Carlsberg Breweries A/S

CVR No. 25 50 83 43

Annual Report for 2013

(14th financial year)

Contents

MANAGEMENT REVIEW
FIVE-YEAR SUMMARY – CARLSBERG BREWERIES GROUP

Five-year summary

DKK million	2009	2010	2011	2012	2013
Sales volumes, gross (million hl)					
Beer	137,0	136,5	139,8	140,9	138,7
Other beverages	22,2	22,5	22,2	22,0	21,5
Sales volumes, pro rata (million hl)					
Beer	116,0	114,2	118,7	120,4	119,7
Other beverages	19,8	19,3	19,2	19,1	19,7
Income statement					
Net revenue	59.382	60.054	63.561	66.468	66.552
Operating profit before special items	9.460	10.246	9.877	9.909	9.982
Special items, net	-262	-249	605	-1.812	-473
Financial items, net	-2.980	-2.137	-1.908	-1.735	-1.512
Profit before tax	6.218	7.860	8.574	6.362	7.997
Corporation tax	-1.561	-1.847	-2.156	-1.529	-2.086
Consolidated profit	4.657	6.013	6.418	4.833	5.911
Attributable to:					
Non-controlling interests	565	609	543	638	480
Shareholders in Carlsberg Breweries A/S	4.092	5.404	5.875	4.195	5.431
Statement of financial position					
Total assets	121.886	132.148	136.195	141.948	139.347
Invested capital	97.354	104.873	105.992	109.096	106.784
Interest-bearing debt, net	36.122	32.847	30.780	31.639	33.827
Equity, shareholders in Carlsberg Breweries A/S	42.613	52.544	55.572	59.529	57.063
Statement of cash flows					
Cash flow from operating activities	13.420	11.225	9.789	10.138	9.341
Cash flow from investing activities	-2.409	-6.242	-4.876	-5.888	-8.857
Free cash flow	11.011	4.983	4.913	4.250	484

Financial ratios						
Operating margin	%	15,9	17,1	15,5	14,7	15,0
Return on average invested capital (ROIC)	%	9,3	9,8	9,4	9,0	9,3
Equity ratio	%	35,0	39,8	40,8	41,9	41,0
Debt/equity ratio (financial gearing)	x	0,76	0,57	0,50	0,50	0,56
Interest cover	x	3,17	4,80	5,18	5,71	6,60
Stock market ratios*						
Cash flow from operating activities per share (CFPS)	DKK	26.786	22.405	19.539	20.236	18.645
Free cash flow per share (FCFPS)	DKK	21.978	9.946	9.806	8.483	966
Dividend per share (proposed)	DKK	-	-	-	1.827,0	2.435
Payout ratio	%	-	-	-	22	22
Employees						
Full-time employees (average)		45.364	41.278	42.552	41.614	40.341

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

The Carlsberg Group has a very strong portfolio of brands addressing the relevant consumer needs and occasions. An import-ant part of our commercial strategy and an important means to continued improvement in our market share is to grow our strong local power brands as well as our international premium brands – Carlsberg, Tuborg, Kronenbourg 1664, Grimbergen and Somersby.

The Carlsberg brand grew its volumes in the premium markets in the second half of the year but declined 2% for the full year as we were cycling last year's EURO 2012 activations, when the brand grew 8%. In Asia, the brand showed particularly strong performance in China and India. During the year, we rolled out the innovative music engagement programme "Where's the Party?" in 20 markets; started activation of our English Premier League sponsorship in 53 markets, including the launch of the innovative "Strikr" app, which is the first app to let fans have real-time football conversation on Twitter; and renewed our long-standing partnership with Liverpool FC. The activation on digital media platforms continued successfully and the viral "Carlsberg puts friends to the test" achieved over 13m views on YouTube.

The Tuborg brand grew 10% for the year. The growth was mainly driven by very strong performance in Asia, not least in China and India. We continued the brand's rejuvenation programme, supported by the launch of Tuborg Booster in India, the new Tuborg bottle in the UK and the launch of Skøll by Tuborg in France.

Kronenbourg 1664 continued its positive momentum with 6% growth (excluding France, which was impacted by destocking following a significant excise duty increase). We introduced the brand in new markets, and the successful roll-out of the wheat beer Kronenbourg Blanc contributed to the overall brand development, particularly in Asia.

Our cider brand, Somersby, continued its very strong progress and grew 78%. The key drivers behind the growth were the launch in the UK, continued positive performance in Poland and line extensions in established markets such as Wild Cactus by Somersby in Denmark and Double Press in Norway. The brand is now available in 40 markets around the world and I am proud of the fact that it continues to be the fastest growing international cider brand.

The Group's Belgian abbey beer Grimbergen continued its successful expansion in 2013 and is now available in 33 markets globally. During the year, Grimbergen was launched in nine new markets, including Denmark and Poland, and we took over the distribution in Russia.

2013 results

In 2013, we delivered solid earnings growth despite challenging and uncertain market conditions and we achieved market share growth in all three regions driven by focused commercial execution and a number of successful innovations.

Our Asian markets continued to grow while our Western European markets declined by an estimated 2%. The Russian market declined by an estimated 8% due to outlet restrictions and slower economic growth.

Tuborg grew 10% and was the fastest growing international premium beer brand in China and the largest premium brand in India.

The Carlsberg brand grew 6% in the second half of 2013 in premium markets (declined 2% for the full year, cycling last year's EURO 2012 activations).

Our international cider brand, Somersby, grew 78%.

We kept a high level of investments across markets and functions to capture the short- and longer-term earnings growth opportunities.

We strengthened our presence in Asia, including increased ownership of Chongqing Brewery Group and construction of breweries.

We established the Carlsberg Circular Community to rethink and redevelop packaging with the aim of reducing the impact on the environment.

Statement of financial position

At 31 December 2013, Carlsberg had total assets of DKK 139.3bn against DKK 141.9bn at 31 December 2012.

Assets

Intangible assets were DKK 80.7bn (DKK 80.0bn at 31 December 2012). The increase of DKK 0.7bn was mainly due to acquisition of entities offset by foreign exchange adjustments, primarily related to Russia.

Property, plant and equipment increased to DKK 32.5bn against DKK 31.0bn at 31 December 2012, primarily impacted by higher CapEx and net foreign exchange adjustments, primarily related to Russia.

Financial assets declined by DKK 4.1bn to DKK 5.1bn due to the change in the accounting for Chongqing Brewery Group (now fully consolidated).

Inventories and receivables amounted to DKK 12.7bn (DKK 12.4bn in 2012). The change was driven by the acquisition of Chongqing Brewery Group.

Other receivables etc. totalled DKK 4.7bn against DKK 3.6bn at 31 December 2012. The change was mainly due to prepayments in relation to the acquisition of Chongqing Beer Group Assets Management (approval of transaction pending) and prepayments in connection with sponsorships.

Cash decreased from DKK 5.7bn at 31 December 2012 to DKK 3.7bn at 31 December 2013, mainly due to acquisitions, CapEx and paid dividends.

Liabilities

Equity decreased to DKK 60.8bn compared to DKK 62.9bn at 31 December 2012. DKK 57.1bn was attributed to shareholders in Carlsberg A/S and DKK 3.7bn to non-controlling interests.

The change in equity of DKK -2.2bn was mainly due to profit for the period of DKK +5.9bn; foreign exchange losses of DKK -7.5bn; payment of dividends to shareholders of DKK -1.3bn; acquisition of non-controlling interests (mainly in Laos) of DKK -0.6bn; retirement benefit obligations of DKK +0.8bn; and acquisition of entities of DKK +0.5bn related to the acquisition of Chongqing Brewery Group.

Liabilities decreased to DKK 78.6bn compared to DKK 79.0bn at 31 December 2012. The decrease was due to lower deferred tax liabilities and retirement benefit obligations partly offset by higher trade payables.

The increase in current borrowings to DKK 9.5bn from DKK 3.4bn was due to a EUR bond of 1bn maturing in May 2014 and has consequently been moved from non-current to current borrowings.

Cash flow

Operating profit before depreciation and amortisation was DKK 13,963m (DKK 13,917m in 2012).

The change in trade working capital was DKK 614m (DKK 865m in 2012). Other working capital was DKK -736m (DKK -505m in 2012), impacted negatively primarily by an extraordinary increase in prepayments and a decrease in debt to public authorities. The main part of the development was of a one-off nature. Average trade working capital to net revenue continued to decline and was 0.2% at the end of the year versus 1.0% at the end of 2012.

Paid net interest etc. amounted to DKK -2,106m (DKK -1,873m in 2012). The slight increase versus 2012 was due to phasing into 2013 of coupon payments related to the bond issues in 2012.

In all, cash flow from operating activities was DKK 9,341m (DKK 10,138m in 2012), impacted by net working capital and higher paid restructuring costs versus 2012.

Cash flow from investing activities amounted to DKK -8,857m against DKK -5,888m in 2012.

Total operational investments were DKK 6.1bn (DKK 5.1bn in 2012) and primarily included capacity expansion in Poland and Asia, greenfield breweries in Asia, investments related to network optimisation in Western Europe and sales investments.

Financial investments were impacted by the acquisition of 30.29% of the shares in Chongqing Brewery Company at the end of 2013 and prepayments related to the acquisition of Chongqing Beer Group Assets Management at the end of 2013.

Free cash flow was DKK 484m against DKK 4,250m in 2012.

Financing

At 31 December 2013, gross interest-bearing debt amounted to DKK 40.2bn and net interest-bearing debt amounted to DKK 33.8bn. The difference of DKK 6.4bn was other interest-bearing assets, including DKK 3.7bn in cash and cash equivalents.

Of the gross interest-bearing debt, 76% (DKK 30.5bn) was long-term, i.e. with maturity more than one year from 31 December 2013. The net interest-bearing debt consisted primarily of facilities in EUR and approximately 60% was at fixed interest (fixed-interest period exceeding one year).

STRUCTURAL CHANGES

During the year, we took several steps in Asia to further strengthen the Carlsberg Group's growth profile.

In China, we initiated the construction of a new brewery in the Yunnan province in October. The brewery is expected to be operational in 2015. During the year, we increased our shareholdings in the Qinghai and Lanzhou joint ventures to 50%. In December, we finalised the partial takeover offer for the shares in Chongqing Brewery Company and now own 60% of the company. Also in December, we announced the purchase of 100% of Chongqing Beer Group Assets Management, further expanding our footprint in China. The approvals for that transaction are still pending.

In August, we started the construction of the first international brewery in Myanmar. The brewery is expected to be operational in the second half of 2014.

Finally, in Laos we increased our shareholding in Lao Brewery by 10% to 61% and in Tibet, we increased our shareholding in Lhasa Brewery to 50%.

INCENTIVE PROGRAMMES

In 2013, a total of 91,000 share options with an exercise price of DKK 573.50 were granted to the Executive Board. In addition, a total of 372,049 performance shares with an exercise price of DKK 0 were granted to 336 members of the long-term incentive plan of which 45,135 performance shares were granted to the Executive Board. The number of performance shares in this programme is preliminary, as the final number will be determined on the basis of the achievement of specific performance criteria as described in the remuneration report in the Annual Report.

In 2014, a total of approximately 100,000 share options will be granted to the Executive Board. The precise number will be calculated using the Black-Scholes formula and on the basis of an exercise price calculated as an average of the share price on the first five trading days after publication of the present Company Announcement. In addition, approximately 365,000 performance shares with an exercise price of DKK 0 will be granted to 342 members of the long-term incentive plan of which approximately 47,000 will be granted to the Executive Board. The preliminary number will be based on the average share price of the trading days before and after the publication of the present Company announcement.

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 sections 1 and 4 in the consolidated financial statements.

Risk assessment 2014

In October 2013, 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 2014-2018 were defined. Local risk management workshops and heat mapping were carried out during the third quarter of 2013.

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, economic slowdown, including in emerging markets, the implementation of BSP1 and the impact and speed of large Group projects were classified as high risks for 2014 as well as for

2015-2018 and placed in the upper-right quartile of the risk heat map. These three high risks for 2014 are presented below.
The identified strategic high risks also 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 all strategic high risks.

Economic slowdown

Description
The economic slowdown of recent years continues, particularly in Western Europe. But slower growth is also evident in Eastern Europe and some Asian countries.

Possible impact
Slower economic growth particularly impacts emerging markets, including Eastern Europe, where there is a clear correlation between GDP growth and growth in beer consumption. However, in the mature markets of Western Europe the challenging macroeconomy has also had a negative impact on beer consumption. Declining or slower growth in beer consumption may negatively impact the Group's net revenue and operating profit.

