer, we are committed to fighting the harmful consumption of beer and promoting responsible drinking.

THE AUDIT COMMITTEE

In 2012, the Audit Committee consisted of three members of the Supervisory Board. Jess Søderberg (Chairman) and Richard Burrows were members of the Committee for the entire year. Povl Krogsgaard-Larsen was a member of the Committee until he retired from the Supervisory Board in March 2012, after which Flemming Besenbacher became a member of the Committee.

The Audit Committee is appointed for one year at a time. For 2013, Jess Søderberg, Richard Burrows, Donna Cordner and Flemming Besenbacher have been appointed to the Committee. Jess Søderberg, Richard Burrows and Donna Cordner all qualify as being independent of the Company and all possess the relevant financial expertise.

The Audit Committee works according to Terms of Reference, which are reviewed and approved annually by the Supervisory Board, and a detailed annual meeting plan approved by the Supervisory Board prior to the beginning of each financial year. The Supervisory Board approved the current Terms of Reference and the Audit Committee meeting plan for 2012 at its meeting in December 2011. The Terms of Reference are available on the Company's website.

In 2012, the Audit Committee held five meetings. All members participated in three of the meetings. At two meetings, one member was absent. In accordance with its Terms of Reference and annual meeting plan, the Audit Committee has primarily carried out the following work:

a) Monitored the financial reporting process. The presentations to the Audit Committee and the Audit Committee's discussions had special focus on management judgements, estimates, and changes in accounting policies and procedures and the clarity of disclosures. In addition, they focused on compliance with accounting standards and stock exchange and other legal requirements related to the financial reporting. The Audit Committee also discussed the assumptions behind the Company's full-year profit expectations before all releases of financial statements.

b) Monitored the effectiveness of the internal control and risk management systems. This work included regular updates from Group Finance with regard to Carlsberg's financial control framework. The Audit Committee reviewed the company's relevant Group-wide policies in relation to internal control and risk management systems and the financial reporting process and received reports and presentations from Group Finance about the effectiveness of these systems as well as the scope, plans and status for controls throughout the year. The Audit Committee also reviewed quarterly reports from Group Internal Audit on risk management, including the risk management process at Carlsberg and the status of risks identified in the strategic risk map and heat map.

c) Monitored the internal audit function. The work included a review and approval of internal audit plans, a review of the internal audit function and competences and an evaluation of the independence of Group Internal Audit. The Audit Committee was presented with several of the tools used by Group Internal Audit in its work and a benchmarking report comparing Carlsberg's internal audit function with other internal audit functions worldwide.

d) Monitored the external audit of financial reporting and the independence of the external audit. The work included discussions regarding audit planning and scope, terms of engagement, audit fees and a review at each meeting of the external auditors' work and findings.

In accordance with the Terms of Reference, four of the Audit Committee meetings were held prior to the approval and announcement of the external financial reporting.

In addition, and in accordance with the Terms of Reference, all minutes and material were made available to the Supervisory Board, internal and external auditors and the Executive Board. The Audit Committee Chairman also reported at each Supervisory Board meeting on the key findings and conclusions from the previous Audit Committee meeting.

At each Audit Committee meeting, the Audit Committee examines relevant issues with the external auditors and the head of Group Internal Audit, and the Committee invites other relevant function heads from the Carlsberg organisation depending on the topics being discussed at the meeting. The heads of Group Finance and Group Accounting are usually invited to participate in the Audit Committee meetings. In 2012, the Audit Committee held regular meetings with the external auditors and Group Internal Audit as well as with other relevant internal function heads without the presence of the Executive Board of the Company.

INTERNAL CONTROLS OF FINANCIAL REPORTING

Overall control environment

The Supervisory Board and the Executive Board have overall responsibility for the Group's control environment. The Audit Committee appointed by the Supervisory Board is responsible for monitoring the internal control and risk management systems related to the financial reporting process on an on-going basis.

The Company has a number of policies and procedures in key areas of financial reporting, including the Finance Manual, the Controller Manual, the Chart of Authority, the Risk Management Policy, the Treasury Policy, the Information Security Policy and the Business Ethics Policy. The policies and procedures apply to all subsidiaries, and similar requirements are set out in collaboration with the partners of the joint ventures.

The internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process. Internal controls related to the financial reporting process are established to mitigate, detect and correct material misstatements in the consolidated financial statements.

The monitoring of risk and internal controls in relation to the financial reporting process are anchored by the reporting of the maturity level of the control environment using Carlsberg's financial control framework.

Risk assessment

The risk assessment process related to the risk in relation to the financial reporting process is assessed annually and approved by the Audit Committee.

The risk related to each accounting process and account in the consolidated financial statements is assessed based on quantitative and qualitative factors. The associated financial reporting risks are identified based on the evaluation of the impact of the risks materialising and the likelihood of the risks materialising.

The identified areas are divided into accounts with high, medium or low risk. High-risk areas are accounts that include significant accounting estimates, including goodwill and special items, and the sales and purchase process. Carlsberg's financial control framework reporting covers relevant Group companies and functions to the level where high-risk accounts are covered at least 80% and medium-risk accounts at least 60%. Low-risk accounts are not covered.

Control activities

The Group has implemented a formalised financial reporting process for the strategy process, budget process, quarterly estimates and monthly reporting on actual performance. The accounting information reported by all Group companies is reviewed both by controllers with regional or functional in-depth knowledge of the individual companies/functions and by technical accounting specialists. In addition, significant Group companies have controllers with extensive commercial and/or accounting knowledge and insight.

Based on the risk assessment, the Group has established minimum requirements for the conducting and documentation of IT and manual control activities to mitigate identified significant financial reporting risks. Carlsberg's financial control framework covers 132 controls relating to 23 accounting processes and areas. The relevant Group companies and functions must ensure that Carlsberg's financial control framework is implemented in their business and that individual controls are designed to cover the predefined specific risk. The local management is responsible for ensuring that the internal control activities are performed and documented, and is required to report the compliance quarterly to the Group's finance organisation.

The entities in the Group are dependent on IT systems. Any weaknesses in the system controls or IT environment are compensated for by manual controls in order to mitigate any significant risk relating to the financial reporting. This includes the implementation of compensating controls during the implementation of the supply chain integration and business standardisation project given that an increased number of people will have access to systems. Sweden will be the first country to implement the project in the spring of 2013.

Information and communication

The Group has established information and communication systems to ensure that accounting and internal control compliance are established, including a finance manual, a controller manual and internal control requirements.

Besides this, the Group has implemented a formalised reporting process for reporting monthly, quarterly, budget and estimate figures from all countries and functions.

Monitoring

The Audit Committee's monitoring covers both the internal control environment and business risk. The monitoring of the internal control environment is covered by Carlsberg's financial control framework. The business risk is assessed and reviewed at multiple levels in the Group, such as periodic review of control documentation, controller visits and audits performed by Group Internal Audit. Additionally, business risks are discussed and monitored at business review meetings between the Executive Committee, regional management and local management, at which potential financial impacts are identified.

The Audit Committee's Terms of Reference outline its roles and responsibilities concerning supervision and monitoring of the internal control and risk management systems related to financial reporting. The monitoring is performed on the basis of periodical reporting from the finance organisation, internal and external audit.

2013 EARNINGS EXPECTATIONS

For 2013, the Group expects beer market dynamics for all three regions to be similar to 2012.

2013 volumes are expected to be impacted by destocking in France and Russia in Q1 and stock building in Russia in Q4 ahead of the RUB 3 excise tax increase in January 2014.

Reported cost of sales per hl is expected to be flat with limited variation between the three regions. In organic terms, cost of sales per hl is expected to grow by low single-digit percentages.

The Group will continue to drive a focused commercial agenda, balancing volume and value share. For 2013, we expect sales and marketing investments to revenue at the level of last year.

Costs associated with roll-out of the integrated supply chain and business standardisation project in Western Europe will impact Group profits in 2013 by approximately DKK 300-400m.

Average all-in cost of debt will decline by some 50-75bp due to the maturity of a GBP 200m bond in February 2013 and the bond issues during 2012.

The tax rate is expected to be 24-25%.

Capital expenditures are expected to remain at the level of 2012.

The outlook is based on an average EUR/RUB exchange rate of 42 (a EUR/RUB change of +/- 1 impacts Group operating profit by slightly less than +/- DKK 100m).

Based on the above, for 2013 the Group expects:

- Operating profit before special items of around DKK 10bn.
- Adjusted net profit to increase by a mid-single-digit percentage.

COMPANY ANNOUNCEMENTS

Date	Event
27.02.2012	Carlsberg Group looks to strengthen and diversify Supervisory Board with three new appointments
06.03.2012	Clarification as to Carlsberg's statement of intention to delist Baltika as soon as possible
23.03.2012	Carlsberg Breweries Annual Report 2011
04.04.2012	Delisting of Baltika Breweries
15.05.2012	Voluntary offer to minority shareholders in Baltika Breweries submitted to Russian authorities
31.05.2012	Voluntary offer to minority shareholders of Baltika Breweries
26.06.2012	Carlsberg issues 7-year EUR Notes
17.07.2012	MICEX approves delisting of Baltika Breweries
21.08.2012	Ownership of Baltika Breweries increased to 96.77%
17.09.2012	Compulsory purchase of outstanding shares in Baltika Breweries initiated
08.11.2012	Successful placement of two notes
14.11.2012	Carlsberg Group increases its ownership in Chinese joint venture
29.11.2012	Full ownership of Baltika Breweries

Consolidated financial statements 2012

Notes to the consolidated financial statements

Carlsberg Breweries Group

Income statement

DKK million	Note	2012	2011
Revenue		93,100	86,555
Excise duties on beer and soft drinks etc.		-25,899	-22,994
Net revenue		**67,201**	**63,561**
Cost of sales	3	-33,831	-31,788
Gross profit		**33,370**	**31,773**
Sales and distribution expenses	4	-19,645	-18,483
Administrative expenses	5	-4,174	-3,944
Other operating income	6	538	575
Other operating expenses	6	-292	-218
Share of profit after tax, associates	17	112	174
Operating profit before special items		**9,909**	**9,877**
Special items, net	7	-1,812	605
Financial income	8	918	634
Financial expenses	8	-2,653	-2,542
Profit before tax		**6,362**	**8,574**
Corporation tax	9	-1,529	-2,156
Consolidated profit		**4,833**	**6,418**
Attributable to:			
Non-controlling interests	10	638	543
Shareholders in Carlsberg Breweries A/S		4,195	5,875

DKK	Note	2012	2011
Earnings per share	11		
Basic earnings per share		8,373	11,727
Diluted earnings per share		8,373	11,727

Carlsberg Breweries Group

Statement of comprehensive income

DKK million	Note	2012	2011
Profit for the year		**4,833**	**6,418**
Other comprehensive income:			
Foreign exchange adjustments of foreign entities	8	1,904	-1,839
Value adjustments of hedging instruments	8, 35, 36	111	-52
Retirement benefit obligations	25	-739	-1,081
Share of other comprehensive income in associates	17	4	3
Effect of hyperinflation	8	75	175
Other		-2	-12
Corporation tax	9	87	321
Other comprehensive income		**1,440**	**-2,485**
Total comprehensive income		**6,273**	**3,933**
Attributable to:			
Non-controlling interests		582	639
Shareholders in Carlsberg Breweries A/S		5,691	3,294

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

Value adjustments of hedging instruments comprise changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and for which the hedged transaction has not yet been realised and hedging transactions related to the Group's net investment in foreign entities.

Carlsberg Breweries Group

Statement of financial position

Assets

DKK million	Note	31 Dec 2012	31 Dec 2011
Non-current assets:			
Intangible assets	14, 15	80,010	77,834
Property, plant and equipment	15, 16	31,034	30,890
Investments in associates	17	5,768	5,007
Securities	18	112	106
Receivables	19	2,075	1,649
Deferred tax assets	26	1,192	871
Retirement benefit plan assets	25	4	5
Total non-current assets		**120,195**	**116,362**
Current assets:			
Inventories	20	4,541	4,350
Trade receivables	19	7,872	7,870
Tax receivables		60	129
Other receivables	19	2,631	3,250
Prepayments		853	867
Securities	18	21	24
Cash and cash equivalents	21	5,748	3,108
Total current assets		**21,726**	**19,598**
Assets held for sale	22	27	235
Total assets		**141,948**	**136,195**

Carlsberg Breweries Group

Statement of financial position

Equity and liabilities

DKK million	**Note**	**31. Dec 2012**	**31. Dec 2011**
Equity:			
Share capital	23	501	501
Reserves		-6,368	-8,632
Retained earnings		65,396	63,703
Equity, shareholders in Carlsberg Breweries A/S		59,529	55,572
Non-controlling interests		3,389	5,763
Total equity		**62,918**	**61,335**
Non-current liabilities:			
Borrowings	24	36,479	34,137
Retirement benefit obligations and similar obligations	25	3,917	3,218
Deferred tax liabilities	26	8,930	8,870
Provisions	27	1,097	965
Other liabilities	28	1,201	1,087
Total non-current liabilities		**51,624**	**48,277**
Current liabilities:			
Borrowings	24	3,352	2,591
Trade payables		11,906	11,039
Deposits on returnable packaging		1,381	1,291
Provisions	27	574	503
Corporation tax		551	533
Other liabilities, etc.	28	9,624	10,570
Total current liabilities		**27,388**	**26,527**
Liabilities associated with assets held for sale	22	18	56
Total liabilities		**79,030**	**74,860**
Total equity and liabilities		**141,948**	**136,195**

Carlsberg Breweries Group

Statement of changes in equity

2012

	Shareholders in Carlsberg Breweries A/S								
DKK million	Share capital	Currency translation	Hedging reserves	Available-for-sale-investments	Total reserves	Retained earnings	Equity, shareholders in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Equity at 1 January 2012	501	-7,622	-1,134	124	-8,632	63,703	55,572	5,763	61,335
Profit for the period	-	-	-	-	-	4,195	4,195	638	4,833
Other comprehensive income:									
Foreign exchange adjustments of foreign entities	-	1,952	-	-	1,952	-	1,952	-48	1,904
Value adjustments of hedging instruments	-	-216	327	-	111	-	111	-	111
Retirement benefit obligations	-	-	-	-	-	-727	-727	-12	-739
Share of other comprehensive income in associates	-	-	-	-	-	4	4	-	4
Effect of hyperinflation	-	71	-	-	71	-	71	4	75
Other	-	-	-	-	-	-2	-2	-	-2
Corporation tax	-	56	74	-	130	-43	87	-	87
Other comprehensive income	**-**	**1,863**	**401**	**-**	**2,264**	**-768**	**1,496**	**-56**	**1,440**
Total comprehensive income for the year	**-**	**1,863**	**401**	**-**	**2,264**	**3,427**	**5,691**	**582**	**6,273**
Refund to parent company for exercise of share options	-	-	-	-	-	-33	-33	-	-33
Change in expected future refunds for exercise of share options	-	-	-	-	-	148	148	-	148
Share-based payment	-	-	-	-	-	48	48	-	48
Dividends paid to shareholders	-	-	-	-	-	-	-	-282	-282
Acquisition of non-controlling interests	-	-	-	-	-	-1,897	-1,897	-2,674	-4,571
Total changes in equity	**-**	**1,863**	**401**	**-**	**2,264**	**1,693**	**3,957**	**-2,374**	**1,583**
Equity at 31 December 2012	**501**	**-5,759**	**-733**	**124**	**-6,368**	**65,396**	**59,529**	**3,389**	**62,918**

2011

	Shareholders in Carlsberg Breweries A/S								
DKK million	Share capital	Currency translation	Hedging reserves	Available-for-sale-investments	Total reserves	Retained earnings	Equity, shareholders in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Equity at 1 January 2011	501	-5,943	-1,099	124	-6,918	58,961	52,544	5,381	57,925
Profit for the period	-	-	-	-	-	5,875	5,875	543	6,418
Other comprehensive income:									
Foreign exchange adjustments of foreign entities	-	-1,941	-	-	-1,941	-	-1,941	102	-1,839
Value adjustments of securities	-	-20	-32	-	-52		-52	-	-52
Retirement benefit obligations	-	-	-	-	-	-1,067	-1,067	-14	-1,081
Share of other comprehensive income in associates	-	-	-	-	-	3	3	-	3
Effect of hyperinflation	-	166	-	-	166	-	166	9	175
Other	-	-	-	-	-	-11	-11	-1	-12
Corporation tax	-	116	-3	-	113	208	321	-	321
Other comprehensive income	**-**	**-1,679**	**-35**	**-**	**-1,714**	**-867**	**-2,581**	**96**	**-2,485**
Total comprehensive income for the year	**-**	**-1,679**	**-35**	**-**	**-1,714**	**5,008**	**3,294**	**639**	**3,933**
Refund to parent company for exercise of share options	-	-	-	-	-	-39	-39	-	-39
Change in expected future refunds for exercise of share options	-	-	-	-	-	-78	-78	-	-78
Share-based payment	-	-	-	-	-	-5	-5	-	-5
Share buy-back	-	-	-	-	-	-	-	-417	-417
Dividends paid to shareholders	-	-	-	-	-	-	-	-121	-121
Acquisition of non-controlling interests	-	-	-	-	-	-176	-176	-1,353	-1,529
Effect of hyperinflation	-	-	-	-	-	32	32	2	34
Acquisition of entities	-	-	-	-	-	-	-	1,632	1,632
Total changes in equity	**-**	**-1,679**	**-35**	**-**	**-1,714**	**4,742**	**3,028**	**382**	**3,410**
Equity at 31 December 2011	**501**	**-7,622**	**-1,134**	**124**	**-8,632**	**63,703**	**55,572**	**5,763**	**61,335**

The proposed dividend of DKK 1,827 per share, in total DKK 915m (2011: DKK 0.00 per share, in total DKK 0m), is included in retained earnings at 31 December 2012. No dividends are paid out in 2012 for 2011 (paid out in 2011 for 2010: No dividend). Dividends paid out to shareholders of Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

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

Carlsberg Breweries Group

Statement of cash flows

DKK million	Note	2012	2011
Operating profit before special items		9,909	9,877
Adjustment for depreciation and amortisation		3,980	3,762
Adjustment for impairment losses[1]		28	4
Operating profit before depreciation, amortisation and impairment losses		13,917	13,643
Adjustment for other non-cash items	29	323	382
Change in trade working capital	29	865	361
Change in other working capital	29	-505	-466
Restructuring costs paid		-324	-441
Interest etc. received		378	209
Interest etc. paid		-2,251	-2,258
Corporation tax paid		-2,265	-1,641
Cash flow from operating activities		**10,138**	**9,789**
Acquisition of property, plant and equipment and intangible assets		-5,061	-4,320
Disposal of property, plant and equipment and intangible assets		440	276
Change in trade loans	29	-447	-518
Total operational investments		-5,068	-4,562
Free operating cash flow		**5,070**	**5,227**
Acquisition and disposal of entities, net	30	-27	-260
Acquisitions of associates		-825	-75
Disposals of associates		3	15
Acquisition of financial assets		-38	-9
Disposal of financial assets		21	7
Change in financial receivables	29	-28	-46
Dividends received		96	54
Total financial investments		**-798**	**-314**
Disposal of other property, plant and equipment		-22	-
Total other activities[2]		-22	-
Cash flow from investing activities		**-5,888**	**-4,876**
Free cash flow		**4,250**	**4,913**
Non-controlling interests	29	-5,198	-1,876
External financing	29	3,263	-2,781
Cash flow from financing activities		**-1,935**	**-4,657**
Net cash flow		**2,315**	**256**
Cash and cash equivalents at 1 January[3]		2,798	2,546
Foreign exchange adjustment of cash and cash equivalents		-65	-4
Cash and cash equivalents at 31 December[3]	21	**5,048**	**2,798**

[1] Impairment losses excluding those reported in special items.

[2] Other activities cover real estate and assets under construction, separate from beverage activities.

[3] Cash and cash equivalents less bank overdrafts.

Carlsberg Breweries Group

Note

1 Significant accounting estimates and judgements

In preparing the Carlsberg Breweries Group's consolidated financial statements, management makes various accounting estimates, judgements and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are performed in relation to the accounting treatment of:

- Business combinations
- Impairment testing
- Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment
- Restructurings
- Deferred tax assets
- Receivables
- Retirement benefit obligations and similar obligations
- Provisions and contingencies

The Group's accounting policies are described in detail in note 41 to the consolidated financial statements.

Estimation uncertainty

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

The judgements, estimates and assumptions made are based on historical experience and other factors which management assesses to be reliable, but which, by their very nature, are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

The slow recovery of most European economies continues causes a challenging consumer environment. The consumption in some markets, including Denmark, France and Russia, has been significantly impacted by excise duty increases in recent years and this will also be the case for 2013. The impact on business development and the 2012 financials is described in the Management review, especially the sections describing the segment developments.

Estimates in the consolidated financial statements for 2012 have been prepared taking the recovery in the economic and financial markets into consideration, but still ensuring that one-off effects, which are not expected to exist in the long term, do not affect estimation and determination of factors, including discount rates and expectations of the future.

The assessment of the value of assets, including breweries, brands and goodwill, should be viewed with the long-term perspective of the investment in mind.

The Group is also subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Specific risks for the Group are discussed in the relevant sections of the Management review and in the notes.

Assumptions about the future and estimation of uncertainty at the end of the reporting period are described in the notes when a significant risk of changes could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Business combinations

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

The unallocated purchase price (positive amount) is recognised in the statement of financial position as goodwill, which is allocated to the Group's cash-generating units. Management makes estimates of the acquired cash-generating units, the cash-generating units that already existed in the Group and the allocation of goodwill. The allocation of goodwill is based on the expected future cash flows for each activity. In each business combination, management decides whether or not to recognise goodwill related to non-controlling interests. If such goodwill is recognised, it is estimated based on the fair value of the non-controlling interests less the non-controlling interests' share of the fair value of acquired assets, liabilities and contingent liabilities. The fair value of the non-controlling interests is estimated based on the net present value of expected future cash flows from the entity, the cost of newly acquired shareholdings in the entity excluding a control premium paid, and other fair value models as applicable for the transaction.

In a step acquisition, the Group gains control of an entity in which the Group already holds a shareholding immediately before the step acquisition. In 2011 the Group gained control of Lao Brewery, Laos, and Hue Brewery, Vietnam, through step acquisitions. The purchase price allocation of these transactions was completed during 2012.

Management estimates the total fair value of the shareholding in the entity held immediately after the completion of the step acquisition. The estimated total fair value is accounted for as the cost of the total shareholding in the entity. The shareholding held immediately before the step acquisition is re-measured at fair value at the acquisition date. The resulting gain or loss is recognised in the income statement under special items. The fair value of the shareholding held immediately before the step acquisition is calculated as the estimated total fair value less the fair value of consideration paid for the shareholdings acquired in the step acquisition and the fair value of non-controlling interests.

The total fair value is based on various valuation methods, including the net present value of expected future cash flows from the entity, the cost of newly acquired shareholdings in the entity including a control premium paid and other fair value models as applicable for the transaction, e.g. multiples.

The net present value of expected future cash flows (value in use) is based on budgets and business plans for the next three years and projections for subsequent years as well as management's expectations for the future development following the gain of control of the business. Key parameters are revenue growth, operating margin, future capital expenditure and growth expectations beyond the next three years. Budgets and business plans for the next three years are based on concrete commercial initiatives. Projections beyond the next three years are based on general expectations and risks. As the risk on cash flows is not included in the expected cash flows for newly acquired entities, the expected future cash flows are discounted using a WACC rate, cf. the description below.

Management believes that the purchase price accounted for in the consolidated financial statements reflects the best estimate of the total fair value of the business and the fair value of the non-controlling interests, and hence the allocation of goodwill to controlling and non-controlling interests.

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

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

For each trademark or group of trademarks, measurement is based on the relief from royalty method under which the value is calculated based on expected future cash flows for the trademarks on the basis of key assumptions about expected useful life, royalty rate and growth rate and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of a risk premium associated with the particular trademark.

The estimates of the expected useful life of each trademark are based on its relative local, regional and global market strength. This assessment will also influence the estimate of the expected future royalty rate that may be obtained for each trademark in a royalty agreement entered into with a third party on market terms for each of the markets.

Customer agreements and portfolios. In business combinations, the value of acquired customer agreements and customer portfolios is assessed based on the local market and trading conditions. The relationship between trademarks and customers is carefully considered so that trademarks and customer agreements are not both recognised on the basis of the same underlying cash flows. Usually there is a particularly close relationship between trademark and sales, and no separate value for customer relations will be recognised in these cases, as these relations are closely associated with the value of the acquired trademarks.

Fair value of property, plant and equipment. In business combinations, the fair value of land and buildings, standard production and office equipment is based, as far as possible, on the fair value of assets of similar type and condition that may be bought and sold in the open market.

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

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

Impairment testing

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

The cash-generating units are determined based on the Group structure, linkage of the cash flows between entities and the individual entities' integration in regions or sub-regions. The structure and cash-generating units are reassessed each year.

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

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

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

Trademarks. Management performs an annual impairment test of trademarks with an indefinite life and an assessment of whether the current market situation in the relevant market has reduced the value of trademarks with a finite useful life. Management also assesses trademarks for changes in their useful lives. When there is an indication of a reduction in the value or useful life, the trademark is tested for impairment and is written down if necessary or the amortisation period is reassessed and if necessary, adjusted in line with the trademark's changed useful life. The impairment test of trademarks is based on the same approach used to determine the fair value at the acquisition date in business combinations.

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

The impairment test of trademarks resulted in an impairment loss of DKK 11m in 2012 (2011: DKK 450m) related to a trademark having difficult market conditions and poor performance.

The useful life of trademarks is assessed yearly, especially in relation to trademarks which have been impaired.

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

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

Property, plant and equipment. Property, plant and equipment are impairment-tested when there are indications of impairment. Management performs an annual assessment of the assets' future application, e.g. in relation to changes in production structure, restructurings or closing of breweries. The impairment test is based on budgeted and estimated cash flows from the cash-generating unit. The assessment is based on the lowest cash-generating unit affected by the changes that indicate impairment. The pre-tax discount rate reflects the risk-free interest rate with the addition of a risk premium associated with the particular asset.

For a description of impairment testing for property, plant and equipment, see note 15.

Associates. Management performs an impairment test of investments in associates when there are indications of impairment, e.g. due to loss-making activities or major changes in the business environment. The impairment test is based on budgeted and estimated cash flows from the associate and related assets which form an integrated cash-generating unit. The pre-tax discount rate reflects the risk-free interest rate with the addition of a risk premium associated with the particular investments.

Discount and growth rates applied for 2012. The risk-free interest rates used in impairment tests performed at year-end 2012 were based on observed market data. For countries where long-term risk-free interest rates are not observable or valid due to specific national or macroeconomic changes affecting the country, the interest rate is estimated based on observations from other markets and/or long-term expectations expressed by major international credit institutions.

The risk premium for the risk-free interest rate (spread) was fixed at market price or slightly lower than the current market level, which is comparable to the market level. The total interest rate, including spread, thereby reflected the long-term interest rate applicable to the Group's investments in the individual markets.

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

Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment. Intangible assets with finite useful life and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment losses. Amortisation and depreciation are recognised on a straight-line basis over the expected useful lives, taking into account any residual value. The expected useful lives and residual values are determined based on past experience and expectations of the future use of the assets. Reassessment of the expected future use is as a minimum made in connection with an evaluation of changes in production structure, restructuring and brewery closures. The expected future use and residual values may not be realised, which will require reassessment of useful lives and residual values and recognition of impairment losses or losses on disposal of non-current assets. The amortisation and depreciation periods used are described in the accounting policies in note 41 and the value of non-current assets is specified in notes 14 and 16.

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

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

Deferred tax assets. The Group recognises deferred tax assets, including the expected tax value of tax loss carryforwards if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

Receivables. Receivables are measured at amortised cost less impairment.

Write-downs are made for bad debt losses due to inability to pay. If the ability to pay deteriorates in the future, further write-downs may be necessary. Management performs analyses on the basis of customers' expected ability to pay, historical information on payment patterns, doubtful debts, customer concentrations, customers' creditworthiness, including the impact of the economic downturn on the markets in general as well as on the individual customer, collateral received and the financial situation in the Group's sales channels.

With regard to loans to the on-trade, the individual Group companies manage and control these loans as well as standard trade credits in accordance with Group guidelines.

Derecognition of groups of receivables, e.g. in business combinations or other structured transactions, is based on management's judgement of contractual terms and other factors related to the transaction.

Write-downs made are expected to be sufficient to cover losses. The financial uncertainty associated with write-downs for bad debt losses is usually considered to be limited. As a result of the international economic crisis, the risk of bad debt losses has increased. This has been taken into consideration in the assessment of impairment at the end of the reporting period and in the general management and monitoring of usual trade credits and loans to the on-trade.

Retirement benefit obligations and similar obligations. When calculating the value of the Group's defined benefit plans, a number of significant actuarial assumptions are made, including discount rates, expected return on plan assets, expected growth in wages and salaries, mortality and retirement benefits. The range and weighted average for these assumptions are disclosed in note 25.

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

Provisions and contingencies. Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or probable lawsuits etc. on an ongoing basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

In connection with large restructurings, management assesses the timing of costs to be incurred, which influences the classification as current or non-current liabilities respectively. Provision for losses on onerous procurement contracts is based on agreed terms with the supplier and expected fulfilment of the contract based on the current estimate of volumes and use of raw materials. Warranty provisions are based on the substance of the agreements entered into, including the guarantees issued covering customers in the on-trade. Provisions are disclosed in note 27 and contingent liabilities in note 38.

Assessment in applied accounting policies

In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognised in the consolidated financial statements. Such judgements are performed in relation to the accounting treatment of:

- Business combinations
- Financial instruments
- Revenue
- Loans to the on-trade
- Special items
- Inventories
- Deposit liabilities
- Leases and service contracts

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

This classification is significant as the recognition of proportionally consolidated joint ventures impacts the financial statements differently from full consolidation of subsidiaries or recognition of associates using the equity method. The amendment to IFRS preventing the use of proportional consolidation will have an impact on the consolidated financial statements as of 1 January 2014 which is not material to the Group. Key figures for proportionally consolidated entities are disclosed in note 34.

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

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

Management assesses the local rules on the imposition of duties for the purpose of classification either as sales-related duties, which are deducted from revenue, or as part of cost of sales. Customer discounts are recognised in the same period as the sales to which they relate. Customer discounts are deducted from revenue.

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

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

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

Special items also include other significant non-recurring items, such as impairment of goodwill and trademarks, gains and losses on the disposal of activities, revaluation of shareholdings in an entity held immediately before a step acquisition of that entity and transaction cost in a business combination.

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

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

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and developments in expected selling price. The calculation of net realisable value is mainly relevant to packing materials, packaging and spare parts. Net realisable value is normally not calculated for beer and soft drinks because their limited shelf-life means that slow-moving goods must be scrapped instead. Following the economic downturn, the individual entities in the Group have paid special attention to inventory turnover and the remaining shelf-life when determining net realisable value and scrapping.

Deposit liabilities. In a number of countries, the local entities have a legal or constructive obligation to buy back returnable packaging from the market. When invoicing customers, a deposit is added to the sales price and the entity recognises a deposit liability. The deposit is paid out on return of bottles. The deposit liability provided for is estimated based on movements during the year in recognised deposit liabilities and on historical information about return rates and loss of bottles in the market.

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

For leases an assessment is made as to whether the lease is a finance lease or an operating lease. The Group has mainly entered into operating leases for standardised assets with a short duration relative to the life of the assets and accordingly the leases are classified as operating leases.

Note

2 Segment information

The Group's activities are segmented on the basis of geographical regions in accordance with the management reporting structure for 2012.
For segment reporting purposes, the Chief Operating Decision Maker is the Executive Committee. The Executive Committee manages and makes business decisions based on geographical segments. Segments are managed and decisions are made based on business performance measured as operating profit before special items. Decisions on intra-Group sale of trademarks
and activities, financing and tax planning are made based on information for the Group as a whole and therefore not segmented. The "Not allocated" segment relates mainly to headquarters functions which consist of management fees, royalty charges, central marketing, sponsorships, receivables etc. and of eliminations. Intra-segment revenue is based on arm's length prices.

The non-beverage activities are managed separately and therefore also shown separately. The segmentation reflects the structure used for internal reporting and monitoring of the strategic and financial targets of the Group.

A segment's operating profit/loss before special items includes revenue, operating costs and share of profit/loss in associates to the extent that they can be allocated directly to the individual segment. Income and expenses related to Group functions have not been allocated and, as is the case with eliminations and non-brewing activities, are not included in the operating profit/loss before special items of the segments.