Mitigation
We continuously monitor the macroeconomic health of our markets and will continue to take actions to reduce the impact of the adverse economic environment. Mitigating factors and actions include our broad portfolio of beer, which caters to different price segments, and the active diversification of our portfolio outside beer, for example the Somersby cider brand. From a cost perspective, we apply a systematic and focused approach to allocate our resources to fewer things with the highest impact. The many efficiency initiatives across the business will also reduce the cost base.

Implementation of BSP1

Description
2013 was the first year of the three-year implementation period of the supply chain integration and business standardisation project (BSP1). The project is a key enabler for the transformation of the operating model in Western Europe and will lead to increased speed, optimised asset utilisation and improved capabilities. The project will yield significant long-term benefits in Western Europe.

Possible impact
Rolling out the BSP1 project requires significant resources and entails substantial implementation costs. If the implementation of the project or the adoption of the new operating model fails, this could have a negative impact on regional and Group earnings.

Mitigation
In order to reduce the risk of not being able to manage the BSP1 implementation and the business transformation, a number of activities are ongoing, including: post go-live assessment of ways of working to identify issues and create solutions; accumulating and adapting to lessons learned from past roll-outs; securing key resources across the markets; and, when and if appropriate, reorganising the BSP1 teams to ensure clear responsibilities at all times during the roll-out period.

Impact and speed of large Group projects

Description
In addition to the BSP1 project, the Carlsberg Group is running a number of large structural and efficiency projects to reduce the overall cost base of the Group. Another large project in 2014 will be the integration of the newly acquired Chongqing Brewery.

Possible impact
In light of the challenging economic environment in many of the Group's markets, the structural, efficiency and integration projects represent important levers for growing Group operating profit. Failure to successfully implement the projects therefore represents a risk to achieving the Group's financial ambitions.

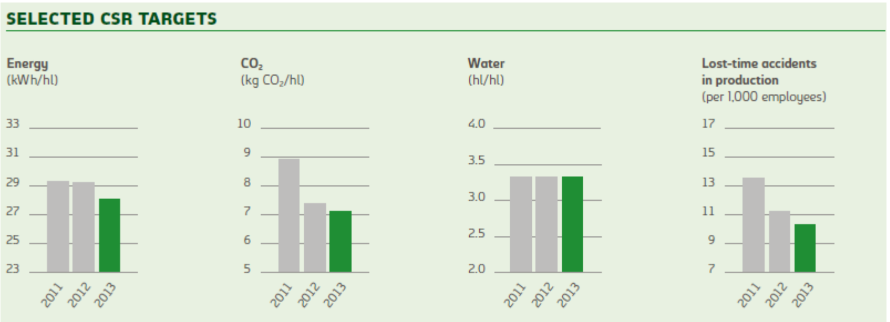
Mitigation
To ensure the development and implementation of the large Group projects, they are the focus of attention for top management. In addition, the Group has adopted a rigid and systematic approach to closely monitor and track the status of key initiatives, including progress versus plan, issues, risks and savings. Where relevant, KPIs are linked to project performance.

CORPORATE SOCIAL RESPONSIBILITY

Integrating corporate social responsibility (CSR) throughout the value chain and securing a high level of compliance with our policies is imperative if we are to sustain and develop a strong reputation as a responsible brewing company and ensure the long-term value growth of our business.

Across many markets, the beer industry is increasingly facing legislative actions. Our reputation as a responsible brewer is critical in securing our licence to operate and grow and is therefore top of mind in the decisions we make. To this end, we recognise the importance of actively building a strong corporate sustainable brand position for the Carlsberg Group while ensuring that our people are well prepared to manage any potential crises and issues in a sensitive, responsible manner.

In 2013, we delivered on our three-year targets within energy, CO2 and lost-time accidents in production. We developed new three-year targets for our policies covering the following eight areas: environment, health & safety, community engagement, labour & human rights, responsible sourcing, business ethics, responsible drinking and marketing communication. We also reviewed and updated our policies and guidelines to ensure compliance with internal and external expectations.



CSR reporting and management

We published an annual CSR report on our policies. 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 section 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 and health & safety has been independently assured by the KPMG Climate Change & Sustainability team. Furthermore, an expanded set of strategic indicators has been chosen for readiness assessment. Our aim is to have independent assurance across all CSR policies in 2016.

The full 2013 CSR report, including the KPMG assurance statement and GRI G3 table, is available online at www.carlsberggroup.com/csr/reports.

Carlsberg CSR strategic lever has three priorities.

Efficient global brewer

During the past three years, we have continuously worked to reduce our energy and water usage and CO2 emissions in production. These results have benefitted both our business and the environment. Our 2016 targets reflect our ambition to continue to be the most efficient global brewer.

In 2013, we achieved our target of 7.1 kg CO2 emissions per hl in production. The reductions were 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 import-ant area for the Group. Reducing water consumption at our breweries is of particular importance in parts of the world where water resources are under pressure. In 2013, we used 3.3 hl/hl to produce our products.

Our 2013 progress on energy, CO2 and water is shown on the previous page.

Developing sustainable packaging

Packaging represents both a risk and an opportunity for the Group. By itself, packaging is a significant cost driver and, in addition, it accounts for approx. 45% of the Group's total end-to-end CO2 emissions.

Consequently, developing sustainable packaging solutions offers great potential for reducing our environmental impact and reducing long- and short-term risks. In 2013, we set ambitious targets and implemented a number of initiatives to reduce the environmental impact of our packaging.

We have entered into partnerships with global packaging suppliers of cans, glass bottles, coatings and shrink wrap. Our joint aim is to reduce the environmental impact and develop solutions that are optimised for reuse either as new packaging or as something completely different, such as clothing, with the same or a higher level of quality than the original packaging.

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 reducing the harmful overconsumption of beer and to playing a positive role in taking global action on this important public health issue.

In 2013, we defined targets and developed a new policy and related guidelines for this area to enable commitment and compliance across the Group.

In 2012, we signed the Global Commitments to reduce harmful drinking and committed to reporting on our actions and progress within five areas as of 2013. Our reporting under the Global Commitments has been audited by an external assurer to increase trans-parency for our financial and non-financial stakeholders. We believe that delivering on the Global Commitments is essential for our ambition to improve the image of beer and continue to drive category growth.

As another initiative, we have implemented strategic self-regulation schemes in cooperation with regulatory stakeholders in selected markets. This has enabled an open and constructive dialogue with key stakeholders, giving us the opportunity to prove our willingness to act on our ambition to reduce harmful drinking and grow responsibly.

DIVERSITY

We refer to the description in the consolidated financial statement of Carlsberg A/S

THE AUDIT COMMITTEE

In 2013, the Audit Committee consisted of four members of the Supervisory Board: Jess Søderberg (Chairman), Flemming Besenbacher, Richard Burrows and Donna Cordner. 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 is appointed for one year at a time. For 2014, Jess Søderberg, Richard Burrows and Donna Cordner have been appointed to the Committee, Jess Søderberg as Chairman.

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 2013 at its meeting in December 2012 and approved the 2014 meeting plan at its meeting in December 2013. The Terms of Reference are available on the Company's website.

In 2013, the Audit Committee held five meetings. All members participated in four of the meetings. At one meeting, 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 financial reporting. The Audit Committee also discussed the assumptions behind the Company's full-year profit expectations before all releases of financial statements. In addition, the Audit Committee reviewed the financial personnel succession planning.

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 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. Finally, the Audit Committee monitored the development and implementation of a global expense policy.

c) Monitored the internal audit function. The work included a review and approval of internal audit plans and a review of the internal audit function. The Audit Committee was presented with several of the tools used by Group Internal Audit in its work, including tools to mitigate fraud risk in the financial reporting process.

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 Exe-cutive 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 2013, 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 CONTROL AND RISK MANAGEMENT RELATED TO THE FINANCIAL REPORTING PROCESS

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 was 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.

2014 EARNINGS EXPECTATIONS

Based on restated figures for 2013[1], for 2014 the Group expects:

- Operating profit to grow organically by high-single-digit percentages (reported mid-single-digit percentage growth).

[1] See section 9.3 in the consolidated financial statements.

- Reported adjusted net profit[2] to grow by mid-single-digit percentages.

The major assumptions behind the outlook are listed below.

The outlook, in reported terms, is based on an assumed 2014 average for our major currencies calculated on forward rates, including an average EUR/RUB exchange rate of around 49 (an EUR/RUB change of +/- 1 impacts Group operating profit by slightly less than +/- DKK 100m).

For 2014, the Group assumes the following market development in our major markets/regions:

- The Western European beer markets will decline slightly as consumers in many markets remain under pressure, in spite of the macroeconomic situation in some markets having improved slightly in the second half of 2013.
- The Russian market will decline low-single-digit in volume terms, while continuing healthy value growth. The Russian beer market will be impacted by the macroeconomic slowdown and weaker consumer sentiment. The outlook assumes that no new regulations will be implemented following the significant regulatory changes which have been introduced in recent years.
- The Asian markets will continue to grow in line with 2013.

Based on restated figures[1], reported cost of goods sold per hl is expected to be lower than in 2013. In organic terms, cost of goods sold per hl is expected to be similar to last year.

Based on restated figures[1], sales and marketing investments to net revenue is expected to remain at a similar level to last year.

Costs related to the integrated supply chain and business standardisation project in Western Europe are expected to impact Group operating profit in 2014 by DKK 450-500m.

Average all-in cost of debt is assumed to be similar to 2013.

[2] Adjusted for special items after tax

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

Capital expenditures are expected to be at the level of 2013 with continued capacity investments in Asia. In 2014, the DKK 1.4bn acquisition of Chongqing Beer Group Assets Management is expected to be completed.

COMPANY ANNOUNCEMENTS

Date	Event
25.02.2013	Trading suspension of Chongqing Brewery Co., Ltd.
04.03.2013	An important step forward in China
22.03.2013	Carlsberg Breweries Annual Report 2012
08.04.2013	Change in classification of listing fees in Russia
19.04.2013	Carlsberg Breweries A/S - Annual General Meeting
25.10.2013	Amendment to the Charter of the Carlsberg Foundation and new dividend policy
28.10.2013	Clarification of Deputy Chairman’s quote in a Danish paper
11.12.2013	Completion of Carlsberg´s partial takeover offer for Chongqing Brewery Company
30.12.2013	Carlsberg announces acquisition of Chongqing Beer Group Assets Management Co. Ltd.

the Group's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, market acceptance of new products, changes in consumer preferences, launches of rival products, stipulation of market value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors. New risk factors can arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

Content

FINANCIAL STATEMENTS

Income statement

DKK million	Section	2013	2012
Revenue		93.732	92.367
Excise duties on beer and soft drinks etc.		-27.180	-25.899
Net revenue		**66.552**	**66.468**
Cost of sales	1.3.1	-33.622	-33.831
Gross profit		**32.930**	**32.637**
Sales and distribution expenses	1.3.3	-18.717	-18.912
Administrative expenses	1.3.3	-4.464	-4.174
Other operating activities, net	1.3.4	129	246
Share of profit after tax, associates	5.5	104	112
Operating profit before special items		**9.982**	**9.909**
Special items, net	3.1	-473	-1.812
Financial income	4.1	725	918
Financial expenses	4.1	-2.237	-2.653
Profit before tax		**7.997**	**6.362**
Corporation tax	6.1	-2.086	-1.529
Consolidated profit		**5.911**	**4.833**
Attributable to:			
Non-controlling interests		480	638
Shareholders in Carlsberg Breweries A/S		5.431	4.195

Statement of comprehensive income

DKK million	Section	2013	2012
Consolidated profit		**5.911**	**4.833**
Other comprehensive income			
Retirement benefit obligations	7.4	825	-739
Share of other comprehensive income in associates		4	4
Corporation tax relating to items that will not be reclassified	6.1	-196	133
Items that will not be reclassified to the income statement		633	-602
Foreign exchange adjustments of foreign entities	4.1	-7.499	1.904
Value adjustments of hedging instruments	4.1	11	111
Effect of hyperinflation	4.1	61	75
Other		-28	-2
Corporation tax relating to items that may be reclassified	6.1	-8	-46
Items that may be reclassified to the income statement		-7.463	2.042
Other comprehensive income		**-6.830**	**1.440**
Total comprehensive income		**-919**	**6.273**
Attributable to:			
Non-controlling interests		307	582
Shareholders in Carlsberg Breweries A/S		-1.226	5.691