Non-current segment assets comprise intangible assets and property, plant and equipment used directly in the operating activities of the segment. Current segment assets are allocated to the segments to the extent that they can be allocated directly to the individual segment, including inventories, trade receivables, other receivables and prepayments. Allocated goodwill and trademarks by segment are specified in note 15.

					2012
DKK million	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Income statement:					
Net revenue	37,672	20,222	9,114	193	67,201
Intra-segment revenue	55	14	-	-69	-
Total net revenue	**37,727**	**20,236**	**9,114**	**124**	**67,201**
Share of profit after tax, associates	4	4	104	-	112
Operating profit before special items	**5,121**	**4,302**	**1,685**	**-1,199**	**9,909**
Special items, net					-1,812
Financial items, net					-1,735
Profit before tax					**6,362**
Corporation tax					-1,529
Consolidated profit					**4,833**
Operating margin	13.6%	21.3%	18.5%		14.7%

Not allocated net revenue, DKK 124m, consists of DKK 7,641m net revenue from other companies and activities and DKK 7,517m from eliminations of sales between these other companies and the segments.

Not allocated operating profit before special items, DKK -1,199m, consists of DKK -1,217m from other companies and activities and DKK 18m from eliminations.

Other segment items:					
Total assets	52,061	77,698	21,818	-9,629	141,948
Assets held for sale	27	-	-	-	27
Invested capital, cf. note 32	28,002	67,194	17,075	-3,175	109,096
Acquisition of property, plant and equipment and intangible assets	2,114	1,233	1,339	374	5,060
Depreciation and amortisation	1,835	1,582	508	55	3,980
Impairment losses	316	679	-	-	995

Not allocated total assets, DKK -9,629m, comprise entities that are not business segments and eliminations of investments in subsidiaries, receivables, loans etc.

Carlsberg Breweries Group

Note

2 Segment information

DKK Million	Western Europe	Eastern Europe	Asia	Not allocated	2011 Carlsberg Breweries Group, total
Income statement:					
Net revenue	36,840	19,702	6,838	181	63,561
Intra-segment revenue	39	17	-	-56	-
Total net revenue	**36,879**	**19,719**	**6,838**	**125**	**63,561**
Share of profit after tax, associates	42	5	127	-	174
Operating profit before special items	**5,419**	**4,286**	**1,286**	**-1,114**	**9,877**
Special items, net					605
Financial items, net					-1,908
Profit before tax					**8,574**
Corporation tax					-2,156
Consolidated profit					**6,418**
Operating margin	14.7%	21.7%	18.8%		15.5%

Not allocated net revenue, DKK 125m, consists of DKK 6,433m net revenue from other companies and activities and DKK 6,308m from eliminations of sales between these other companies and the segments.

Not allocated operating profit before special items, DKK -1,114m, consists of DKK -1,169m from other companies and activities and DKK 55m from eliminations.

Other segment items:					
Total assets	52,113	76,703	20,388	-13,009	136,195
Assets held for sale	235	-	-	-	235
Invested capital, cf. note 32	27,754	65,285	15,631	-2,678	105,992
Acquisition of property, plant and equipment and intangible assets	1,946	1,153	889	332	4,320
Depreciation and amortisation	1,884	1,467	356	55	3,762
Impairment losses	379	750	-	250	1,379

Not allocated total assets, DKK -13,009m, comprise entities that are not business segments and eliminations of investments in subsidiaries, receivables, loans etc.

Information on geographical allocation of net revenue and non-current assets

	Net revenue		Non-current assets	
	2012	**2011**	**2012**	**2011**
Denmark (Carlsberg Breweries A/S's domicile)	4,572	4,722	2,053	2,086
Russia	16,520	16,070	62,397	60,945
Other countries	46,109	42,769	53,987	51,628
Total	**67,201**	**63,561**	**118,437**	**114,659**

The geographical allocation is made on the basis of the selling countries' domicile and comprises countries each accounting for more than 10% of the Group's consolidated net revenue as well as that of the domicile country.

Non-current assets comprise non-current assets other than financial instruments, deferred tax assets and retirement benefit plan assets.

Information about major customers
The Carlsberg Breweries Group does not have customers that account for more than 10% of the Group's net revenue.

Note

3 Cost of sales

DKK million	2012	2011
Cost of materials	19,566	18,699
Direct staff costs	1,375	1,270
Machinery costs	902	839
Depreciation, amortisation and impairment losses	2,815	2,671
Indirect production overheads	3,682	3,432
Purchased finished goods and other costs	5,491	4,877
Total	**33,831**	**31,788**
Of which is staff costs, cf. note 12	2,830	2,652

4 Sales and distribution expenses

DKK million	2012	2011
Marketing expenses	7,009	6,554
Sales expenses	5,277	4,937
Distribution expenses	7,359	6,992
Total	**19,645**	**18,483**
Of which is staff costs, cf. note 12	5,068	5,872

5 Fees to auditors appointed at the Annual General Meeting

DKK million	2012	2011
KPMG:		
Statutory audit	24	26
Assurance engagements	-	-
Tax advisory	3	4
Other services	14	3

Assurance engagements include fees for assurances in relation to opinions to third parties, including fee for assurances in relation to bond issue. Tax advisory services mainly relate to fees for assistance on Group restructuring projects and general tax consultancy.

Other services include fee for advice and services in relation to acquisition and disposal of entities, which includes accounting and tax advice and due diligence.

Note

6 Other operating income and expenses

DKK million	2012	2011
Other operating income:		
Gains on disposal of property, plant and equipment and intangible assets	157	123
Interest and amortisation of on-trade loans	91	102
Rental income, real estate	42	73
Income from grants and subsidies	28	33
Other	220	244
Total	**538**	**575**
Other operating expenses:		
Loss on disposal of property, plant and equipment and intangible assets within beverage activities	-45	-56
Losses and write-downs on on-trade loans	-55	-1
Real estate costs	-45	-43
Expenses relating to research centres	-44	-53
Other	-103	-65
Total	**-292**	**-218**
Of which is staff costs, cf. note 12	-3	-14

Carlsberg Breweries Group

Note

7 Special items

DKK million	2012	2011
Special items, income:		
Gain on disposal of entities and adjustment to gain in prior year	107	64
Revaluation gain on step acquisition of entities	-	1,300
Other restructuring income etc., other entities	-	40
Gain on disposal of subsidiaries	-	866
Income total	**107**	**2,270**
Special items, cost:		
Impairment of trademarks	-	-450
Impairment and restructuring of Carlsberg Uzbekistan	-290	-300
Impairment of Nordic Getränke GmbH, Germany	-118	-260
Impairment of the business standardisation project	-	-250
Impairment of Vena Brewery, production and sales equipment in connection with restructuring. Baltika Breweries, Russia	-589	-
Impairment of other non-current assets	-93	-31
Restructuring of Carlsberg Sverige (2011: Impairment of non-current assets in connection with change of production structure)	-76	-47
Restructuring of Ringnes AS, Norway	-262	-
Termination benefits and impairment of non-current assets in connection with restructuring at Carlsberg Deutschland	-37	-94
Impairment and restructuring in relation to optimisation of packaging standardisation in Western Europe	-	-36
Termination benefits in connection with restructuring in central headquarter functions	-10	-70
Restructuring of Leeds Brewery, Carlsberg UK	-4	-57
Termination benefits in connection with restructuring of sales force, logistic and administration, Carlsberg UK	-	-16
Termination benefits and impairment of non-current assets in connection with new administration structure at Brasseries Kronenbourg, France	-76	-32
Termination benefit etc., Carlsberg Italia	-16	-10
Termination benefits etc. in connection with Operational Excellence Programmes	-86	-57
Loss on sale of Sorex, France	-	-86
Provision for onerous malt contracts, including reversal of unused provision from previous year	-	150
Costs in relation to acquisition of Hue Brewery ltd., Vietnam	-	-14
Loss on disposal of subsidiary	-176	-
Other restructuring costs etc., other entities	-86	-5
Cost total	**-1,919**	**-1,665**
Special items, net	**-1,812**	**605**

If special items had been recognised in operating profit before special items, they would have been included in the following items:	2012	2011
Cost of sales	-1,366	-857
Sales and distribution expenses	-83	-5
Administrative expenses	-67	-372
Other operating income	-	2,270
Other operating expenses	-176	-86
Share of profit after tax in associates	-120	-254
	-1,812	696
Impairment of goodwill	-	-91
Special items, net	**-1,812**	**605**

Special items include significant income and costs of a special nature in terms of the Group’s revenue-generating operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments, as well as any gains or losses arising from disposals in this connection which have a material effect over a given period. This item also includes significant non-recurring items, including impairment of goodwill and trademarks and gains and losses on the disposal of activities.

Special items also include gains on revaluation of shareholdings in associates prior to a step acquisition of the entities.

Special items, income, amounted to DKK 107m (2011: DKK 2,270m) and relate to adjustment of gains and losses on disposal of entities in prior years.

Special items, costs, amounted to DKK -1,919m (2011: DKK -1,665m).

The impairment and restructuring of Carlsberg Uzbekistan, DKK 290m, Nordic Getränke GmbH, DKK 118m, and Vena Brewery, production and sales equipment in Russia DKK 589m, are related to non-current assets in the entities due to difficult market conditions, poor performance and profit outlook.

Note

8 Financial income and financial expenses

Financial items recognised in the income statement

DKK million	2012	2011
Financial income:		
Interest income	361	201
Dividends from securities	4	10
Fair value adjustments of financial instruments, net, cf. note 36	191	11
Foreign exchange gains, net	-	54
Realised gains on disposal of associates and securities	16	-
Expected return on plan assets, defined benefit plans	323	327
Other financial income	23	31
Total	**918**	**634**

Interest income relates to interest from cash and cash equivalents measured at amortised cost.

DKK million	2012	2011
Financial expenses:		
Interest expenses	-1,890	-1,908
Foreign exchange losses, net	-172	-
Realised losses on disposal of securities	-22	-1
Impairment of financial assets	-2	-5
Interest cost on obligations, defined benefit plans	-380	-376
Effect of hyperinflation	-9	-59
Other financial expenses	-178	-193
Total	**-2,653**	**-2,542**
Financial items, net, recognised in the income statement	**-1,735**	**-1,908**

Interest expenses primarily relate to interest on borrowings measured at amortised cost.

Interest, losses and write-downs on trade loans, which are measured at amortised cost, are included as revenue and cost in other operating income and expenses (cf. note 6), as such loans are seen as a prepaid discount to the customer.

Financial items recognised in other comprehensive income

DKK million	2012	2011
Foreign exchange adjustments of foreign entities:		
Foreign currency translation of foreign entities	1,904	-1,837
Recycling to income statement of cumulative translation differences related to foreign operations acquired in step acquisitions/disposed of during the year	-	-2
Effect of hyperinflation	75	175
Total	**1,979**	**-1,664**
Value adjustments of hedging instruments:		
Change in fair value of effective portion of cash flow hedges	-295	-453
Change in fair value of cash flow hedges transferred to the income statement	622	421
Change in fair value of net investment hedges	-216	-20
Total	**111**	**-52**
Financial items, net, recognised in other comprehensive income	**2,090**	**-1,716**
Financial items, net, recognised in statement of comprehensive income	**355**	**-3,624**

Of net change in fair value of cash flow hedges transferred to the income statement DKK 266m (2011: DKK 99m) is included in cost of sales and DKK 356m (2011: DKK 322m) is included in financial items.

9 Corporation tax

	2012			2011		
	Total comprehensive income	Other comprehensive income	Income statement	Total comprehensive income	Other comprehensive income	Income statement
Tax for the year can be specified as follows:						
Current tax	1,742	-189	1,553	1,913	-9	1,904
Change in deferred tax during the year	-183	193	10	-6	211	205
Change in deferred tax from change in tax rate	27	-	27	-15	-	-15
Adjustments to tax for previous years	-144	83	-61	-57	119	62
Total	**1,442**	**87**	**1,529**	**1,835**	**321**	**2,156**

	2012		2011	
Reconciliation of the effective tax rate for the year:	%	DKK million	%	DKK million
Nominal weighted tax rate for Carlsberg Breweries Group	20.5%	1,302	22.7%	1,944
Change in tax rate	0.4%	27	-0.2%	-15
Adjustments to tax for previous years	-0.9%	-61	0.7%	62
Non-capitalised tax assets, net movements	-1.9%	-119	3.0%	264
Non-taxable income	-0.4%	-26	-0.7%	-64
Non-deductible expenses	3.4%	216	2.3%	194
Tax incentives etc.	-1.7%	-109	-1.4%	-121
Special items/tax in associates	0.7%	43	-1.8%	-156
Withholding taxes	4.1%	269	1.0%	86
Other	-0.2%	-13	-0.4%	-38
Effective tax rate for the year	**24.0%**	**1,529**	**25.2%**	**2,156**

Nominal weighted tax rate for the Group is calculated as domestic tax rates applicable to profits in the entities as a proportion of each entity's share of the Group's profit before tax.

Tax recognised in other comprehensive income:

	2012			2011		
DKK million	Recognised item before tax	Tax (expense) benefit	Net of tax	Recognised item before tax	Tax (expense) benefit	Net of tax
Foreign exchange adjustments	1,904	-	1,904	-1,839	-	-1,839
Hedging instruments	111	133	244	-52	113	61
Retirement benefit obligations	-739	130	-609	-1,081	205	-876
Share of other comprehensive income in associates	4	-	4	3	-	3
Effect of hyperinflation	75	-	75	175	-	175
Other	-2	-176	-178	-12	3	-9
Total	**1,353**	**87**	**1,440**	**-2,806**	**321**	**-2,485**

An interest ceiling reduces the tax deduction for value adjustments of hedging instruments recognised in other comprehensive income.

DKK million	**2012**	**2011**
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	32	93
Deferred tax from change in tax rate	27	-15
Intangible assets and property, plant and equipment etc.	-22	112
Change in deferred tax recognised in the income statement	**37**	**190**

Adjustment to tax for previous years DKK 83m (2011: DKK 119m) is included in the tax income/expense for hedging instruments.

Carlsberg Breweries Group

Note

10 Non-controlling interests

DKK million	2012	2011
Non-controlling interests' share of profit for the year relates to the following:		
Baltika Breweries	158	294
Carlsberg Malaysia Group	169	146
Asia, other	291	90
Other regions	20	13
Total	**638**	**543**

The non-controlling interests' share of Baltika Breweries has decreased compared to 2011 following the Carlsberg Group obtained 100% ownership of the entity in the fall of 2012.

The increase in Asia mainly relates to the full consolidation of Lao Brewery Co. Ltd. from the fall 2011.

11 Earnings per share

	2012	2011
DKK		
Basic earnings per share of DKK 1.000 (EPS)	8,373	11,727
1,000 shares		
Average number of shares	501	501
DKK million		
Consolidated profit	4,833	6,418
Non-controlling interests	-638	-543
Profit attributable to shareholders in Carlsberg Breweries A/S	**4,195**	**5,875**

12

Staff costs and remuneration of the Supervisory Board and the Executive Board

DKK million	2012	2011
Salaries and other remuneration	7,926	8,860
Severance pay	351	192
Social security costs	1,240	1,220
Retirement benefit costs - defined contribution plans	192	190
Retirement benefit costs - defined benefit plans	113	73
Share-based payment	48	-5
Other employee benefits	305	218
Total	**10,175**	**10,748**

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

Cost of sales	2,830	2,652
Sales and distribution expenses	5,068	5,872
Administrative expenses	1,975	2,037
Other operating expenses	3	14
Special items (restructuring)	298	173
Total	**10,175**	**10,748**

The Group had an average of 41,614 (2011: 42,552) full-time employees during the year.

Remuneration of Executive Board and Key management personnel:

DKK million	2012		2011		2010		2012	2011
	Jørgen Buhl Rasmussen	Jørn P. Jensen	Jørgen Buhl Rasmussen	Jørn P. Jensen	Jørgen Buhl Rasmussen	Jørn P. Jensen	Key management personnel	
Fixed salary	10.5	9.1	10.5	9.1	10.5	9.1	50.5	52.1
Cash bonus	6.3	5.5	-	-	6.3	5.5	21.3	22.1
Non-monetary benefits	0.3	0.3	0.3	0.3	0.3	0.2	5.5	3.4
Share-based payment	5.7	5.4	4.0	4.0	3.5	3.5	11.2	4.2
Total	**22.8**	**20.3**	**14.8**	**13.4**	**20.6**	**18.3**	**88.5**	**81.8**

Executive Boards share options

		Number					DKK million
Grant year	Exercise year	1 Jan. 2012	Granted	Exercised	31 Dec. 2012	For exercise 31 Dec.	Fair value
Jørgen Buhl Rasmussen:							
2007	2010-2015	12,388	-	-	12,388	12,388	1
2008	2011-2016	44,776	-	-	44,776	44,776	6
2009	2012-2017	30,000	-	-	30,000	30,000	11
2010	2013-2018	15,000	-	-	15,000	-	3
2011	2014-2019	30,000	-	-	30,000	-	4
2012	2015-2020		69,500	-	69,500	-	14
Total		**132,164**	**69,500**	**-**	**201,664**	**87,164**	**39**
Jørn P. Jensen:							
2004	2007-2012	13,008	-	-13,008	-	-	
2005	2008-2013	12,388	-	-	12,388	12,388	4
2006	2009-2014	12,388	-	-	12,388	12,388	3
2007	2010-2015	12,388	-	-	12,388	12,388	1
2008	2011-2016	44,776	-	-	44,776	44,776	6
2009	2012-2017	30,000	-	-	30,000	30,000	11
2010	2013-2018	15,000	-	-	15,000	-	3
2011	2014-2019	30,000	-	-	30,000	-	4
2012	2015-2020		62,000	-	62,000	-	12
Total		**169,948**	**62,000**	**-13,008**	**218,940**	**111,940**	**44**
Executive Board total		**302,112**	**131,500**	**-13,008**	**420,604**	**199,104**	**83**

Remuneration of the Executive Board and key management personnel is based on a fixed salary, cash bonus payments and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes and incentive schemes have been established for the Executive Board and other management personnel as defined in note 13. These programmes and schemes cover a number of years.

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

Key management personnel comprise Senior Vice Presidents and Vice Presidents heading regions and Group business functions and CEOs in significant Group entities. The key management personnel are, together with the Executive Board, responsible for the planning, directing and controlling of the activities of the Group.

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

The Supervisory Board of Carlsberg Breweries A/S received remuneration of DKK 0m (2011: DKK 0m). The Supervisory Board is not included in share option programmes, retirement benefit plans and other schemes.

13 Share-based payment

The Carlsberg Breweries Group has set up share option programmes to attract, retain and motivate the Group's Executive Board and other levels of management personnel and to align their interests with those of the shareholders. Key management personnel comprise Senior Vice Presidents and Vice Presidents heading regions and Group business functions and CEOs in the most significant Group entities. Other management personnel comprise Vice Presidents and other key employees as well as the management of significant subsidiaries. No share option programme has been set up for Carlsberg Breweries A/S's Supervisory Board.

Since 2001 the Group has issued share options yearly as part of its remuneration packages. In 2011 the Group introduced a new long-term incentive programme. The value of the remuneration received under the long-term incentive programmes is calculated as a predetermined percentage of the employee's yearly salary. The new long-term programme can be settled in performance share units (PSUs).

A participant in the long-term incentive programme will receive a number of PSUs, each giving the right to receive one B share in Carlsberg A/S. The exact number of PSUs granted is determined after the publication of the Annual Report for the year in which the PSUs are granted.

The general terms and conditions for the two programmes:

	Share option programme	Long-term incentive programme
Vesting conditions	3 years of service	3 years of service and Group's financial performance for the grant year
Earliest time of exercise	3 years from grant date	-
Latest time of exercise	8 years from grant date	Shares are transferred to the recipient immediately after PSUs have vested
Time of valuation of option	Immediately after publication of the Annual Report for the Group for the prior reporting period	Immediately after publication of the Annual Report for the Group for the grant year

Upon resignation, a proportion of the options may be exercised within one to three months unless special severance terms are agreed. Special terms and conditions apply in the case of retirement, illness, death or changes in Carlsberg A/S's capital resources. Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares (equity-settled scheme).

Share option programme

In 2012, a total of 131,500 (2011: 61,200) share options were granted to 2 (2011: 3) employees. The fair value at grant date of these options was a total of DKK 19m (2011: DKK 11m). The fair value is recognised in the income statement over the vesting period of three years. In 2012, DKK 5m (2011: DKK 3m) was recognised in respect of share options granted in the year. The total cost of share-based payment was DKK 17m (2011: DKK 22m) in respect of options granted in the period 2009-2012 (2011: 2008-2011). The cost of share-based payment is included in staff costs. At 31 December 2012, an amount of DKK 19m (2011: DKK 17m) has not been recognised in respect of current share option programmes.

The average share price at the exercise date for share options was DKK 494 (2011: DKK 571). At 31 December 2012, the exercise price for outstanding share options was in the range of DKK 203.50 to DKK 566.78 (2011: DKK 203.50 to DKK 566.78). The average remaining contractual life was 3.8 years (2011: 4.2 years).

Refunds etc. between Carlsberg A/S, Carlsberg Breweries A/S and subsidiaries in the Carlsberg Breweries Group are recognised directly in equity and total DKK -33m (2011: DKK -39m). Change in expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK 148m (2011: DKK -78m).

Share option programme					Number	Exercise price
	Executive board	Key management personnel	Other management personnel	Resigned employees	Total	Fixed, weighted average
Share options outstanding at 31 December 2010	**255,120**	**164,174**	**600,455**	**270,391**	**1,290,140**	**372.40**
Granted	60,000	1,200	-	-	61,200	566.78
Forfeited/expired	-	-3,342	-13,530	-	-16,872	360.03
Exercised	-13,008	-21,387	-102,873	-55,439	-192,707	347.85
Transferred	-	-34,752	-35,029	69,781	-	388.75
Share options outstanding at 31 December 2011	**302,112**	**105,893**	**449,023**	**284,733**	**1,141,761**	**387.16**
Granted	131,500	-	-	-	131,500	444.60
Forfeited/expired	-	-	-4,707	-	-4,707	270.91
Exercised	-13,008	-11,191	-71,545	-70,786	-166,530	259.52
Transferred	-	-17,946	-23,162	41,108	-	412.95
Share options outstanding at 31 December 2012	**420,604**	**76,756**	**349,609**	**255,055**	**1,102,024**	**413.92**
Exercisable at 31 December 2011	152,112	79,220	255,081	232,789	719,202	277.90
Exercised options as % of share capital of Carlsberg A/S	0.01%	0.01%	0.07%	0.04%	0.13%	
Exercisable at 31 December 2012	199,104	68,369	193,902	329,859	791,235	396.49
Exercised options as % of share capital of Carlsberg A/S	0.01%	0.01%	0.05%	0.05%	0.12%	

Assumptions									**2012**	**2011**
Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at grant date	Options outstanding	Options outstanding
Share option programme:										
01.03.2004	01.03.2012	Grant 2004	216.65	29%	3.5%	1.8%	5.5	81.51	-	21,463
01.03.2005	01.03.2013	Grant 2005	232.71	27%	3.1%	1.7%	5.5	74.27	39,881	62,934
01.03.2006	01.03.2014	Grant 2006	306.89	19%	3.3%	1.3%	5.5	89.37	87,812	107,116
01.03.2007	01.03.2015	Grant 2007	472.11	19%	3.9%	1.0%	5.5	136.67	148,161	157,143
01.03.2008	01.03.2016	Grant 2008	457.82	22%	3.6%	1.1%	5.5	141.72	157,281	169,501
01.06.2008	01.06.2016	Special grant	531.80	23%	4.3%	0.9%	5.5	181.08	161,044	161,044
01.09.2008	01.09.2016	Special grant	448.18	27%	4.3%	1.3%	5.5	128.83	40,000	40,000
01.03.2009	01.03.2017	Grant 2009	203.50	52%	3.0%	1.7%	5.5	88.41	157,056	238,407
01.03.2010	01.03.2018	Grant 2010	417.34	30%	3.1%	0.8%	8.0	154.23	118,089	122,952
01.03.2011	01.03.2019	Grant 2011	566.78	25%	2.9%	0.9%	8.0	180.50	61,200	61,200
01.03.2012	01.03.2020	Grant 2012	444.60	34%	0.9%	1.2%	8.0	146.67	131,500	
Outstanding share options under the share options programme									**1,102,024**	**1,141,761**

13 Share-based payment

Long-term incentive programme

The granted number of PSUs included in the specification below is the estimated number of PSUs that would be granted when applying the assumptions available at 31 December of the reporting year. When the actual value per PSU is determined after the publication of the Annual Report for Carlsberg A/S in February of the next year, the number of granted PSUs will be adjusted.

In 2012 202,955 (2011: 0) PSUs were granted under the long-term incentive programme. In 2012 PSUs were granted to 319 employees. The fair value at the grant date of the PSUs granted in 2012 was a total of DKK 112m. The fair value is recognised in the income statement over the vesting period of three years. In 2012, DKK 37m was recognised in respect of PSUs granted in the year. The cost/(income) of share-based payment is included in staff costs. At 31 December 2012, an amount of DKK 75m has not been recognised in respect of PSUs granted under the long term incentive programme.

	Number					Exercise price
	Executive board	Key management personnel	Other management personnel	Resigned employees	Total	Fixed, weighted average
Performance share units outstanding at 31 December 2011	**-**	**-**	**-**	**-**	**-**	**-**
Granted	-	28,455	174,500	-	202,955	0.00
Transferred	-	-3,860	-5,670	9,530	-	0.00
Performance share units outstanding at 31 December 2012	**-**	**24,595**	**168,830**	**9,530**	**202,955**	**0.00**

Assumptions									**2012**	**2011**
Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at measurement date	Options outstanding	Options outstanding
Long-term incentive programme:										
01.01.2012	01.01.2015	LTI 2012-2014 (preliminary)	None	284%	0.3%	1.2%	3.2	542.22	202,955	-
Outstanding performance share units under the long-term incentive programme									**202,955**	**-**

There are no exercisable PSUs in the long-term incentive programme as at 31 December 2012.

General information

The fair value of granted share options and PSUs is estimated using the Black-Scholes call option pricing model based on the exercise price. The fair value at 31 December 2012 was DKK 275m (2011: DKK 131m), which is DKK 144m higher than at year-end 2011.

The assumptions underlying the calculation of the grant date fair value for share options outstanding at year-end are stated above. The stated exercise prices and number of outstanding share options are adjusted for the bonus element in connection with the share rights issues in 2004 and 2008.

The calculation of the number of PSUs where no value has been determined at year-end is based on the assumptions available at year-end (preliminary). The final number of PSUs will be adjusted to reflect the assumptions available after the publication of the Annual Report for Carlsberg A/S in February of the next year.

The share price and exercise price for share options and value of PSUs are calculated as the average price of Carlsberg A/S's class B shares on NASDAQ OMX Copenhagen during the first five trading days after the publication of Carlsberg A/S's Annual Report following the granting of the options or PSUs (for PSUs in the following year). The preliminary share price and value for PSUs granted under the long-term incentive programme is the last available price before 31 December of the reporting year.

The expected volatility for share options granted prior to 2010 was based on the historical volatility in the price of Carlsberg A/S's class B shares over the previous two years. For share options and PSUs granted or measured after 1 January 2010, the volatility is based on presently observed data on Bloomberg's Options Valuation Function.

The risk-free interest rate is the interest rate on Danish government bonds of the relevant maturity, while the dividend yield is calculated as DKK 5.50 per share (2011: DKK 5.0 per share) divided by the share price.

The expected life of share options granted prior to 2010 was based on exercise in the middle of the exercise period. For share options or measured after 1 January 2010 the expected life was based on exercise at the end of the exercise period.

Carlsberg Breweries Group

Note

14 **Intangible assets**

DKK million	Goodwill	Trademarks	Other intangible assets	Under development	Total
					2012
Cost:					
Cost at 1 January 2012	44,895	32,941	2,383	797	81,016
Acquisition of ownership interest in proportionally consolidated entities	17	-	-	-	17
Additions/(-) adjustments to prior period	-23	2	141	329	449
Disposals	-	-	-132	-	-132
Transfers	-	-	51	-34	17
Transfer to/from assets held for sale	-	-	-	-1	-1
Effect of hyperinflation	43	7	-	-	50
Foreign exchange adjustments etc.	872	1,093	-22	-	1,943
Cost at 31 December 2012	**45,804**	**34,043**	**2,421**	**1,091**	**83,359**
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2012	105	1,070	2,007	-	3,182
Disposals	-	-	-130	-	-130
Amortisation	-	25	214	-	239
Impairment losses	-	11	28	-	39
Foreign exchange adjustments etc.	-9	10	18	-	19
Amortisation and impairment losses at 31 December 2012	**96**	**1,116**	**2,137**	**-**	**3,349**
Carrying amount at 31 December 2012	**45,708**	**32,927**	**284**	**1,091**	**80,010**

DKK million	2012	2011
Amortisation and impairment losses for the year are included in:		
Cost of sales	49	66
Sales and distribution expenses	47	56
Administrative expenses	169	141
Special items	13	791
Total	**278**	**1,054**

Note

14 **Intangible assets**

DKK million	Goodwill	Trademarks	Other intangible assets	Under development	Total
					2011
Cost:					
Cost at 1 January 2011	42,584	33,413	2,078	613	78,688
Step acquisition of entities	2,712	237	1	-	2,950
Revaluation of previously recognised assets acquired in step acquisition	-	237	-	-	237
Acquisition of ownership interest in proportionally consolidated entities	101	-	-	-	101
Additions	122	-	197	247	566
Disposal of entities	-6	-	-3	-	-9
Disposals	-	-	-21	-	-21
Transfers	-	-1	99	-62	36
Transfer to/from assets held for sale	-	-	-2	-	-2
Effect of hyperinflation	115	23	-	-	138
Foreign exchange adjustments etc.	-733	-968	34	-1	-1,668
Cost at 31 December 2011	**44,895**	**32,941**	**2,383**	**797**	**81,016**
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2011	13	569	1,542	-	2,124
Disposals	-	-	-19	-	-19
Amortisation	-	43	220	-	263
Impairment losses	91	450	250	-	791
Transfers	-	-1	32	-	31
Transfer to/from assets held for sale	-	-	-2	-	-2
Foreign exchange adjustments etc.	1	9	-16	-	-6
Amortisation and impairment losses at 31 December 2011	**105**	**1,070**	**2,007**	**-**	**3,182**
Carrying amount at 31 December 2011	**44,790**	**31,871**	**376**	**797**	**77,834**

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

DKK million	**2012**	**2011**
Step acquisition of entities	-	2,712
Acquisition of ownership interest in proportionally consolidated entities	17	101
Recognition and revaluation of put options related to acquisitions prior to 2010	-27	122
Adjustment to acquisition of entities in prior period	4	-
Total	**-6**	**2,935**

Additions to goodwill is furter described in note 30 and 31.

The carrying amount of trademarks which have an indefinite useful life and therefore are not amortised was DKK 35,395m (2011: DKK 34,294m) at 31 December 2012, equivalent to 99% (2011: 98%) of the capitalised trademarks. Management assesses that the value of these trademarks can be maintained for an indefinite period, as these are well-established trademarks in the markets concerned and these markets are expected to be profitable in the longer term. In the opinion of management, there is only a minimal risk of the current situation in the markets reducing the useful life of these trademarks, primarily due to the respective market share in each market and the current and planned marketing efforts, which are helping to maintain and increase the value of these trademarks.

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

The carrying amount of other intangible assets at 31 December 2012 included capitalised software costs of DKK 44m (2011: DKK 86m) and beer delivery rights of DKK 79m (2011: DKK 81m).

Research and development costs of DKK 96m (2011: DKK 119m) have been recognised in the income statement.

Carlsberg Breweries Group

Note

15 Impairment test

Goodwill and trademarks with an indefinite useful life

General assumptions. The Carlsberg Breweries Group annually performs impairment tests of goodwill and trademarks with an indefinite useful life. Intangible assets with a finite useful life and property, plant and equipment are tested if indications of impairment exist. The Carlsberg Breweries Group has performed impairment tests of the carrying amounts based on the budget and target plans approved by the Supervisory Board and the Executive Board in December 2012.

Goodwill and trademarks related to Baltika Breweries (Russia), Brasseries Kronenbourg (France) or more of the total carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2012. No other goodwill and trademarks comprise 10% or more of the total carrying amount of goodwill and trademarks with indefinite useful life at 31 December 2012.