Statement of financial position

Assets

DKK million	Section	31 Dec. 2013	31 Dec. 2012
Non-current assets			
Intangible assets	2.3, 2.4	80.675	80.010
Property, plant and equipment	2.3, 2.4	32.505	31.034
Investments in associates	5.5	1.879	5.768
Receivables	1.6	2.079	2.187
Deferred tax assets	6.2	1.122	1.192
Total non-current assets		**118.260**	**120.191**
Current assets			
Inventories	1.3.1	4.762	4.541
Trade receivables	1.6	7.902	7.872
Tax receivables		203	60
Other receivables	1.6	2.947	2.679
Prepayments		1.566	853
Cash and cash equivalents	4.4.2	3.707	5.748
Total current assets		**21.087**	**21.753**
Total assets		**139.347**	**141.944**

Equity and liabilities

DKK million	Section	31 Dec. 2013	31 Dec. 2012
Equity			
Share capital	4.3.2	501	501
Reserves		-13.634	-6.368
Retained earnings		70.196	65.396
Equity, shareholders in Carlsberg Breweries A/S		57.063	59.529
Non-controlling interests		3.688	3.389
Total equity		**60.751**	**62.918**
Non-current liabilities			
Borrowings	4.2, 4.4	30.464	36.479
Retirement benefit obligations and similar obligations	7.4	3.048	3.913
Deferred tax liabilities	6.2	8.175	8.930
Provisions	3.2	1.128	1.097
Other liabilities		1.354	1.201
Total non-current liabilities		**44.169**	**51.620**
Current liabilities			
Borrowings	4.2, 4.4	9.520	3.352
Trade payables		12.954	11.906
Deposits on returnable packaging	1.3.2	1.630	1.381
Provisions	3.2	499	574
Corporation tax		547	551
Other liabilities etc.		9.277	9.642
Total current liabilities		**34.427**	**27.406**
Total liabilities		**78.596**	**79.026**
Total equity and liabilities		**139.347**	**141.944**

Statement of changes in equity

								2013
	Shareholders in Carlsberg Breweries A/S							
DKK million	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Equity at 1 January 2013	501	-5.769	-733	-6.368	65.396	59.529	3.389	62.918
Consolidated profit	-	-	-	-	5.431	5.431	480	5.911
Other comprehensive income								
Foreign exchange adjustments of foreign entities	-	-7.327	-	-7.327	-	-7.327	-172	-7.499
Value adjustments of hedging instruments	-	-118	129	11	-	11	-	11
Retirement benefit obligations	-	-	-	-	818	818	7	825
Share of other comprehensive income in associates	-	-	-	-	4	4	-	4
Effect of hyperinflation	-	58	-	58	-	58	3	61
Other	-	-	-	-	-17	-17	-11	-28
Corporation tax	-	44	-52	-8	-196	-204	-	-204
Other comprehensive income	**-**	**-7.343**	**77**	**-7.266**	**609**	**-6.657**	**-173**	**-6.830**
Total comprehensive income for the year	**-**	**-7.343**	**77**	**-7.266**	**6.040**	**-1.226**	**307**	**-919**
Capital increase	-	-	-	-	-	-	32	32
Refund to parent company for exercise of share options	-	-	-	-	-51	-51	-	-51
Change in expected future refunds for exercise of share options	-	-	-	-	1	1	-	1
Share-based payment	-	-	-	-	57	57	-	57
Dividends paid to shareholders	-	-	-	-	-915	-915	-359	-1.274
Acquisition of non-controlling interests	-	-	-	-	-332	-332	-224	-556
Acquisition of entities	-	-	-	-	-	-	543	543
Total changes in equity	**-**	**-7.343**	**77**	**-7.266**	**4.800**	**-2.466**	**299**	**-2.167**
Equity at 31 December 2013	**501**	**-13.112**	**-656**	**-13.634**	**70.196**	**57.063**	**3.688**	**60.751**

The proposed dividend of DKK 2,435 per share, in total DKK 1,220m (2012: DKK 1,827 per share, in total DKK 915m), is included in retained earnings at 31 December 2013. Dividends paid out in 2013 for 2012 amount to DKK 915m (paid out in 2012 for 2011: no dividend), which is DKK 1,827 per share (2012: no dividend). Dividends paid out to shareholders of Carlsberg A/S do not impact taxable income in Carlsberg A/S.

DKK million	Shareholders in Carlsberg Breweries A/S							2012
	Share capital	Currency translation	Hedging reserves	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	-8.632	63.703	55.572	5.763	61.335
Consolidated profit	-	-	-	-	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	-	**1.853**	**401**	**2.264**	**-768**	**1.496**	**-56**	**1.440**
Total comprehensive income for the year	-	**1.853**	**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	**-**	**1.853**	**401**	**2.264**	**1.693**	**3.957**	**-2.374**	**1.583**
Equity at 31 December 2012	**501**	**-5.769**	**-733**	**-6.368**	**65.396**	**59.529**	**3.389**	**62.918**

Statement of cash flows

DKK million	Section	2013	2012
Operating profit before special items		9.982	9.909
Adjustment for depreciation and amortisation		3.975	3.980
Adjustment for impairment losses[1]		6	28
Operating profit before depreciation, amortisation and impairment losses		**13.963**	**13.917**
Adjustment for other non-cash items	1.5.1	606	323
Change in trade working capital	1.5.1	614	865
Change in other working capital	1.5.1	-736	-505
Restructuring costs paid		-646	-324
Interest etc. received		338	378
Interest etc. paid		-2.444	-2.251
Corporation tax paid		-2.354	-2.265
Cash flow from operating activities		**9.341**	**10.138**
Acquisition of property, plant and equipment and intangible assets		-5.765	-5.061
Disposal of property, plant and equipment and intangible assets		151	440
Change in on-trade loans	1.5.1	-487	-447
Total operational investments		**-6.101**	**-5.068**
Free operating cash flow		**3.240**	**5.070**
Acquisition and disposal of entities, net	5,3	-2.340	-27
Acquisition and disposal of associates, net		-191	-822
Acquisition and disposal of financial assets, net		-	-17
Change in financial receivables	1.5.1	-289	-28
Dividends received		71	96
Total financial investments		**-2.749**	**-798**
Other investments in property, plant and equipment		-	-
Disposal of other property, plant and equipment		-7	-22
Total other activities[2]		**-7**	**-22**
Cash flow from investing activities		**-8.857**	**-5.888**
Free cash flow	1,5	**484**	**4.250**

Shareholders in Carlsberg Breweries A/S	4.3.2	-915	-
Non-controlling interests	4.3.2	-679	-5.198
External financing	4.4.1	-464	3.263
Cash flow from financing activities		**-2.058**	**-1.935**
Net cash flow		**-1.574**	**2.315**
Cash and cash equivalents at 1 January[3]		5.048	2.798
Foreign exchange adjustment of cash and cash equivalents		-165	-65
Cash and cash equivalents at 31 December[3]	4.4.2	**3.309**	**5.048**

1 Impairment losses excluding those reported in special items.

2 Other activities cover real estate separate from beverage activities.

3 Cash and cash equivalents less bank overdrafts.

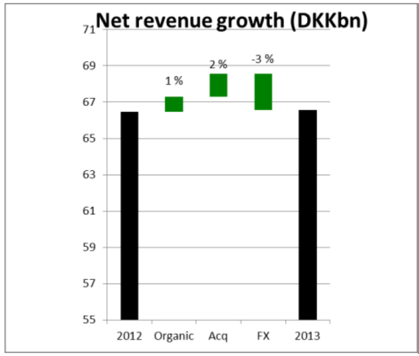
Section 1 – OPERATING ACTIVITIES

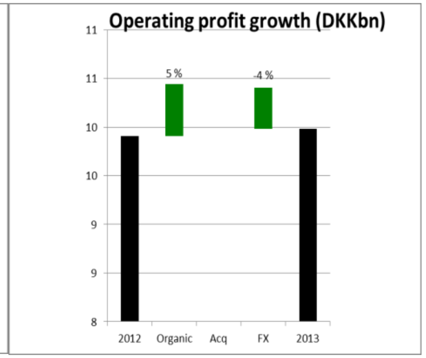
KEY DEVELOPMENTS 2013

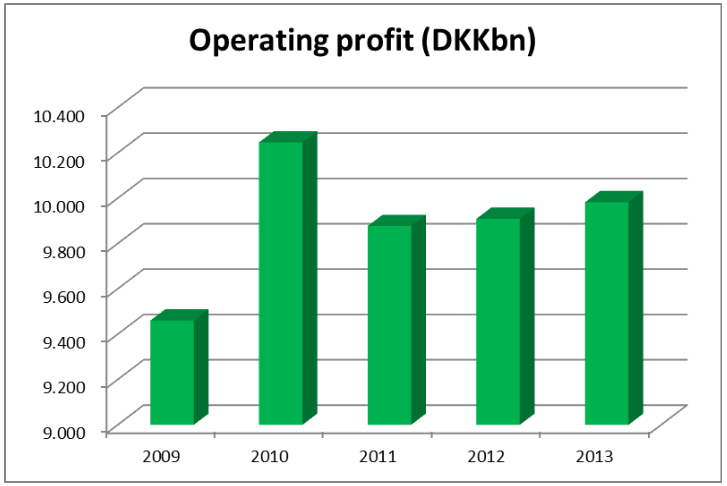
- **66.6bn.**
  - Organic net revenue growth of 1% to DKK 66.6bn.
- **3.2bn.**
  - Free operating cash flow of DKK 3.2bn.
- **484m.**
  - Free cash flow of DKK 484m impacted by acquisitions in Asia.
- **10.0bn.**
  - Operating profit before special items of DKK 10.0bn driven by 5% organic growth.
- **1%**
  - Adjusted net profit of DKK 5.8bn, up 1%.

Operating profit is a measure of our ability to enhance operational performance through top-line growth while containing or reducing costs by working more effectively and efficiently.

A strong **free cash flow** allows us to return value to shareholders, pay down debt, reinvest in our business and engage in value-creating acquisitions in growth markets.







Section 1.1 Business developments

Breweries Group						
DKK million	2012	Organic	Acq., net	FX	2013	Reported
Beer (million hl)	120,4	-2%	1%		119,7	-1%
Other beverages (million hl)	19,1	2%	1%		19,7	3%
Total volume, pro rata	139,5	-1%	1%		139,4	0%
Net revenue	66.468	1%	2%	-3%	66.552	0%
Operating profit, before special items	9.909	5%	0%	-4%	9.982	1%
Operating margin (%)	14,9				15,0	10bp

Group beer volumes declined organically by 2%, while reported beer volumes declined by 1%. The growing volumes in Asia were not enough to offset the volume decline in Eastern and Western Europe. The acquisition impact of 1% mainly related to Chongqing Brewery Group in China and distribution entities acquired from Nordic Getränke in Germany. Other beverages grew organically by 2%.

Net revenue grew by 1% organically, while reported net revenue was flat as a result of -3% impact from currencies and acquisition impact of +2%. The negative currency impact was due to weaker currencies in Russia, Malawi, Norway, the UK and several Asian countries.

Cost of goods sold per hl increased organically by approximately 1%, but due to the positive price/mix gross profit per hl grew by approximately 5% organically. Reported cost of goods sold per hl declined slightly and reported gross profit per hl grew by 1%. Total gross profit grew organically by 3%. Reported gross margin improved by 40bp to 49.5%.

We invested in future efficiency improvements and reported operating expenses grew by 1% impacted by BSP1-related costs of approximately DKK 350m. Excluding the BSP1 related costs, reported operating expenses declined by 1%, driven by tight cost control in all areas.

Consequently, operating profit before special items grew organically by 5%.

All three regions delivered organic operating profit growth, with particularly strong growth in Asia. Reported operating profit was DKK 9,982m. Group operating margin increased by 10bp to 15.0%. Eastern Europe and Asia improved operating margins, while the Western European margin was flat versus prior year despite the BSP1-related costs.

Reported net profit was DKK 5,431m (2012: DKK 4,195m).

Adjusted net profit (adjusted for post-tax impact of special items) grew by 2% to DKK 5,762m versus DKK 5,711m last year.

Accounting policies
Growth represents the combined effect of the following three elements: acquisitions, foreign exchange effects and organic growth. The acquisition effect is calculated as the effect of acquisitions and divestments, including any additional share obtained from increased ownership of proportionately consolidated entities and associates for a 12-month period from the acquisition date. The foreign exchange effect is the difference between the figures for the current reporting period translated at the exchange rates applying to the previous reporting period and at the rates applying to the current reporting period. Organic growth is the remaining growth that is not related to acquisitions, divestments or foreign exchange effects.