Goodwill

The impairment test of goodwill is performed for Northern Europe, Western Europe and Eastern Europe, while entities in Asia are tested at sub-regional levels. Entities that are less integrated in regions or sub-regions are tested at individual entity level. The cash-generating units are based on the management structure and reflect the smallest identifiable group of assets that are largely independent of cash inflows from other cash-generating units. The management of the Group is centralised and driven through the regional managements, which are responsible for performance, investments and growth initiatives in their respective regions.

The management structure and responsibilities support and promote optimisations across countries focusing on the Group or region as a whole and not just on the specific country. Changes in procurement and sourcing between countries increase intra-group trade/transactions, which will also have an increasing impact on the allocation of profits.

For the Group’s cash-generating units, the carrying amount of goodwill at 31 December was as follows:

DKK million	2012	%	2011	%
Western Europe:				
Northern Europe	4.413	10%	4.360	10%
Western Europe excl. Unicer-Bebidas de Portugal	10.281	22%	10.259	23%
Unicer-Bebidas de Portugal	536	1%	534	1%
Eastern Europe:				
Eastern Europe	24.573	54%	23.683	53%
Asia:				
Greater China and Malaysia	1.777	4%	1.771	4%
Indochina	3.526	8%	3.567	8%
India	247	0%	243	0%
Nepal	355	1%	373	1%
Total	**45.708**	**100%**	**44.790**	**100%**

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

Budgets and target plans for the next three years are based on concrete commercial initiatives, and the risks associated with the key parameters are assessed and incorporated in expected future free cash flows. The impairment test is based on scenarios for possible future cash flows. Potential upsides and downsides identified during the budget process and in the daily business are reflected in the future cash flow scenarios for each individual cash-generating unit. The scenarios reflect, among other things, different assumptions about combinations of market, price and input cost developments. Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the brewing industry in the relevant segments. The growth rates applied are not expected to exceed the average long-term growth rate for the Group's individual geographical segments. The average growth rates for the terminal period are presented in the table on the following page.

In calculating the recoverable amounts, the Group uses pre-tax discount rates that reflect the risk-free borrowing rate in each particular geographical segment.

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

Trademarks

The carrying amount of the Group's trademarks with an indefinite useful life at 31 December was as follows:

Trademarks with an indefinite useful life

DKK million	2012	%	2011	%
Western Europe	3,411	11%	3,396	11%
Eastern Europe	28,479	88%	27,410	88%
Asia	505	1%	488	1%
Total	**32,395**	**100%**	**31,294**	**100%**

Trademarks are allocated to the segment that owns the individual trademark. Royalty income generated by the trademark is based on the Group's total income and earned globally, i.e. the income is also earned outside the segment that owns the trademark.

Trademarks are impairment-tested individually at Group level. The impairment test is performed using the relief from royalty method and is based on expected future free cash flows from the Group's calculated royalty income generated by the individual trademark for the next 20 years and projections for subsequent years. Key assumptions include revenue, royalty rate, expected useful life, growth rate and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of a risk premium associated with the individual trademark.

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

For each individual trademark a 20-year curve is projected reflecting the expected future growth in revenue per year. Depending on the expectations for the individual trademark, the growth in individual years is either above, equal to or below the current inflation level in the countries where the individual trademark is sold. The curve for each individual trademark is determined with reference to its market position, the overall condition of the markets where the trademark is marketed, as well as regional and national macroeconomic trends etc. For some trademarks, national, regional and international potential has been linked to the value of the trademark, and investments in terms of product development and marketing strategy are expected to be made. For these trademarks the expected growth is generally higher than for comparable trademarks, especially at the beginning of the 20-year period. The growth rates determined for the terminal period are in line with the expected rate of inflation.

The tax rate is the expected future tax rate in each country, based on current legislation. The impairment test at year-end 2012 incorporates tax rates of 15-34%.

The impairment test of trademarks is based on a comparison of the recoverable amount, corresponding to the discounted value of the expected future free cash flow, with the carrying amount of the individual trademark. This corresponds to the approach used for determining the fair value of the trademark at the acquisition date.

Significant assumptions for goodwill and trademarks

The main growth in the terminal period and discount rates applied in the impairment tests can be summarised as follows:

Significant assumptions

	Growth in the terminal period		Discount rates (risk-free interest rate)	
	2012	**2011**	**2012**	**2011**
Goodwill:				
Northern Europe	1.5%	1.5%	2.3%	2.8%
Western Europe excl. Unicer-Bebidas de Portugal	1.5%	1.5%	2.6%	2.6%
Unicer-Bebidas de Portugal	1.5%	1.5%	1.6%	2.4%
Eastern Europe	2.5%	2.5%	7.0%	8.5%
Asia	2.5 - 3.5%	2.5 - 3.5%	3,5 - 12,1%	3.4%-12,7%

	Growth in the terminal period		Discount rates (WACC)	
	2012	**2011**	**2012**	**2011**
Trademarks:				
Western Europe	2.0 - 3.0%	2.0%	4.5 - 7.0%	5.0 - 9.0%
Eastern Europe	2.0 - 5.0%	2.0 - 5.0%	8.5 - 18.9%	10.2 - 18.8%
Asia	2.0 - 2.5%	2.0%	6.5 - 12.9%	6.0%

Growth rates are determined for each individual cash-generating unit and trademark. The growth rates applied for the terminal period are in line with the expected rate of inflation.

For the impairment testing of goodwill, the Group uses a pre-tax risk-free interest rate.

For the impairment testing of trademarks the Group uses a post-tax discount rate for each country. In determining the discount rate, a risk premium on the risk-free interest rate (spread) is fixed at a level that reflects management’s expectations of the spread for future borrowings.

The risk-free interest rate is based on observable long-term interest rates for the individual countries. For countries where long-term risk-free interest rates are not observable or valid due to specific national or macroeconomic changes affecting the country, the interest rate is estimated based on observations from other markets and/or long-term expectations expressed by major international credit institutions.

The WACC rates in Asia vary within a wide range with the lowest rate for China and developed countries, whereas the subcontinent, a.o. India and Nepal, has the highest WACC rates in the region.

For each region, sub-region or individually tested entity, the applied growth rates for projections and discount rates are compared to ensure a reasonable link between the two (real interest rate).

Western Europe is generally characterised by stable volumes and by growth markets in the central and eastern parts of the region. The entire region continues to experience strong competition, requiring ongoing optimisation of cost structures and use of capital. A slight increase in revenue is expected in the next three years, while the ongoing restructuring initiatives already implemented in key countries and under implementation in other countries, the initiative to establish a fully integrated supply chain across all markets and the roll-out of the business standardisation project (BSP) are expected to contribute to productivity improvements and cost savings. Some countries will continue to be characterised by a high level of investment as a result of changes to the production structure.

Eastern Europe showed fluctuations between quarters, but overall the beer markets were flat. In addition, Russia saw some transitional disruption following the closures ahead of the sales restrictions coming into effect on 1 January 2013. Other markets in the region faced a worsening of macroeconomic conditions. In the longer run increases in revenue are expected in the region.

Asia is a growth area, with significant growth in China in particular. Increases in revenue in the emerging markets are expected, while more stable earnings are expected in the more mature markets.

Sensitivity test

Sensitivity tests have been performed to determine the lowest growth rates and/or highest discount rates that can occur in the cash-generating units and for trademarks with indefinite useful life without resulting in any impairment loss.

Goodwill Sensitivity tests show that for the cash-generating unit with the lowest margin between recoverable amount and carrying amount, the growth rate in the terminal period can decline by around 3.7 percentage points (2011: 0.4 percentage points). Alternatively, the discount rate can increase by around 3.2 percentage points (2011: 0.4 percentage points) without resulting in any impairment losses.

Trademarks Sensitivity tests show that for trademarks with an indefinite useful life, the growth rate in the terminal period can decline by around 0.6 percentage points (2011: 0.8 percentage points) without resulting in any additional impairment losses. Alternatively, the discount rate can increase by around 0.3 percentage points (2011: 0.3 percentage points) without resulting in any additional impairment losses.

In 2012 several of the WACCs in - Western Europe are impacted by relatively low interest rates due to the current economic climate and associated outlooks. The lower WACC is mainly driven by lower observed risk-free interest rates. In addition to the impairment test and to ensure that a potential impairment in not overlooked, an additional impairment sensitivity calculation has been prepared. This sensitivity calculation has tested the impact of a higher interest rate, reflecting a reasonable assumption of a higher risk-free interest level. This additional sensitivity test did not identify impairment needs.

As recently impaired trademarks will have less ability to absorb changes in the risk-free interest rate or a decline in growth, these trademarks are sensitivity-tested separately. For the recently impaired trademark (indefinite useful life) with the lowest margin between recoverable amount and carrying amount, the growth rate in the terminal period can decline by around 0.1 percentage points without resulting in any additional impairment losses. Alternatively, the discount rate can increase by around 0.1 percentage points without resulting in any additional impairment losses.

Property, plant and equipment

Property, plant and equipment are impairment-tested if there are indications of impairment, e.g. when restructuring programmes are considered. Each individual impairment test is based on the lowest cash-generating unit affected by the changes that indicate impairment. The impairment test is based on budgeted and estimated cash flows from the cash-generating unit. The pre-tax discount rate reflects the risk-free interest rate with the addition of a risk premium associated with the particular asset.

Impairment losses

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

DKK million	2012	2011
Goodwill		
Impairment of Carlsberg Uzbekistan	-	91
Trademarks:		
Trademarks with finite useful life	-	198
Trademarks with indefinite useful life	11	252
Other intangible assets:		
Impairment of the business standardisation project	-	250
Impairment of Carlsberg Uzbekistan	2	-
Other	26	-
Property, plant and equipment:		
Impairment of Carlsberg Uzbekistan	78	209
Impairment of Vena Brewery, production and sales equipment, Russia	589	-
Impairment of Aldaris Brewery, Latvia	93	-
Impairment of plant, machinery and equipment, Ringnes, Norway	76	-
Impairment of prodution lines in Western Europe	54	83
Other	2	36
Investments in associates:		
Impairment of Nordic Getränke, Germany	64	260
Total	**995**	**1,379**

The impairment losses on Carlsberg Uzbekistan, DKK 91m (2011: DKK 300m), Nordic Getränke, Germany, DKK 64m (2011: DKK 260m), and Vena Brewery, production and sales equipment, Russia DKK 589m, relate to intangible assets and property, plant and equipment and are a consequence of difficult market conditions and poor performance. The trademark Sarbast has been fully impaired as part of the DKK 91m impairment in Uzbekistan.

In 2011 the impairment losses on trademarks (indefinite and finite useful life) related to Nevskoye, Russia, and Slavutich, Ukraine. These trademarks suffered from the economic crisis and were not expected to fully recover. For Slavutich this has furthermore led to a change in the brand strategy. The trademarks were written down to the lower recoverable amount.

Other impairments of property, plant and equipment are a consequence of restructuring and process optimisations, especially in Northern & Western Europe and Eastern Europe.

The impairment losses of DKK 967m (2011: DKK 1,375m) are recognised under special items in the income statement, while DKK 28m (2011: DKK 4m) has been included in cost of sales. The impairment losses are included in the relevant segments, cf. note 2.

Based on the impairment tests performed, there were no indications of further impairment of goodwill and trademarks at 31 December 2012.

Carlsberg Breweries Group

Note

16 Property, plant and equipment

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Under construction	Total
					2012
Cost:					
Cost at 1 January 2012	17,015	27,925	11,788	1,248	57,976
Increase in ownership interest in proportionally consolidated entities	8	28	10	5	51
Additions	318	1,228	1,520	1,465	4,531
Disposals	-88	-752	-1,247	-4	-2,091
Transfers	104	410	358	-887	-15
Transfer to/from assets held for sale	-1	-	-1	-	-2
Effect of hyperinflation	8	18	10	-	36
Foreign exchange adjustments etc.	265	363	-4	-38	586
Cost at 31 December 2012	**17,629**	**29,220**	**12,434**	**1,789**	**61,072**
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2012	4,851	14,469	7,766	-	27,086
Disposals	-34	-709	-1,238	-	-1,981
Depreciation	538	1,764	1,439	-	3,741
Impairment losses	289	522	81	-	892
Transfers	4	4	-8	-	-
Transfer to/from assets held for sale	-	-	-1	-	-1
Effect of hyperinflation	1	7	4	-	12
Foreign exchange adjustments etc.	61	188	40	-	289
Depreciation and impairment losses at 31 December 2012	**5,710**	**16,245**	**8,083**	**-**	**30,038**
Carrying amount at 31 December 2012	**11,919**	**12,975**	**4,351**	**1,789**	**31,034**
Assets held under finance leases:					
Cost	7	92	11	-	110
Depreciation and impairment losses	-7	-55	-2	-	-64
Carrying amount at 31 December 2012	**-**	**37**	**9**	**-**	**46**
Carrying amount of assets pledged as security for loans	107	338	3	28	476

DKK million	**2012**	**2011**
Depreciation and impairment losses are included in:		
Cost of sales	2,766	2,605
Sales and distribution expenses	820	737
Administrative expenses	157	161
Special items	890	324
Total	**4,633**	**3,827**

Carlsberg Breweries Group

Note

16 Property, plant and equipment

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Under construction	Total
					2011
Cost:					
Cost at 1 January 2011	17,626	27,227	10,736	1,123	56,712
Step acquisition of entities	-287	145	63	64	-15
Revaluation of previously recognised assets acquired in step acquisition	-1	-41	-	-	-42
Increase in ownership interest in proportionally consolidated entities	30	91	2	12	135
Additions	278	1,256	1,350	1,032	3,916
Disposal of entities	-52	-2	-8	-2	-64
Disposals	-218	-496	-563	-12	-1,289
Transfers	69	465	277	-929	-118
Transfer to/from assets held for sale	-284	-473	-11	-	-768
Effect of hyperinflation	23	52	21	1	97
Foreign exchange adjustments etc.	-169	-299	-79	-41	-588
Cost at 31 December 2011	**17,015**	**27,925**	**11,788**	**1,248**	**57,976**
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2011	4,869	13,556	7,000	-	25,425
Disposals of entities	-293	-1	-5	-	-299
Disposals	-102	-412	-518	-	-1,032
Depreciation	527	1,692	1,280	-	3,499
Impairment losses	-	275	53	-	328
Transfers	-49	-69	-11	-	-129
Transfer to/from assets held for sale	-107	-538	-11	-	-656
Effect of hyperinflation	3	15	8		26
Foreign exchange adjustments etc.	3	-49	-30	-	-76
Depreciation and impairment losses at 31 December 2011	**4,851**	**14,469**	**7,766**	**-**	**27,086**
Carrying amount at 31 December 2011	**12,164**	**13,456**	**4,022**	**1,248**	**30,890**
Assets held under finance leases:					
Cost	7	95	12	-	114
Depreciation and impairment losses	-5	-52	-3	-	-60
Carrying amount at 31 December 2011	**2**	**43**	**9**	**-**	**54**
Carrying amount of assets pledged as security for loans	659	257	4	78	998

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

Leased assets with a carrying amount of DKK 46m (2011: DKK 54m) have been pledged as security for lease liabilities totalling DKK 38m (2011: DKK 53m).

Carlsberg Breweries Group

Note

17 Associates

DKK million	2012	2011
Cost:		
Cost at 1 January	5,012	4,742
Acquisition of entities	775	26
Additions	51	50
Disposals	-3	-1
Foreign exchange adjustments etc.	-12	195
Cost at 31 December	**5,823**	**5,012**
Value adjustments:		
Value adjustments at 1 January	-5	93
Dividends	-95	-42
Impairment losses	-64	-260
Share of profit after tax	112	174
Share of other comprehensive income	4	3
Reversal of impairment	3	-
Foreign exchange adjustments etc.	-10	27
Value adjustments at 31 December	**-55**	**-5**
Carrying amount at 31 December	**5,768**	**5,007**

The acquisition of the shareholding in Chongqing Jianiang Brewery Co. Ltd. consists of contributed cash at the formation of the entity and a subsequent acquisition of 18.58% of the shares in the entity. Chongqing Jianiang Brewery Co. Ltd. is a subsidiary of Chongqing Brewery Co. Ltd. and an associate of the Carlsberg Group,

					2012		
					Carlsberg Breweries Group share		
DKK million	Revenue	Profit after tax	Assets	Liabilities	Ownership interest	Profit after tax	Equity
Key figures for associates:							
Chongqing Group	2,866	57	15,630	2,567	29.7%	17	4,201
Tibet Lhasa Brewery Co. Ltd.	426	81	680	48	33%	27	209
Lanzhou Huanghe Jianjiang Brewery Company	337	23	501	109	30%	7	118
Hanoi Beer Company	1,639	210	4,360	827	17%	37	601
The Lion Brewery Ceylon	560	56	433	324	25%	14	27
Other associates, Asia (3 entities)	245	15	338	82	30-33%	5	84
International Breweries BV	560	-45	723	652	23%	-11	16
Nuuk Imeq A/S	207	26	266	119	31.9%	8	47
Nordic Getränke GmbH	2,246	-18	715	715	50%	-9	-
Other	1,581	51	1,924	1,511	20-50%	17	465
						112	**5,768**

Note

17 Associates

					2011		
					Carlsberg Breweries Group share		
DKK million	Revenue	Profit after tax	Assets	Liabilities	Ownership interest	Profit after tax	Equity
Key figures for associates:							
Chongqing Brewery Co. Ltd.	2,434	232	13,535	1,929	29.7%	61	3,447
Tibet Lhasa Brewery Co. Ltd.	390	82	642	27	33%	25	203
Lanzhou Huanghe Jianjiang Brewery Company	268	11	456	86	30%	3	111
Hanoi Beer Company	1,466	249	3,728	310	17%	41	581
The Lion Brewery Ceylon	379	20	283	187	25%	5	24
Other associates, Asia (3 entities)	211	-4	283	70	30-33%	-2	80
International Breweries BV	680	-46	113	7	16%	-7	17
Nuuk Imeq A/S	147	22	211	70	31.9%	7	45
Nordic Getränke GmbH	2,437	59	1,098	953	50.0%	30	127
Other	856	70	2,792	2,195	20-50%	11	372
						174	**5,007**

DKK million	**2012**	**2011**
Fair value of investments in listed associates:		
Chongqing Brewery Co. Ltd., Chongqing, China	2,006	3,726
The Lion Brewery Ceylon, Biyagama, Sri Lanka	235	189
Total	**2,241**	**3,915**

For associates in which the Group holds an ownership interest of less than 20%, the Group participates in the management of the company and is therefore exercising significant influence.

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

Note

18 Securities

DKK million	2012	2011
Securities are classified in the statement of financial position as follows:		
Non-current assets	112	106
Current assets	21	24
Total	**133**	**130**
Types of security:		
Listed shares	1	23
Unlisted shares	132	107
Total	**133**	**130**

Securities classified as current assets are those expected to be sold within one year after the end of the reporting period.

Shares in unlisted entities comprise a number of small holdings. Most of these shares are not recognised at fair value as the fair value cannot be calculated on a reliable basis. Instead the assets are recognised at cost.

Note

19 Receivables

DKK million	2012	2011
Receivables are included in the statement of financial position as follows:		
Trade receivables	7,872	7,870
Other receivables	2,631	3,250
Total current receivables	**10,503**	**11,120**
Non-current receivables	2,075	1,649
Total	**12,578**	**12,769**

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

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

Non-current receivables consist mainly of on-trade loans. Non-current receivables fall due more than one year from the end of the reporting period, with DKK 142m (2011: DKK 145m) falling due more than five years from the end of the reporting period.

DKK million	2012	2011
Receivables by origin:		
Receivables from the sale of goods and services	7,117	7,115
On-trade loans	2,022	2,066
Loans to associates	137	123
Loans to partners	226	230
Fair value of hedging instruments	584	499
Other receivables	1,813	1,267
Intercompany receivables	679	1,469
Total	**12,578**	**12,769**

Hedging instruments are measured at fair value. All other receivables are measured at amortised cost.

On-trade loans are usually repaid through discounts during the continuing sales relationship with the individual customer, which is reflected in the repayment scheme and the discounting of the loans. There are therefore no significant overdue on-trade loans.

	2012	**2011**
	%	%
Average effective interest rates:		
Loans to associates	4.4	2.9
On-trade loans	4.9	5.8

Note

20 Inventories

DKK million	2012	2011
Raw materials and consumables	2,332	2,316
Work in progress	304	303
Finished goods	1,905	1,731
Total	**4,541**	**4,350**

Production costs of inventories sold amount to DKK 33,532m (2011: DKK 31,367m).

Raw materials, packaging and spare parts are measured at the lower of net realisable value and cost. Write-downs of inventories to net realisable value amount to DKK 8m (2011: DKK 47m) and are included in cost of sales.

Obsolete beer and soft drinks and raw materials are generally scrapped due to limited shelf-life and are fully written down. The cost of scrapped goods is included in production costs.

21 Cash and cash equivalents

DKK million	2012	2011
Cash at bank and in hand	5,748	3,108
Total	**5,748**	**3,108**

In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents as follows:		
Cash and cash equivalents	5,748	3,108
Bank overdrafts	-700	-310
Cash and cash equivalents, net	**5,048**	**2,798**
Of which pledged as security	-	-

Short-term bank deposits amounted to DKK 3,579m (2011: DKK 1,506m). The average interest rate on these deposits was 6.6% (2011: 6.4%).

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

Carlsberg Breweries Group

Note

22 Assets held for sale and associated liabilities

DKK million	2012	2011
Assets held for sale comprise the following individual assets::		
Property, plant and equipment	27	227
Other non-current assets	-	7
Current assets	-	1
Total	**27**	**235**
Liabilities associated with assets held for sale:		
Deferred tax liabilities	5	-
Other provisions	13	56
Total	**18**	**56**

Assets that are reclassified as held for sale are measured at the lower of the carrying amount and fair value at the reclassification date. Any impairment losses in relation to such assets are recognised as impairment of assets before the reclassification. Accordingly, neither depreciation nor impairment losses have been recognised in the income statement relating to assets classified as held for sale. Consequently, the selling price is as a minimum expected to be equal to the carrying amount of assets held for sale.

Assets held for sale primarily comprised land and property, mainly in Western Europe, which are disposed of as part of the Group's strategy to optimise production and logistics and reduce the amount of capital tied up. Identification of and negotiations with buyers have begun, and sales agreements have been entered into or are expected to be entered into in 2013.

Assets (properties) which no longer qualified for recognition as assets held for sale were transferred to property, plant and equipment in 2012 as a result of ongoing sales negotiations not proceeding as expected. This involved an amount of DKK 1m (2011: DKK 9m) and affected the income statement by a total of DKK 0m (2011: 5m) in depreciation.

Gains or losses of the disposal of assets held for sale are recognised in the income statement under other operating income. The gains recognised as income in all material respects relate to disposal of land, depots and properties and total DKK 0m (2011: DKK 0m).

Note

23 Share capital

	Total share capital	
	Shares of DKK 1.000	Nominal value, DKK '000
1 January 2011	501	501,000
No change in 2011	-	-
31 December 2011	**501**	**501,000**
No change in 2012	-	-
31 December 2012	**501**	**501,000**

The share capital amounts to DKK 501m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is fully owned by Carlsberg A/S, Copenhagen, Denmark.

Note

24 Borrowings

DKK million	2012	2011
Non-current borrowings:		
Issued bonds	29,021	19,478
Mortgages	1,248	1,248
Bank borrowings	5,722	13,071
Financial lease liabilities	35	38
Other non-current borrowings	453	302
Total	**36,479**	**34,137**
Current borrowings:		
Issued bonds	1,826	-
Current portion of other non-current borrowings	283	159
Bank borrowings	1,179	1,386
Financial lease liabilities	4	14
Borrowings from Group Companies	-	699
Other current borrowings	60	333
Total	**3,352**	**2,591**
Total non-current and current borrowings	**39,831**	**36,728**
Fair value	41,330	37,492

Borrowings are measured at amortised cost. The Group has designated a fixed-interest rate GBP 300m bond issue as the hedged item in the fair value hedge with the designated risk being movements in a benchmark interest rate (floating interest rate). The carrying amount of this borrowing is therefore adjusted for movements in the fair value due to movements in the benchmark rate. The carrying amount of this borrowing was DKK 2,999m in 2012.

Note

24 Borrowings
(Continued)

Time to maturity for non-current borrowings

DKK million						2012
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	7,443	-	2,999	7,402	11,177	29,021
Mortgages	-	-	-	-	1,248	1,248
Bank borrowings	400	5,263	56	3	-	5,722
Financial lease liabilities	4	4	4	4	19	35
Other non-current borrowings	204	150	56	30	13	453
Total	**8,051**	**5,417**	**3,115**	**7,439**	**12,457**	**36,479**

DKK million						2011
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	1,780	7,406	-	2,927	7,365	19,478
Mortgages	-	-	-	-	1,248	1,248
Bank borrowings	792	426	11,753	100	-	13,071
Financial lease liabilities	4	4	4	4	22	38
Other non-current borrowings	73	190	9	4	27	303
Total	**2,649**	**8,026**	**11,766**	**3,035**	**8,662**	**34,138**

Note

24 Borrowings (Continued)

Interest rate risk at 31 December

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
					2012
Issued bonds:					
GBP 200m maturing 26 February 2013	Fixed	7.01%	0-1 year	1,826	Fair value
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	1-2 years	7,443	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	3-4 years	2,999	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	4-5 years	7,402	Fair value
EUR 750m maturing 03 Juli 2019	Fixed	2.49%	>5 years	5,629	Fair value
EUR 750m maturing 15 November 2022	Fixed	2.71%	>5 years	5,548	Fair value
Total issued bonds		**4.43%**		**30,847**	
Mortgages:					
Floating rate	Floating	1.51%	0-1 year	1,248	Cash flow
Total mortgages		**1.51%**		**1,248**	
Bank borrowings:					
Fixed rate	Fixed		0-3 years	6,901	Fair value
Total bank borrowings				**6,901**	

EUR 750m maturing 3 July 2019 consists of two bonds of EUR 250m and EUR 500m. The EUR 500m bond was issued in July 2012, while the EUR 250m was issued in November 2012.

All interest rates stated in the table includes margin.

A cross-currency swap (GBP 300m) has been used to change the interest from fixed to floating 6-month EURIBOR +4.01%. The bond and the swap are designated as a fair value hedge relationship, meaning that the carrying amount of the bond is the fair value.

The floating-rate mortgage was repriced in December 2012 at a rate of 0.86% (excl. margin) commencing in January 2013 and will be repriced again in July 2013. The time to maturity is more than five years. The floating-rate mortgage is repriced semi-annually with reference to 6-month CIBOR.

The main part of the bank borrowings presented as having a fixed rate was originally a floating rate but has been swapped to a fixed rate of 5.24%. The borrowing itself have a variable interest rate which have been swapped to fixed. The maturity of these interest rate swaps is between 6 month and 2½ years.

DKK million	Net financial interest-bearing debt*	Interest rate** Floating	Fixed	Floating %	Fixed %
EUR	29,855	748	29,107	3%	97%
DKK	-680	-680	-	100%	-
PLN	1,504	1,504	-	100%	-
USD	1,180	1,180	-	100%	-
CHF	1,892	1,892	-	100%	-
RUB	-3,049	-3,049	-	100%	-
Other	3,381	3,314	67	98%	2%
Total	**34,083**	**4,909**	**29,174**	**14%**	**86%**

* After swaps and currency derivatives.

** Before currency derivatives.

Note

24 Borrowings (Continued)

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
					2011
Issued bonds:					
GBP 200m maturing 26 February 2013	Fixed	7.01%	1-2 year	1,780	Fair value
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	2-3 year	7,406	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	4-5 years	2,927	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	>5 years	7,365	Fair value
Total issued bonds		**5.46%**		**19,478**	
Mortgages:					
Floating rate	Floating	1.73%	0-1 year	1,248	Cash flow
Total mortgages		**1.73%**		**1,248**	
Bank borrowings:					
Floating rate	Floating		0-1 year	3,931	Cash flow
Fixed rate	Fixed		1-4 years	10,526	Fair value
Total bank borrowings				**14,457**	

All interest rates stated in the table are including margin.

A cross-currency swap (GBP 300m) has been used to change the interest from fixed to floating 6-month EURIBOR +4.01%. The bond and the swap are designated as a fair value hedge relationship, meaning that the carrying amount of the bond is the fair value.

In December 2011 a GBP 250m bond matured and was repaid.
The floating-rate mortgage was repriced in December 2011 at a rate of 1.28% (excl. margin) commencing in January 2012 and was repriced again in July 2012. The time to maturity is more than five years. The floating-rate mortgage is repriced semi-annually with reference to 6-month CIBOR.

Carlsberg has repaid two mortgages (a total of DKK 525m) with a time to maturity of more than five years, which were originally at floating rates but were swapped to fixed rates.

The main part of the bank borrowings presented as having a fixed rate was originally at floating rate but has been swapped to a fixed rate of 5.36%.

DKK million	Net financial interest-bearing debt*	Interest rate**			
		Floating	Fixed	Floating %	Fixed %
EUR	30,415	4,924	25,491	16%	84%
DKK	-2,450	-2,450	-	100%	-
PLN	710	707	3	100%	-
USD	1,601	1,588	13	99%	1%
CHF	2,469	2,469	-	100%	-
RUB	-1,249	-1,249	-	100%	-
Other	2,124	283	1,841	-11%	111%
Total	**33,620**	**6,272**	**27,348**	**19%**	**81%**

* After swaps and currency derivatives.

** Before currency derivatives.

Note

24 Borrowings (Continued)

2012

Currency profile of borrowings before and after derivative financial instruments / Next repricing (of principal before currency swaps)

DKK million	Original principal	Effect of swap	After swap	2013	2014	2015	2016	2017	2018-
CHF	52	1,853	1,905	52	-	-	-	-	-
DKK	1,243	-1,895	-652	1,243	-	-	-	-	-
EUR	30,237	290	30,527	1,130	7,499	2,988	4	7,406	11,210
GBP	5,240	-4,521	719	5,240	-	-	-	-	-
NOK	143	229	372	143	-	-	-	-	-
PLN	86	1,425	1,511	86	-	-	-	-	-
RUB	9	-634	-625	9	-	-	-	-	-
SEK	132	70	202	132	-	-	-	-	-
SGD	1	-342	-341	1	-	-	-	-	-
USD	2,173	34	2,207	2,173	-	-	-	-	-
Other	515	3,491	4,006	448	4	4	56	3	-
Total	**39,831**	**-**	**39,831**	**10,657**	**7,503**	**2,992**	**60**	**7,409**	**11,210**

Cf. also note 35, Financial risks.

2011

Currency profile of borrowings before and after derivative financial instruments / Next repricing (of principal before currency swaps)

DKK million	Original principal	Effect of swap	After swap	2012	2013	2014	2015	2016	2017-
CHF	29	2,441	2,470	29	-	-	-	-	-
DKK	1,976	-4,422	-2,446	1,979	-	-	-	-	-
EUR	27,543	3,425	30,968	2,052	7,608	7,474	2,986	9	7,414
GBP	4,693	-4,489	204	2,913	1,780	-	-	-	-
NOK	-53	632	579	-53	-	-	-	-	-
PLN	58	658	716	54	1	2	-	-	-
RUB	9	-1,098	-1,089	9	-	-	-	-	-
SEK	81	-313	-232	81	-	-	-	-	-
SGD	24	-424	-400	24	-	-	-	-	-
USD	1,773	592	2,365	1,760	13	-	-	-	-
Other	596	2,998	3,594	533	9	-	27	25	-
Total	**36,729**	**-**	**36,729**	**9,381**	**9,411**	**7,476**	**3,013**	**34**	**7,414**

Note

25 Retirement benefit obligations and similar obligations

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

Approximately 63% (2011: 73%) of the Group's retirement benefit costs relate to defined contribution plans, which limit the Group's obligation to the contributions paid. The retirement benefit plans are funded by payments from the Group's companies and employees to funds that are independent of the Group.

The other plans are defined benefit plans. A retirement benefit obligation is recognised in the statement of financial position based on an actuarial calculation of the present value at the end of the reporting period less the plan assets. For defined benefit plans, the Group assumes the risk associated with future developments in interest rates, inflation, mortality and disability etc.

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

A number of plans are unfunded, primarily in Germany, Sweden and Italy.
For these plans the retirement benefit obligations amount to approximately 14% (2011: 14%) of the total gross liability.

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

DKK million	2012	2011
Defined benefit plans are recognised in the statement of financial position as follows:		
Retirement benefit obligations and similar obligations	3,917	3,218
Plan assets	-4	-5
Net obligations	**3,913**	**3,213**
Specification of net obligations:		
Present value of funded plans	9,983	8,893
Fair value of plan assets	-7,648	-7,099
Net obligation for funded plans	**2,335**	**1,794**
Present value of unfunded plans	1,567	1,401
Payment in transit	11	18
Net obligations recognised	**3,913**	**3,213**
Specification of total obligations:		
Present value of funded plans	9,983	8,893
Present value of unfunded plans	1,567	1,401
Total obligations	**11,550**	**10,294**

Note

25 Retirement benefit obligations and similar obligations

DKK million	2012	2011
Changes in obligations:		
Total obligations at 1 January	10,294	9,294
Current service cost	115	176
Interest cost	380	376
Actuarial gains (-) and losses (+)	1,001	837
Benefits paid	-511	-474
Curtailments and settlements	-1	-103
Employee contributions to pension scheme	15	14
Transfer from other provisions	61	-3
Disposal of entities	-	-7
Foreign exchange adjustments etc.	196	184
Total obligations at 31 December	**11,550**	**10,294**

Changes in plan assets:		
Fair value of assets at 1 January	7,099	6,904
Expected return	323	327
Actuarial gains (-) and losses (+)	262	-244
Contributions to plans	245	331
Benefits paid	-415	-391
Foreign exchange adjustments etc.	134	172
Fair value of assets at 31 December	**7,648**	**7,099**

The Group expects to contribute DKK 23m (2011: DKK 23m) to the plan assets in 2013.

Actual return on plan assets:		
Expected return	323	327
Actuarial gains (+) and losses (-)	262	-244
Actual return	**585**	**83**

Breakdown of plan assets:

	2012		2011	
	DKK million	%	DKK million	%
Shares	2,490	33%	2,172	31%
Bonds and other securities	3,460	45%	3,251	45%
Real estate	1,170	15%	1,346	19%
Cash and cash equivalents	528	7%	330	5%
Total	**7,648**	**100%**	**7,099**	**100%**

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

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

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

Note

25 Retirement benefit obligations and similar obligations

	2012		2011	
Assumptions applied:	Range	Weighted average	Range	Weighted average
Discount rate	1.0 - 16.5%	3.0%	1.0 - 5.3%	3.6%
Expected return on plan assets	2.2 - 8.5 %	4.1%	0.4 - 5.4%	4.4%
Future salary increases	2.0 - 16.0 %	2.8%	2.0 - 8.0%	2.9%
Future retirement benefit increases	1.0 - 3.4 %	1.6%	1.0 - 3.8%	2.0%

DKK million	**2012**	**2011**
Recognised in income statement:		
Current service cost	115	176
Expected return on plan assets	-323	-327
Interest cost on obligations	380	376
Curtailments and settlements	-1	-103
Total recognised in income statement	**171**	**122**
The cost is recognised in the income statement as follows:		
Cost of sales	23	9
Sales and distribution expenses	64	42
Administrative expenses	26	25
Special items (restructuring)	-	-3
Total staff costs, cf. note 12	**113**	**73**
Financial income	-323	-327
Financial expenses	381	376
Total	**171**	**122**
Recognised in other comprehensive income:		
Recognised at 1 January	-2,503	-1,410
Actuarial gains/losses	-739	-1,081
Foreign exchange adjustment of foreign entities	-62	-12
Recognised in other comprehensive income during the period	**-801**	**-1,093**
Recognised at 31 December	**-3,304**	**-2,503**
Of which accumulated actuarial gains/losses	-3,329	-2,590

DKK million	**2012**	**2011**	**2010**	**2009**	**2008**
Five-year overview					
Obligations	11,550	10,294	9,294	7,948	7,009
Plan assets	-7,648	-7,099	-6,905	-5,823	-5,245
Deficit	3,903	3,195	2,389	2,125	1,764
Experience adjustments to obligations	231	82	108	-34	-492
Experience adjustments to plan assets	-881	-506	-815	-544	100

Carlsberg Breweries Group

Note

26 Deferred tax assets and deferred tax liabilities

DKK million	2012	2011
Deferred tax at 1 January, net	7,999	7,908
Adjustments to previous years	-30	47
Entities acquired in a step acquisition	-	60
Revaluation of previously recognised deferred tax acquired in a step acquisition	-	43
Disposal of entities	-	11
Recognised in other comprehensive income	-193	-211
Recognised in income statement	10	205
Change in tax rate	27	-15
Effect of hyperinflation	-	16
Foreign exchange adjustments	-71	-65
	7,742	**7,999**
Of which is transferred to Assets held for sale	-4	-
Deferred tax at 31 December, net	**7,738**	**7,999**
Specified as follows:		
Deferred tax liabilities	8,930	8,870
Deferred tax assets	-1,192	-871
Deferred tax at 31 December, net	**7,738**	**7,999**

Specification of deferred tax assets and liabilities at 31 December:

DKK million	2012	2011	2012	2011
	Deferred tax assets		**Deferred tax liabilities**	
Intangible assets	502	549	7,107	6,959
Property, plant and equipment	403	241	2,528	2,676
Current assets	109	84	52	45
Provisions and retirement benefit obligations	840	690	261	359
Fair value adjustments	20	120	150	212
Tax losses etc.	1,573	1,495	1,091	926
Total before set-off	**3,447**	**3,179**	**11,189**	**11,178**
Set-off	-2,255	-2,308	-2,255	-2,308
Transferred to assets held for sale	0	-	-4	-
Deferred tax assets and liabilities at 31 December	**1,192**	**871**	**8,930**	**8,870**
Expected to be used as follows:				
Within 12 months after the end of the reporting period	219	150	507	277
More than 12 months after the end of the reporting period	973	721	8,423	8,593
Total	**1,192**	**871**	**8,930**	**8,870**

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

Of the total deferred tax assets recognised, DKK 705m (2011: DKK 836m) relate to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Tax assets of DKK 1,248m (2011: DKK 1,435m) were not recognised. These relate primarily to tax losses which are not expected to be utilised in the foreseeable future. Tax losses that will not expire amount to DKK 1,000m (2011: DKK 1,138m).

Deferred tax on temporary differences relating to investments in subsidiaries, joint ventures and associates amounts to DKK 0m (2011: DKK 0m).

Deferred tax of DKK 160m (2011: DKK 0m) has been recognised in respect of earnings in the Eastern Europe region which are intended for distribution in the short term, as tax of 5% is payable on distributions. For other subsidiaries where distributable reserves are planned to be distributed, any distribution of earnings will not trigger a significant tax liability based on current tax legislation.

Note

27 Provisions

Restructuring provisions totalling DKK 575m relate primarily to restructurings of Ringnes AS, Carlsberg Sverige, Carlsberg Deutschland, Feldschlösschen, Carlsberg Italia and Brasseries Kronenbourg. In 2011 the restructuring provisions totalling DKK 336m primarily related to restructurings of Carlsberg Deutschland, Carlsberg UK, Carlsberg Italia, Brasseries Kronenbourg and Carlsberg IT. The restructuring provisions are calculated on the basis of detailed plans announced to the parties concerned and relate mainly to termination benefits to employees made redundant.

The Group has made provision for certain contracts which are deemed to be onerous. Onerous contracts totalling DKK 112m primarily relate to raw materials in Western Europe. The provision for onerous contracts in 2011 was also primarily related to raw materials.

Other provisions totalling DKK 984m (2011: DKK 1,020m) relate primarily to profit sharing in France, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

DKK million				**2012**
	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2012	336	112	1,020	1,468
Additional provisions recognised	414	-	199	613
Used during the year	-156	-	-231	-387
Reversal of unused provisions	-24	-	-135	-159
Transfers	2	-	130	132
Discounting	13	-	48	61
Foreign exchange adjustments etc.	-10	-	-47	-57
Provisions at 31 December 2012	**575**	**112**	**984**	**1,671**
Provisions are recognised in the statement of financial position as follows:				
Non-current provisions	304	5	788	1,097
Current provisions	271	107	196	574
Total	**575**	**112**	**984**	**1,671**

DKK million				**2011**
	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2011	409	315	1,253	1,977
Step acquisition of entities	-	-	13	13
Additional provisions recognised	164	-	73	237
Disposal of entities	-	-	-6	-6
Used during the year	-216	-6	-275	-497
Reversal of unused provisions	-13	-197	-98	-308
Transfers	-9	-	67	58
Discounting	10	-	55	65
Foreign exchange adjustments etc.	-9	-	-62	-71
Provisions at 31 December 2011	**336**	**112**	**1,020**	**1,468**
Provisions are recognised in the statement of financial position as follows:				
Non-current provisions	121	5	839	965
Current provisions	215	107	181	503
Total	**336**	**112**	**1,020**	**1,468**

DKK 871m (2011: DKK 862m) of total non-current provisions falls due within five years from the end of the reporting period.

Note

28 Other liabilities etc.

DKK million	2012	2011
Other liabilities are recognised in the statement of financial position as follows:		
Non-current liabilities	1,201	1,087
Current liabilities	9,624	10,570
Total	**10,825**	**11,657**
Other liabilities by origin:		
Excise duties and VAT payable	3,690	3,512
Staff costs payable	1,590	1,555
Interest payable	812	731
Fair value of hedging instruments	606	1,197
Liabilities related to the acquisition of entities	1,129	1,459
Amounts owed to associates	2	1
Deferred income	1,139	1,117
Other	1,857	2,085
Total	**10,825**	**11,657**

Note

29 Cash flows

DKK million	2012	2011
Adjustment for other non-cash items:		
Share of profit after tax, associates	-112	-174
Gains on disposal of property, plant and equipment and intangible assets, net	-112	-67
Amortisation of on-trade loans etc.	547	623
Total	**323**	**382**
Change in trade working capital:		
Inventories	-202	-206
Receivables	206	-1,236
Trade payables and other liabilities	861	1,803
Total	**865**	**361**
Change in other working capital:		
Other receivables	-164	117
Other payables	-36	240
Retirement benefit obligations and other liabilities related to operating activities before special items	-294	-687
Adjusted for unrealised foreign exchange gains/losses	-11	-136
Total	**-505**	**-466**
Change in on-trade loans:		
Loans provided	-1,089	-1,052
Repayments	642	534
Total	**-447**	**-518**
Change in financial receivables:		
Loans and other receivables	-65	-83
Other financial receivables	-	-17
Repayments	37	54
Total	**-28**	**-46**
Non-controlling interests:		
Acquisition of non-controlling interests	-4,916	-1,338
Dividends to non-controlling interests	-282	-121
Share buy-back	-	-417
Total	**-5,198**	**-1,876**
External financing:		
Proceeds from issue of bonds	11,160	-
Repayment of bonds including cross-currency swap	-	-2,965
Debt institutions, long term	-7,187	1,418
Debt institutions, short term	-848	533
Intercompany loans, long term	42	-
Intercompany loans, short term	144	-1,476
Loans from associates	-65	-30
Finance lease liabilities	-14	-12
Other financing liabilities	31	-249
Total	**3,263**	**-2,781**

2011

DKK million	Previous method of consolidation	Previously held ownership interest	Acquired ownership interest	Total Carlsberg interest	Acquisition date	Main activity	Cost
Acquired entity:							
Lao Brewery Co. Ltd.	Proportionate	50.00%	1.00%	51.00%	30 Aug. 2011	Brewery	33
Hue Brewery Ltd.	Proportionate	50.00%	50.00%	100.00%	23 Nov. 2011	Brewery	485
Total							**518**

DKK million	Acquired share of net assets recognised at fair value: Lao Brewery Co. Ltd.	Hue Brewery Ltd.	Total	Revaluation of previously recognised net assets at fair value	Total recognised net assets from acquisition
Intangible assets	130	108	238	237	475
Property, plant and equipment	251	91	342	-42	300
Inventories	24	14	38	-3	35
Loans and receivables, current	20	3	23	-	23
Cash and cash equivalents	125	66	191	-	191
Provisions	-13	-	-13	-	-13
Deferred tax assets and liabilities, net	-31	-29	-60	-43	-103
Borrowings	-18	-17	-35	-	-35
Trade payables and other payables	-52	-81	-133	-	-133
Net assets	**436**	**155**	**591**	**149**	**740**

DKK million	**Lao Brewery Co. Ltd.**	**Hue Brewery Ltd.**	**Total**
Fair value of consideration transferred for acquired ownership interest	33	485	518
Fair value of previously held ownership interest	1,665	451	2,116
Fair value of non-controlling ownership interest	1,632	-	1,632
Fair value of entities acquired in stages, total	**3,330**	**936**	**4,266**
Carrying amount of identified assets and liabilities recognised before step acquisition	368	74	442
Revaluation of identified assets and liabilities recognised before step acquisition	68	81	149
Fair value of acquired identified assets, liabilities and contingent liabilities	436	155	591
Fair value of identified assets, liabilities and contingent liabilities	**872**	**310**	**1,182**
Total goodwill	**2,458**	**626**	**3,084**
Goodwill recognised before a step acquisition	344	28	372
Change in total recognised goodwill	**2,114**	**598**	**2,712**
Goodwill is attributable to:			
Shareholders in Carlsberg A/S	1,253	626	1,879
Non-controlling interests	1,205	-	1,205
Total goodwill	**2,458**	**626**	**3,084**
Gain on revaluation of previously held ownership interest in entities acquired in a step acquisition:			
Carrying amount of previously held ownership interest	-712	-102	-814
Fair value of previously held ownership interest	1,665	451	2,116
Recycling of cumulative exchange differences	44	-46	-2
Total	**997**	**303**	**1,300**
Elements of cash consideration paid:			
Cash	-	485	485
Cash and cash equivalents, acquired	-125	-66	-191
Total cash consideration paid	**-125**	**419**	**294**
Capital injection in kind	33	-	33
Total consideration transferred	**-92**	**419**	**327**

Acquired cash only comprised the additional consolidated share in the step acquisition due to the change from proportional to full consolidation equalling the difference between the previous ownership interest and 100%.

Contingent consideration

In 2012 Carlsberg revalued contingent considerations for the previous acquisition of shareholdings in Gorkha Brewery, Nepal, South Asian Breweries Pte. Ltd., Singapore and Olivaria, Belarus. The revaluations are based on updated information since the initial recognition of the liabilities including new budgets and sales forecasts, discount rates etc. The total revaluation recognised in 2012 is DKK 17m (2011: DKK 349m).

Note

30 Acquisition and disposal of entities

The Group has not completed any acquisitions of entities during 2012.

Acquisition of entities

In 2012, the purchase price of part of the activities in S&N (acquired in 2008) has been adjusted by DKK 4m as a result of allocation of debt according to agreement. The adjustment was recognised as goodwill. The purchase price is expected to be further adjusted depending on the final allocation of debt according to agreement.

Acquisition of proportionally consolidated entities

In Q2 2012, Carlsberg acquired 6% of the shares in the jointly controlled entity South Asian Breweries Pte. Ltd., which is recognised by proportional consolidation. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities in the acquisition has not yet been completed. The fair value of identified assets, liabilities and contingent liabilities less the cost of the acquisition, (DKK 23m), is recognised as goodwill (DKK 17m). Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

During 2011, Carlsberg acquired 22.5% in Q2 and an additional 4% in Q4 of the shares in the jointly controlled entity South Asian Breweries Pte. Ltd., which is recognised by proportional consolidation due to terms in the shareholder agreement with the partner. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities in both acquisitions has been completed. The fair value of identified assets, liabilities and contingent liabilities less the cost of the acquisitions, DKK 101m in total, was recognised as goodwill.

Step acquisition of entities

In 2011, Carlsberg gained control of Lao Brewery Co. Ltd. in Laos and Hue Brewery Ltd. in Vietnam. Previously both entities were proportionally consolidated.

Revaluation of previously recognised net assets at fair value includes revaluation at fair value of net assets that were proportionally consolidated prior to the step acquisition of the entity.

In Q3 2011, Carlsberg acquired an additional 1% of the shareholding in the joint venture Lao Brewery Co. Ltd. in a disproportionate capital increase where Carlsberg contributed assets in kind, thus gaining control of the entity in a step acquisition. The fair value of the consideration injected amounted to DKK 33m. The shareholdings held immediately before obtaining control was recognised at fair value with the revaluation adjustment, DKK 997m, recognised in special items. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities has been completed, which has not resulted in any changes to the recognised amounts.

This step acquisition was a natural step for Carlsberg and in line with the strategy of obtaining full control of key operating activities. The calculation of goodwill represents staff competences as well as expectations of positive growth. Goodwill related to the non-controlling interests' share of Lao Brewery Co. Ltd. was recognised as part of goodwill.

In Q4 2011, Carlsberg acquired additional 50% of the shareholding in the joint venture Hue Brewery Ltd. and thereby gained control through a step acquisition. The shareholdings held immediately before obtaining control was recognised at fair value with the revaluation adjustment, DKK 303m, recognised in special items. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities has been completed, which has not resulted in any changes to the recognised amounts.

This step acquisition was a natural step for Carlsberg and in line with the strategy of obtaining full control of key operating activities. The calculation of goodwill represents staff competences as well as expectations of positive growth.

The acquired entities contributed positively to operating profit before special items for 2011 by approximately DKK 61m and to the profit for the year by approximately DKK 29m. The net profit for the year, had the acquisitions been completed at 1 January 2011, was estimated at DKK 5,966m.

The fair value of the non-controlling ownership interest was estimated based on the net present value of expected future cash flows from the entity, the cost of newly acquired shareholdings in the entity, excluding control premium, and other fair value models as applicable for the transaction. The key assumptions applied for the Lao Brewery Co. Ltd. transaction were an after-tax WACC of 11.4% and a terminal growth rate of 2.5%.

Acquired net assets of entities acquired in a step acquisition included receivables from customers at a fair value of DKK 11m. None of the acquired receivables from customers were considered irrecoverable at the time of acquisition.

Goodwill recognised regarding transactions completed in 2011 was not deductible for tax purposes.

Note

30 Acquisition and disposal of entities

Disposal of entities

No entities were disposed of in 2012.

In Q1 2011, Carlsberg disposed of the subsidiary Dresden Brauerei, Germany, at a sales price of DKK 126m. The entity had a carrying amount of DKK 116m, resulting in a gain of DKK 10m, which was recognised in special items. Prior to the sale, an impairment loss of DKK 128m had been recognised in 2010 on the brewery assets, corresponding to the difference between the carrying amount and the expected sales price.

In Q2 2011, Carlsberg disposed of the subsidiary Sorex Holding SAS, a logistical company in France, at a sales price of DKK 134m. The entity had a carrying amount of DKK 220m, including goodwill of DKK 6m, resulting in a loss of DKK 86m, which was recognised in special items.

DKK million	2012	2011
Net assets disposed of	**-**	**336**
Gains/losses recognised under special items	-	-76
Cash consideration received	**-**	**260**
Cash and cash equivalents disposed of	-	-51
Cash inflow, net	**-**	**209**

DKK million	2012	2011
Acquisition and disposal of entities, net:		
Step acquisitions, cash outflow	-	-294
Acquisitions of proportionally consolidated entities, cash outflow	-23	-175
Payment regarding acquisition in prior period	-4	-
Disposals, cash inflow	-	209
Net	**-27**	**-260**

Note

31 Acquisition and disposal of non-controlling interests

DKK million	Increase in ownership							2012
Entity	Baltika Breweries[1]	PJSC Carlsberg Ukraine	UAB Svyturys-Utenos Alus[2]	JSC Aldaris[3]	Carlsberg South East Europe[4]	The Bottling and Brewing Group Ltd.	Other entities[5]	
Country	Russia	Ukraine	Lithuania	Latvia		Malawi		
Paid	-4,296	-15	20	-27	-393	-35	-170	-4,916
Change in provision for put option	-	-	-	26	393	-	-46	373
Proportionate share of equity acquired	2,650	1	3	-	-	21	-1	2,674
Difference recognised directly in equity	**-1,646**	**-14**	**-2**	**-1**	**-**	**-14**	**-220**	**-1,897**
Difference recognised in goodwill	**-**	**-**	**25**	**-**	**-**	**-**	**3**	**28**
Effects of changes in Carlsberg's ownership interest on the equity attributable to Carlsberg:								
1 January 2012	31,065	1,839	954	232	881	-	1,603	36,574
Effect of acquisition	2,650	1	3	-	-	21	-1	2,674
Comprehensive income	3,749	272	57	-109	11	-	169	4,149
Dividends, capital injections etc.	400	-155	1	1	-26	-21	-106	94
31 December 2012	**37,864**	**1,957**	**1,015**	**124**	**866**	**-**	**1,665**	**43,491**

DKK million	Increase in ownership							2011
Entity	Baltika Breweries[6]	Carlsberg Serbia d.o.o.[7]	Carlsberg Croatia d.o.o.[7]	Carlsberg Bulgaria AD[7]	PJSC Carlsberg Ukraine	UAB Svyturys-Utenos Alus[8]	Other entities[9]	
Country	Russia	Serbia	Croatia	Bulgaria	Ukraine	Lithuania		
Paid	-866	-	-	-	-59	-373	-40	-1,338
Change in provision for put option	-	-194	-92	-107	-	482	-402	-313
Proportionate share of equity acquired/disposed	1,127	80	56	48	39	-21	24	1,353
Difference recognised directly in equity	**261**	**-**	**-**	**-**	**-20**	**-**	**-417**	**-176**
Difference recognised in goodwill	**-**	**-114**	**-36**	**-59**	**-**	**88**	**-1**	**-122**
Effects of changes in Carlsberg's ownership interest on the equity attributable to Carlsberg:								
1 January 2011	30,590	285	232	180	1,551	1,126	1,609	35,573
Effect of acquisition/disposal	1,127	80	56	48	39	-21	24	1,353
Comprehensive income	1,649	25	9	-6	366	54	-168	1,929
Dividends, share buy-back, capital injections etc.	-2,301	-1	-22	-5	-117	-205	-29	-2,680
31 December 2011	**31,065**	**389**	**275**	**217**	**1,839**	**954**	**1,436**	**36,175**

1) In June 2012 Baltika Breweries completed a cancellation of 7,954,071 treasury shares acquired in the share buy-back in 2011. After the cancellation, Carlsberg completed a voluntary offer to the non-controlling interests in Baltika Breweries in August 2012, followed by a compulsory purchase of all outstanding shares completed in November 2012. In total Carlsberg increased the shareholding by 13,058,025 shares in the two transactions, leaving Carlsberg as the sole shareholder of Baltika Breweries.

2) Adjustment to the acquisition price for non-controlling interests acquired in 2011 is due to dividens received for 2011 (see item 8). In addition the Group acquired a small portion of non-controlling interests in 2012.

3) In January 2012 Carlsberg completed the voluntary offer to the non-controlling interests in JSC Aldaris (Latvia) that was initiated in December 2011 .

4) In January 2012 Carlsberg settled the acquisition of non-controlling interests in Carlsberg Serbia d.o.o., Carlsberg Croatia d.o.o. and Carlsberg Bulgaria AD negotiated in 2011 (see item 7).

5) Comprises transactions with shareholdings in OJSC Olivaria Brewery (Belarus), Carlsberg South Asia Pte. Ltd. (Singapore), Carlsberg Kazakhstan, Lao Brewery Co. Ltd. (Laos) and Carlsberg Distributers Taiwan Ltd.

6) In addition to acquiring non-controlling interests, Carlsberg transferred title of some of its ownership interests in Baltika Breweries as part of an arrangement to provide financing for Carlsberg's operating activities. In accordance with IFRS, the ownership interest was not derecognised in the consolidated financial statements.

7) Non-controlling interests of Carlsberg Serbia d.o.o., Carlsberg Croatia d.o.o. and Carlsberg Bulgaria AD negotiated sale of their shareholdings to Carlsberg.

8) Non-controlling interests of UAB Svyturys-Utenos Alus (Lithuania) exercised put options held against the Group. Carlsberg also derecognised a put liability related to a smaller shareholding.

9) Comprises transactions with shareholdings in OJSC Olivaria Brewery (Belarus), Carlsberg South Asia Pte. Ltd. (Singapore), Carlsberg Kazakhstan, JSC Aldaris (Latvia), Lao Soft Drinks Co. Ltd. and Parag Breweries Limited (India).

Note

32 Specification of invested capital

DKK million	2012	2011
Invested capital is calculated as follows:		
Total assets	141,948	136,195
Less:		
Deferred tax assets	-1,192	-871
Loans to associates (current)	-126	-105
Loans to Group companies (current)	-634	-1,451
Interest income receivable, fair value of hedging instruments and financial receivables	-612	-528
Securities (current and non-current)	-133	-130
Cash and cash equivalents	-5,748	-3,108
Assets held for sale	-27	-235
Assets included	**133,476**	**129,767**
Trade payables	-11,906	-11,039
Deposits on returnable packaging	-1,381	-1,291
Provisions, excluding restructuring	-1,096	-1,132
Corporation tax	-551	-533
Deferred income	-1,139	-1,117
Finance lease liabilities, included in borrowings	-39	-52
Other liabilities, excluding deferred income, interest payable and fair value of hedging instruments	-8,268	-8,611
Liabilities offset	**-24,380**	**-23,775**
Invested capital	**109,096**	**105,992**

Note

33 Specification of net interest-bearing debt

DKK million	2012	2011
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	36,479	34,137
Current borrowings	3,352	2,591
Gross interest-bearing debt	**39,831**	**36,728**
Cash and cash equivalents	-5,748	-3,108
Loans to associates, interest-bearing portion	-110	-97
Loans to partners	-226	-230
On-trade loans	-2,022	-2,066
Non-interest-bearing portion	1,015	1,033
Other receivables	-1,813	-1,267
Non-interest-bearing portion	1,346	1,238
Receivables from group companies, interest-bearing portion	-634	-1,451
Net interest-bearing debt	**31,639**	**30,780**
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	30,780	32,847
Cash flow from operating activities	-10,138	-9,789
Cash flow from investing activities, excl acquisition of entities, net	5,861	5,136
Cash flow from acquisition of entities, net	27	-260
Share buy-back	-	417
Dividends to shareholders and non-controlling interests	282	121
Acquisition of non-controlling interests	4,916	1,338
Acquired net interest-bearing debt from acquisition/disposal of entities	-9	53
Change in interest-bearing lending	18	18
Settlement of financial instruments in relation to loan agreements	-	805
Effect of currency translation	326	289
Other	-424	-195
Total change	**859**	**-2,067**
Net interest-bearing debt at 31 December	**31,639**	**30,780**

Note

34 Investments in proportionally consolidated entities

The amounts shown below represent the Group's share of the assets and liabilities, revenue and profit of proportionally consolidated entities as shown in the overview of Group companies. These amounts are recognised in the consolidated statement of financial position, including goodwill, and in the income statement.

DKK million	2012	2011
Revenue	2,709	2,744
Total costs	-2,428	-2,336
Operating profit before special items	**281**	**408**
Consolidated profit	**131**	**228**
Non-current assets	3,086	2,560
Current assets	929	896
Assets held for sale, net	9	10
Non-current liabilities	-672	-448
Current liabilities	-1,762	-1,465
Net assets	**1,590**	**1,553**
Free cash flow	-360	-227
Net cash flow	-100	-139
Cash and cash equivalents, year-end	52	149
Contingent liabilities in joint ventures	150	132

Note

35 Financial risks

The Group's activities create exposure to a variety of financial risks. These risks include market risk (foreign exchange risk, interest rate risk and raw material risk), credit risk and liquidity risk.

The Group's financial risks are managed by Group Treasury in accordance with the Financial Risk Management Policy approved by the Supervisory Board and are an integrated part of the overall risk management process in Carlsberg. The risk management framework is described in the Management review.

As the Group did not identify any additional financial risk exposures in 2012, the risk management activities were unchanged compared to 2011.

Capital structure

Management regularly assesses whether the Group's capital structure is in the interests of the Group and its shareholders. The overall objective is to ensure a continued development and strengthening of the Group's capital structure which supports long-term profitable growth and a solid increase in key earnings and statement of financial position ratios.

This includes the assessment of and decision on the split of financing between share capital and loans, which is a long-term strategic decision to be made in connection with major acquisitions and similar transactions.

As an element of strategic capital structure decisions, management assesses the risk of changes in the Group's investment grade rating. In 2006 the Carlsberg Breweries Group was awarded investment-grade ratings by Moody's Investor Service and Fitch Ratings. In February 2011 these ratings were upgraded one notch each by both rating agencies. The current rating is Baa2 from Moody's and BBB from Fitch, both with a stable outlook.

Other operational decisions relate to the issue of bonds, and the entering into and changing of bank loan agreements. To facilitate these decisions and manage the operational capital structure, management assesses committed credit facilities, expected future cash flows and the net debt ratio.

At 31 December 2012, the Carlsberg Breweries Group had net interest-bearing debt totalling DKK 31,639m (2011: DKK 30,780m). The credit resources available and the access to unused committed credit facilities are considered reasonable in the light of the Group's current needs in terms of financial flexibility.

Comitted non-current credit facilities at 31 December

DKK million	2012	2011
1-2 years	8 050	3.430
2-3 years	14 313	8.026
3-4 years	9 083	13.129
4-5 years	7.439	8.985
>5 years	12.457	8.638
Total	**51.342**	**42.208**
Current borrowings	3 352	2.591
Non-current borrowings	36.479	34.137
Total	**39.831**	**36.728**

Market risk
Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates, that will affect the Group's net result and/or equity.

To minimise the exposure to these risks, the Group enters into a variety of financial instruments and generally seeks to apply hedge accounting to minimise volatility in profit and loss.

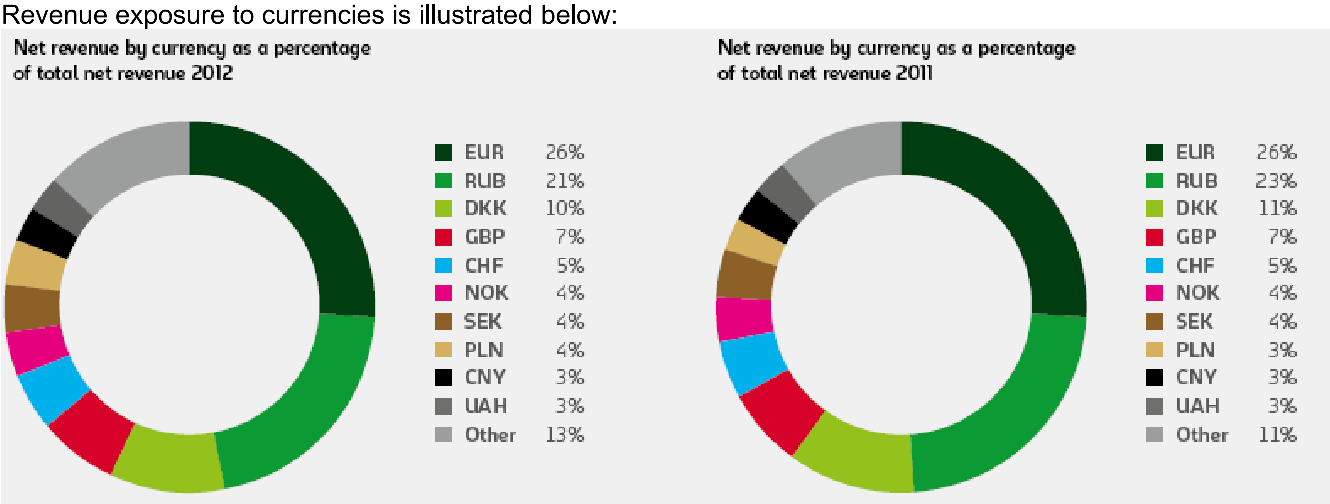
Foreign exchange risk

A significant part of the Group's activities and investments take place outside Denmark and in currencies other than DKK. Foreign exchange risk is therefore a principal financial risk for the Group and, as such, exchange rate fluctuations can have a significant impact on the income statement and the statement of financial position.

The Group is exposed to foreign exchange risks on revenue and purchases, as the predominant part of revenue and purchases originates from foreign entities and is translated into the Group's functional currency, DKK. The Group is primarily exposed to RUB and secondarily to the currencies stated in the table below. There is also some exposure to a number of Asian currencies, which in total represent approximately 15% of the Group's operating profit. The exposure to fluctuations in EUR/DKK is considered insignificant due to Denmark's fixed exchange rate policy towards EUR. Despite turmoil in the Eurozone for the past 2-3 years, the DKK has moved in a narrow band against the EUR. Carlsberg monitors and will continue to monitor the risks related to the EUR.

Furthermore, the Group has a foreign exchange risk on cash flow from operations in countries where there is no natural hedge relationship between cash flow from operations and loans.

Revenue exposure to currencies is illustrated below:



The Group has chosen not to hedge the exposure arising from translation of revenue or earnings in foreign currencies, but does in certain cases hedge specific cash flows such as dividends to be received in foreign currencies. Net investment hedges (described in the section "*Investment in and financing of local entities*") do to some extent provide an economic hedge of the exposure arising from translation of revenue or earnings in foreign currencies.