Section 1.2 Revenue and segmentation of operations

The segmentation reflects the geographical and strategic management, decision and reporting structure applied by the Executive Committee (Chief Operating Decision Maker).

The non-beverage activities are managed separately and therefore also shown separately.

Not allocated net revenue, DKK 171m (2012: DKK 125m), consists of DKK 9,176m (2012: DKK 7,687m) net revenue from other companies and activities and DKK -9,005m (2012: DKK -7,562m) from eliminations of sales between these other companies and the geographical segments.

Not allocated operating profit before special items, DKK -1,335m (2012: DKK -1,199m), consists of DKK -1,345m (2012: DKK -1,217m) from other companies and activities and DKK 10m (2012: DKK 18m) from eliminations.

Segmentation of income statement etc.

					2013
DKK million	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Net revenue	38.696	17.700	9.874	282	66.552
Intra-segment revenue	100	11	-	-111	-
Total net revenue	**38.796**	**17.711**	**9.874**	**171**	**66.552**
Total cost	-33.528	-13.589	-8.051	-1.506	-56.674
Share of profit after tax, associates	1	5	98	-	104
Operating profit before special items	**5.269**	**4.127**	**1.921**	**-1.335**	**9.982**
Special items, net					-473
Financial items, net					-1.512
Profit before tax					**7.997**
Corporation tax					-2.086
Consolidated profit					**5.911**
Operating margin	13,6%	23,3%	19,5%		15,0%

DKK million	Western Europe	Eastern Europe	Asia	Not allocated	2012 Carlsberg Breweries Group, total
Income statement					
Net revenue	37.672	19.488	9.114	194	66.468
Intra-segment revenue	55	14	-	-69	-
Total net revenue	**37.727**	**19.502**	**9.114**	**125**	**66.468**
Total cost	-32.610	-15.204	-7.533	-1.324	-56.671
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%	22,1%	18,5%		14,9%

Geographical allocation of net revenue

The Groups total revenue can be segmented as follows:

	Net revenue 2013	2012
Denmark (Carlsberg A/S's domicile)	5.007	4.970
Russia	14.014	15.787
Other countries	47.531	45.711
Total	**66.552**	**66.468**

Significant accounting estimates and judgements

The classification of duties and fees paid to local authorities or brewery organisations etc. and of discounts and marketing-related activities entails significant accounting estimates to be made by management.

Locally imposed duties and fees are classified as either sales-related duties, which are deducted from revenue, or as fees related to the input/use of goods in production, transportation, distribution etc., which are therefore recognised as an expense in the relevant line item.

Customer discounts are recognised in the same period as the sales to which they relate and deducted from revenue.

Customer discounts are based on expected accumulated sales volumes over a period of time using historical and year-to-date sales figures and other current information about trading with the customer. These calculations are performed by local management in cooperation with sales managers.

Management assesses the agreements with, services provided by and payments made to customers and to their customers to determine the substance and thereby the classification as either discounts or as trade marketing expenses. Expenses incurred for activities closely related to volumes sold are classified as discounts, while costs related to more general market activities are classified as trade marketing expenses.

Accounting policies

For information about segmentation, please refer to section 9.2 (General accounting policies).

Revenue from the sale of own-produced finished goods, goods for resale (third-party products) and by-products is recognised in the income statement when all significant risks and rewards have been transferred to the buyer and when 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 including excise duties on beer and soft drinks and excluding discounts, VAT and duties.

Discounts comprise off-invoice, volume and activity-related discounts, including specific promotion prices offered or listing fees paid at the point of sale and thereby closely related to the volumes sold.

Section 1.3 Operating expenses, inventory and deposit liability

Cost of sales decreased by 0.6%. The cost per hl declined slightly compared to last year.

1.3.1 Cost of sales and inventory

Cost of materials mainly relates to barley/malt, hops, glass, cans and other packaging materials.

Purchased finished goods include cost of point-of-sale materials sold to customers and third-party products.

Cost of sales

DKK million	2013	2012
Cost of materials	19.650	19.566
Direct staff costs	1.400	1.375
Machinery costs	944	902
Depreciation, amortisation and impairment losses	2.863	2.815
Indirect production overheads	3.687	3.682
Purchased finished goods and other costs	5.078	5.491
Total	**33.622**	**33.831**

Research and development costs of DKK -99m (2012: DKK -96m) have been recognised in the income statement as incurred.

Inventory

DKK million	2013	2012
Raw materials and consumables	2.319	2.332
Work in progress	319	304
Finished goods	2.124	1.905
Total	**4.762**	**4.541**

Inventory increased due to the acquisition of Chongqing Brewery Group, which was fully consolidated from December 2013 and therefore impacted the level of inventory at year-end while having only a minor impact on the cost of sales (only included for one month).

Raw material risk

Raw material risks are associated in particular with purchasing of cans (aluminium), malt (barley) and energy. The management of raw material risks is coordinated centrally and aimed at achieving stable and predictable raw material prices in the long term and avoiding capi-tal 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 volatile 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 Europe and Eastern Europe, and for 2014 the risk has been partially hedged. The total volume of aluminium purchased via financial instruments was approximately 110,800 tonnes at the end of 2013 (2012: 97,300 tonnes). Based on this volume, and assuming 100% efficiency, a 10% increase (decrease) in aluminium prices would impact equity positively (negatively) by DKK 108m (2012: DKK 106m). Fair values of the financial instruments are specified in section 4.8.

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.

Significant accounting estimates and judgements

At least once a year, the local entities assess whether the standard cost of inventories is a close approximation of the actual cost. The standard cost is also revised if during the year it deviates by more than 5% from the actual cost of the individual product.

Management also assesses the impact on the standard cost of government and other grants received to fund operating activities. This involves assessing the terms and conditions of grants received, including the risk of any repayment.

Funding and grants are recognised in the income statement in the same period as the activities to which they relate.

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 calculation of the net realisable value of inventory is mainly relevant to packaging materials, point-of-sale materials and spare parts. The 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 the net realisable value and scrapping.

Accounting policies

Cost of sales comprises costs of products sold during the year, indirect production overheads not allocated to specific products (IPO) and development costs.

Own-produced finished goods and work in progress are measured at standard cost comprising the cost of raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies, wages and salaries, amortisation of trademarks and software as well as maintenance and depreciation of machinery, plant and equipment used for production and costs of production, administration and management.

The cost of purchased finished goods, raw and packaging materials and point-of-sale materials includes any costs that are related directly to bringing inventories to the relevant place of sale and getting them ready for sale, e.g. purchase cost, insurance, freight, duties and similar costs.

Inventories are measured at the lower of standard cost (own-produced finished goods) and weighted average cost (other inventories) and net realisable value. 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 deter-mined taking into account marketability, obsolescence and developments in expected selling price.

The cost of scrapped/impaired goods is expensed within the function (line item) responsible for the loss, i.e. losses during distribution are included in the cost of distribution while the scrapping of products due to sales not meeting forecasts is included in sales expenses.

1.3.2 Deposit liabilities on returnable packaging

In a number of countries, the local entities have a legal or constructive obligation to take back returnable packaging from the market. When invoicing customers, the entity adds a deposit to the sales price and recognises a deposit liability. The deposit is paid out on return of bottles, cans etc.

The deposit liability amounted to DKK 1,630m (2012: DKK 1,381m) at 31 December 2013, while the value of returnable packaging materials amounted to DKK 2,001m (2012: DKK 1,727m). The capitalised value of returnable packaging materials exceeds the deposit liability as each of the returnable packaging items circulates a number of times in the market. The deposit liability was almost unchanged compared to the liability at the end of 2012 except for the effect of the Chongqing acquisition, which increased the deposit liability.

Significant accounting estimates and judgements

Management assesses the local business model, contracts and agreements, the level of control over the returnable packaging material and the return rate to determine the accounting treatment of the packaging material as either property, plant and equipment or inventory.

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 as well as planned changes in packaging types.

Accounting policies

The obligation to refund 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 rates.

The accounting policy for returnable packaging capitalised as property, plant and equipment is described in section 2.4

1.3.3 Sales, distribution and administrative expenses

Total operating expenses grew by 1%, impacted by BSP1-related costs of approximately DKK 350m.

Marketing, sales and distribution expenses declined by DKK -195m compared to last year mainly due to last year's activation of EURO 2012.

DKK million	2013	2012
Marketing expenses	5.973	6.276
Sales expenses	5.220	5.277
Distribution expenses	7.524	7.359
Total	**18.717**	**18.912**

Marketing expenses consist of expenses for brand marketing and trade marketing.

Brand marketing is an investment in our brands and consists of brand-specific investments in the development of communication vehicles and the use of these to drive the sale of branded products and services.

Trade marketing is promotional activities directed towards customers, such as the supply of point-of-sale materials, promotional material and trade offers.

Accounting policies

Brand and trade marketing expenses comprise sales campaigns, sponsorships, advertising and in-store display expenses.

Sales and distribution expenses comprise costs relating to general sales activities, sales staff as well as depreciation and impairment of sales equipment and costs incurred in distributing goods sold during the year.

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.

1.3.4 Other operating activities, net

Other operating activities are secondary to the principal activities of the entities, and include income and expenses relating to rental properties and hotels, on-trade loans, research activities, and gains and losses on the disposal of intangible assets and property, plant and equipment.

DKK million	2013	2012
Gains and loss on disposal of property, plant and equipment and intangible assets within beverage activities, net	8	112
On-trade loans, net	1	36
Real estate, net	-	-3
Research centres, net	-29	-16
Other, net	149	117
Total	**129**	**246**

On-trade loan activities are described in section 1.6 below.

Accounting policies

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. On-trade loans, net comprise the effective interest rate on on-trade loans calculated on the basis of amortised cost less impairment of on-trade loans.

Expenses relating to research activities comprise research in Denmark and France less funding received from the Carlsberg Foundation for the operation of the Carlsberg Laboratory and grants received to fund research. The funding and grants are recognised in the income statement in the same period as the activities to which they relate. Development costs are included in cost of sales.

Section 1.4 Foreign exchange risk related to earnings

A significant part of the Group's activities takes 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.

Transaction risks on purchases and sales

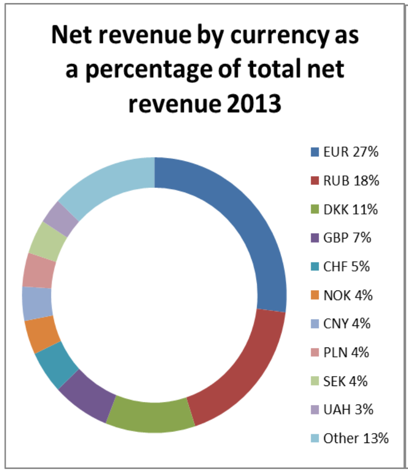
The Group is exposed to transaction risks on purchases and sales in currencies other than the functional currency of the local entities. It is therefore Group policy to hedge future cash flows in currencies other than the functional currency of the entities for a one-year period. This policy applies 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 is 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 they are accounted for as cash flow hedges.

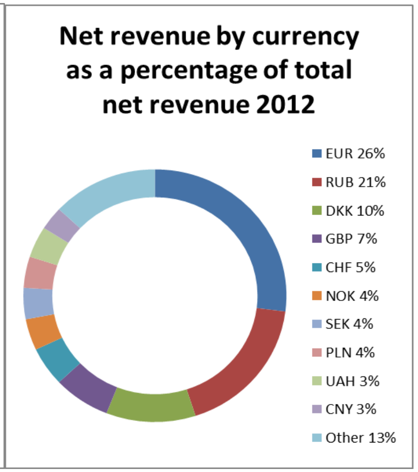
Impact from Eastern Europe

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, Baltika Breweries has expenses in both USD and EUR. This split is likely to reduce the transaction risk. However, appreciation and depreciation of RUB have affected and will continue to affect operating profit measured in both DKK and RUB.

Translation Risk

The Group is exposed to risk from translation of foreign entities into the Group's functional currency, DKK. The Group is primarily exposed to RUB and secondarily to other currencies as stated in the graph to the right, which distributes revenue by major currencies. There is also some exposure to a number of Asian currencies, which in total represent approximately 20% (2012: 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.





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.

Impact on operating profit

Developments in exchange rates between DKK and the functional currencies of foreign entities had a negative impact on the Group's operating profit measured in DKK. Operating profit was reduced as a result of a decrease in the average rates for CHF/DKK (-1.9%), NOK/DKK (-4.4%), GBP/DKK (-4.4%), MYR/DKK (-4.4%), RUB/DKK (-5.6%) and UAH/DKK (-3.6%).