The Group is exposed to transaction risks on purchases and sales in currencies other than the functional currency of the local entities. It is therefore Group policy to hedge future cash flows in currencies other than the functional currency of the entities for a one-year period. This policy applies to Western Europe, excluding some of the Baltic and Balkan States. Hedging is carried out when plans for the following year are being prepared, effectively hedging the entities' operating profit in local currency. Since a major part of the purchases in foreign currency are in EUR, this will not constitute a risk at Group level. However, at Group level these hedges are effectively an economic hedge of (parts of) the net revenue in the relevant currency, and are accounted for as cash flow hedges at Group level.

Impact from Eastern Europe. The foreign exchange risk in the entities in Eastern Europe is managed differently from Carlsberg's operations in the main parts of the rest of the Group. The reason is the excessive cost of hedging these currencies over a longer period of time.

With regard to transaction risk, it is a long-standing principle in Baltika Breweries to reduce the financial risk measured in RUB by balancing expenses in the foreign currencies USD and EUR. This procedure reduces the transaction risk. However, appreciation and depreciation of RUB have affected and will continue to affect operating profit measured in both DKK and RUB.

Investment in and financing of local entities. The Group is exposed to foreign exchange risk on borrowings denominated in a currency other than the functional currency of the individual Group entity.

The main principle for funding of subsidiaries is that loans and borrowings should be in local currency or hedged to local currency to avoid foreign exchange risk. However, in some Group entities debt is denominated in a currency other than the local entity's functional currency without the foreign exchange risk being hedged. This applies primarily to a few entities in Eastern Europe and is based on an assessment of the alternative cost of financing the entity in the local currency. For the countries concerned, the interest rate level in the local currency, and thus the additional cost of financing in local currency, is so high that it justifies a foreign exchange risk. In some countries financing in local currency is not available at all.

The tables in the sensitivity analysis below show the impact from a 10% adverse development in exchange rates for the relevant currencies at 31 December.

At 31 December 2012, 87% of the Group's net financial debt was in EUR (2011: 90%), cf. note 24.

The Group holds a number of investments in foreign subsidiaries where the translation of net assets to DKK is exposed to foreign exchange risks. The Group uses net investment hedges to hedge part of this foreign exchange exposure by taking up borrowings denominated in the relevant currencies or by entering into forward exchange contracts. This applies to net investments in CHF, CNY, GBP, MYR, NOK, PLN, RUB and SEK. The basis for hedging is reviewed annually, and the two parameters, risk reduction and cost, are balanced. The effect of net investment hedges on the income statement and other comprehensive income is summarised in note 36.

The most significant net risk relates to foreign exchange adjustment of net assets in RUB, which has only been hedged to a minor extent.

Applied exchange rates. The DKK exchange rates applied for the most significant currencies when preparing the consolidated financial statements are presented below. The average exchange rate for the year was calculated using the monthly exchange rates weighted according to the phasing of the Group's net revenue throughout the year.

	Closing Rate		Average Rate	
DKK	**2012**	**2011**	**2012**	**2011**
Swiss Franc (CHF)	6.1758	6.1157	6.1777	6 0678
Chinese Yuan (CNY)	0.9079	0.9112	0.9204	0 8260
Euro (EUR)	7.4604	7.4342	7.4431	7.4514
Pound Sterling (GBP)	9.1320	8.9000	9.1931	8 6019
Malaysian Ringgit (MYR)	1.8486	1.8108	1.8735	1.7545
Norwegian Krone (NOK)	1.0167	0.9588	0.9973	0 9562
Polish Zloty (PLN)	1.8281	1.6676	1.7791	1 8245
Russian Rouble (RUB)	0.1855	0.1784	0.1863	0.1827
Swedish Krone (SEK)	0.8714	0.8342	0.8565	0 8248
Ukrainian Hryvnia (UAH)	0.7080	0.7219	0.7315	0 6679

Impact on financial statements and sensitivity analysis

Impact on operating profit. Developments in exchange rates between DKK and the functional currencies of foreign entities had a positive impact compared to 2011 on the Group's operating profit measured in DKK. Operating profit was improved as a result of an increase in the average rates for NOK/DKK (4%), GBP/DKK (7%), MYR/DKK (7%), SEK/DKK (4%), RUB/DKK (2%) and UAH/DKK (10%).

Impact on financial items, net. In 2012, the Group had net gains on foreign exchange and fair value adjustments of financial instruments of DKK 7m (2011: DKK -10m).

Impact on statement of financial position. Fluctuations in foreign exchange rates will also affect the level of debt as funding is obtained in a number of currencies. In 2012, net interest-bearing debt increased by DKK 327m (2011: DKK 289m) due to movements in foreign exchange rates. The primary impact derives from net debt in GBP and EUR; the GBP/DKK rate appreciated from 8.9 at the end of 2011 to 9.13 at the end of 2012, and EUR/DKK appreciated from 7.4342 at the end of 2011 to 7.4604 at the end of 2012.

Impact on other comprehensive income. For 2012, the total gain on net investments, loans granted to subsidiaries as an addition to the net investment and net investment hedges amounted to DKK 1,686m (2011: DKK -1,956m). Gains were primarily incurred in RUB, as the RUB/DKK rate appreciated by 4% from the end of 2011 to the end of 2012.

Sensitivity analysis. An adverse development in the exchange rates would, all other things being equal, have the following impact on the consolidated profit and loss for 2012. The hypothetical impact ignores the fact that the subsidiaries' initial recognition of revenue, cost and debt would be similarly exposed to the changes in the exchange rates. The calculation is made on the basis of balance sheet items at 31 December.

2012

DKK million	EUR recievable	EUR payable	EUR loans	EUR cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
EUR/RUB	7	-100	-	1	-92	-	-92	10.00%	-9
EUR/LTL	11	-26	-	14	-1	-	-1	10.00%	-
EUR/RSD	24	-69	-	98	53	-	53	10.00%	5
EUR/KZT	-	-8	-	-	-8	-	-8	10.00%	-1
EUR/UAH	4	-46	-	72	30	-	30	10.00%	3
EUR/UZS	-	-14	-223	9	-228	-	-228	10.00%	-23
EUR/CNY	-	-2	-	-	-2	-	-2	10.00%	-
Total									**-25**

DKK million	USD recievable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
USDUAH	1	-49	-	329	281		281	10.00%	28
Total									**28**

2011

DKK million	EUR recievable	EUR payable	EUR loans	EUR cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
EUR/RUB	2	-143	-	100	-41	-	-41	10.00%	-4
EUR/LTL	2	-14	-	1	-11	-	-11	10.00%	-1
EUR/RSD	19	-35	-	23	7	-	7	10.00%	1
EUR/KZT	-	-3	-	-	-3	-	-3	10.00%	-
EUR/UAH	1	-29	-	22	-5	-	-5	10.00%	-
EUR/UZS	-	-14	-246	10	-250	-	-250	10.00%	-25
EUR/CNY	-	-4	-	-	-4	-	-4	10.00%	-
Total									**-29**

DKK million	USD recievable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
USDUAH	-	-39	-102	26	-115	-	-115	10.00%	-12
Total									**-12**

Other comprehensive income is affected by changes in the fair value of currency derivatives designated as cash flow hedges of future purchases and sales. If the currency rates of the currencies hedged had been 5% higher on 31 December, other comprehensive income would have been DKK 170m lower (2011: DKK 139m lower).

Interest rate risk

The most significant interest rate risk in the Group relates to borrowings. As the Group's net debt is primarily in EUR and DKK, interest rate exposure relates to the development in the interest rates in these two currencies.

Interest rate risks are mainly managed using interest rate swaps and fixed-rate bonds.

The interest rate risk is measured by the duration of the net borrowings. The target is to have a duration between one and five years.

A breakdown of the net financial debt, including the exposure to interest rate risk, financial instruments used to manage foreign exchange and interest rate risks, is provided in note 24.

Sensitivity analysis. At the reporting date, 86% of the net borrowings consisted of fixed-rate loans with rates fixed for more than one year (2011: 85%). It is estimated that an interest rate increase of 1 percentage point would lead to an increase in annual interest expenses of DKK 49m (2011: DKK 63m). The calculation assumes a parallel shift in the relevant yield curves and 100% effective hedging of changes in the yield curve.

At 31 December 2012, the duration of the borrowings was 3.9 years (2011: 2.3 years) and in value terms amounted to DKK 1,326m (2011: DKK 775m). The duration has increased compared to 2011 due to the issuance of a total of EUR 1.5bn of fixed-rate bonds during 2012. The maturity of the bonds issued in 2012 is evenly split between EUR 750m maturing in 2019 and EUR 750m maturing in 2022. If the market interest rate had been 1 percentage point higher (lower) at the reporting date, it would have led to a financial gain (loss) of DKK 1,326m (2011: DKK 775m). However, since only interest rate swaps and not fixed-rate borrowings are recognised at fair value, marked-to-market, only the duration contained in financial instruments will impact on comprehensive income or the income statement. It is estimated that DKK 72m (2011: DKK 164m) of the duration is contained in interest rate derivatives designated as cash flow hedges, meaning that the impact from changes in interest rates will be recognised in other comprehensive income, provided that the hedges are efficient and that there are no ineffective portion(s). If the market interest rates had been 1 percentage point higher (lower) at 31 December 2012, shareholders' equity would have been DKK 72m (2011: DKK 164m) higher (lower). The remaining duration is included in borrowings with fixed interest – primarily the issued bonds described in note 24, which are carried at amortised cost.

The sensitivity analysis is based on the financial instruments recognised at the reporting date. The sensitivity analysis assumes a parallel shift in interest rates and that all other variables, in particular foreign exchange rates and interest rate differentials between the different currencies, remain constant. The analysis was performed on the same basis as for 2011.

The recognised impact from interest rate derivatives is disclosed in note 36.

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

As the underlying markets for the specified categories of raw materials vary, so does the way in which they are hedged against price increases. The most common form of hedging is fixed-price agreements in local currencies with suppliers.

To hedge the implicit risk of rising aluminium prices associated with the purchase of cans, the Group's purchase price in the majority of purchase agreements is variable and based on the global market price of aluminium (London Metal Exchange, LME). The Group is thus able to hedge the underlying aluminium price risk. For 2013, the majority of the aluminium price risk has been hedged for Western and Eastern Europe, and for 2014 the risk has been partially hedged. The total volume of aluminium purchased via financial instruments was approximately 97,300 tonnes at the end of 2012 (2011: 88,600 tonnes). Based on this volume, and assuming 100% efficiency, a 10% increase (decrease) in aluminium prices would impact equity positively (negatively) by DKK 106m (2011: DKK 94m). Fair values are specified in note 36.

It is Group policy to secure delivery of malt and hops for the coming budget year, and the main part of the exposure for 2013 was thus hedged through fixed-price purchase agreements for the majority of the Group in 2012. The percentage which is hedged or price-fixed is higher for Western Europe than for Eastern Europe.

Credit risk
Credit risk is the risk of a counterparty failing to meet its contractual obligations and so inflicting a loss on the Group. The Group is exposed to credit risk on financial assets such as trade and other receivables, on-trade loans, cash balances (including fixed deposits and cash and cash equivalents), investments and derivative financial instruments with a positive fair value.

Trade receivables, on-trade loans and other receivables. Credit risk related to trade receivables arises when the Group makes sales for which no cash payments are received when goods are delivered. Exposures on trade receivables are managed locally in the operating entities and credit limits set as deemed appropriate for the customer taking into account the current market conditions.

The Group does not generally renegotiate the terms of trade receivables with the individual customer and trade receivables are not changed to on-trade loans. However, if a negotiation takes place, the outstanding balance is included in the sensitivity analysis based on the original payment terms. No significant trade receivables or on-trade loans were renegotiated during 2012 and 2011.

Under certain circumstances the Group grants loans to the on-trade. On-trade loans are concentrated in France, UK, Germany, Switzerland and Sweden, and spread across a large number of customers/debtors. The operating entities monitor and control these loans in accordance with central guidelines. On-trade loans are usually repaid through discounts during the continuing sales relationship with the individual customer, which is reflected in the repayment scheme and the discounting of the loans. There are therefore no significant overdue on-trade loans. It is estimated that the provisions made are sufficient to cover expected losses.

Significant adverse developments in the on-trade market may increase the credit risk for groups of customers in a country/market. Such developments include changes in local legislation, which may have an adverse effect on the earnings in the industry in general and are taken into consideration in the assessment of impairment losses.

It is Group policy to reduce the credit risk through prepayments or cash payments on delivery, especially for certain categories of customers in each country. The local entities assess the credit risk and whether it is appropriate and cost-effective to hedge the credit risk by way of credit or bank guarantees, credit insurance, conditional sale etc. Such security is taken into account when assessing the necessary impairment losses. Security is primarily received from on-trade customers.

The credit risk on on-trade loans is usually reduced through collateral and pledges of on-trade movables (equipment in bars, cafés etc.). The fair value of the pledged on-trade movables cannot be estimated reliably but is assessed to be insignificant as the movables are used. Movables received through pledges usually need major repair before they can be used again.

Other financial assets. Credit risk related to cash and cash equivalents, investments and financial instruments arises due to uncertainty as to whether the counterparty will be able to meet its contractual obligations as they fall due. The Group has established a credit policy under which financial transactions may be entered into only with financial institutions with a high credit rating. The credit exposure on financial institutions is effectively managed by Group Treasury.

The credit risk on other loans is reduced through pledge of shares in one of the Group's subsidiaries that are held by the borrower.

The Group primarily enters into financial instruments and transactions with the Group's relationship banks, i.e. banks extending loans to the Group. In most cases, the Group will be in a net debt position with its relationship banks.

Furthermore, Group Treasury monitors the Group's gross credit exposure to banks, and operates with individual limits on banks based on rating, level of government support and access to netting of assets and liabilities. During 2012 the Group has recognised a loss on bank balances due to the counterparty's inability to pay, and therefore management expects the counterparty to fail to meet its obligations. Before 2012 the Group had not incurred any losses on bank balances or derivative financial instruments.

Exposure to credit risk. The carrying amount of financial assets represents the maximum credit exposure. The carrying amount of financial assets, DKK 17,708m (2011: DKK 15,874m), is summarised below.

					2012
DKK million	**Net carrying amount at 31 Dec**	**Of which neither impaired nor past due at the reporting date**	**Past due less than 30 days**	**Past due between 30 and 90 days**	**Past due more than 90 days**
Receivable from sale of goods and services	7,117	6,316	298	154	349
On-trade loans	2,022	1,930	5	8	79
Loans to associates	137	137	-	-	-
Loans to partners	226	226	-	-	-
Fair value of hedging instruments	584	584	-	-	-
Other receivable	1,862	1,712	22	23	105
Cash and cash equivalent	5 760	5 760	-	-	-

					2011
DKK million	**Net carrying amount at 31 Dec**	**Of which neither impaired nor past due at the reporting date**	**Past due less than 30 days**	**Past due between 30 and 90 days**	**Past due more than 90 days**
Receivable from sale of goods and services	7,115	6,529	216	154	216
On-trade loans	2,066	1,923	12	10	121
Loans to associates	123	123	-	-	-
Loans to partners	230	230	-	-	-
Intercompany receivables	1,466	1,466	-	-	-
Fair value of hedging instruments	499	499	-	-	-
Other receivables	1,267	1,023	32	35	177
Cash and cash equivalent	3,108	3,108	-	-	-

Impairment losses are based on an individual review for impairment in connection with customer insolvency, anticipated insolvency and past due amounts and on mathematically computed impairment losses based on classification of debtors, maturity and historical information.

No significant impairment losses were incurred in respect of individual trade receivables or on-trade loans in 2012 and 2011. The impairment losses at 31 December 2012 relate to several minor customers that have – in different ways – indicated that they do not expect to be able to pay their outstanding balances, mainly due to adverse economic developments. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and extensive analysis of the underlying customers' credit ratings.

Impairment losses on other receivables relate to a foreign bank that is not expected to meet its obligations and to receivables from Nordic Getränke GmbH. The impairment losses on these items are recognised in special items.

The development in impairment losses in respect of receivables was as follows:

DKK million	Trade receivables	On-trade loans	Other receivable	Total
2012				
Impairment at 1 January	-715	-232	-	-947
Impairment loss recognised	-129	-80	-163	-372
Realised impairment losses	135	59	-	194
Reversed impairments	16	25	-	41
Disposals	5	-5	-	-
Impairment at 31 December	**-688**	**-233**	**-163**	**-1,084**

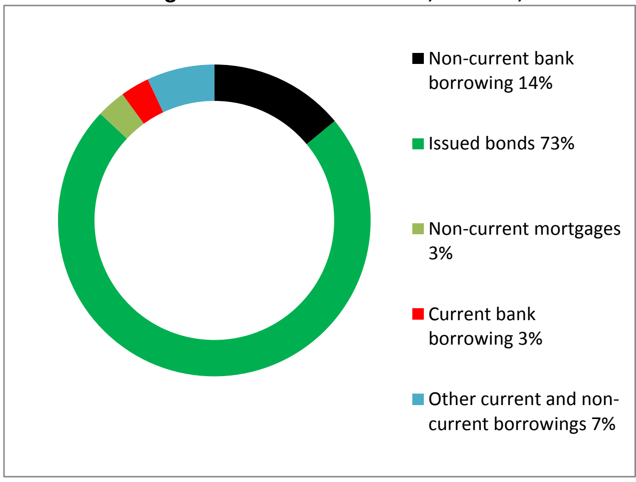
DKK million	Trade receivables	On-trade loans	Other receivable	Total
2011				
Impairment at 1 January	-675	-265	-	-940
Impairment loss recognised	-151	-25	-	-176
Realised impairment losses	61	33	-	94
Reversed impairments	21	25	-	46
Disposals	30	-	-	30
Impairment at 31 December	**-714**	**-232**	**-**	**-946**

Liquidity risk

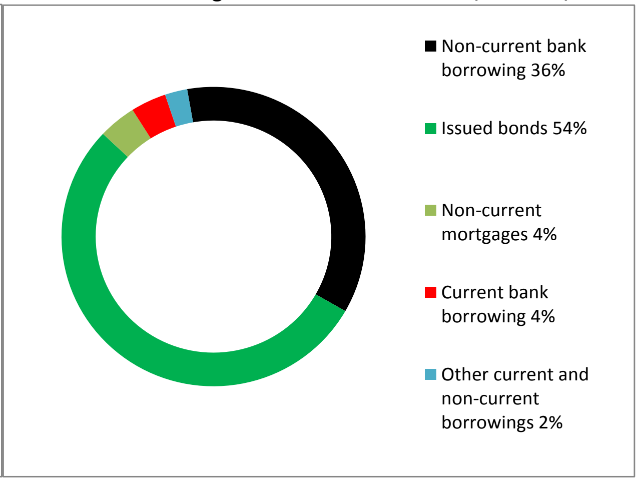
Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. The Group's liquidity is managed by Group Treasury. The approach is to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources, and to some extent tapping a diversity of funding sources. At 31 December 2012, the Group had unutilised non-current committed credit facilities of DKK 14,863m (2011: DKK 8,071m).

In addition to efficient working capital management and credit management, the Group mitigates liquidity risk by arranging borrowing facilities with highly rated financial institutions.

Distribution of gross financial debt 2012, DKK 39,831



Distribution of gross financial debt 2011, DKK 36,728



The Group uses cash pools in its day-to-day liquidity management for most of the entities in Northern & Western Europe, as well as intra-Group loans between Group Treasury and subsidiaries. As a result of withholding tax and local legislation, the majority-owned entities in Eastern Europe have their own credit facilities and borrowings from banks. This is also the case for the joint venture in Portugal (Unicer-Bebidas).

Carlsberg applies the formula below in the monitoring of credit resources available:

	2012	2011
Total non-current commited loans and credit facilities	51.342	42.208
Total current and non-currents borrowings	-39.831	-36.728
Unused committed non-current credit facilities	11.511	5.480
Cash and cash equivalents	5.748	3.108
Credit resources available	**17.259**	**8.588**

The unused non-current committed credit facilities of DKK 11,511m (2011: DKK 5,480m) stated in the formula are net of non-current and current borrowings and therefore DKK 3,352m (2011: DKK 2,591m) (the current borrowing) lower than the actual unutilised part of non-current committed credit facilities of DKK 14,863m (2011: DKK 8,071m).

A few insignificant non-current committed credit facilities include financial covenants with reference to the ratio between net debt and EBITDA. Management monitors this ratio, and at 31 December 2012 there was sufficient headroom below the ratio.

The following table lists the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, and thus summarises the liquidity risk.

The risk implied from the values shown in the maturity table below reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities mainly originate from the financing of assets in the ongoing operations such as property, plant and equipment and investments in working capital, e.g. inventories and trade receivables.

DKK million	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
					2012
Derivative financial instruments:					
Derivative financial instruments, payables	646	383	263	-	606
Non-derivative financial instruments					
Financial debt, gross	39,711	3,352	23,889	12,470	39,831
Interest expense	5,273	1,289	3,034	950	N/A
Trade payables and other liabilities	13,287	13,287	-	-	13,287
Liabilities related to the acquisition of entities	1,129	1	129	999	1,129
Financial liabilities associated with assets held for sale	18	18	-	-	18
Non-derivate financial instruments	**59,418**	**17,947**	**27,052**	**14,419**	**-**
Financial liabilities	**60,064**	**18,330**	**27,315**	**14,419**	**-**

DKK million	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
					2011
Derivative financial systems					
Derivative financial instruments, payables	1,158	535	623	-	1,197
Non-derivative financial instruments					
Financial debt, gross	36,635	2,591	25,313	8,731	36,728
Interest expense	4,350	1,321	2,811	218	N/A
Trade payables and other liabilities	12,290	12,290	-	-	12,290
Liabilities related to the acquisition of entities	1,136	418	24	694	1,136
Financial liabilities associated with assets held for sale	56	56	-	-	56
Non-derivate financial instruments	**54,467**	**16,676**	**28,148**	**9,643**	**-**
Financial liabilities	**55,625**	**17,211**	**28,771**	**9,643**	**-**

All items are stated at their nominal amounts. Derivative financial instruments are presented gross. Derivative financial instruments are in general traded with the Group's relationship banks. The nominal amount/contractual cash flow of the financial debt is DKK 121m lower (2011: DKK 94m higher) than the carrying amount. The difference between the nominal amount and the carrying amount comprises differences between these amounts at initial recognition, which are treated as cost that is capitalised and amortised over the duration of the borrowings, and differences between nominal amounts and fair values of bonds. The interest expense is the contractual cash flows expected on the financial gross debt at 31 December 2012. For the part of bank borrowing and mortgages that has been swapped, the expected interest expense (before swaps but including margin) has been included. The expected net cash flow from the swaps related to the borrowings is included in the contractual cash flow for the derivative financial instrument. It should be noted that the cash flow regarding the interest expenses is estimated cash flow based on the notional amount of the above-mentioned borrowings and forward interest rates at year-end 2012 and 2011. Interest on the debt existing at year-end 2012 and 2011, for which no contractual obligation (current borrowing and part of the amount drawn on cash pools) exists, has been included for a two-year period.

Accounting classification and fair values. The accounting classification and fair values can be specified as follows:

DKK million	Note	2012 Carrying amount	2012 Fair Value	2011 Carrying Amount	2011 Fair Value
Securities	18	133	133	130	130
Available for sale instruments		**133**	**158**	**130**	**130**
Fair value hedges	36	499	499	443	443
Cash flow hedges	36	46	46	43	43
Net investment hedges	36	39	39	13	13
Derivative financial instruments		**584**	**584**	**499**	**499**
Receivables from the sale of goods and services	19	7,117	7,117	7,115	7,115
On-trade loans	19	2,022	2,022	2,066	2,066
Other receivables	19	1,813	1,813	1,267	1,267
Loans to partners	19	226	226	230	230
Loans to associates	19	137	137	123	123
Cash and cash equivalents	21	5,748	5,748	3,108	3,108
Loans and receivables		**17,063**	**17,063**	**13,909**	**13,909**
Fair value hedges	36	-62	-62	-165	-165
Cash flow hedges	36	-495	-495	-792	-792
Net investment hedges	36	-49	-49	-240	-240
Derivative financial instruments		**-606**	**-606**	**-1,197**	**-1,197**
Issued bonds	24	29,021	30,520	19,478	20,157
Mortages	24	1,248	1,248	1,248	1,248
Bank borrowings	24	6,901	6,901	14,440	14,440
Financial lease obligations	24	39	39	52	52
Other borrowings	24	796	796	812	812
Trade payables		11,906	11,906	10,999	10,999
Financial liabilities measured at amortised cost		**49,911**	**51,410**	**47,029**	**47,708**

Fair value hierarchy. Carlsberg has no financial instruments measured at fair value on the basis of level 1 input (quoted prices) or level 3 input (non-observable data).

Securities. Shares in unlisted entities comprise a number of small holdings. These unlisted entities are not recognised at fair value if the fair value cannot be calculated on a reliable basis. Instead such unlisted securities are recognised at cost.

Derivative financial instruments – level 2 input. The fair value of all derivatives, and in most cases non-derivative financial instruments, is determined based on observable market data using generally accepted methods. Internally calculated values are used, and these are compared to external market quotes on a quarterly basis.

The fair value of all derivatives (whether designated as fair value or economic hedges, cash flow hedges or net investment hedges) is calculated internally by: a) estimating the notional future cash flows using observable market data such as yield curves and the aluminium forward curve; b) discounting the estimated and fixed cash flow to present value; and c) converting the amounts in foreign currency into the functional currency at the end-of-period foreign exchange rate.

Loans and other receivables. The carrying amount of trade receivables and other receivables approximates the fair value.

On-trade loans. On-trade loans are recognised at amortised cost. Based on discounted cash flows using the interest rates at the end of the reporting period, these loans have a fair value of DKK 2,022m (2011: DKK 2,066m).

Other financial liabilities. Other financial liabilities, including issued bonds, mortgages, bank borrowings, finance lease obligations, trade payables and other liabilities, are measured at amortised cost. The only exception is a GBP 300m bond which is measured at fair value based on movements in a benchmark interest rate.

Note

36 Financial instruments

Fair value hedges and financial derivatives not designated as hedging instruments (economic hedges)

	2012		2011	
DKK million	Fair value adjustment recognised in income statement	Fair value	Fair value adjustment recognised in income statement	Fair value
Exchange rate instruments	221	438	8	284
Other instruments	-5	-1	-7	-6
Ineffective portion of hedge	-26	-	10	-
Total	**190**	**437**	**11**	**278**

Value adjustments of fair value hedges and financial derivatives not designated as hedging instruments in the financial year are recognised in the income statement. The adjustments are included in financial income and financial expenses (cf. note 8). In 2012, financial income amounted to DKK 190m (2011: DKK 11m).

The ineffective portion of hedge in 2012 relates to the reclassification of the ineffective portion of interest rate instruments (DKK -37m) designated as cash flow hedges where the hedged item is no longer likely to occur, and reversals of prior years' ineffective portions of interest rate hedges (DKK 11m). For 2011, the ineffective portion related to the reclassification of fair value adjustments of interest rate instruments (DKK -83m) and of exchange rate instruments (DKK -2m) designated as cash flow hedges where the hedged item was no longer likely to occur, and of reversal of prior years ineffective portion of interest rate hedges (DKK 12m). The total ineffective portion for 2012 was a loss of DKK 26m (2011: gain of DKK 10m).

The fair value of the entire derivative classified as a cash flow hedge is presented in the cash flow hedge section. Other instruments are primarily aluminium hedges, which were not classified as cash flow hedges.

The value of fair value hedges recognised at 31 December amounted to DKK 437m (2011: DKK 278m).

Cash flow hedges

Cash flow hedges are primarily used on interest rate swaps where the hedged item is the underlying (floating rate) borrowing, and on aluminium hedges where the hedged item is aluminium cans that are used in a number of Group entities in Western Europe and Eastern Europe.

Main financial instruments - overview

Instrument	Maturity	Purpose
EUR 1,000m interest rate swap	2013	Swap of borrowing with 1 -month EURIBOR to fixed
EUR 400m interest rate swap	2015	Swap of borrowing with 1 -month EURIBOR to fixed
Aluminium	2013-2014	Fixing of aluminium risk related to purchase of cans

The two EUR interest rate swaps were entered into during 2008 following the acquisition of part of the activities in S&N and the subsequent increase in debt.

Note

36 Financial instruments

Cash flow hedges

DKK million	2012 Fair value adjustment recognised in other comprehensive income	2012 Fair value	2012 Expected recognition	2011 Fair value adjustment recognised in other comprehensive income	2011 Fair value	2011 Expected recognition
Interest rate instruments	244	-452	2013-2015	156	-669	2012-2015
Exchange rate instruments	24	46	2013	65	22	2012
Other instruments	59	-43	2013-2014	-253	-102	2012-2013
Total	**327**	**-449**		**-32**	**-749**	

Fair value adjustments on cash flow hedges in the financial year are recognised in other comprehensive income and amounted to DKK 327m (2011: DKK -32m).

The fair value of cash flow hedges recognised at 31 December amounted to DKK -449m (2011: DKK -749m). This includes the ineffective portion reclassified to the income statement, but does not include the value of cash flow hedges closed and not yet transferred to the income statement.

The impact on other comprehensive income from exchange rate instruments relates to hedges of Group entities' purchases and sales in currencies other than their functional currencies. The impact on other comprehensive income from other instruments relates to hedges of Group entities' exposure to changes in aluminium prices.

Hedging of net investments in foreign subsidiaries

Changes in the fair value of financial instruments (both derivatives and debt instruments) used to hedge the foreign exchange risk associated with investments in foreign currency are recognised in other comprehensive income.

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

In addition, loans classified as additions to net investments have been granted to subsidiaries. Foreign exchange adjustments of these loans are recognised in other comprehensive income in the same line as the gains / losses on the hedges of net investments.

Hedging of net investments

DKK million	2012 Fair value adjustment recognised in other comprehensive income	2012 Fair value	2011 Fair value adjustment recognised in other comprehensive income	2011 Fair value
Exchange rate instruments	-216	-10	-20	-227
Total	**-216**	**-10**	**-20**	**-227**

Note

36 Financial instruments

Fair value adjustments of net investment hedges and loans classified as additions to net investments in the financial year are recognised in other comprehensive income and amounted to DKK -216m (2011: DKK -20m). For 2012 there has been an ineffective portion of DKK 1m (2011: DKK 0m) which has been reclassified from other comprehensive income to the income statement.

The fair value of derivatives used as net investment hedges recognised at 31 December 2012 amounted to DKK -10m (2011: DKK -227m).

	2012				2011			
Million	Hedging of investment, amount in local currency	Addition to net investment, amount in local currency	Total adjustment to other comprehensive income (DKK)	Income statement (DKK)	Hedging of investment, amount in local currency	Addition to net investment, amount in local currency	Total adjustment to other comprehensive income (DKK)	Income statement (DKK)
SEK	-4,560	-	-167	-	-4,194	-	-35	-
NOK	-750	3,182	125	-	-750	3,182	2	-
CHF	-380	-	-20	-	-460	-	-36	-
GBP	-70	87	3	1	-70	86	-1	-
MYR	-458	-	-37	-	-450	-	-12	-
EUR	-	698	18	-	-	645	-13	-
RUB	-13,572	-	-105	-	-5,910	-	5	-
PLN	-300	-	-70	-	-300	-	31	-
CNY	-1,250	-	-5	-	-1,250	-	-68	-
HKD	-	3,946	-34	-	-	2,874	55	-
USD	-141	-	76	-	184	-	52	-
Total			**-216**	**1**			**-20**	**-**

Carlsberg Breweries Group

Note

37 Related party disclosures

Related parties exercising control. Carlsberg A/S, Ny Carlsberg Vej 100, DK,1799 Copenhagen V, Denmark, holds all the shares in Carlsberg Breweries A/S. During the year, the Group had balances with the parent company. The balances were subject to arm's length terms and prices. No transactions were carried out with Carlsberg A/S during the year.

Related parties exercising significant influence. During the year the Carlsberg Breweries Group was not involved in any transactions with major shareholders, members of the Supervisory Board, members of the Executive Board, key management personnel, or companies outside the Carlsberg Breweries Group in which these parties have significant influence.

The income statement and the statement of financial position include the following transactions:

	Associates		Proportionally consolidated entities	
DKK million	**2012**	**2011**	**2012**	**2011**
Revenue	286	377	13	12
Cost of sales	-381	-322	-	-1
Loans	300	123	727	161
Receivables	131	233	26	14
Borrowings	-96	-107	-	-
Trade payables and other liabilities etc.	-22	-72	-4	-3

38 Contingent liabilities and other commitments

The Group has issued guarantees for loans etc. raised by joint ventures (non-consolidated share of loan) of DKK 83m (2011: DKK 87m) and for loans etc. raised by third parties (non-consolidated entities) of DKK 659m (2011: DKK 762m).

Carlsberg Breweries A/S is jointly registered for Danish VAT and excise duties with Carlsberg A/S, Carlsberg Danmark A/S and various other minor Danish subsidiaries and is jointly and severally liable for payment of VAT and excise duties.

The Group is party to certain lawsuits, disputes etc. of various scopes. It is management's opinion that, apart from what is recognised in the statement of financial position or disclosed in the consolidated financial statements, the outcome of these lawsuits, disputes etc. will not have a material negative effect on the Group's financial position.

Certain guarantees etc. are issued in connection with disposal of entities and activities etc. Other than as recognised in the statement of financial position or disclosed in the consolidated financial statements, these guarantees etc. will not have a material effect on the Group's financial position.

Contractual commitments. The Group has entered into service contracts of various lengths in respect of sales, logistics and IT. Costs related to the contracts are recognised as the services are received.

Capital commitments

DKK million	**2012**	**2011**
Capital commitments which at the end of the period are agreed to be made at a later date and therefore not recognised in the consolidated financial statements:		
Intangible assets	1	-
Property, plant and equipment and construction contracts	401	763
Total	**402**	**763**

Note

39 Operating lease liabilities

2012

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Future lease payments:				
Within one year	161	32	322	515
Between one and five years	335	117	642	1,094
After more than five years	233	18	99	350
Total	**729**	**167**	**1,063**	**1,959**

2011

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Future lease payments:				
Within one year	205	10	354	569
Between one and five years	332	54	640	1,026
After more than five years	236	-	91	327
Total	**773**	**64**	**1,085**	**1,922**

DKK million	2012	2011
Operating lease expenses recognised in the income statement	522	564
Expected future income under non-cancellable subleases (matures within 10 years)	58	57

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

40 Events after the reporting period

Apart from the events recognised or disclosed in the consolidated financial statements, no events have occurred after the reporting period of importance to the consolidated financial statements.

In January 2013 Carlsberg and its partner in Nordic Getränke GmbH agreed to cease the cooperation and split the entities between them. Hence Carlsberg acquired entities from Nordic Getränke GmbH that will be fully consolidated and integrated in the German business in 2013. The transaction had no significant impact on the income statement or financial position.

Note

41 Accounting policies

The 2012 consolidated financial statements of the Carlsberg Breweries Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies, cf. the statutory order pursuant to the Danish Financial Statements Act.

The consolidated financial statements are presented in Danish kroner (DKK million), which is the Parent Company's functional currency.

In addition, the consolidated financial statements have been prepared in compliance with IFRS issued by the IASB.

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are measured at fair value: derivative financial instruments, financial instruments in the trading portfolio and financial instruments classified as available-for-sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

The comparative figures have been changed to reflect the effect of the purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities in business combinations in accordance with IFRS 3.

New IFRS and Interpretations

Implementation of new and amended IFRSs and Interpretations. With effect from 1 January 2012, the following amended IFRS was implemented:

- Amendment to IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets". The amendments provides further guidance on deferred tax on investment properties and is therefore not relevant to the Group.

The implementation of the amended IFRS has not changed the principles applied to recognition and measurement for 2012 from those used in prior years. The accounting policies used in the preparation of the consolidated financial statements are consistent with those of last year.

New and amended IFRSs and Interpretations not yet adopted by or applicable within the EU
In addition, the following new or amended IFRSs and Interpretations of relevance to the Carlsberg Breweries Group have been issued and adopted by the EU but are not applicable for 2012:

- IFRS 10 "Consolidated Financial Statements". The standard changes the definition of control over an entity following which de facto control will result in full consolidation of the entity and potential voting rights could require full consolidation. The standard is effective for financial years beginning on or after 1 January 2013.
- IFRS 11 "Joint Arrangements". The standard supersedes IAS 31 "Interests in Joint Ventures" and eliminates the possibility of proportionate consolidation of joint ventures. The standard distinguishes between joint ventures (recognised according to the equity method) and joint arrangements (proportionate consolidation). The standard changes the Group's recognition and measurement of joint ventures. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but not applicable within the EU until 1 January 2014.

- IFRS 12 “Disclosure of Interests in Other Entities”. The standard defines disclosure requirements for consolidated entities, and for joint ventures and associates recognised according to the equity method. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but is not applicable within the EU until 1 January 2014.
- IFRS 13 “Fair Value Measurement”. The standard supersedes the definitions of fair value in the individual IFRSs and requires further disclosure of fair value estimates. The standard does not change recognition and measurement for the Group. The standard is effective for financial years beginning on or after 1 January 2013.
- Amendments to IAS 27 “Separate Financial Statements”. The standard contains requirements for the accounting treatment of and disclosures for investments in subsidiaries, joint ventures and associates in parent company financial statements. The standard does not change recognition and measurement for the Parent Company. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but not applicable within the EU until 1 January 2014.
- Amendments to IAS 28 “Investments in Associates and Joint Ventures”. The standard prescribes the accounting treatment of investments in joint ventures and associates according to the equity method. The standard does not change recognition and measurement for the Group. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but is not applicable within the EU until 1 January 2014.
- Amendments to IAS 19 “Employee Benefits”. The standard changes the valuation of assets and is not expected to have a material impact on the Group. The standard is effective for financial years beginning on or after 1 January 2013.
- Amendment to IAS 1 "Other Comprehensive Income" (issued 16 June 2011). The standard changes the presentation of other comprehensive income. The standard is effective for financial years beginning on or after 1 July 2012.
- Amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities". The standard is effective for financial years beginning on or after 1 January 2013.
- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities. The standard is effective for financial years beginning on or after 1 January 2014.
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”. The Interpretation is not relevant to the Group.
- Improvements to IFRSs issued in June 2011.

Implementation of IFRS 10, IFRS 11 and the amendment to IAS 28 will change the Group’s accounting policies from proportionate consolidation of joint ventures to accounting for these according to the equity method. The change in the consolidation method will be assessed for each individual shareholding taking the changed guidance on assessment of control into consideration. The changes are not expected to have any material effect on the Group’s profit.

Furthermore, the following new or amended IFRSs and Interpretations of relevance to the Carlsberg Breweries Group have been issued but not yet adopted by the EU but are not applicable for 2012:

- IFRS 9 “Financial Instruments”, most recently revised in November 2010. As further changes to the standard are being drafted and planned, the impact of the final standard on the consolidated financial statements cannot yet be estimated. The standard is effective for financial years beginning on or after 1 January 2015.
- Improvements to IFRSs 2009-2011 (issued 17 May 2012), effective for financial years beginning on or after 1 January 2013.
- Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) (issued 28 June 2012), effective for financial years beginning on or after 1 January 2013.
- Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) (issued 31 October 2012), effective for financial years beginning on or after 1 January 2014.

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2012. The Carlsberg Breweries Group expects to adopt the Standards and Interpretations when they become mandatory.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Carlsberg A/S, and subsidiaries in which Carlsberg A/S has control, i.e. the power to govern the financial and operating policies. Control is obtained when Carlsberg A/S directly or indirectly owns or controls more than 50% of the voting rights in the subsidiary or has control in some other way.

Entities over which the Group exercises a significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

When assessing whether Carlsberg A/S exercises control or significant influence, potential voting rights exercisable at the end of the reporting period are taken into account.

Entities which by agreement are managed jointly with one or more other parties (joint ventures) are consolidated proportionally, and the individual accounting entries are recognised in proportion to the ownership interest.

A Group chart is included in note 42.

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

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

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries is included in the Group's profit/loss and equity respectively, but is disclosed separately.

Business combinations. Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognised in the consolidated income statement until the date of disposal or winding-up. The comparative figures are not restated for entities acquired, disposed of or wound up. Discontinued operations are presented separately, cf. below.

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

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

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

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the fair value of that adjustment is included in the cost of the combination.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Carlsberg Breweries Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

If uncertainties regarding measurement of acquired identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly.

Changes in estimates of contingent purchase considerations, except in cases of material error, are recognised in the income statement under special items. Changes in estimates of contingent purchase considerations in business combinations completed before 31 December 2009 are recognised as an adjustment to goodwill.

Step acquisitions. In a business combination achieved in stages (step acquisition), the shareholding held immediately before the step acquisition is remeasured at fair value at the acquisition date. The resulting gain or loss is recognised in the income statement under special items. The total fair value of the shareholding held immediately after the step acquisition is estimated and recognised as the cost of the total shareholding in the entity.

Non-controlling interests in a business combination. In each business combination, management decides whether or not to recognise goodwill related to non-controlling interests. If such goodwill is recognised, it is estimated based on the fair value of the non-controlling interests less the non-controlling interests' share of the fair value of acquired assets, liabilities and contingent liabilities.

Business combinations prior to 1 January 2004. For business combinations made prior to 1 January 2004, the accounting classification is maintained according to the former accounting policies, except that trademarks are now presented in a separate line in the statement of financial position. Accordingly, goodwill is recognised on the basis of the cost recognised in accordance with the former policies (the Danish Financial Statements Act and Danish Accounting Standards) less amortisation and impairment losses up until 31 December 2003. Goodwill is not amortised after 1 January 2004. The accounting treatment of business combinations prior to 1 January 2004 was not changed in connection with the opening balance at 1 January 2004.

Disposal. Gains or losses on the disposal or winding-up of subsidiaries, joint ventures and associates are stated as the difference between the sales amount and the carrying amount of net assets, including goodwill at the date of disposal or winding-up, foreign exchange adjustments recognised in other comprehensive income and costs to sell or winding-up expenses. Gains or losses on disposal or winding-up of subsidiaries are recognised in the income statement under special items, whereas gains or losses on disposal or winding-up of associates are recognised as financial income or financial expenses.

On disposal of entities acquired prior to 1 January 2002 where goodwill was written off in equity in accordance with the former accounting policies and where, in accordance with the exemption in IFRS 1, goodwill is not recognised in the statement of financial position, the goodwill written off is recognised at a carrying amount of DKK 0 in determining any gains and losses on the disposal of the entity.

Partial disposal of investments with loss of control. When the Group loses control of a subsidiary through a partial disposal of its shareholding or voting rights, the retained shareholding in the entity is classified as an associate or a security depending on the level of control after the disposal. The shareholding in the associate or security held immediately after the partial disposal is remeasured at fair value at the date of disposal. The fair value is measured as the cost of the shareholding in the associate or security. The resulting gain or loss is recognised in the income statement under special items.

Acquisition and disposal of non-controlling interests. On acquisition of non-controlling interests (i.e. subsequent to the Carlsberg Breweries Group obtaining control), acquired net assets are not remeasured at fair value.

On acquisition of non-controlling interests, the difference between the cost and the non-controlling interests' share of total carrying amount including goodwill is transferred from the non-controlling interests' share of equity to equity attributable to shareholders in Carlsberg A/S. The amount deducted cannot exceed the non-controlling interests' share of equity immediately before the transaction.

On disposal of shareholdings to non-controlling interests, the difference between the sales price and the share of total carrying amount including goodwill acquired by the non-controlling interests is transferred from equity attributable to shareholders in Carlsberg A/S to the non-controlling interests' share of equity.

Fair value adjustment of put options written on non-controlling interests on or after 1 January 2010 is recognised directly in the statement of changes in equity. Fair value adjustment of put options written before 31 December 2009 is recognised in goodwill.

Foreign currency translation. For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of Carlsberg A/S (DKK), the income statement and statement of cash flows are translated at the exchange rates at the transaction date and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the Parent Company or the foreign entity.

Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments which is designated as hedges of investments in foreign entities with a functional currency other than that of Carlsberg A/S and which effectively hedge against corresponding foreign exchange gains and losses on the investment in the entity are also recognised in other comprehensive income and attributed to a separate translation reserve in equity.

On recognition in the consolidated financial statements of associates with a functional currency other than the presentation currency of Carlsberg A/S, the share of profit/loss and other comprehensive income for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the end of the reporting period. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the end of the reporting period, and on translation of the share of profit/loss and other comprehensive income for the year from average exchange rates to the exchange rates at the end of the reporting period, are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

On complete or partial disposal of a foreign entity or on repayment of balances which constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognised in other comprehensive income relating to that foreign entity is recognised in the income statement when the gain or loss on disposal is recognised.
Prior to translation of the financial statements of foreign entities in countries with hyperinflation, the financial statements are inflation-adjusted for changes in purchasing power in the local currency. Inflation adjustment is based on relevant price indexes at the end of the reporting period.

Hyperinflation. The financial statements of foreign entities whose functional currency is the currency of a hyperinflationary market are stated in terms of the measuring unit current at the end of the reporting period using a general price index. Non-monetary assets are restated to the current purchasing power at the reporting date from the value on the date when they were first recognised in the financial statements (or the value on 1 January 2004 when the Group adopted IFRS). The gain/loss is recognised in other comprehensive income. Gain/loss on the net monetary position is recognised as financial income or expenses in the income statement. Income statement items are restated from the value on the transaction date to the value on the reporting date except for items related to non-monetary assets, such as depreciation and amortisation and consumption of inventories etc. Deferred tax is adjusted accordingly. The comparative figures for the Group are not restated in terms of the measuring unit current at the end of the reporting period.

Derivative financial instruments. Derivative financial instruments are initially recognised in the statement of financial position at fair value on the trade date and subsequently measured at fair value. Attributable transaction costs are recognised in the income statement.

The fair values of derivative financial instruments are included in other receivables and other payables, and positive and negative values are offset only when the Group has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement, together with changes in the value of the hedged asset or liability with respect to the hedged portion. Except for foreign currency hedges, hedging of future cash flows according to a firm agreement is treated as a fair value hedge of a recognised asset or liability.

Changes in the portion of the fair value of derivative financial instruments which are designated and qualify as a cash flow hedge and which effectively hedge changes in the value of the hedged item are recognised in other comprehensive income and attributed to a separate reserve in equity. When the hedged transaction results in gains or losses, amounts previously recognised in other comprehensive income are transferred to the same item as the hedged item when the hedged risk impacts the income statement. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the non-financial asset is recognised.

Derivatives designated as and qualifying for recognition as a cash flow hedge of financial investments are recognised in other comprehensive income. On complete or partial disposal of the financial investment, the portion of the hedging instrument that is recognised in other comprehensive income and relates to that financial investment is recognised in the income statement when the gain or loss on disposal is recognised.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries, joint ventures or associates and which effectively hedge currency fluctuations in these entities are recognised in the consolidated financial statements in other comprehensive income and attributed to a separate translation reserve in equity.

Embedded derivatives are recognised separately from the host contract and measured at fair value if their economic characteristics and risks are not closely related to those of the host contract, as a separate instrument with the same terms would meet the definition of a derivative, and the entire combined instrument is not measured at fair value through profit and loss. Separated embedded derivatives are subsequently measured at fair value.

Income statement

Revenue. Revenue from the sale of finished goods and goods for resale is recognised in the income statement provided that transfer of all significant risks and rewards to the buyer has taken place and that the income can be reliably measured and is expected to be received.

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

Revenue is measured excl. VAT and duties, including excise duties on beer and soft drinks, and discounts.

Cost of sales. Cost of sales comprises costs incurred in generating the revenue for the year and development costs. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant and returnable packaging.

Sales and distribution expenses. Costs incurred in distributing goods sold during the year and in conducting sales campaigns etc. during the year are recognised as sales and distribution expenses. Also included are costs relating to sales staff, sponsorships, advertising and in-store display expenses, as well as depreciation and impairment of sales equipment.

Administrative expenses. Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and write-downs for bad debt losses.

Other operating income and expenses. Other operating income and expenses comprise items secondary to the principal activities of the entities, including income and expenses relating to rental properties, hotels, and gains and losses on the disposal of intangible assets and property, plant and equipment. Gains and losses on the disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the disposal date. Also included in this item are the effective interest rate on on-trade loans calculated on the basis of amortised cost, expenses relating to the research activities in France.

Government grants. Government grants relate to grants and funding for R&D activities, investment grants etc.

Grants for R&D activities which are recognised directly in the income statement are recognised as other operating income.

Grants for the acquisition of assets and development projects are recognised in the statement of financial position as deferred income and transferred to other operating income in the income statement as the assets for which the grants were awarded are amortised.

Operating profit before special items. Operating profit before special items is an important financial ratio for year-over-year comparison and for comparison of companies in the brewing industry.

Special items. Special items include significant income and costs of a special nature in terms of the Group's revenue-generating operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments, as well as any gains or losses arising from disposals in this connection which have a material effect over a given period. This item also includes significant non-recurring items, including impairment of goodwill (including goodwill in joint ventures and associates) and trademarks, and gains and losses on the disposal of activities, revaluation of the shareholding in an entity held immediately before a step acquisition of that entity and transaction costs in a business combination.

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

Profits/losses from investments in associates. The proportionate share of the results of associates after tax is recognised in the consolidated income statement after elimination of the proportionate share of unrealised intra-Group profits/losses.

Financial income and expenses. Financial income and expenses comprise interest income and expenses, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets (other than loans to customers in the on-trade, which are included in other operating income) and liabilities, including defined benefit retirement benefit plans, surcharges and refunds under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements and the ineffective portion of those designated as hedging arrangements are also included.

Borrowing costs on specific or general borrowings which are directly attributable to the development or construction of a qualifying asset are included in the cost of that asset.

Tax on profit/loss for the year. Tax for the year comprises current tax and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to other comprehensive income is recognised in other comprehensive income. Carlsberg A/S is subject to the Danish rules on mandatory joint taxation of the Carlsberg Breweries Group's Danish companies. Danish subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Carlsberg A/S is the administrative company under the joint taxation scheme and accordingly pays all income taxes to the tax authorities.

The jointly taxed Danish companies are taxed under the on-account tax scheme.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the Danish jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit (full absorption).

If the Carlsberg Breweries Group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment programmes, the tax effect of the programmes is recognised in tax on the profit/loss for the year. However, if the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognised in other comprehensive income.

Statement of financial position

Intangible assets

Goodwill. Goodwill is initially recognised in the statement of financial position at cost as described under Business combinations. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

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

Other intangible assets. Trademarks and customer agreements/portfolios acquired in connection with business combinations are recognised at cost and amortised over their expected useful life. Trademarks with an indefinite useful life are not amortised but impairment-tested at least annually.

Research costs are recognised in the income statement as they are incurred. Development costs are recognised as intangible assets if the costs are expected to generate future economic benefits.

Costs for development and implementation of substantial IT systems are capitalised and amortised over their estimated useful life. Cost comprises the purchase price and any costs directly attributable to the acquisition and installation until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of software, licences, components, subcontractors, wages and salaries, and capitalised borrowing costs on specific or general borrowing attributable to the construction of the asset.

CO^2 emission rights are measured at cost at the date of allocation (i.e. normally DKK 0), while acquired rights are measured at cost. Acquired rights are amortised over the production period during which they are expected to be utilised. A liability is recognised (at fair value) only if actual emissions of CO^2 exceed allocated levels based on the holding of rights.

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

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

Trademarks with finite useful life
Useful life, normally maximum 20 years
Software etc.
Normally 3-5 years. Group-wide systems developed as an integrated part of a major business development programme: 5-7 years
Delivery rights
Depending on contract; if no contract term has been agreed, normally not exceeding 5 years
Customer agreements/relationships
Depending on contract with the customer. When no contract exists, normally not exceeding 20 years

The useful life is reassessed annually. When changing the amortisation period due to a change in the useful life, the effect on the amortisation is recognised prospectively as a change in accounting estimates.

Amortisation is recognised in the income statement under cost of sales, sales and distribution costs, and administrative expenses to the extent that amortisation is not included in the cost of self-constructed assets.

Impairment losses of a non-recurring nature are recognised in the income statement under special items.

Tangible assets

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowing attributable to the construction of the asset. The present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost of self-constructed assets if the liabilities are provided for. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items and are depreciated separately.

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

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised in the statement of financial position and recognised as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

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

Buildings 20-40 years
Technical installations 15 years
Brewery equipment 15 years
Filling and bottling equipment 8-15 years
Technical installations in warehouses 8 years
On-trade and distribution equipment 5 years
Fixtures and fittings, other plant and equipment 5-8 years
Returnable packaging 3-10 years
Hardware 3-5 years

Land is not depreciated.

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

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

Depreciation and minor impairment losses are recognised in the income statement under cost of sales, sales and distribution costs, and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

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

Investments in associates. Investments in associates are recognised according to the equity method and measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies, minus or plus the proportionate share of unrealised intra-Group profits and Losses, and plus the carrying amount of goodwill.

Investments in associates with negative net asset values are measured at DKK 0. If the Group has a legal or constructive obligation to cover a deficit in the associate, the deficit is recognised under provisions.

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

On acquisition of investments in associates, the acquisition method is used, cf. the description under Business combinations.

Inventories. Inventories are measured at the lower of weighted average cost and net realisable value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price and delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries, and maintenance and depreciation of production machinery, buildings and equipment, and production administration and management.

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

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

Objective indication of impairment is assessed for a portfolio of receivables when no objective indication of individual impairment losses exists. The portfolios are based on on-trade and off-trade customers, and on-trade receivables and on-trade loans. The objective indications used for portfolios are based on historical experiences and actual market developments.

Impairment losses are calculated as the difference between carrying amount and net realisable value, including the expected net realisable value of any collateral provided.

Regarding loans to the on-trade, any difference between present value and the nominal amount at the loan date is treated as a prepaid discount to the customer, which is recognised in the income statement in accordance with the terms of the agreement. The market interest rate is used as the discount rate, corresponding to the money market rate based on the maturity of the loan with the addition of a risk premium. The effective interest rate on these loans is recognised in other operating income. The amortisation of the difference between the discount rate and the effective interest rate is included as a discount in revenue.

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

Securities. Shares not classified as investments in subsidiaries or associates and bonds are classified as securities available-for-sale. Such securities are recognised at the trade date. Upon initial recognition, securities are measured at fair value plus any directly attributable transaction costs and are subsequently measured at fair value corresponding to the market price of quoted securities and, for unquoted securities, an estimated fair value computed on the basis of market data and generally accepted valuation methods. Unrealised value adjustments are recognised in other comprehensive income except for impairment losses and foreign exchange adjustments of bonds denominated in foreign currencies, which are recognised in the income statement as financial income or financial expenses. On realisation, the accumulated value adjustment recognised in other comprehensive income is transferred to the income statement.

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

Impairment of assets. Goodwill and trademarks with indefinite useful life are subject to an annual impairment test, initially before the end of the acquisition year.

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

The carrying amount of trademarks with indefinite useful life is subject to an impairment test and written down to the recoverable amount through the income statement if the carrying amount is higher. The recoverable amount is generally calculated as the present value of expected future net cash flows from the trademark in the form of royalties (the relief from royalty method). Impairment of trademarks is recognised under special items in the income statement.

The carrying amount of other non-current assets is subject to an annual test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The impairment test is performed for the individual asset or in combination with related assets which form an integrated cash-generating unit. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Minor impairment losses are recognised in the income statement under cost of sales, sales and distribution costs, administrative expenses and other operating costs. Significant impairment losses and impairment losses arising on extensive structuring of processes and fundamental structural adjustments are recognised under special items.

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

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

Equity

Translation reserve. The translation reserve in the consolidated financial statements comprises foreign exchange adjustments arising on translation of financial statements of foreign entities from their functional currencies into the presentation currency used by Carlsberg A/S (DKK), balances considered to be part of the total net investment in foreign entities, and financial instruments used to hedge net investments in foreign entities.

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement in the same item as the gain/loss.

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

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

Proposed dividends. Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The dividend recommended by the Supervisory Board and therefore expected to be paid for the year is disclosed in connection with the statement of changes in equity.

Interim dividends are recognised as a financial liability at the date when the decision to pay interim dividends is made.

Treasury shares. Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly as retained earnings in equity. Capital reductions from the cancellation of treasury shares are deducted from the share capital at an amount corresponding to the nominal value of the shares.

Proceeds from the sale of treasury shares in connection with the exercise of share options are recognised directly in equity.

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

The share option programme for the Executive Board and other management personnel in the Group is an equity-settled scheme. The share options are measured at fair value at the grant date and recognised in the income statement under staff costs over the vesting period.

Other key employees in the Group who participate in the long-term incentive programme choose between settlement in share options and a cash bonus. The share options are measured at fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The value of the long-term incentive programme is calculated as a percentage of the employee's yearly salary. If the employee chooses to receive share options under the long-term incentive programme, the number of share options is determined based on the employee's salary and the fair value of a share option.

On initial recognition of the share options, an estimate is made of the number of options expected to vest, cf. the service condition for each programme. That estimate is subsequently revised for changes in the number of options expected to vest. Accordingly, recognition is based on the number of options that ultimately vested.

The fair value of granted share options is estimated using the Black-Scholes call option pricing model, taking into account the terms and conditions upon which the options were granted.

Employee benefits. Wages and salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits are recognised in the financial year in which the employee renders the related service. This includes the payment to other management personnel in the Group who participate in the long-term incentive programme and choose cash settlement. The cost is provided for over the vesting period of the programme and according to the service conditions and included in staff costs and provisions.

Retirement benefit obligations and similar obligations. The Group has entered into retirement benefit schemes and similar arrangements with the majority of the Group's employees.

Contributions to defined contribution plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the statement of financial position as other payables.

For all defined benefit plans an annual actuarial calculation is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the statement of financial position under retirement benefit obligations.

Pension costs for the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in pension plan assets and liabilities and realised amounts determined at year-end constitutes actuarial gains or losses and is recognised in other comprehensive income.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately, provided employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the changed benefits are earned by the employees. If a retirement benefit plan constitutes a net asset, the asset is only recognised if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

Interest on retirement benefit obligations and the expected return on plan assets are recognised under financial income or financial expenses.

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

Realised gains and losses on the curtailment or settlement of retirement benefit plans are recognised in the income statement.

Corporation tax and deferred tax. Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax on all temporary differences between the carrying amount and the tax base of assets and liabilities is measured using the balance sheet liability method. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on management's planned use of the asset or settlement of the liability.

If specific dividend plans exist for subsidiaries, joint ventures and associates in countries levying withholding tax on distributions, deferred tax is recognised on expected dividend payments.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other non-current assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-Group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement. Changes to deferred tax recognised in other comprehensive income are, however, recognised in other comprehensive income.

Provisions. Provisions, including warranty provisions, are recognised when, as a result of events arising before or at the end of the reporting period, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Other provisions are discounted if the effect is material to the measurement of the liability. The Carlsberg Breweries Group's average borrowing rate is used as the discount rate.

Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan has been announced to the persons affected no later than at the end of the reporting period. On acquisition of entities, restructuring provisions in the acquiree are only included in the opening balance when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the benefits expected to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs.

Financial liabilities. Amounts owed to credit institutions, bonds etc. are recognised at the date of borrowing at fair value less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the fair value less transaction costs and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, which is measured at amortised cost.

Other liabilities are measured at amortised cost.

Deposits on returnable packaging. The refund obligation in respect of deposits on returnable packaging is stated on the basis of deposit price as well as an estimate of the number of bottles, kegs, cans and crates in circulation, and expected return rate.

Leases. For accounting purposes, lease obligations are divided into finance and operating leases.

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease obligations is described under Property, plant and equipment and Financial liabilities respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Deferred income. Deferred income comprises payments received concerning income in subsequent years and is measured at cost.

Assets held for sale. Assets held for sale comprise non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction and those liabilities directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale if management has decided to sell the asset or disposal group and taken the necessary steps to carry out the sale such that the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount or fair value less costs to sell. Assets are not depreciated or amortised from the date when they are reclassified as held for sale.

Impairment losses on initial recognition as held for sale and gains and losses on subsequent remeasurement at the lower of carrying amount and fair value less costs to sell are recognised in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and liabilities are recognised separately in the statement of financial position and main items are specified in the notes. Comparative figures are not restated.

If a sale is not completed as expected, the asset or disposal group is reclassified to the items in the statement of financial position from which the asset or disposal group was originally separated. This reclassification is made at the carrying amount less any depreciation charges that would have been recognised if the asset had not been classified as held for sale.

Presentation of discontinued operations. Discontinued operations comprise activities and cash flows that can be clearly distinguished from the other business areas and have either been disposed of or are held for sale. The sale is expected to be carried out within 12 months in accordance with a formal plan.

Discontinued operations also include entities which are classified as held for sale in connection with an acquisition.

Discontinued operations are presented in a separate line in the income statement and as assets and liabilities held for sale in the statement of financial position, and main items are specified in the notes. Comparative figures are restated.

Statement of cash flows

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

Cash flow from operating activities. Cash flows from operating activities are calculated using the indirect method as the operating profit before special items adjusted for non-cash operating items, changes in working capital, restructuring costs paid, interest received and paid, and income tax paid.

Cash flow from investing activities. Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, and of intangible assets, property, plant and equipment and other non-current assets, as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

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

Acquisitions of assets by means of finance leases are treated as non-cash transactions.

Cash flow from financing activities. Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the acquisition and disposal of non-controlling interests, raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares, and payment of dividends to shareholders.

Cash flows from assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents. Cash and cash equivalents comprise cash, less bank overdrafts, and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated using average exchange rates, unless these deviate significantly from the exchange rates at the transaction date.

Segment information

For segment reporting purposes, the Chief Operating Decision Maker is the Executive Committee. The Executive Committee manages and makes business decisions based on geographical regional information. Segments are managed and decisions are made based on business performance measured as operating profit before special items. Decisions on financing and tax planning are made based on information for the Group as a whole and therefore not segmented. The non-beverage activities are managed separately and therefore also shown separately. The segmentation reflects the structure used for internal reporting and monitoring of the strategic and financial targets of the Carlsberg Breweries Group.

In accordance with the Group's management structure, beverage activities are segmented according to the geographical regions where production takes place. The segment information is based on the Group's accounting policies.

A segment's operating profit/loss includes revenue, operating costs and share of profit/loss in associates to the extent that they can be allocated directly to the individual segment. Income and expenses related to Group functions have not been allocated and, as is the case with eliminations and non-beverage activities, are not included in the operating profit/loss of the segments.

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

Financial ratios

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

Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2010", unless specifically stated.

The key figures and financial ratios stated in Annual Report have been calculated as follows:

Cash flow per share (CFPS) Cash flow from operating activities divided by the number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[1].

Debt/operating profit before depreciation, amortisation and impairment. Net interest-bearing debt[2] divided by operating profit before special items adjusted for depreciation, amortisation and impairment.

Earnings per share (EPS) Consolidated profit for the year, excluding non-controlling interests, divided by the average number of shares outstanding.

Earnings per share, adjusted (EPS-A) Consolidated profit for the year adjusted for special items net of tax, excluding non-controlling interests, divided by the average number of shares outstanding.

Earnings per share, diluted (EPS-D) Consolidated profit for the year, excluding non-controlling interests, divided by the average number of shares outstanding, fully diluted for share options in the money and the bonus element in a rights issue in accordance with IAS 33[1].

Equity ratio Equity attributable to shareholders in Carlsberg A/S at year-end as a percentage of total assets at year-end.

Financial gearing Net interest-bearing debt[2] at year-end divided by total equity at year-end.

Free cash flow per share (FCFPS) Free cash flow[3] divided by average number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[1].

Interest cover Operating profit before special items divided by interest expenses, net.

Number of shares, average The number of issued shares, excluding treasury shares, as an average for the year (= average number of shares outstanding).

Number of shares, year-end Total number of issued shares, excluding treasury shares, at year-end (= number of shares outstanding at year-end).

Operating margin Operating profit before special items as a percentage of revenue.

Operating profit Expression used for operating profit before special items in the Management review.

Organic development Measure of growth excluding the impact of acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this provides investors with a better understanding of underlying trends.

Pay-out ratio Dividend for the year as a percentage of consolidated profit, excluding non-controlling interests.

Pro rata volumes The Group's total sale of beverages, including the pro rata share of sales through proportionally consolidated entities and associates.

Return on average invested capital, including goodwill (ROIC) Operating profit before special items as a percentage of average invested capital[4].

Volumes The Group's total sale of beverages, including the total sales through proportionally consolidated entities and associates.

1 The dilutive effect is calculated as the difference between the number of shares that could be acquired at fair value for the proceeds from the exercise of the share options and the number of shares that could be issued assuming that the options are exercised.
2 The calculation of net interest-bearing debt is specified in note 33.
3 The calculation of free cash flow is specified in the statement of cash flows.
4 The calculation of invested capital is specified in note 32.