Section 1.5 Cash flow from operating activities

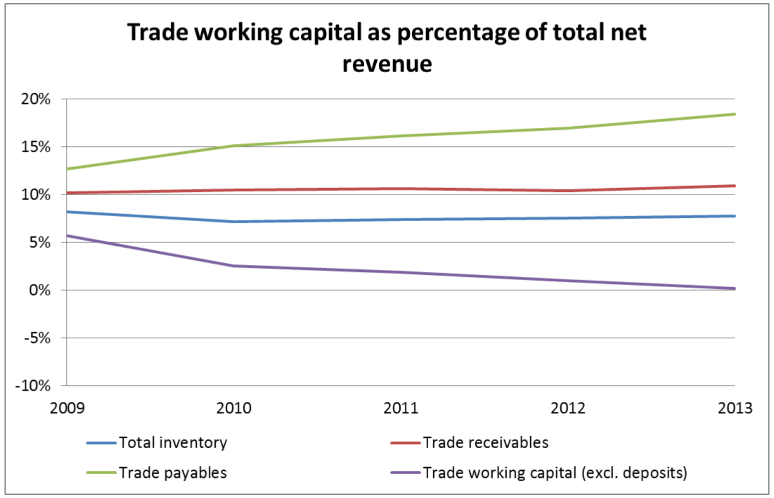
Cash flow from operating activities was DKK 9.3bn (2012: DKK 10.1bn), i.e. a change of DKK -0.8bn. The change was impacted by net working capital and higher paid restructuring cost than in 2012.

The Group is continuously working to improve its cash flow and looking into new initiatives. In some major markets, Carlsberg uses receivable transfer agreements to sell trade receivables on a non-recourse basis. Cash flow relating to trade payables improved because the Group focused on achieving better payment terms with suppliers.

Against the backdrop of the slow recovery of most European economies, the Group is focusing on the generally increased credit risk, on collection of receivables and on tightening of credit control in certain Western European countries.

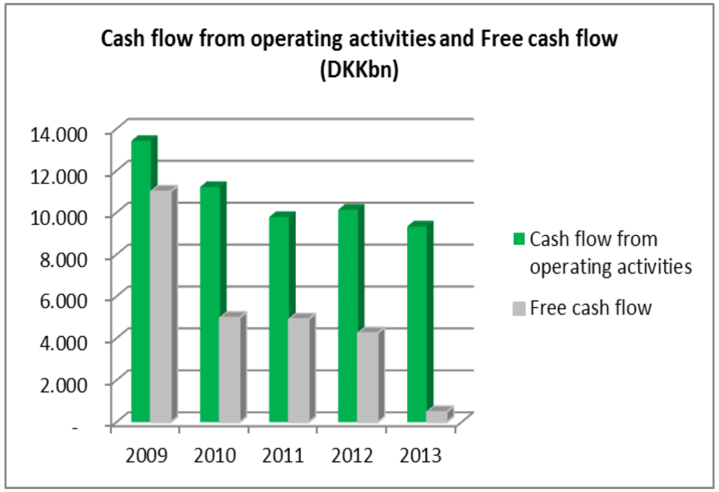
These activities led to an improvement of 0.8% in average trade working capital as a percentage of net revenue, from 1% in 2012 to 0.2% in 2013.

The development in average trade working capital is shown in the graph below:



Free cash flow amounted to DKK 484m, which compared to 2012 is significantly impacted by the acquisition of Chongqing Brewery Group in 2013, prepayment made for the acquisition of Chongqing Beer Group Assets Management Co. Ltd, capacity expansions.

In the past five years, cash flow from operating activities and free cash flow have developed as follows:



Accounting policies

Cash flow from operating activities is 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.

Section 1.5.1 Other specifications to cash flow from operating activities

DKK million	2013	2012
Adjustment for other non-cash items		
Share of profit after tax, associates	-104	-112
Gains on disposal of property, plant and equipment and intangible assets, net	-8	-112
Amortisation of on-trade loans etc.	718	547
Total	**606**	**323**
Change in trade working capital		
Inventories	-182	-202
Trade receivables	-504	206
Trade payables and deposit liabilities	1.300	861
Total	**614**	**865**
Change in other working capital		
Other receivables	-299	-164
Other payables	-337	-36
Retirement benefit obligations and other liabilities related to operating activities before special items	2	-294
Adjusted for unrealised foreign exchange gains/losses	-102	-11
Total	**-736**	**-505**
Change in on-trade loans		
Loans provided	-1.112	-1.089
Repayments	625	642
Total	**-487**	**-447**
Change in financial receivables		
Loans and other receivables	-368	-65
Other financial receivables	79	37
Total	**-289**	**-28**

Section 1.6 On-trade receivables and trade loans

Receivables are included in the statement of financial position as follows:

DKK million	2013	2012
Trade receivables	7.902	7.872
Other receivables	2.947	2.679
Total current receivables	**10.849**	**10.551**
Non-current receivables	2.079	2.187
Total	**12.928**	**12.738**

Trade receivables comprise invoiced goods and services as well as short-term on-trade loans to customers. Other receivables com-prise VAT receivables, loans to partners and associates, interest receivables and other financial receivables.

The Group's non-current receivables mainly consist of on-trade loans.

The current receivables comprise receivables from trade and other receivables.

Receivables by origin:

DKK million	2013	2012
Sale of goods and services	7.258	7.117
On-trade loans	1.916	2.022
Loans, fair value of hedging instruments and other receivables	3.754	3.599
Total	**12.928**	**12.738**

The fair value of the on-trade loans amounted to DKK 1,916m (2012: DKK 2,022m).

	2013	2012
Average effective interest rates		
On-trade loans	4,9	4,9

Non-current receivables fall due more than one year from the end of the reporting period, with DKK 137m (2012: DKK 142m) falling due more than five years from the end of the reporting period.

On-trade loans

Under certain circumstances the Group grants loans to on-trade customers in France, the UK, Germany, Switzerland and Sweden. On-trade loans are spread across a large number of customers/debtors and consist of several types of loans, including loans repaid in cash or through reduced discounts, and prepaid discounts. The operating entities monitor and control these loans in accordance with central guidelines.

The following on-trade loan items are recognised in other operating activities, net:

On-trade loans

DKK million	2013	2012
Interest and amortisation of on-trade loans	79	91
Losses and write-downs on on-trade loans	-78	-55
On-trade loans, net	1	36

Significant accounting estimates and judgements

The on-trade loan 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 payments from the customer between revenue, discounts, interest on the loan (other operating activities) and repayment of the loan.

1.6.1 Credit risk

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 local 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 2013.

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 impairment losses. Security is primarily received from on-trade customers.

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. Consequently, there are no significant overdue on-trade loans.

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.

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 repairs before they can be used again.

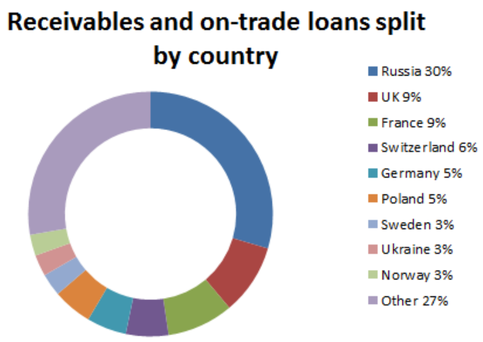
The credit risk on loans to partners is re-duced through pledge of shares in one of the Group's subsidiaries that are held by the borrower.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The carrying amount of financial assets, excluding cash and cash equivalents, of DKK 12,928m (2012: DKK 12,738m) is summarised above.

					2013	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**	**Net carrying amount at 31 Dec.**
Receivables from sale of goods and services	7.258	6.472	269	146	371	7.117
On-trade loans	1.916	1.837	4	7	68	2.022
Other receivables	3.754	3.527	86	36	105	3.599
Total	**12.928**	**11.836**	**359**	**189**	**544**	**12.738**

The Group's receivables from the sale of goods and services and on-trade loans are allocated to the countries shown below.



No significant impairment losses were incurred in respect of individual trade receivables or on-trade loans in 2013 and 2012. The impairment losses at 31 December 2013 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. Relying on historic payment behaviour and extensive analysis of the underlying customers' credit ratings, the Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable.

The development in impairment losses on receivables was as follows:

				2013	2012
DKK million	Trade receivables	On-trade loans	Other receivables	Total	Total
Impairment at 1 January	-667	-231	-163	-1.061	-949
Impairment loss recognised	-171	-101	-10	-282	-347
Realised impairment losses	115	82	3	200	194
Reversed impairments	24	23	121	168	41
Acquisition of entities	-7	-7	-	-14	-
Impairment at 31 December	**-706**	**-234**	**-49**	**-989**	**-1.061**

Significant accounting estimates and judgements

In assessing credit risk, management analyses the need for write-downs for bad debt losses due to customers' inability to pay.

Impairment losses are based on an individual review for impairment based on customers' creditworthiness and expected ability to pay, customer insolvency or anticipated insolvency, and past due amounts as well as collateral received. Management also uses mathematically computed impairment losses based on customer segments, historical information on payment patterns, terms of payment and concentration maturity, as well as information about the general economic situation in the markets/countries.

The financial uncertainty associated with write-downs for bad debt losses is usually considered to be limited. However, if the ability to pay deteriorates in the future, further write-downs may be necessary.

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.

Accounting policies

Receivables are measured at amortised cost less impairment losses.

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 activities, net. The amortisation of the difference between the discount rate and the effective interest rate is included as a discount in revenue.

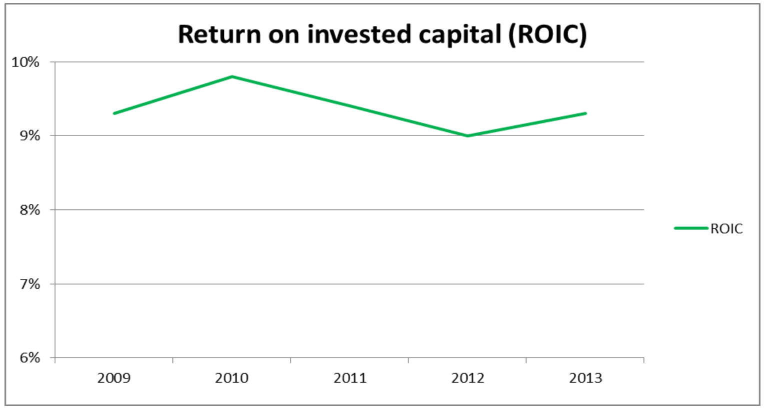
Objective indication of impairment is assessed for a portfolio of receivables when no objective indication of individual impairment losses exists. The portfolios are based on on-trade and off-trade customers, and on-trade receivables and loans. The objective indications used for portfolios are based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

Section 2 – ASSET BASE AND RETURNS

KEY DEVELOPMENTS 2013

- 9.3%
  - The Group's return on invested capital (ROIC) increased by 30bp to 9.3%. The increase was primarily attributable to the decrease in invested capital.
- 8,529m
  - Intangible assets and property, plant and equipment increased by DKK 8,529m from the acquisition of entities, primarily Chongqing Brewery Group.
- 721m
  - Capital expenditure (CapEx) increased by DKK 721m compared to 2012, primarily due to investments in BSP1 and capacity expansions in Asia.
- 375m
  - Impairment, DKK 375m, of trademarks impacted by changed brand strategy and of breweries impacted by restructuring projects.



Maximising return on investments is key in delivering **sustainable value** to shareholders. Return on invested capital (ROIC) analyses all investments throughout the value chain and is a key measure in ensuring the proper basis for decision making.

ROIC is calculated as operating profit before special items as a percentage of average invested capital, including goodwill.

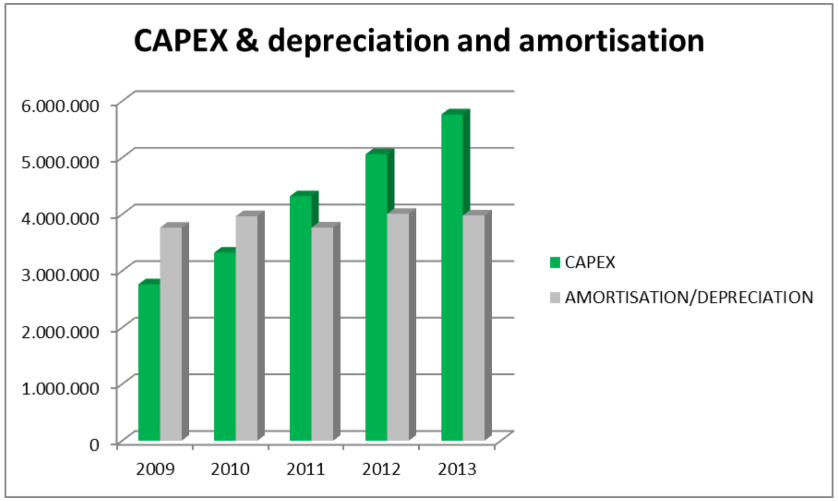
Section 2.1 Return on invested capital

Invested capital decreased by 2.2%, impacting the Group's return on invested capital (ROIC), which improved by 30bp to 9.3%. The slight reduction of total assets included in invested capital is due to a significant reduction in intangible assets and property, plant and equipment from foreign exchange adjustments, which is almost balanced by an increase from the acquisition of Chongqing Brewery Group. Liabilities offset in the invested capital have increased due to an increase of trade payables and deposits.

DKK million	2013	2012
Total assets	139.347	141.944
Less		
Deferred tax assets	-1.122	-1.192
Loans to group companies and associates (current)	-1.093	-760
Interest income receivable, fair value of hedging instruments and financial receivables	-530	-772
Cash and cash equivalents	-3.707	-5.748
Assets included	**132.895**	**133.472**
Trade payables	-12.954	-11.906
Deposits on returnable packaging	-1.630	-1.381
Provisions, excluding restructurings	-1.188	-1.096
Corporation tax	-547	-551
Deferred income	-1.057	-1.139
Finance lease liabilities, included in borrowings	-46	-39
Other liabilities, excluding deferred income, interest payable and fair value of hedging instruments	-8.689	-8.264
Liabilities offset	**-26.111**	**-24.376**
Invested capital	**106.784**	**109.096**

Development in CAPEX, depreciations and amortisations

The development in capital expenditures (CapEx), depreciation and amortisation is shown below.



CapEx increased compared to last year by DKK 721m, mainly due to capacity expansions in Asia to drive future sales and growth and move into new markets.

Furthermore, the Group continued investments mainly in the supply chain integration and business standardisation project (BSP1), which is one of the largest and most important projects in recent years. This project is a key enabler in transforming the Western European operating model.

Section 2.2 Segmentation of assets

The Group's assets are segmented on the basis of geographical regions in accordance with the management reporting for 2013, cf. section 1.

Total assets and invested capital in Asia increased as a result of the acquisition and subsequent full consolidation of Chongqing Brewery Group in December 2013. The decrease in total assets in Eastern Europe was primarily attributable to changes in foreign exchange rates.

DKK million	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Total assets	50.533	72.495	28.048	-11.729	139.347
Invested capital, cf. section 2.1	27.761	65.681	20.891	-7.549	106.784
Acquisition of property, plant and equipment and intangible assets	2.235	1.208	1.670	651	5.764
Depreciation and amortisation	1.818	1.440	630	87	3.975
Impairment losses	220	104	28	23	375
Return on invested capital (ROIC)	18,0%	6,4%	10,8%	-	9,3%

2012

DKK million	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Total assets	52.057	77.698	21.818	-9.629	141.944
Invested capital, cf. section 2.1	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
Return on invested capital (ROIC)	17,3%	6,3%	10,3%	-	9,0%

Not allocated total assets, DKK -11,729m (2012: DKK -9,629m), comprise entities that are not business segments and eliminations of investments in subsidiaries, receivables, loans etc.

The Group's non-current segment assets are allocated as specified below.

Geographical allocation of non-current segment assets

Geographical allocation of non-current assets

DKK million	2013	2012
Denmark (Carlsberg Breweries A/S's domicile)	4.821	4.342
Russia	54.892	61.606
Other countries	55.346	50.864
Total	**115.059**	**116.812**

Non-current segment assets comprise intangible assets and property, plant and equipment owned by the segment/country, even if the income is also earned outside the segment/country that owns the asset. Non-current assets also comprise non-current financial assets other than financial instruments, deferred tax assets and retirement benefit plan assets.

Allocated goodwill and trademarks by segment are specified in section 2.3.2.

Section 2.3 Impairment

Section 2.3.1 Impairment losses

The Carlsberg Breweries Group performs annual impairment tests to verify the value of recognised goodwill, trademarks and other non-current assets.

In connection with impairment testing management reassesses the useful life and residual value of assets with impairment indicators.

Based on the impairment tests performed, the Group has recognised impairment losses totalling DKK 375m in respect of trademarks and other non-current assets.

DKK million	2013	2012
Trademarks		
Trademarks with finite useful life	18	-
Trademarks with indefinite useful life	182	11
Total	**200**	**11**
Other intangible assets		
Impairment of Carlsberg Uzbekistan	-	2
Other	23	26
Total	**23**	**28**
Property, plant and equipment		
Impairment of Carlsberg Uzbekistan	-	78
Impairment of Vena Brewery, production and sales equipment, Russia	-	589
Impairment of Aldaris Brewery, Latvia	43	93
Impairment of plant, machinery and equipment, Ringnes, Norway	31	76
Impairment of prodution lines in Western Europe	-	54
Impairment of plant, machinery and equipment, Carlsberg Deutschland, Germany	18	-
Impairment of plant, machinery and equipment, Carlsberg UK	17	-
Impairment of plant, machinery and equipment, Xinjiang Wusu Group, China	28	-
Other	15	2
Total	**152**	**892**
Investments in associates	-	-
Impairment of Nordic Getränke, Germany	-	64
Total	**375**	**995**

The impairment losses on trademarks (indefinite and finite) in 2013 related partly to local trademarks in Russia (Nevskoye) and Kazakhstan (Derbes) that have suffered from the economic crisis and changes in the brand strategy and therefore showed a recoverable amount below the carrying amount. The trademarks were therefore written down to the lower recoverable amount. A local trademark in France (Kanterbrau) and local trademarks with finite useful life in Estonia were also impaired due to changes in the brand strategy in these two markets.

The impairment of plant, machinery and equipment in Ringnes, Norway, is a consequence of the switch to one-way recyclable packaging, cf. section 3. Impairment of plant, machinery and equipment in other markets is a consequence of difficult market conditions.

In 2012 there were recognised impairments of Carlsberg Uzbekistan, DKK 91m in total, Nordic Getränke, Germany, DKK 64m, and Vena Brewery, production and sales equipment, Russia, DKK 589m. The impairments related to intangible assets and property, plant and equipment and were a consequence of difficult market conditions and poor performance. The Sarbast trademark was fully impaired as part of the DKK 91m impairment of Carlsberg Uzbekistan in 2012.

Other impairments of property, plant and equip-ment are a consequence of restructuring and process optimisations, especially in Western Europe and Eastern Europe.

Impairment losses of DKK 369m (2012: DKK 967m) are recognised in special items and DKK 6m (2012: DKK 28m) in cost of sales.

2.3.2 Impairment test of goodwill and trademarks

The impairment test of goodwill is performed for 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.

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.

Trademarks are impairment-tested individually at Group level. The carrying amount of trademarks which have an indefinite useful life and therefore are not amortised was DKK 29,191m (2012: DKK 32,395m) at 31 December 2013, equivalent to 98% (2012: 99%) 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 long 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.

For the Group’s cash-generating units, the carrying amount of goodwill and trademarks with indefinite useful life at 31 December is summarised below.

Goodwill

DKK million	2013	%	2012	%
Western Europe:				
Western Europe excl. Unicer-Bebidas de Portugal	14.657	30%	14.694	32%
Unicer-Bebidas de Portugal	536	1%	536	1%
Eastern Europe:				
Eastern Europe	22.060	45%	24.573	54%
Asia:				
Greater China and Malaysia	1.459	3%	1.777	4%
Chongqing Brewery Group	6.166	13%	-	0%
Indochina	3.434	7%	3.526	8%
India	211	0%	247	0%
Nepal	303	1%	355	1%
Total	**48.826**	**100%**	**45.708**	**100%**

Trademarks with indefinite useful life

DKK million	2013	%	2012	%
Western Europe	3.325	11%	3.411	11%
Eastern Europe	25.381	88%	28.479	88%
Asia	485	1%	505	1%
Total	**29.191**	**100%**	**32.395**	**100%**

Goodwill and trademarks with indefinite useful life related to Baltika Breweries (Russia), Brasseries Kronenbourg (France) each comprise 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2013.

Section 2.3.3 Significant assumptions applied

The growth in the terminal period and discount rates applied in the impairment tests are summarised to the right.

	Growth in the terminal period		Discount rates (risk-free interest rate)	
	2013	**2012**	**2013**	**2012**
Goodwill:				
Western Europe excl. Unicer-Bebidas de Portugal	1.5%	1.5%	2,7%	2.3%/2.6%
Unicer-Bebidas de Portugal	1.5%	1.5%	2,2%	1,6%
Eastern Europe	2.5%	2.5%	6,1%	7,0%
Asia	2.5 - 3.5%	2.5 - 3.5%	4.8 - 12.7%	3.5 - 12.1%

	Growth in the terminal period		Discount rates (WACC)	
	2013	**2012**	**2013**	**2012**
Trademarks:				
Western Europe	2.0 - 3.0%	2.0 - 3.0%	5.0 - 6.9%	4.5 - 7.0%
Eastern Europe	2.0 - 4.5%	2.0 - 5.0%	8.3 - 19.8%	8.5 - 18.9%
Asia	2.0 - 2.5%	2.0 - 2.5%	7.8 - 13.6%	6.5 - 12.9%

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

The applied projections for growth rates and discount rates are compared to ensure a reasonable link between the two (real interest rate).

Discount rate – Goodwill For the impairment testing of goodwill the Group uses a pre-tax risk-free interest rate that reflects the risk-free borrowing rate in each particular geographical segment.

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

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

Discount rates applied. The risk-free interest rates used in impairment tests performed at year-end 2013 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 (spread) for the risk-free interest rate 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.

Royalty rates The royalty rate is based on the actual market position of the individual trademark in the global, regional and local markets.

	2013	**2012**
Royalty rates		
International, premium and speciality beers	3.5 - 15.0%	3.7 - 7.5%
Strong regional and national trademarks	3.0 - 5.0%	3.0 - 5.0%
Local trademarks and mainstream trademarks	2.0 - 3.5%	2.0 - 3.5%

Western European markets are generally characterised by stable or declining volumes. 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 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 The Russian beer market has been impacted more than anticipated by disruption from the closure of non-stationary outlets and sales restrictions from 1 January 2013. In addition, the region is impacted by the macroeconomic slowdown causing consumers to reduce their spending. This became increasingly visible during the second half of 2013. Revenue in the region is expected to increase in the long run.

Asia is a growth area with significant growth in China in particular. Revenue in the emerging markets is expected to increase, while the more mature markets are expected to display stable earnings.

Section 2.3.4 Sensitivity test

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

DKK million	Growth rate Allowed decrease	Discount rate, after tax Allowed increase
2013		
Goodwill	3,9	3,4
Trademarks	1,6	0,8
2012		
Goodwill	3,7	3,2
Trademarks	0,6	0,3

In 2013 several of the WACC rates in Western Europe increased but the region was still impacted by relatively low risk-free interest rates due to the current economic climate and associated outlook. In addition to the impairment test and to ensure that a potential impairment is not overlooked, the Group prepares an additional impairment sensitivity calculation. This sensitivity calculation tests the impact of a higher interest rate, reflecting a reasonable assumption of a higher risk-free interest rate level. The additional sensitivity test did not identify potential impairments.

2.3.5 Significant accounting estimates and judgements

Goodwill The impairment test of goodwill is performed for the cash-generating units to which goodwill is allocated. The cash-generating units are determined based on the management 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 impairment test of goodwill for each cash-generating unit calculates the recoverable amount, corresponding to the discounted value of the expected future free cash flow (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.

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

Trademarks The impairment test of trademarks 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.

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. 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 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.

Management assesses the market, market position and strength to determine the useful life of the trademarks. When the value of well-established trademarks 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.

The tax rate is the expected future tax rate in each country based on current legislation. The impairment test at year-end 2013 incorporated tax rates in the range of 15-34%.

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

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 discount rate is an after-tax WACC that reflects the risk-free interest rate with the addition of a risk premium associated with the particular asset.

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.

Accounting policies

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 annually, together with the other non-current assets in the cash-generating unit to which goodwill is allocated. 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.

The carrying amount of trademarks with indefinite useful life is subject to an annual impairment test. 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).

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. Impairment of goodwill, trademarks and significant impairment losses on property, plant and equipment and associates, and impairment losses arising on extensive structuring of processes and fundamental structural adjustments are recognised under special items. Minor impairment losses are recognised in the income statement under cost of sales, sales and distribution expenses, administrative expenses or other operating activities, net.