Carlsberg Breweries Group

42 Group companies

Carlsberg Breweries A/S

				Ownership share 1	Nominal share capital ('000)	Currency	Exchange rate
Western Europe							
Carlsberg Danmark A/S, Copenhagen, Denmark	1 subsidiary		○	100%	100,000	DKK	100.00
Carlsberg Sverige AB, Stockholm, Sweden	1 subsidiary		○	100%	70,000	SEK	87.14
Ringnes AS, Oslo, Norway	2 subsidiaries		○	100%	231,274	NOK	101.67
Oy Sinebrychoff Ab, Helsinki, Finland			○	100%	96,707	EUR	746.04
Carlsberg Deutschland GmbH, Hamburg, Germany	3 subsidiaries		○	100%	26,900	EUR	746.04
Nordic Getränke GmbH, Hamburg, Germany	15 subsidiaries		■	50%	5,000	EUR	746.04
Holsten-Brauerei Aktiengesellschaft, Hamburg, Germany	4 subsidiaries		○	100%	41,250	EUR	746.04
Carlsberg Polska S. A., Warszaw, Poland	1 subsidiary		○	100%	28,721	PLN	182.81
Saku Õlletehase AS, Tallinn, Estonia			○	100%	5,113	EUR	746.04
JSC Aldaris, Riga, Latvia			○	98%	7,500	LVL	1,069.13
UAB Svyturys-Utenos Alus, Utena, Lithuania			○	99%	118,000	LTL	216.07
Carlsberg UK Holdings Limited, Northampton, United Kingdom	1 subsidiary		○	100%	90,004	GBP	913.20
Carlsberg UK Limited, Northampton, United Kingdom	6 subsidiaries		○	100%	2,100	GBP	913.20
Emeraude S.A.S., Strasbourg, France	6 subsidiaries	3	○	100%	206,022	EUR	746.04
Brasseries Kronenbourg S.A.S., Strasbourg, France	6 subsidiaries		○	100%	507,891	EUR	746.04
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	4 subsidiaries		○	100%	95,000	CHF	617.58
Carlsberg Italia S.p.A., Lainate, Italy	3 subsidiaries		○	100%	8,600	EUR	746.04
Unicer - Bebidas de Portugal, S.G.P.S., S.A., Leca do Balio, Portugal	5 subsidiaries	3	♦	44%	50,000	EUR	746.04
Mythos Brewery SA, Thessaloniki, Greece			○	100%	39,405	EUR	746.04
Carlsberg Serbia d.o.o, Celarevo, Serbia	2 subsidiaries		○	100%	2,998,273	RSD	6.56
Carlsberg Croatia d.o.o., Koprivnica, Croatia			○	100%	239,932	HRK	98.87
Carlsberg Bulgaria AD, Mladost, Bulgaria			○	100%	37,325	BGN	381.45
B to B Distribution EOOD, Mladost, Bulgaria			○	100%	10	BGN	381.45
Carlsberg Hungary Kft., Budaörs, Hungary			○	100%	25,600	HUF	2.57
CTDD Beer Imports Ltd., Montreal, Canada			○	100%	532	CAD	568.54
Carlsberg Canada Inc., Mississauga, Canada			○	100%	11,000	CAD	568.54
Investeringsaksjeselskapet RH AS, Oslo, Norway	7 subsidiaries		○	100%	50,000	NOK	101.67
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary		○	100%	287,457	SEK	87.14
Baltic Beverages Holding OÜ, Tallinn, Estonia			○	100%	3	EUR	746.04
Nuuk Imeq A/S, Nuuk, Greenland			■	32%	38,000	DKK	100.00
International Breweries (Netherlands) B.V., Amsterdam, Netherlands	2 subsidiaries		■	23%	56	EUR	565.91
Eastern Europe							
Baltika Breweries, Saint Petersburg, Russia	4 subsidiaries		○	100%	156,087	RUB	18.55
Baltika Baku LLC, Baku, Azerbaijan			○	100%	26,849	AZN	721.07
PJSC Carlsberg Ukraine, Zaporizhzhya, Ukraine	2 subsidiaries		○	95%	1,022,433	UAH	70.80
OJSC Olivaria Brewery, Minsk, Belarus	1 subsidiary		○	68%	61,444,801	BYR	0.07
Carlsberg Kazakhstan, Almaty, Kazakhstan	1 subsidiary		○	100%	5,362,774	KZT	3.74
UzCarlsberg LLC., Tashkent, Uzbekistan		3	○	100%	82,282,014	UZS	0.28
Baltic Beverages Invest AB, Stockholm, Sweden			○	100%	11	EUR	746.04
Baltic Beverages Holding AB, Stockholm, Sweden			○	100%	12,000	EUR	746.04

42 Group companies

Carlsberg Breweries A/S

				Ownership share 1	Nominal share capital ('000)	Currency	Exchange rate
Asia							
Carlsberg Brewery Hong Kong Limited, Hong Kong, China	2 subsidiaries		○	100%	260,000	HKD	73.00
Carlsberg Brewery (Guangdong) Limited, Huizhou, China			○	99%	442,330	CNY	90.79
Kunming Huashi Brewery Company Limited, Kunming, China			○	100%	79,528	CNY	90.79
Xinjiang Wusu Beer Co., Ltd., Urumqi, China	10 subsidiaries		○	65%	105,480	CNY	90.79
Ningxia Xixia Jianiang Brewery Company Limited, Xixia, China			○	70%	194,351	CNY	90.79
Dali Beer Company Limited, Dali, China			○	100%	97,799	CNY	90.79
Chongqing Brewery Co., Ltd, Chongqing, China	8 subsidiaries	2,3	■	30%	483,971	CNY	90.79
Chongqing Jianiang Brewery Ltd., Chongqing, China			○	49%	435,000	CNY	90.79
Tibet Lhasa Brewery Company Limited, Lhasa, China			■	33%	380,000	CNY	90.79
Lanzhou Huanghe Jianiang Brewery Company Limited, Lanzhou, China			■	30%	210,000	CNY	90.79
Qinghai Huanghe Jianiang Brewery Company Ltd., Xining, China			■	33%	85,000	CNY	90.79
Jiuquan West Brewery Company Limited, Jiuquan, China			■	30%	36,000	CNY	90.79
Tianshiui Huanghe Jianiang Brewery Company Limited, Tianshui, China			■	30%	58,220	CNY	90.79
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia		2	○	51%	300,000	MYR	184.86
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia			○	100%	10,000	MYR	184.86
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia			○	100%	100	MYR	184.86
Luen Heng F&B Sdn BHD, Selangor Darul Ehsan, Malaysia			○	70%	5,000	MYR	184.86
Carlsberg Singapore Pte Ltd, Singapore			○	100%	1,000	SGD	462.69
Lion Brewery (Ceylon) PLC, Biyagama, Sri Lanka		2	■	25%	850,000	LKR	4.43
Carlsberg Distributors Taiwan Limited, Taipei, Taiwan	1 subsidiary		■	50%	100,000	TWD	19.46
Cambrew Pte Ltd., Singapore		3	♦	50%	21,720	SGD	462.69
Cambrew Ltd, Phnom Penh, Cambodia	1 subsidiary	3	♦	50%	125,000	USD	565.91
Carlsberg Indochina Limited, Hanoi, Vietnam			○	100%	80,000,000	VND	0.03
South-East Asia Brewery Ltd., Hanoi, Vietnam			○	60%	212,705,000	VND	0.03
International Beverage Distributors Ltd., Hanoi, Vietnam			○	60%	15,622,000	VND	0.03
Hue Brewery Ltd., Hue, Vietnam			○	100%	216,788,000	VND	0.03
Hanoi-Vungtau Beer Joint Stock Company, Vung Tàu, Vietnam			■	62%	540,000,000	VND	0.03
Ha Long Beer and Beverage Joint stock Company, Ha Long, Vietnam			■	31%	30,200,000	VND	0.03
Hanoi Beer Alcohol and Beverage Joint-Stock Corporation, Hanoi, Vietnam		3	■	17%	2,318,000,000	VND	0.03
Lao Brewery Co. Ltd., Vientiane, Laos			○	51%	22,808,641	LAK	0.07
CB Distribution Co., Ltd., Bangkok, Thailand			○	100%	200,000	THB	18.49
Carlsberg India Private Limited, New Delhi, India			♦	100%	764,334	INR	10.28
Parag Breweries Limited, Kolkata, India			♦	100%	122,962	INR	10.28
The Bottling and Brewing Group Limited, Blantyre, Malawi	3 subsidiaries	3	○	59%	1,267,128	MWK	1.75
Brewery Invest Pte Ltd, Singapore			○	100%	3,200	SGD	462.69
Caretech Ltd, Hong Kong, China		3	♦	50%	10,000	HKD	73.00
South Asian Breweries Pte. Ltd., Singapore			♦	60%	200,000	SGD	462.69
Carlsberg Asia Pte Ltd, Singapore			○	100%	54,914	SGD	462.69
Not allocated							
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	182.81
Carlsberg Finans A/S, Copenhagen, Denmark			○	100%	25,000	DKK	100.00
Carlsberg International A/S, Copenhagen, Denmark			○	100%	1,100	DKK	100.00
Carlsberg Invest A/S, Copenhagen, Denmark	1 subsidiary		○	100%	33,000	DKK	100.00
Carlsberg IT A/S, Copenhagen, Denmark			○	100%	50,000	DKK	100.00
Carlsberg Insurance A/S, Copenhagen, Denmark			○	100%	25,000	DKK	100.00
Carlsberg Accounting Centre Sp. z.o.o., Poznan, Poland			○	100%	50	PLN	182.81

○ Subsidiaries
♦ Proportionally consolidated entities
■ Associate
1 For some entities the consolidation percentage is higher than the ownership share due to written put options
2 Listed company
3 Company not audited by KPMG

Carlsberg Breweries A/S - Parent Company

Financial statements 2012

Notes

Carlsberg Breweries A/S - Parent Company

Income statement

	Note	2012 DKK million	2011 DKK million
Net revenue		**2,266**	**2,045**
Cost of sales	2	-1,081	-846
Gross profit		**1,185**	**1,199**
Sales and distribution expenses	3	-724	-693
Administrative expenses	4	-645	-549
Other operating income	5	301	262
Other operating expenses	5	-67	-50
Operating profit before special items		**50**	**169**
Special items, net	6	463	216
Financial income	7	2,756	2,445
Financial expenses	7	-2,369	-2,212
Profit before tax		**900**	**618**
Corporation tax	8	210	-229
Profit for the year		**1,110**	**389**
Attributable to:			
Dividends to shareholders in Carlsberg Breweries A/S		915	-
Reserves		195	389
Profit for the year		**1,110**	**389**

Statement of comprehensive Income

	Note	2012 DKK million	2011 DKK million
Profit for the year		**1,110**	**389**
Other comprehensive income:			
Value adjustments of hedging instruments	27	307	127
Corporation tax	8	113	78
Other comprehensive income		**420**	**205**
Total comprehensive income		**1,530**	**594**

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

Carlsberg Breweries A/S - Parent Company

Statement of financial position

Assets	Note	31 Dec. 2012 DKK million	31 Dec. 2011 DKK million
Non-current assets:			
Intangible assets	11, 12	1,113	1,119
Property, plant and equipment	12, 13	16	14
Investments in subsidiaries	14	66,682	67,538
Investments in associates and joint ventures	15	2,812	2,748
Securities	16	11	11
Receivables	17	226	4,284
Deferred tax assets	18	317	278
Total non-current assets		**71,177**	**75,992**
Current assets:			
Inventory		2	-
Trade receivables	17	1,366	1,058
Other receivables	17	29,528	21,997
Prepayments		34	31
Cash and cash equivalents	19	16	15
Total current assets		**30,946**	**23,101**
Total assets		**102,123**	**99,093**

Carlsberg Breweries A/S - Parent Company

Statement of financial position

Equity and liabilities	Note	31 Dec. 2012 DKK million	31 Dec. 2011 DKK million
Equity:			
Share capital	20	501	501
Hedging reserves		-614	-1,034
Retained earnings		46,522	45,424
Total equity		**46,409**	**44,891**
Non-current liabilities:			
Borrowings	21	34,877	32,064
Provisions	22	67	97
Other liabilities	23	3	-
Total non-current liabilities		**34,947**	**32,161**
Current liabilities:			
Borrowings	21	18,123	19,049
Trade payables		535	553
Deposits on returnable packaging		22	28
Other liabilities, etc.	23	2,087	2,411
Total current liabilities		**20,767**	**22,041**
Total liabilities		**55,714**	**54,202**
Total equity and liabilities		**102,123**	**99,093**

Carlsberg Breweries A/S - Parent Company

Statement of changes in equity

2012
DKK million

	Shareholders in Carlsberg Breweries A/S			
	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January 2012	501	-1,034	45,424	44,891
Profit for the year	-	-	1,110	1,110
Other comprehensive income:				
Value adjustments of hedging instruments	-	307	-	307
Corporation tax	-	27	86	113
Other comprehensive income	**-**	**334**	**86**	**420**
Total comprehensive income for the year, cf. separate statement	**-**	**420**	**1,110**	**1,530**
Share-based payment	-	-	17	17
Share-based payment - exercise	-	-	-29	-29
Total changes in equity	**-**	**420**	**1,098**	**1,518**
Equity at 31 December 2012	**501**	**-614**	**46,522**	**46,409**

2011
DKK million

	Shareholders in Carlsberg Breweries A/S			
	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January 2011	501	-1,239	44,999	44,261
Profit for the year	-	-	389	389
Other comprehensive income:				
Value adjustments of hedging instruments	-	127	-	127
Corporation tax	-	-32	110	78
Other comprehensive income	**-**	**95**	**110**	**205**
Total comprehensive income for the year, cf. separate statement	**-**	**205**	**389**	**594**
Share-based payment	-	-	3	3
Share-based payment - exercise	-	-	33	33
Total changes in equity	**-**	**205**	**425**	**630**
Equity at 31 December 2011	**501**	**-1,034**	**45,424**	**44,891**

The proposed dividend of DKK 1,827 per share, in total DKK 915m (2011: DKK 0.00 per share, in total DKK 0m), is included in retained earnings at 31 December 2012. No dividends are paid out in 2012 for 2011 (no dividends are paid out in 2011 for 2010). Dividends paid out to shareholders of Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

Carlsberg Breweries A/S - Parent Company

Statement of cash flows

	Note	2012 DKK million	2011 DKK million
Operating profit before special items		50	169
Adjustment for depreciation and amortisation and impairment losses		15	15
Operating profit before depreciation, amortisation and impairment losses		**65**	**184**
Adjustment for other non-cash items	24	15	-4
Change in working capital	24	-245	112
Restructuring costs paid		-63	-37
Interest etc. received		1,067	1,026
Interest etc. paid		-2,130	-2,255
Corporation tax paid		284	46
Cash flow from operating activities		**-1,007**	**-928**
Acquisition of property, plant and equipment and intangible assets		-12	-13
Total operational investments		**-12**	**-13**
Acquired / disposed subsidiaries, net		1,566	-
Capital injection in subsidiaries		-164	-553
Acquisitions of associated companies		-65	-26
Dividend paid in excess of accumulated earnings from the acquisition		3	1
Change in financial receivables		21	-59
Dividends received		1,673	1,202
Total financial investments		**3,034**	**565**
Disposal of other property, plant and equipment		-15	-
Total other activities		-15	-
Cash flow from investing activities		**3,007**	**552**
Free cash flow		**2,000**	**-376**
External financing	24	-2,438	295
Cash flow from financing activities		**-2,438**	**295**
Net cash flow		**-438**	**-81**
Cash and cash equivalents at 1 January		-35	46
Foreign exchange adjustment of cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December[1]	19	**-473**	**-35**

[1] Cash and cash equivalents less bank overdrafts.

Carlsberg Breweries A/S - Parent Company

Note

1 Significant accounting estimates and judgements

In preparing Carlsberg Breweries A/S's financial statements, management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Company's assets and liabilities. The most significant accounting estimates and judgements for the Company are presented below. The most significant accounting estimates and judgements for the Carlsberg Breweries Group are presented in note 1 to the consolidated financial statements. The Company's accounting policies are described in detail in note 31.

Estimation uncertainty

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

The judgements, estimates and assumptions made are based on historical experience and other factors which management assesses to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Assumptions about the future and estimation uncertainty at the end of the reporting period are described in the notes when there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year.

Investments in subsidiaries, joint ventures and associates. Management performs an annual test for indications of impairment of investments in subsidiaries, joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Carlsberg Breweries Group, cf. note 41 to the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2012. Impairment tests have therefore not been made of subsidiaries, joint ventures and associates.

Deferred tax assets. Carlsberg Breweries A/S recognises deferred tax assets, including the tax base of tax loss carryforwards, if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

A more detailed description of the Company's tax assets is presented in note 18.

Note

2 Cost of sales

	2012 DKK million	2011 DKK million
Purchased finished goods and other costs	1,081	846
Total	**1,081**	**846**

3 Sales and distribution expenses

	2012 DKK million	2011 DKK million
Marketing expenses	510	490
Sales expenses	82	76
Distribution expenses	132	127
Total	**724**	**693**
Of which staff cost note 9	110	115

4 Fees to auditors appointed by the Annual General Meeting

	2012 DKK million	2011 DKK million
KPMG:		
Statutory audit	3	2
Assurance engagements	-	-
Tax advisory	1	2
Other services	9	2

Note

5 **Other operating income and expenses**

	2012 DKK million	2011 DKK million
Other operating income:		
Management fee from group companies	295	251
Gains on disposal of other property, plant and equipment and intangible assets	-	3
Other	6	8
Total	**301**	**262**
Other operating expenses:		
Loss on disposal of other property, plant and equipment and intangible assets etc.	-76	-50
Total	**-76**	**-50**

6 **Special items**

	2012 DKK million	2011 DKK million
Gain on disposal of investments in subsidiaries to group companies	520	244
Gain on disposal of entities and adjustments to gain in prior year	50	
Loss on external sale of activities	-41	-
Impairment of intercompany receivables etc.	-61	-
Restructuring cost	-2	-28
Other	-3	-
Special items, net	**463**	**216**

If special items had been recognised in operating profit before special items, they would have been included in the following items:

Cost of sales	-3	-
Administrative expenses	-28	-17
Other operating expenses	-	-11
Other operating income	551	-
Financial income	-	244
Impairment losses	-57	-
Special items, net	**463**	**216**

Note

7 **Financial income and financial expenses**

	2012 DKK million	2011 DKK million
Financial items recognised in the income statement		
Interest income	1,024	1,039
Dividends from subsidiaries and associates	1,670	1,200
Fair value adjustments of financial instruments, net, cf. note 27	55	122
Foreign exchange gains, net	-	71
Realised gains on disposal of associates and securities	3	-
Other financial income	4	13
Total	**2,756**	**2,445**

Interest income relates to interest from cash and cash equivalents measured at amortised cost.

	2012 DKK million	2011 DKK million
Interest expenses	2,059	1,991
Fair value adjustments of financial instruments, net, cf. note 27	182	166
Realised foreign exchange losses, net	70	-
Bank and commitment fees	44	-
Other financial expenses	14	55
Total	**2,369**	**2,212**
Net financial items recognised in the income statment	**387**	**233**

Interest expenses primarily relate to interest on borrowings measured at amortised cost.

	2012 DKK million	2011 DKK million
Financial items recognised in other comprehensive income		
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	-78	-185
Change in fair value of cash flow hedges transferred to the income statement	385	312
Net financial items recognised in other comprehensive income	**307**	**127**
Total net financial items recognised in the statement of comprehensive income	**694**	**360**

Carlsberg Breweries A/S - Parent Company

Note

8 Corporation tax

DKK million	2012 Total Comprehensive income	2012 Other comprehensive income	2012 Income statement	2011 Total Comprehensive income	2011 Other comprehensive income	2011 Income statement
Tax for the year can be specified as follows:						
Current tax	11	-	11	11	-	11
Change in deferred tax during the year	-265	27	-238	250	-32	218
Adjustments to tax for previous years	-69	86	17	-110	110	-
Total	**-323**	**113**	**-210**	**151**	**78**	**229**

	2012 %	2011 %
Reconciliation of the effective tax rate for the year:		
Tax rate in Denmark	-25.0%	-25.0%
Adjustments to tax for previous years	-1.8%	0.0%
Non-capitalised tax assets	-3.3%	-56.5%
Non-taxable income	55.7%	48.5%
Non-deductible expenses	-1.4%	-1.4%
Special items	-0.2%	0.3%
Withholding taxes	-1.2%	-1.8%
Other	-0.2%	-1.1%
Effective tax rate for the year	**22.6%**	**-37.0%**

Tax recognised in other comprehensive income:

DKK million	2012 Recognised item before tax	2012 Tax expense/ benefit	2012 Net of tax	2011 Recognised item before tax	2011 Tax expense/ benefit	2011 Net of tax
Hedging instruments	269	113	382	127	78	205
Total	**269**	**113**	**382**	**127**	**78**	**205**

DKK million	2012	2011
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	-119	182
Intangible assets and property, plant and equipment etc.	-119	36
Deferred tax recognised in income statement	**-238**	**218**

Adjustment for tax for previous years, DKK 86m (2011: DKK 110m), is included in the tax expense for hedging instruments

Note

9

Staff costs and remuneration of the Supervisory Board, the Executive Board and other executive employees

	2012 DKK million	2011 DKK million
Salaries and other remuneration	452	392
Severance pay	21	13
Social security costs	2	2
Retirement benefit costs - defined contribution plans	26	27
Share-based payment	17	3
Other employee benefits	5	5
Total	**523**	**442**

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

Sales and distribution expenses	110	115
Administrative expenses	413	327
Total	**523**	**442**

The Company had an average of 411 (2011: 354) full-time employees during the year.

Remuneration of Group Executive Board

Remuneration of Group Executive Board is based on a fixed salary, cash bonus payments and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes and incentive schemes have been established for the Group Executive Board. These programmes and schemes cover a number of years. The remuneration is specified in note 10.

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

Remuneration of the Group Executive Board and Supervisory Board as well as their holdings of shares in the Company are specified in note 12 to the consolidated financial statements.

10 Share-based payment

In 2012, a total of 131,500 (2011: 61,200) share options were granted to 2 (2011: 3) employees. The grant date fair value of these options was a total of DKK 19m (2011: DKK 11m). The total cost of share-based payment was DKK 13m (2011: DKK 13m), which is recognised in the income statement under staff costs. Refunds etc. between Carlsberg A/S and Carlsberg Breweries A/S are recognised directly in equity and total DKK 14m (2011: DKK 16m). Expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK -29m (2011: DKK 33m).

Share option programme

	Number					Exercise price
	Executive board	Key management personnel	Other management personnel	Resigned employees	Total	Fixed, weighted average
Share options outstanding at 31 December 2010	**255,120**	**88,455**	**116,470**	**229,004**	**689,049**	**375.10**
Granted	60,000	1,200	-	-	61,200	566.78
Forfeited/expired	-	-	-713	-	-713	334.25
Exercised	-13,008	-1,951	-19,265	-40,835	-75,059	305.17
Transferred	-	-34,752	5,934	34,752	5,934	350.94
Share options outstanding at 31 December 2011	**302,112**	**52,952**	**102,426**	**222,921**	**680,411**	**396.85**
Granted	131,500	-	-	-	131,500	444.60
Forfeited/expired	-	-	-1,559	-	-1,559	292.84
Exercised	-13,008	-2,858	-21,326	-30,579	-67,771	229.53
Transferred	-	-14,268	-14,824	29,092	-	426.74
Share options outstanding at 31 December 2012	**420,604**	**35,826**	**64,717**	**221,434**	**742,581**	**421.10**
Exercisable at 31 December 2011	152,112	25,394	38,390	219,526	435,422	421.60
Exercised options as % of share capital of Carlsberg A/S	0.01%	0.00%	0.01%	0.03%	0.05%	
Exercisable at 31 December 2012	199,104	21,126	43,466	220,085	483,781	396.79
Exercised options as % of share capital of Carlsberg A/S	0.01%	0.00%	0.01%	0.02%	0.04%	

Assumptions

Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at measurement date	2012 Options outstanding	2011 Options outstanding
Share option programme:										
01.03.2004	01.03.2012	Grant 2004	216.65	29%	3.5%	1.8%	5.5	81.51	-	18,860
01.03.2005	01.03.2013	Grant 2005	232.71	27%	3.1%	1.7%	5.5	74.27	34,686	46,661
01.03.2006	01.03.2014	Grant 2006	306.89	19%	3.3%	1.3%	5.5	89.37	56,054	62,248
01.03.2007	01.03.2015	Grant 2007	472.11	19%	3.9%	1.0%	5.5	136.67	77,920	78,333
01.03.2008	01.03.2016	Grant 2008	457.82	22%	3.6%	1.1%	5.5	141.72	81,545	81,958
01.06.2008	01.06.2016	Special grant	531.80	23%	4.3%	0.9%	5.5	181.08	107,363	107,363
01.09.2008	01.09.2016	Special grant	448.18	27%	4.3%	1.3%	5.5	128.83	40,000	40,000
01.03.2009	01.03.2017	Grant 2009	203.50	52%	3.0%	1.7%	5.5	88.41	86,213	116,626
01.03.2010	01.03.2018	Grant 2010	417.34	30%	3.1%	0.8%	8.0	154.23	66,100	67,163
01.03.2011	01.03.2019	Grant 2011	566.78	25%	2.9%	0.9%	8.0	180.50	61,200	61,200
01.03.2012	01.03.2020	Grant 2012	444.60	34%	0.9%	1.2%	8.0	146.67	131,500	
Outstanding share options under the share options programme									**742,581**	**680,411**

The average share price at the exercise date for share options was DKK 499 (2011: DKK 575).

At 31 December 2012, the exercise price for outstanding share options was in the range of DKK 203.50 to DKK 566.78 (2011: DKK 203.50 to DKK 566.78). The average remaining contractual life was 4.0 years (2011: 4.2 years).

Long-term incentive programme

In 2012, a total of 50,494 PSUs under the long-term incentive programme were granted to 55 employees. The grant date fair value of these PSUs was a total of DKK 28m. In 2012, DKK 9m was recognised in respect of share options granted in the year.

	Number					Exercise price
	Executive board	Key management personnel	Other employees	Resigned employees	Total	Fixed, weighted average
Performance share units outstanding at 31 December 2011	**-**	**-**	**-**	**-**	**-**	**-**
Granted	-	15,041	35,453	-	50,494	0.00
Transferred	-	-3,078	-4,130	7,208	-	0.00
Performance share units outstanding at 31 December 2012	**-**	**11,963**	**31,323 -**	**7,208**	**50,494**	**0.00**

Assumptions

Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at measurement date	2012 Options outstanding	2011 Options outstanding
Long-term incentive programme:										
01.01.2012	01.01.2015	LTI 2012-2014 (preliminary)	None	284%	0.3%	1.2%	3.2	542.22	50,494	-
Outstanding performance share units under the long-term incentive programme									**50,494**	**-**

There are no exercisable PSUs in the long-term incentive programme as at 31 December 20112

The assumptions underlying the calculation of the fair value of share options and PSUs are described in note 13 to the consolidated financial statements.

Note

11 Intangible assets

2012 DKK million

	Trademarks	Other intangible assets	Prepayments	Total
Cost:				
Cost at 1 January 2012	1,108	34	22	1,164
Additions	-	1	3	4
Transfers	-	-	-2	-2
Cost at 31 December 2012	**1,108**	**35**	**23**	**1,166**
Amortisation and impairment losses:				
Amortisation and impairment losses at 1 January 2012	18	27	-	45
Amortisation	6	2	-	8
Amortisation and impairment losses at 31 December 2012	**24**	**29**	**-**	**53**
Carrying amount at 31 December 2012	**1,084**	**6**	**23**	**1,113**

	2012 DKK million	2011 DKK million
Amortisation and impairment losses for the year are included in:		
Cost of sales	6	7
Administrative expenses	2	1
Total	**8**	**8**

2011 DKK million

	Trademarks	Other intangible assets	Prepayments	Total
Cost:				
Cost at 1 January 2011	1,108	26	26	1,160
Additions	-	4	-	4
Transfers	-	4	-4	-
Cost at 31 December 2011	**1,108**	**34**	**22**	**1,164**
Amortisation and impairment losses:				
Amortisation and impairment losses at 1 January 2011	10	25	-	35
Amortisation	8	2	-	8
Amortisation and impairment losses at 31 December 2011	**18**	**27**	**-**	**45**
Carrying amount at 31 December 2011	**1,090**	**7**	**22**	**1,119**

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

Management assesses that the value of these trademarks can be maintained for an indefinite period, as these are well established trademarks in the markets concerned and these markets are expected to be profitable in the longer term. In the opinion of Management, there is only a minimal risk of the current situation in the markets reducing the useful life of these trademarks, primarily due to the respective market share in each market and the current and planned marketing efforts which are helping to maintain and increase the value of these trademarks.

The carrying amount of other intangible assets at 31 December 2012 included capitalised software costs of DKK 1m (2011: DKK 5m).

Note

12 Impairment test

At 31 December 2012 impairment tests were performed of the carrying amount of trademarks with an indefinite useful life. Impairment tests are performed annually in the fourth quarter.

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

The impairment test is based on expected future free cash flows primarily from the royalty income generated by the individual trademark. Key assumptions include royalty rate, useful life and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of specific and estimated future risks associated with the particular trademark.

Based on the impairment tests performed, no indications of further impairment of trademarks with an indefinite useful life existed at 31 December 2012. In addition, it is Management's assessment that probable changes in the described significant parameters would not lead to the carrying amount of trademarks with an indefinite useful life exceeding the recoverable amount.

Note

13 Property, plant and equipment

2012 DKK million	Land and buildings	Fixtures and fittings, other plant and equipment	Assets under construction	Total
Cost:				
Cost at 1 January 2012	5	34	1	40
Additions	-	7	1	8
Disposals	-3	-2	-	-5
Transfers	-	1	-1	-
Cost at 31 December 2012	**2**	**40**	**1**	**43**
Depreciation and impairment losses:				
Depreciation and impairment losses at 1 January 2012	2	24	-	26
Disposals	-2	-2	-	-4
Depreciation	2	3	-	5
Depreciation and impairment losses at 31 December 2012	**2**	**25**	**-**	**27**
Carrying amount at 31 December 2012	**-**	**15**	**1**	**16**
Carrying amount of assets pledged as security for loans	-	-	-	-

	2012 DKK million	2011 DKK million
Depreciation and impairment losses are included in:		
Cost of sales	3	2
Administrative expenses	2	3
Total	**5**	**5**

2011 DKK million	Land and buildings	Fixtures and fittings, other plant and equipment	Assets under construction	Total
Cost:				
Cost at 1 January 2011	-	33	-	33
Additions	5	3	1	9
Transfers	-	-2	-	-2
Cost at 31 December 2011	**5**	**34**	**1**	**40**
Depreciation and impairment losses:				
Depreciation and impairment losses at 1 January 2011	-	23	-	23
Depreciations	-	-2	-	-2
Transfers	2	3	-	5
Depreciation and impairment losses at 31 December 2011	**2**	**24**	**-**	**26**
Carrying amount at 31 December 2011	**3**	**10**	**1**	**14**
Carrying amount of assets pledged as security for loans	-	-	-	-

Note

14 Investments in subsidiaries

	2012 DKK million	2011 DKK million
Cost:		
Cost at 1 January	72,071	71,702
Additions	199	561
Transfers	-	-144
Disposals to group companies	-1,052	-
Disposal of entities to group companies	-	-48
Cost at 31 December	**71,218**	**72,071**
Value adjustments:		
Value adjustments at 1 January	-4,533	-4,533
Disposal of entities	-3	-
Value adjustments at 31 December	**-4,536**	**-4,533**
Carrying amount at 31 December	**66,682**	**67,538**

The assumptions used for the impairment test of the parent company's investments in subsidiaries are identical with those used for the Carlsberg Breweries Group's cash-generating units. The assumptions are stated in note 15 to the consolidated financial statements.

Note

15 Associates and joint ventures

	2012 DKK million	2011 DKK million
Cost:		
Cost at 1 January	2,751	3,051
Acquisition of entities	-	26
Additions	65	-
Disposals	-3	-
Transfers	-	-326
Other	-1	-
Cost at 31 December	**2,812**	**2,751**
Value adjustments:		
Value adjustments at 1 January	-3	-3
Reversal of impairment	3	-
Value adjustments at 31 December	**-**	**-3**
Carrying amount at 31 December	**2,812**	**2,748**

No indications of impairment of investments in associates and joint ventures have been identified, and accordingly no impairment tests have been performed.