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/depreciation had the asset not been impaired.

Section 2.4 Intangible and tangible assets

DKK million	Goodwill	Trademarks	Other intangible assets	Total (Intangible assets)	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total (Property, plant and equipment)
Cost								
Cost at 1 January 2013	45.804	34.043	3.512	83.359	17.629	31.009	12.434	61.072
Acquisition of entities/Adjustments to prior period	5.982	106	9	6.097	1.248	887	297	2.432
Additions	-	2	919	921	295	3.142	1.406	4.843
Disposals	-	-	-189	-189	-112	-1.299	-1.260	-2.671
Transfers	-	-	4	4	205	-772	445	-122
Foreign exchange adjustments etc./Effect of hyperinflation	-2.884	-3.117	3	-5.998	-903	-1.655	-634	-3.192
Cost at 31 December 2013	**48.902**	**31.034**	**4.258**	**84.194**	**18.362**	**31.312**	**12.688**	**62.362**
Amortisation, depreciation, and impairment losses								
Amortisation, depreciation and impairment losses at 1 January 2013	96	1.116	2.137	3.349	5.710	16.245	8.083	30.038
Disposals	-	-	-175	-175	-15	-1.183	-1.099	-2.297
Amortisation and depreciation	-	25	224	249	538	1.738	1.451	3.727
Impairment losses	-	200	23	223	2	116	34	152
Transfers	-	-	-	-	-27	-73	-8	-108
Foreign exchange adjustments etc. /Effect of hyperinflation	-20	-70	-37	-127	-255	-902	-498	-1.655
Amortisation, depreciation and impairment losses at 31 December 2013	**76**	**1.271**	**2.172**	**3.519**	**5.953**	**15.941**	**7.963**	**29.857**
Carrying amount at 31 December 2013	**48.826**	**29.763**	**2.086**	**80.675**	**12.409**	**15.371**	**4.725**	**32.505**
Carrying amount of assets pledged as security for loans					80	251	7	338
Cost								
Cost at 1 January 2012	44.895	32.941	3.180	81.016	17.015	29.173	11.788	57.976
Acquisition of entities/(-) Adjustments to prior period	-6	-	-	-6	8	33	10	51
Additions	-	2	470	472	318	2.693	1.520	4.531
Disposals	-	-	-132	-132	-88	-756	-1.247	-2.091
Transfers	-	-	16	16	103	-477	357	-17
Foreign exchange adjustments etc./Effect of hyperinflation	915	1.100	-22	1.993	273	343	6	622
Cost at 31 December 2012	**45.804**	**34.043**	**3.512**	**83.359**	**17.629**	**31.009**	**12.434**	**61.072**
Amortisation, depreciation, and impairment losses								
Amortisation, depreciation and impairment losses at 1 January 2012	105	1.070	2.007	3.182	4.851	14.469	7.766	27.086
Disposals	-	-	-130	-130	-34	-709	-1.238	-1.981
Amortisation and depreciation	-	25	214	239	538	1.764	1.439	3.741
Impairment losses	-	11	28	39	289	522	81	892
Transfers	-	-	-	-	4	4	-9	-1
Foreign exchange adjustments etc./Effect of hyperinflation	-9	10	18	19	62	195	44	301
Amortisation, depreciation and impairment losses at 31 December 2012	**96**	**1.116**	**2.137**	**3.349**	**5.710**	**16.245**	**8.083**	**30.038**
Carrying amount at 31 December 2012	**45.708**	**32.927**	**1.375**	**80.010**	**11.919**	**14.764**	**4.351**	**31.034**
Carrying amount of assets pledged as security for loans					107	366	3	476

Additions to goodwill are described in more detail in section 5.

Intangible assets under development amounted to DKK 1,338m (2012: DKK 1,091m) and are included in other intangible assets. Property, plant and equipment under construction amounted to DKK 2,437m (2012: DKK 1,799m) and are included in plant and machinery.

The carrying amount of other intangible assets at 31 December 2013 included capitalised software costs of DKK 315m (2012: DKK 44m) and beer delivery rights of DKK 86m (2012: DKK 79m).

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

Depreciation, amortisation and impairment losses are included in:

	Intangible assets		Tangible assets	
DKK million	**2013**	**2012**	**2013**	**2012**
Cost of sales	46	49	2.817	2.766
Sales and distribution expenses	43	47	752	820
Administrative expenses	160	169	164	157
Special items	223	13	146	890
Total	**472**	**278**	**3.879**	**4.633**

Gain/loss on disposal of assets

The gain/loss on disposal is recognised in other operating activities, net and is specified in the table below.

DKK million	2013	2012
Gain on disposal of property, plant and equipment and intangible assets within beverage activities	73	157
Loss on disposal of property, plant and equipment and intangible assets within beverage activities	-65	-45
Total	**8**	**112**

Leases

Operating lease liabilities totalled DKK 1,824m (2012: DKK 1,960m), with DKK 469m (2012: DKK 515m) falling due within one year. Operating leases primarily relate to properties, IT equipment and transport equipment (cars, trucks and forklifts). These leases contain no special purchase rights etc.

Assets held under finance leases with a total carrying amount of DKK 47m (2012: DKK 46m) have been pledged as security for lease liabilities totalling DKK 46m (2012: DKK 39m).

Service agreements

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. The total commitment amounted to approximately DKK 250m (2012: DKK 250m), with the majority falling due within one year.

Capital commitments

The Group has entered into various capital commitments which are agreed to be made after the reporting date and are therefore not recognised in the consolidated financial statements.

Capital commitments are specified in the table to the right.

DKK million	**2013**	**2012**
Intangible assets	-	1
Property, plant and equipment	259	401
Total	**259**	**402**

Significant accounting estimates and judgements

Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment Useful life and residual value are initially assessed both in acquisitions and in business combinations, cf. section 5. The value of the trademarks acquired and their expected useful life are assessed based on the trademarks' market position, expected long-term developments in the relevant markets and the trademarks' profitability.

Management assesses trademarks and property, plant and equipment for changes in useful life. When there is an indication of a reduction in the value or useful life, the asset is tested for impairment and is written down if necessary, or the amortisation/depreciation period is reassessed and if necessary adjusted in line with the asset's changed useful life.

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 life and residual value and recognition of impairment losses or losses on disposal of non-current assets.

When changing the amortisation or depreciation period due to a change in the useful life, the effect on the amortisation/depreciation is recognised prospectively as a change in accounting estimates.

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 assesses whether contracts are onerous by determining only the direct variable costs and not the costs that relate to the business as a whole.

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.

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.

Significant accounting estimates and judgements related to impairment are described above, cf. section 2.3.3.

Accounting policies

Cost Intangible assets and property, plant and equipment are initially recognised at cost and subsequently measured at cost less accumulated amortisation, depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowing attributable to the construction of the asset.

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.

For assets acquired in business combinations, including trademarks and property, plant and equipment, cost at initial recognition is determined by estimating the fair value of the individual assets in the purchase price allocation. Goodwill is only acquired in business combinations and is measured by the purchase price allocation. Goodwill is not amortised.

CO2 emission rights are measured at cost at the date of allocation (i.e. normally DKK 0), while acquired rights are measured at cost. A liability is recognised (at fair value) only if actual emissions of CO2 exceed allocated levels based on the holding of rights.

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 from 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.

Useful life, amortisation and depreciation The useful life and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Amortisation and depreciation are recognised on a straight-line basis over the expected useful life of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of assets.

The basis of depreciation is calculated on the basis of the cost less the residual value and impairment losses.

The expected useful life for the various items is as follows:

Trademarks with finite useful life	Normally 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; if no contract exists, normally not exceeding 20 years
CO_2 rights	Production period where utilised

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	Not depriciated

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

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

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

Government grants and other funding
Grants and funding received for the acquisition of assets and development projects are recognised in the statement of financial position as deferred income and charged to the same line item in the income statement as the depreciation of the assets for which the grants and funding were awarded.

Section 3 – SPECIAL ITEMS AND PROVISIONS

KEY DEVELOPMENTS 2013

- -624m
  - Cost of restructuring projects and impairment, primarily in Western Europe of DKK 624m.
- -200m
  - Impairment of trademarks, primarily due to changes in brand strategy, totalled DKK 200m.
- 107m
  - Reversal of provision for onerous malt and hops contracts, DKK 107m, positively impacted special items.
- 239m
  - Recycling of prior years' cumulative exchange rate difference on entities acquired in step acquisitions impacted special items positively by DKK 239m.

Section 3.1 Special items

Special items include major impairments and expenses related to restructuring initiatives implemented across the Group. Restructurings are initiated to enhance the Group's future earnings potential and to make the Group more efficient going forward. In 2013, special items related to:

DKK million	2013	2012
Special items, income		
Gain on disposal of entities and adjustments to gain in prior years	-	107
Gain on sale of Copenhagen brewery site	-	-
Recycling of cumulative translation differences of entities acquired in step acquisitions	239	-
Gain on disposal of property, plant and equipment impaired in prior years	40	-
Total	**279**	**107**
Special items, expenses		
Restructuring projects and termination benefits	-624	-1.657
Impairment of trademarks	-200	-
Costs related to acquisitions and disposals of entities	-28	-176
Reversal of provision for onerous malt and hops contracts	107	-
Other	-7	-86
Total	**-752**	**-1.919**
Special items, net	**-473**	**-1.812**

If special items had been recognised in operating profit before special items, they would have been included in the following items:

DKK million	2013	2012
Cost of sales	-514	-1.366
Sales and distribution expenses	-69	-83
Administrative expenses	-162	-67
Other operating activities, net	272	-176
Share of profit after tax, associates	-	-120
Special items, net	**-473**	**-1.812**

3.1.1 Special items, income:

During 2013, the Group disposed of some assets which had been impaired in prior years, resulting in a gain of DKK 40m. The Group also recycled cumulative exchange differences of DKK 239m relating to entities acquired in step acquisitions.

3.1.2 Special items, cost

Restructuring projects and termination benefits

DKK million	2013	2012
Impairment of Vena Brewery, production and sales equipment, Russia	-	-589
Impairment and restructuring of Carlsberg Uzbekistan	-	-290
Restructuring of Ringnes, Norway	-88	-262
Impairment of Nordic Getränke, Germany	-7	-118
Impairment of other non-current assets	-23	-93
Restructuring of Carlsberg Deutschland	-40	-37
Impairment and restructuring in relation to optimisation and standardisation in Western Europe	-207	-188
Termination benefits and restructuring of sales, logistics and administration, Carlsberg UK	-27	-4
Termination benefits and impairment of Brasseries Kronenbourg, France	-59	-76
Restructuring of Baltika Breweries, Russia	-37	-
Restructuring of Aldaris, Latvia	-74	-
Impairment and restructuring of Xinjiang Wusu Group, China	-62	-
Total	**-624**	**-1.657**

The Group is optimising and standardising business processes in Western Europe, which resulted in restructuring costs and impairments totalling DKK 207m (2012: DKK 188m).

Restructuring of Ringnes in Norway, DKK 88m (2012: DKK 262m), related to the full transition to one-way packaging before the first half of 2015, which also includes investment in new production equipment and added capacity as well as a reduction in employees by 2015.

Restructuring of Xinjiang Wusu Group, DKK 62m, entailed the restructuring and closure of three breweries in 2013.

The impairment and restructuring in 2012 of Carlsberg Uzbekistan, DKK 290m, Nordic Getränke, DKK 118m, and Vena Brewery, production and sales equipment in Russia, DKK 589m, related to non-current assets in the entities due to difficult market conditions and poor performance and profit outlook.

Carlsberg and its partner in Nordic Getränke agreed to cease the cooperation in January 2013 and split the entities between them. As a consequence, the investment was impaired by DKK 118m in 2012. The entities acquired from Nordic Getränke were fully consolidated and integrated in the German business with effect from January 2013, cf. further description in section 5.

Impairment of trademarks

The impairment loss on trademarks, DKK 200m (indefinite and finite useful life), relates to Nevskoye (Russia), Derbes (Kazakhstan), Kanterbrau (France) and trademarks in Estonia.

The Sarbast trademark was fully impaired in 2012 as part of the impairment of Carlsberg Uzbekistan.

Cost related to acquisition and disposals

Cost related to the acquisition of entities, DKK 28m, primarily relates to the acquisition of Chongqing Brewery Group, China.

Significant accounting estimates and judgements

The use of special items entails management judgement in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between the operating activities and restructuring of the Group carried out to enhance the future earnings potential.