16 Securities

	2012 DKK million	2011 DKK million
Securities are classified in the statement of financial position as follows:		
Non-current assets	11	11
Total	**11**	**11**
Types of security:		
Unlisted shares	11	11
Total	**11**	**11**

Securities classified as current assets are those expected to be sold within one year after the end of the reporting period.

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

No shares in unlisted entities were disposed of during 2012 and 2011.

Note

17 Receivables

	2012 DKK million	2011 DKK million
Receivables are included in the statement of financial position as follows:		
Trade receivables	1,366	1,058
Other receivables	29,528	21,997
Total current receivables	**30,894**	**23,055**
Non-current receivables	226	4,284
Total	**31,120**	**27,339**

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

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

	2012 DKK million	2011 DKK million
Receivables by origin:		
Receivables from the sale of goods and services	241	194
Receivables from group companies	1,125	864
Loans to group companies	28,377	24,884
Loan to associates	51	73
Loans to partners	226	230
Fair value of hedging instruments	629	633
Other receivables	471	501
Total	**31,120**	**27,339**

	2012 DKK million	2011 DKK million
Not fallen due or written down	233	189
Falling due in less than 30 days	16	1
Falling due between 30 and 90 days	1	1
Falling due in more than 90 days	-3	5
Provision for bad debt	-6	-6
Carrying amount at 31 December	**241**	**193**

Receivables from the sale of goods and services and loans are recognised net of write-downs for bad debt losses. No write downs have been recognised in 2012 and 2011.

	2012 %	2011 %
Average effective interest rates:		
Loan to group companies	2.9	1.9

Note

18 Deferred tax assets and deferred tax liabilities

	2012 DKK million	2011 DKK million
Deferred tax at 1 January, net	278	474
Joint taxation contribution	-295	-56
Adjustments to previous years	69	110
Recognised in other comprehensive income	27	-32
Recognised in income statement	238	-218
Deferred tax at 31 December, net	**317**	**278**

Specification of deferred tax assets and liabilities at 31 December:

	2012 DKK million	2011 DKK million	2012 DKK million	2011 DKK million
	Deferred tax assets		**Deferred tax liabilities**	
Intangible assets	5	5	41	43
Property, plant and equipment	8	4	2	-
Current assets	2	1	-	-
Provisions and retirement benefit obligations	28	28	-	-
Fair value adjustments	-	101	-	-
Tax losses etc.	352	432	35	250
Total before set-off	**395**	**571**	**78**	**293**
Set-off	-78	-293	-78	-293
Deferred tax assets and liabilities at 31 December	**317**	**278**	**-**	**-**
Expected to be used as follows:				
Within 12 months from the end of the reporting period	60	72	-	-
More than 12 months after the end of the reporting period	257	206	-	-
Total	**317**	**278**	**-**	**-**

Of the total deferred tax assets recognised, DKK 352m (2011: DKK 432m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Tax assets of DKK 524m (2011: DKK 505m) were not recognised. These relate to tax losses on exchange rates affect of the Danish tax rules for interest ceiling. Tax loss must be utilised within 3 years other wise it will expire.

Deferred tax on temporary differences relating to investments in subsidiaries, joint ventures and associates amounts to DKK 0m (2011: DKK 0m).

Note

19 Cash and cash equivalents

	2012 DKK million	2011 DKK million
Cash at bank and in hand	16	15
Total	**16**	**15**

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

	2012	2011
Cash and cash equivalents	16	15
Bank overdrafts	-489	-50
Cash and cash equivalents, net	**-473**	**-35**

20 Share capital

	Total share capital	
	Shares of DKK 1,000	Nominal value, DKK '000
1 January 2011	501	501,000
No change in 2011	-	-
31 December 2011	**501**	**501,000**
No change in 2012	-	-
31 December 2012	**501**	**501,000**

The share capital amounts to DKK 501m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is owned by Carlsberg A/S, Copenhagen, Denmark.

Note

21 Borrowings

DKK million	2012	2011
Non-current borrowings:		
Issued bonds	29,021	17,697
Bank borrowings	5,110	11,859
Borrowings from Group companies	746	2,508
Total	**34,877**	**32,064**
Current borrowings:		
Bank borrowings	489	50
Borrowings from parent	-	89
Borrowings from Group companies	17,634	18,910
Total	**18,123**	**19,049**
Total non-current and current borrowings	**53,000**	**51,113**
Fair value	54,485	51,792

All borrowings are measured at amortised cost with the exception of the fixed interest rate GBP 300m bond which is measured at fair value. The carrying amount of this borrowing is DKK 2,999m (2011: DKK 2,927m).

Time to maturity for non-current borrowings

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	2012 Total
Issued bonds	7,443	-	2,999	7,402	11,177	29,021
Bank borrowings	-	5,110	-	-	-	5,110
Borrowings from Group Companies	-	-	-	-	746	746
Total	**7,443**	**5,110**	**2,999**	**7,402**	**11,923**	**34,877**

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	2011 Total
Issued bonds	-	7,405	-	2,927	7,365	17,697
Bank borrowings	206	-	11,653	-	-	11,859
Borrowings from Group Companies	1,765	-	-	-	743	2,508
Total	**1,971**	**7,405**	**11,653**	**2,927**	**8,108**	**32,064**

Interest rate risk at 31 December

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	2012 Interest rate risk
Issued bonds:					
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	1-2 years	7,443	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	3-4 years	2,999	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	4-5 years	7,402	Fair value
EUR 750m maturing 3 July 2019	Fixed	2.49%	>5 years	5,629	Fair value
EUR 750m maturing 15 November 2022	Fixed	2.71%	>5 years	5,548	Fair value
Total issued bonds				**29,021**	
Bank borrowings:					
Fixed rate	Fixed		0-3 years	5,599	Fair value
Total bank borrowings				**5,599**	

The long term bank borrowing is originally floating but have been swapped to an average fixed interest of 5.24% including margin.

Note

21 Borrowings

DKK million	Net debt *	Floating	Fixed	Interest rate** Floating %	Fixed %
EUR	34,366	4,614	29,752	13%	87%
DKK	888	888	-	100%	-
PLN	1,485	1,485	-	100%	-
SEK	4,716	4,716	-	100%	-
CHF	2,848	2,848	-	100%	-
NOK	1,036	1,036	-	100%	-
USD	1,922	1,922	-	100%	-
Other	5,723	5,723	-	100%	-
Total	**52,984**	**23,232**	**29,752**	**44%**	**56%**

* After swaps and currency derivatives

** Before currency derivatives

Interest rate risk at 31 December:

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
				2011	
Issued bonds:					
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	2-3 years	7,405	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	>5 years	7,365	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	4-5 years	2,927	Fair value
Total bank borrowings				**17,697**	
Bank borrowings:					
Floating rate	Floating		(0-1 years)	1,451	Cash flow
Fixed rate	Fixed		(2-5 years)	10,408	Fair value
Total bank borrowings				**11,859**	

The main part of the long term bank borrowing is originally floating but have been swapped to an average fixed interest of 5.36% including margin.

DKK million	Net debt *	Floating	Fixed	Interest rate** Floating %	Fixed %
EUR	39,631	13,710	25,921	35%	65%
DKK	-2,771	-2,771	-	100%	-
PLN	685	685	-	100%	-
SEK	4,130	4,130	-	100%	-
CHF	3,099	3,099	-	100%	-
RUB	961	961	-	100%	-
Other	5,363	3,610	1,752	67%	33%
Total	**51,098**	**23,424**	**27,674**	**46%**	**54%**

* After swaps and currency derivatives

** Before currency derivatives

Currency profile of borrowings before and after derivative financial instruments

DKK million	Original principal	Effect of swap	After swap	2013	2014	2015	2016	2017	2018-
				2012 Next repricing (of principal before currency swaps)					
CHF	995	1,853	2,848	995	-	-	-	-	-
DKK	2,790	-1,895	895	2,790	-	-	-	-	-
EUR	34,076	290	34,366	4,324	7,443	2,984	-	8,148	11,177
GBP	5,106	-4,520	586	5,106	-	-	-	-	-
NOK	807	229	1,036	807	-	-	-	-	-
PLN	59	1,426	1,485	59	-	-	-	-	-
RUB	2,254	-634	1,620	2,254	-	-	-	-	-
SEK	4,646	70	4,716	4,646	-	-	-	-	-
SGD	339	-342	-3	339	-	-	-	-	-
USD	1,897	34	1,931	1,897	-	-	-	-	-
Other	31	3,489	3,520	31	-	-	-	-	-
Total	**53,000**	**-**	**53,000**	**23,248**	**7,443**	**2,984**	**-**	**8,148**	**11,177**

See also note 26 Financial risks.

Note

21 Borrowings

2011

Currency profile of borrowings before and after derivative financial instruments				Next repricing (of principal before currency swaps)					
DKK million	Original principal	Effect of swap	After swap	2012	2013	2014	2015	2016	2017-
CHF	659	2,440	3,099	659	-	-	-	-	-
DKK	1,656	-4,424	-2,768	1,657	-	-	-	-	-
EUR	36,206	3,425	39,631	10,285	7,434	7,405	2,974	-	8,108
GBP	5,494	-4,489	1,005	3,730	1,765	-	-	-	-
NOK	328	633	961	328	-	-	-	-	-
PLN	26	659	685	26	-	-	-	-	-
RUB	1,168	-1,097	71	1,168	-	-	-	-	-
SEK	4,443	-313	4,130	4,443	-	-	-	-	-
SGD	421	-424	-3	421	-	-	-	- -	-
USD	695	592	1,287	695	-	-	-	-	-
Other	17	2,998	3,015	16	-	-	-	-	-
Total	**51,113**	**-**	**51,113**	**23,428**	**9,199**	**7,405**	**2,974**	**-**	**8,108**

Note

22 Provisions

Provisions totalling DKK 67m relate primarily to ongoing disputes, lawsuits, restructuring etc.

2012 DKK million	Restructurings	Other	Total
Provisions at 1 January 2012	-	97	97
Additional provisions recognised	-	21	21
Used during the year	-	-1	-1
Reversal of unused provisions	-	-50	-50
Provisions at 31 December 2012	**-**	**67**	**67**
Provisions are recognised in the statement of financial position as follows:			
Non-current provisions	-	67	67
Current provisions	-	-	-
Total	**-**	**67**	**67**

2011 DKK million	Restructurings	Other	Total
Provisions at 1 January 2011	9	101	110
Transfers	-9	-4	-13
Provisions at 31 December 2011	**-**	**97**	**97**
Provisions are recognised in the statement of financial position as follows:			
Non-current provisions	-	97	97
Current provisions	-	-	-
Total	**-**	**97**	**97**

Note

23 Other liabilities etc.

	2012 DKK million	2011 DKK million
Other liabilities are recognised in the statement of financial position as follows:		
Non-current liabilities	3	-
Current liabilities	2,087	2,411
Total	**2,090**	**2,411**
Other liabilities by origin:		
Excise duties and VAT payable	15	16
Staff costs payable	107	73
Accrued royalty expense	63	25
Interest payable	922	777
Fair value of hedging instruments	628	1,229
Deferred income	272	212
Other	83	79
Total	**2,090**	**2,411**

24 Cash flows

	2012 DKK million	2011 DKK million
Adjustment for other non-cash items:		
Gains on disposal of property, plant and equipment and intangible assets, net	1	-3
Share-based payment	17	3
Other non-cash adjustments	-3	-4
Total	**15**	**-4**
Change in working capital:		
Receivables	-69	55
Trade payables and other liabilities	-178	40
Other liabilities related to operating activities before special items	-	-3
Adjusted for unrealised foreign exchange gains/losses	2	20
Total	**-245**	**112**
External financing:		
Proceeds from issue of bonds	11,160	-
Debt institutions - long term	-6,923	2,233
Debt institutions - short term	-	-173
Borrowings from group companies	-6,639	-1,758
Other financing liabilities	-36	-7
Total	**-2,438**	**295**

Note

25 Specification of net interest-bearing debt

	2012 DKK million	2011 DKK million
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	34,877	32,064
Current borrowings	18,123	19,049
Gross interest-bearing debt	**53,000**	**51,113**
Cash and cash equivalents	-16	-15
Loans to group companies	-28,377	-24,844
Net interest-bearing debt	**24,607**	**26,254**
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	26,254	25,615
Cash flow from operating activities	1,007	928
Cash flow from investing activities, excl. acquisition of entities, net	-1,441	-552
Cash flow from acquisition of entities, net	-1,566	-
Change in interest-bearing lending	25	-77
Effect of currency translation	318	254
Other	10	86
Total change	**-1,647**	**639**
Net interest-bearing debt at 31 December	**24,607**	**26,254**

Note

26 Financial risks

Carlsberg Breweries A/S' main activity is to own a number of subsidiaries and funding the capital required for both net investment and loans to subsidiaries. As a consequence, Carlsberg Breweries A/S is exposed to foreign exchange risk from its borrowing in foreign currency and financial instruments to hedge net investments in foreign currency, and interest rate risk from its debt and interest rate derivatives.

Interest rate risk. Carlsberg Breweries A/S performs the role of internal bank in the Carlsberg Breweries Group. Part of this role is to implement Carlsberg interest rate risk target, which is to have a duration of 1 to 5 years. This duration is measured on the net debt in the Carlsberg Group.

The Company's loan portfolio consists of bilateral loan agreements, syndicated credit facilities and loans from the shareholder and subsidiaries. At 31 December 2012 gross debt (non-current and current borrowings) amounted to DKK 53,000m (2011: DKK 51,113m). After deducting cash and cash equivalents, net debt is DKK 52,984m (2011: 51,098m), an increase of DKK 1,886m.

Interest rate risks are mainly managed using interest rate swaps and bonds with fixed interest and to a smaller degree loans with fixed interest rate from subsidiaries.

A breakdown of the Carlsberg Breweries A/S gross debt, including the financial instruments used to manage foreign exchange and interest rate risks, is provided in note 21.

At year-end 56% of the net loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2011: 54%). Carlsberg Breweries A/S engages in on-lending to subsidiaries. At 31. december 2012 Carlsberg Breweries A/S had lend DKK 28,377m to subsidiaries and Carlsberg A/S (2011: DKK 24,844m).

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

Cash and cash equivalents are not associated with any significant credit risks.

Liquidity risk. Liquidity risk is the risk of the Carlsberg Breweries Group failing to meet its contractual obligations due to insufficient liquidity. Carlsberg's policy is for the management of funding and liquidity to be managed centrally. It is therefore Group Treasury's task to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources.

Carlsberg Breweries A/S is the main funding vehicle in the Carlsberg Breweries Group. Accordingly, reference to the note on financial risk in Carlsberg Breweries Group with regards to liquidity risk is made.

Capital structure and management. Management's strategy and overall goal is to ensure a continued development and strengthening of the Group's capital structure which supports long-term profitable growth and a solid increase in key earnings and ratios. In 2006 the Carlsberg Breweries Group was awarded investment-grade ratings by Moody's Investor Service and Fitch Ratings. This rating was improved by one notch in February 2011 to Baa2

Note

27 Financial instruments

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods. Internally calculated fair values based on discountuing of cash flows are used for the mark-to-market of financial instruments. The internally calculated fair values are tested against external market valuations on a quarterly basis.

Carlsberg Breweries A/S uses two forms of financial hedging:

Financial derivatives not designated as hedging instruments (economic hedges)

Changes in the fair value of financial instruments not designated as hedging instruments are recognised in the income statement. These are mainly non-designated foreign exchange instruments, which are classified as net investment hedges in the Consolidated account, but which for the purpose of the un-consolidated account are not designated as such. The fair value at the the end of the reporting period of these instruments is DKK 411m (2011: DKK 94m).

	2012		2011	
DKK million	Fair value adjustment recognised in income statement	Fair value	Fair value adjustment recognised in income statement	Fair value
Exchange rate instruments	-85	419	21	157
Other instruments	-16	-8	-77	-63
Ineffective portion of hedge	-26	-	12	-
Total	**-127**	**411**	**-44**	**94**

Value adjustments of fair value hedges in the financial year are recognised in the income statement. The adjustments are included in financial income and financial expenses (cf. note 7). In 2012 financial income of DKK 55m is recognised, and in 2011 financial expense of DKK -44m was recognised. Included is also the ineffective portion of interest rate hedges DKK -26m (2011: DKK 12m). The impact comes from ineffective portion of hedges and reversal of prior period inefficiencies and ineffective portions. The fair value of the entire interest rate swaps (effective and ineffective portion) is shown in the table in the cash flow hedge section.

The value of fair value hedges recognised 31 December amounts to DKK 411m in 2012 (DKK 94m in 2011). The recognition of the fair value in the financial statements is specified in a separate table below.

Cash flow hedges

Cash flow hedges are primarily used on interest rate swap where the hedged item is the underlying (floating rate) borrowing, and on currency derivatives where the underlying is acquisitions. Cash flow hedges are also used on aluminium hedges (where the hedged item is aluminium cans used in a number of Group entities in across Carlsberg). However, for the purpose of the Carlsberg Breweries AS un-consolidated account, the aluminium hedges are not treated as cash flow hedges.

Main financial instruments - overview

Instrument	Maturity	Purpose
EUR 1,000m interest rate swap	2013	Swap of borrowing with 1 month EURIBOR to fixed
EUR 400m interest rate swap	2015	Swap of borrowing with 1 month EURIBOR to fixed

Cash flow hedge

	2012			2011		
DKK million	Fair value adjustment recognised in other compre-hensive income	Fair value	Expected recognition	Fair value adjustment recognised in other compre-hensive income	Fair value	Expected recognition
Interest rate instruments	244	-452	2012-2015	148	-669	2012-2015
Exchange rate instruments	63	42	-	-21	-21-	-
Total	**307**	**-410**		**127**	**-690**	

Fair value adjustments on cash flow hedges in the financial year are recognised in other comprehensive income and amount to DKK 307m in 2012 and DKK 127m in 2011. The adjustments are included in financial income and financial expenses (cf. note 7).

The fair value of cash flow hedges recognised at 31 December amounted to DKK -410m (2011: DKK -690m). The recognition of cash flow hedges in the consolidated financial statements is summarised in a separate table.

Note

27 Financial instruments

Recognition of financial instruments - summary

Fair values of financial instruments are recognised depending on the nature of the hedge.

	Fair value presented in tables above		Presentation in the notes to the financial statements		
	2012	**2011**		**2012**	**2011**
Fair value/economic hedges	411	94	Receivables, cf. note 17	629	633
Cash flow hedges	-410	-690	Other liabilities, cf. note 23	-628	-1,229
Total	**1**	**-596**	**Total**	**1**	**-596**

Liquidity risk

Financial liabilities **2012**

DKK million	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	667	404	263	-	628
Non-derivative financial instruments					
Financial debt gross	52,879	18,123	22,820	11,936	53,000
Interest expense	5,670	1,518	3,202	950	N/A
Trade payables and other liabilities	557	557	-	-	557
Non-derivate financial instruments total	**59,106**	**20,198**	**26,022**	**12,886**	**-**
Financial liabilities total	**59,773**	**20,602**	**26,285**	**12,886**	**-**

Financial liabilities **2011**

DKK million	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	1,197	574	623	-	1,229
Non-derivative financial instruments					
Financial debt gross	51,019	18,886	24,025	8,108	51,113
Interest expense	4,861	1,620	3,048	193	N/A
Trade payables and other liabilities	581	581	-	-	581
Non-derivate financial instruments total	**56,461**	**21,087**	**27,073**	**8,301**	**-**
Financial liabilities total	**57,658**	**21,661**	**27,696**	**8,301**	**-**

Note

27 Financial instruments

Fair value hierarchy for financial instruments measured at fair value in the statement of financial position

		2012		2011	
DKK Million	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Securities	16	11	11	11	11
Available for sale instruments		**11**	**11**	**11**	11
Fair value hedges	27	411	411	94	94
Cash flow hedges	27	-410	-410	-690	-690
Derivative financial instruments		**1**	**1**	**-596**	**-596**
Trade receivables	17	1,366	1,366	1,058	1,058
Other receivables	17	471	471	501	501
Loans to Group companies	17	28,377	28,377	24,844	24,844
Loans to partners	17	226	226	230	230
Cash and cash equivalents	19	16	16	15	15
Loans and receivables		**30,456**	**30,456**	**26,648**	**26,648**
Issued bonds	21	29,021	30,506	17,697	18,376
Bank borrowings	21	5,599	5,599	11,909	11,909
Borrowing from Parent Company	21	-	-	89	89
Borrowing from Group Companies	21	18,380	18,380	21,418	21,418
Trade payables		535	535	553	533
Financial liabilities measured at amortised cost*		**53,535**	**55,020**	**51,666**	**52,325**

* In the issued bond number, the value of one bond held at fair value is included, see note 21.

Carlsberg has no financial instruments measured at fair value at level 1 (quoted prices) or at level 3 (non-observable data).

The fair value of all derivatives calculated internally (whether designated as fair value or economic hedges, cash flow hedges or net investment hedges) is calculated by a) estimating the notional future cash flows using observable market data such as yield curves and the aluminium forward curve b) discounting the estimated and fixed cash flow to present value c) converting the amounts in foreign currency into the functional currency at the end-of-period foreign exchange rate. The fair value of the financial net debt is calculated using the same methodology as for derivatives - using both externally and internally generated yield curves. The fair value of other payables relates to shareholder agreements with non-controlling interests according to which Carlsberg at a future date may or may not acquire non-controlling interests at fair value. To the extent that no fixed price is agreed, the fair value is calulated using a multiple model based on EBITDA numbers, a relevant multiple and adjusted for net debt.

Note

28 Related party disclosures

Related parties exercising control. Carlsberg A/S, Ny Carlsberg Vej 100, 1799 Copenhagen V, Denmark, holds all of the shares in Carlsberg Breweries A/S. Carlsberg Breweries A/S has paid a dividend of DKK 0m to Carlsberg A/S (2011: DKK 0m). In 2008, Carlsberg A/S made a cash capital increase of DKK 24,000m.

The income statement and statement of financial position include the following transactions with Carlsberg A/S:

	2012 DKK million	**2011** DKK million
Other operating income	12	14
Administration cost	-	-1
Financial income	6	2
Financial expense	-	-13
Loans	-	-
Receivables from the sale of goods and services	40	14
Borrowings	-	-91
Trade payables	13	-23

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

Emoluments to the Board of Directors and remuneration of the Executive Board are disclosed in note 10.

Associates
Dividends of DKK 31m (2011: DKK 31m) were received from associates.

The income statement and statement of financial position include include the following transactions with associates:

	2012 DKK million	**2011** DKK million
Revenue	26	30
Loans	278	73
Receivables from the sale of goods and services	3	123

Subsidiaries
Dividends of DKK 1,670m (2011: DKK 1,187m) were received from subsidiaries.

The income statement and statement of financial position include include the following transactions with subsidiaries:

	2012 DKK million	**2011** DKK million
Revenue	520	597
Cost of sales	-138	-142
Sales and distribution income	63	36
Administration cost	-42	-49
Other operating income	230	222
Gain on disposal of subsidiary	-	244
Interest income	929	968
Interest expenses	-502	-579
Loans	28,377	25,074
Receivables	1,515	1,335
Borrowings	-18,380	-21,507
Trade payables and other liabilities etc.	-539	-451

Note

29 Contingent liabilities and other commitments

Carlsberg Breweries A/S has issued guarantees for loans etc. raised by subsidiaries and associates (non-consolidated share of loan) of DKK 3,726m (2011: DKK 4,025m).

Carlsberg Breweries A/S is jointly registered for Danish VAT and excise duties with Carlsberg A/S, Carlsberg Danmark A/S and various other minor Danish subsidiaries, and is jointly and severally liable for payment of VAT and excise duties.

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

The Carlsberg Breweries A/S is party to certain lawsuits, disputes etc. of various sizes. In management's opinion, apart from as recognised in the statement of financial position include or disclosed in the Annual Report, the outcome of these lawsuits, disputes etc. will not have a material negative effect on the Company's financial position.

Certain guarantees etc. are issued in connection with disposal of entities and activities etc. Apart from as recognised in the statement of financial position include or disclosed in the Annual Report, these guarantees etc. will not have a material effect on the company's financial position.

Contractual commitments. The Carlsberg Breweries A/S has entered into service contracts in respect of sales, logistics and IT. Costs related to the contracts are recognised as the services are received.

Capital commitments

Neither at the end of the reporting period in 2012 nor 2011 had Carlsberg Breweries A/S any capital commitments to be made at a later date.

30 Events after the reporting period

Apart from the events recognised or disclosed in the Annual Report, no events have occurred after the balance sheet date of importance to the Annual Report.

Note

31 Accounting policies

The 2012 financial statements of Carlsberg Breweries A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies, cf. the statutory order pursuant to the Danish Financial Statements Act.

In addition, the financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB.

The financial statements are presented in Danish Kroner (DKK), which is the functional currency.

The accounting policies for the Parent Company are the same as for the Carlsberg Breweries Group, cf. note 41 to the consolidated financial statements, with the exception of the items below.

Income statement

Dividends on investments in subsidiaries, joint ventures and associates. Dividends on investments in subsidiaries, joint ventures and associates are recognised as income in the income statement of the Parent Company in the financial year in which the dividend is declared.

Financial income and financial expenses. Foreign exchange adjustments of balances with foreign entities which are considered part of the total net investment in the entity are recognised in the income statement of the Parent Company.

Tax on profit/loss for the year. Tax on profit/loss for the year comprises profit/loss from real estate partnerships (associates), as these are not individually taxed but included in taxable income of the partners. In addition, tax on profit/loss and deferred tax are calculated and recognised as described in note 41 to the consolidated financial statements.

Statement of financial position

Investments in subsidiaries, joint ventures and associates. Investments in subsidiaries, joint ventures and associates are measured at the lower of cost or recoverable amount.

Share-based payment to employees in subsidiaries. The value of granted equity-settled share options to employees in the Parent Company's subsidiaries is recognised in investments in subsidiaries as the services rendered in exchange for the options are received in the subsidiaries, with a set-off directly against equity.

The difference between the purchase price and the sales price for the exercise of equity-settled share options by employees in subsidiaries is settled between Carlsberg Breweries A/S and the individual subsidiary, with a set-off directly against investments in subsidiaries.

The difference at the end of the reporting period between the fair value of the Parent Company's equity instruments and the exercise price of outstanding equity-settled share options is recognised as a receivable in Carlsberg Breweries A/S, with a set-off directly against investments in subsidiaries.

Equity-settled share options granted to the Parent Company's own employees are recognised and measured in accordance with the accounting policies used by the Carlsberg Breweries Group, cf. note 41 to the consolidated financial statements for a description of accounting policies.

COMPANY INFORMATION

Company:	Carlsberg Breweries A/S Ny Carlsberg Vej 100 1799 Copenhagen V Denmark Municipality of reg. office: Copenhagen
Board of Directors:	Jess Søderberg (Chairman), Former CEO of the A.P. Møller-Mærsk Group Flemming Besenbacher (Deputy Chairman), Professor, D.Sc., h.c. mult., FRSC Jørgen Buhl Rasmussen, President, CEO Jørn P. Jensen, Deputy CEO & CFO Peter Petersen (Employee representative), Chairman of the Staff Association Carlsberg and Demand Planner, Carlsberg Danmark A/S Eva Vilstrup Decker (Employee representative), Senior Customer Service & Supply Manager, Carlsberg Breweries A/S
Executive Board:	Jørgen Buhl Rasmussen, President & CEO Jørn P. Jensen, Deputy CEO & CFO
Auditor:	KPMG Statsautoriseret Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg Denmark

EXECUTIVE COMMITTEE AND SUPERVISORY BOARD

Executive Committee

Jørgen Buhl Rasmussen
President & CEO since 2007.

Appointed to the Executive Board of Carlsberg Breweries A/S in 2007. President & CEO of Carlsberg A/S.. Chairman, Deputy Chairman or member of the Supervisory Boards of Carlsberg Group companies. Member of the Supervisory Board of Novozymes A/S. Prior to joining Carlsberg, Mr Rasmussen held senior managerial positions covering Western, Central and Eastern Europe, the Middle East, Africa and Asia in several global FMCG companies, among others Gillette Group, Duracell, Mars and Unilever.

Jørn P. Jensen
Deputy CEO since 2007; CFO since 2004.

Appointed to the Executive Board of Carlsberg Breweries A/S in 2004. Deputy CEO & CFO of Carlsberg A/S. Chairman, Deputy Chairman or member of the Supervisory Boards of Carlsberg Group companies. Member of the Supervisory Board of DONG Energy A/S and of the Committee on Corporate Governance in Denmark. Prior to joining Carlsberg, Mr Jensen held senior managerial positions in, among others, Nilfisk Advance A/S and Foss Electric A/S.

Supervisory Board

Jess Søderberg
Chairman

Born 1944. Elected 2009. Deputy Chairman of the Supervisory Board of Carlsberg A/S. Chairman of the Audit Committee and member of the Nomination and Remuneration Committees of Carlsberg A/S. Former CEO of the A.P. Møller – Mærsk Group (1993-2007) and before that CFO of the same company from 1981. Member of the Supervisory Board and the Finance and Audit Committees of The Chubb Corporation, advisor to Permira and member of Danske Bank's Advisory Board. Managing Director of J.S. Invest ApS and one subsidiary. Mr Søderberg has broad international experience and extensive experience of financial management and financial reporting processes, performance management and stakeholder and investor relations management as a result of many years in the senior management of A.P. Møller - Mærsk. He has wide experience of growth markets and the identification and management of business risks.

Flemming Besenbacher
Deputy Chairman

Professor, D.Sc., h.c. mult., FRSC. Born 1952. Elected 2012.Chairman of the Supervisory Board of Carlsberg A/S. Chairman of the Nomination Committee and Member of the Audit and Remuneration Committees of Carlsberg A/S . Member of the Board of Directors of the Carlsberg Foundation (Chairman as of 1 January 2012) and of the Supervisory Boards of property companies affiliated to the Carlsberg Foundation. Mr Besenbacher is Chairman of the Board of Trustees of the Carlsberg Laboratory and member of the Boards of the Tuborg Foundation and MedTech Innovation Center. Mr Besenbacher was director of the Interdisciplinary Nanoscience Center (iNANO), Aarhus University, from 2002 to 2012. He has extensive experience of managing large knowledge-based organisations and has strong competences relating to innovation, research, CSR and sustainable development. Mr Besenbacher is Professor Honoris Causa at 10 international universities and has received many international awards, including the Friendship Award and the Chinese Government Highest International Scientific and Technological Cooperation Award of the People's Republic of China.

Jørgen Buhl Rasmussen
President & CEO of Carlsberg A/S and Carlsberg Breweries A/S (see also above).

Jørn P. Jensen
Deputy CEO & CFO of Carlsberg A/S and Carlsberg Breweries A/S (see also above).

Peter Petersen
Employee representative, Chairman of the Staff Association Carlsberg and Demand Planner, Carlsberg Danmark A/S

Eva Vilstrup Decker
Employee representative, Senior Customer Service & Supply Manager, Carlsberg Breweries A/S

MANAGEMENT STATEMENT

The Supervisory Board and the Executive Board have today discussed and approved the Annual Report of the Carlsberg Breweries Group and the parent company for 2012.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies.

In our opinion the consolidated financial statements and the parent company's financial statements give a true and fair view of the Carlsberg Breweries Group's and the parent company's assets, liabilities and financial position at 31 December 2012 and of the results of the Carlsberg Breweries Group's and the parent company's operations and cash flows for the financial year 2012.

Further, in our opinion the Management's review includes a fair review of the development in the Carlsberg Breweries Group's and the parent company's operations and financial matters, the result for the year and of the Carlsberg Breweries Group and the parent company's financial position as well as describes the significant risks and uncertainties affecting the Carlsberg Breweries Group and the parent company.

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

Copenhagen, 22 March 2013

Executive Board of Carlsberg Breweries A/S

Jørgen Buhl Rasmussen	Jørn P. Jensen

Supervisory Board of Carlsberg Breweries A/S

Jess Søderberg Chairman	Flemming Besenbacher Deputy Chairman	Peter Petersen
Jørgen Buhl Rasmussen	Eva Vilstrup Decker	Jørn P. Jensen

THE INDEPENDENT AUDITORS' REPORT

To the shareholder of Carlsberg Breweries A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements
We have audited the consolidated financial statements and the parent company financial statements of Carlsberg Breweries A/S for the financial year 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies for the Carlsberg Breweries Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Carlsberg Breweries Group's and the parent company's financial position at 31 December 2012 and of the results of the Carlsberg Breweries Group's and the parent company's operations and cash flows for the financial year 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 22 March 2012
KPMG
Statsautoriseret Revisionspartnerselskab

Henrik Kronborg Iversen State Authorised Public Accountant	Jesper Koefoed State Authorised Public Accountant

Carlsberg