Management reassesses useful life and residual value of 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. Management initially assesses the entire project and recognises all present costs of the project, but the project is also assessed on an ongoing basis with further costs possibly occurring during the lifetime of the project.

Accounting policies

Special items include significant income and costs of a special nature in terms of the Group's revenue-generating operating activities which cannot be attributed directly to the Group's ordinary operating activities. Such income and costs include the cost of extensive restructuring of processes and fundamental structural adjustments, as well as any gains or losses arising from disposals of related assets which have a material effect over a given period.

Special items also include significant non-recurring items, including impairment of goodwill (including goodwill allocated to joint ventures and associates) and trademarks, 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.

Section 3.2 Provisions

Restructuring projects comprise expected costs directly linked to the restructuring. These costs are typically recognised in special items and provided for as provisions. 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.

In 2013, restructuring provisions amounted to DKK 439m. The provisions related primarily to the restructuring of Ringnes, due to the switch to one-way recyclable packaging, cf. above, and to Feldschlösschen, Carlsberg Italia and Brasseries Kronenbourg.

Other provisions totalling DKK 1,169m (2012: DKK 984m) related primarily to profit sharing in France, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

DKK million				**2013**
	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2013	575	112	984	1.671
Acquisition of entities	-	-	121	121
Additional provisions recognised	155	-	228	383
Used during the year	-263	-2	-193	-458
Reversal of unused provisions	-	-107	-48	-155
Transfers	-	16	62	78
Discounting	14	-	48	62
Foreign exchange adjustments etc.	-42	-	-33	-75
Provisions at 31 December 2013	**439**	**19**	**1.169**	**1.627**
Provisions are recognised in the statement of financial position as follows				
Non-current provisions	255	19	854	1.128
Current provisions	184	-	315	499
Total	**439**	**19**	**1.169**	**1.627**

Significant accounting estimates and judgement

In connection with large restructurings, management assesses the timing of costs to be incurred, which influences the classification as current or non-current liabilities. 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.

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.

Accounting policies

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.

Section 3.3 Contingent liabilities

The Group is party to certain lawsuits, disputes etc. of various scopes. It is management's opinion that, apart from items 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 effect on the Group's financial position.

The Group has issued guarantees for loans etc. raised by third parties (non-consolidated entities) of DKK 586m (2012: DKK 659m). Guarantees issued for loans raised by joint ventures and associates are described in section 5.5.

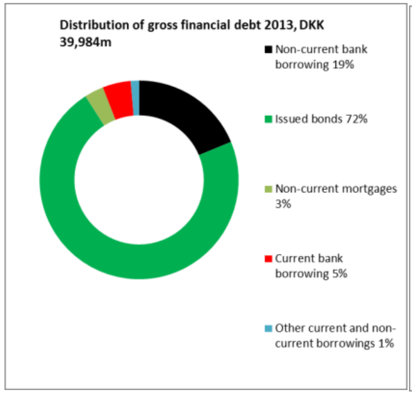
Certain guarantees etc. are issued in connection with disposal of entities and activities etc. Apart from items recognised in the statement of financial position or disclosed in the consolidated financial statements, these guarantees etc. will not have a material effect on the Group's financial position.

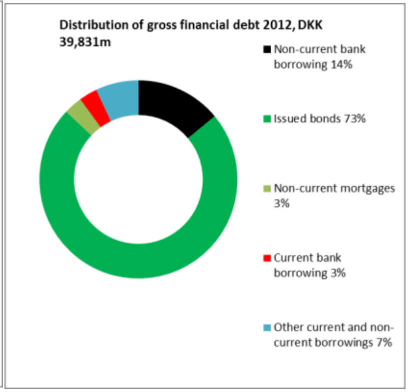
Contractual commitments, and lease and service agreements are described in section 2.4.

Section 4 – Financing costs, capital structure and equity

KEY DEVELOPMENTS 2013

- Borrowings are diversified between a number of funding sources.
- Average funding rate of 4.1%, down from 4.5% in 2012. The main reason for the decline was the redemption of a GBP 200m bond in February 2013 and EUR 1bn swaps maturing in the second half of the year. Both the bond and the swaps had a high interest rate.
- Carlsberg had available credit resources of DKK 7.8bn at 31 December 2013.
- In December 2013, existing credit facilities of EUR 1,735m (maturing October 2015) and EUR 800m (maturing December 2016) were replaced by a EUR 2,510m multi-currency credit facility. The new facility matures in February 2019 and may be extended for another two years.
- Net financials totalled DKK -1,512m, down from DKK -1,749m in 2012.
- Net interest-bearing debt increased DKK 2.5bn, primarily due to investments in Chongqing Brewery Group.





Section 4.1 Financial income and expenses

Financial items, net, decreased by DKK 223m, primarily due to the issue of bonds late in 2012 with a lower coupon than that of bonds maturing during 2013. The coupon was also lower than the interest rates on swaps maturing in 2013.

DKK million	2013	2012
Financial income		
Interest income	312	361
Fair value adjustments of financial instruments, net, cf. section 4.8	-	191
Foreign exchange gains, net	177	-
Expected return on plan assets, defined benefit plans	218	323
Other financial income	18	43
Total	**725**	**918**

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

DKK million	2013	2012
Financial expenses		
Interest expenses	-1.719	-1.890
Capitalised financial expenses	4	-
Fair value adjustments of financial instruments, net, cf. section 4.8	-17	-
Foreign exchange losses, net	-	-172
Impairment of financial assets	-4	-2
Interest cost on obligations, defined benefit plans	-332	-380
Other financial expenses	-169	-209
Total	**-2.237**	**-2.653**
Financial items, net, recognised in the income statement	**-1.512**	**-1.735**

Interest expenses primarily relate to interest on borrowings measured at amortised cost and include DKK -37m which is the ineffective portion of interest rate swaps. The ineffectiveness was recognised in fair value adjustments in 2012 and realised in 2013. 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. Interest, losses and write-downs relating to on-trade loans, which are measured at amortised cost, are included as income and expenses in other operating activities (cf. section 1.3.4), as such loans are seen as a prepaid discount to the customer.

Financial items recognised in other comprehensive income

DKK million	2013	2012
Foreign exchange adjustments of foreign entities		
Foreign currency translation of foreign entities	-7.260	1.904
Recycling of cumulative translation differences of entities acquired in step acquisitions	-239	-
Effect of hyperinflation	61	75
Total	**-7.438**	**1.979**
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	-175	-295
Change in fair value of cash flow hedges transferred to the income statement	304	622
Change in fair value of net investment hedges	-118	-216
Total	**11**	**111**
Financial items, net, recognised in other comprehensive income	**-7.427**	**2.090**

Of the net change in fair value of cash flow hedges transferred to the income statement, DKK 58m (2012: DKK 266m) is included in cost of sales and DKK 246m (2012: DKK 356m) is included in financial items.

4.1 Accounting policies

Financial income and expenses comprise interest income and expenses, 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 activities, net) and liabilities, including defined benefit retirement plans, and 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.
Interest income relates to interest from cash and cash equivalents measured at amortised cost.

Section 4.2 Net interest-bearing debt

At 31 December 2013, gross interest-bearing debt amounted to DKK 40.2bn and net interest-bearing debt amounted to DKK 33.8bn. Of the gross interest-bearing debt, 76% (DKK 30.5bn) was long-term, i.e. with maturity after more than one year.

Net interest-bearing debt increased by DKK 2.2bn during 2013, primarily due to acquisition of entities (DKK 2.3bn) and the inclusion of the net interest-bearing debt in Chongqing Brewery Group (DKK 1.1bn), which became fully consolidated in December 2013.

Net interest-bearing debt is calculated as follows:

DKK million	2013	2012
Non-current borrowings	30.464	36.479
Current borrowings	9.520	3.352
Payables, acquisitions	188	-
Gross interest-bearing debt	**40.172**	**39.831**
Cash and cash equivalents	-3.707	-5.748
Loans to associates, interest-bearing portion	-95	-110
On-trade loans	-1.915	-2.022
Non-interest-bearing portion	935	1.015
Other receivables	-2.130	-2.673
Non-interest-bearing portion	1.551	1.346
Net interest-bearing debt	**33.827**	**31.639**
Changes in net interest-bearing debt		
Net interest-bearing debt at 1 January	31.639	30.780
Cash flow from operating activities	-9.341	-10.138
Cash flow from investing activities, excl. acquisition of entities, net	6.517	5.861
Cash flow from acquisition of entities, net	2.340	27
Dividends to shareholders and non-controlling interests	1.274	282
Acquisition of non-controlling interests	320	4.916
Acquired net interest-bearing debt from acquisition/disposal of entities	1.039	-9
Change in interest-bearing lending	251	18
Effect of currency translation	-134	326
Other	-78	-424
Total change	**2.188**	**859**
Net interest-bearing debt at 31 December	**33.827**	**31.639**

Section 4.3 Capital structure

4.3.1 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 assessment of and decisions 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 in strategic decisions on capital structure, management assesses the risk of changes in the Group's investment-grade rating. In 2006 the Group was awarded investment grade ratings by Moody's Investor Service and Fitch Ratings. In February 2011 both ratings were upgraded one notch. The current ratings are 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.

Section 4.3.2 Equity

In 2013, total equity decreased to DKK 60,751m from DKK 62,918m. The decrease in equity was mainly due to profit for the period of DKK 6.0bn less foreign currency translation of foreign entities of DKK 7.5bn. Payment of dividends to Carlsberg shareholders and non-controlling interests amounted to DKK -1.3bn.

Share capital

	Total share capital	
	Shares of DKK 1.000	Nominal value, DKK '000
1 January 2012	501	501.000
No change in 2012	-	-
31 December 2012	**501**	**501.000**
No change in 2013	-	-
31 December 2013	**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.

The Group proposes dividends of DKK 1,220m (2012: DKK 915m), amounting to DKK 2,435 per share (2012: DKK 1,827 per share). The proposed dividends are included in retained earnings at 31 December 2013.

Transactions with non-controlling interests

During 2013, the Group had the following transactions with non-controlling interests.

DKK million	2013	2012
Acquisition of non-controlling interests	-320	-4.916
Dividends to non-controlling interests	-359	-282
Total	**-679**	**-5.198**

Dividends paid primarily related to entities in Asia.

4.3.2 Accounting policies

Currency translations in equity comprise 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.

Fair value adjustments in equity 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.

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 the statement of changes in equity.

Section 4.3.3 Financial risk management

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.

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

As the Group did not identify any additional financial risk exposures in 2013, the risk management activities were unchanged compared to 2012.

Section 4.4 Borrowings and cash

4.4.1 Borrowings

DKK million	2013	2012
Non-current borrowings		
Issued bonds	21.413	29.021
Mortgages	1.248	1.248
Bank borrowings	7.495	5.722
Other non-current borrowings	308	488
Total	**30.464**	**36.479**
Current borrowings		
Issued bonds	7.455	1.826
Current portion of other non-current borrowings	181	283
Bank borrowings	1.835	1.179
Other current borrowings	49	64
Total	**9.520**	**3.352**
Total non-current and current borrowings	**39.984**	**39.831**
Fair value	40.595	41.330

Other total borrowings include finance lease liabilities of DKK 46m (2012: DKK 39m).

The Group has designated a fixed-interest rate GBP 300m bond as the hedged item in a 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 2,824m in 2013.

A GBP 200m bond matured during the year and was replaced with long-term bank borrowing of approximately the same amount. The development in net interest-bearing debt is shown in section 4.2.

A EUR 1,000m bond has been reclassified to current borrowings as it matures in May 2014.

Cash flow from external financing

DKK million	2013	2012
Cash flow from external financing		
Proceeds from issue of bonds	-	11.160
Repayment of bonds including cross-currency swap	-1.731	-
Credit institutions, long-term	1.584	-7.187
Credit institutions, short-term	-43	-848
Other financing liabilities	-274	138
Total	**-464**	**3.263**

4.4.1 Accounting policies

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.

4.4.2 Cash

In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents as specified below.

DKK million	2013	2012
Cash and cash equivalents	3.707	5.748
Bank overdrafts	-398	-700
Cash and cash equivalents, net	**3.309**	**5.048**

Short-term bank deposits amounted to DKK 1,785m (2012: DKK 3,579m). The average interest rate on these deposits was 8.2% (2012: 6.6%).

Proportionately consolidated entities' share of cash and cash equivalents is specified in section 5.6.

Assessment of credit risk

The Group is exposed to credit risk on cash and cash equivalents (including fixed deposits), investments and derivative financial instruments with a positive fair value 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 solid credit rating. The credit exposure on financial institutions is effectively managed by Group Treasury.

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.

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.

Exposure to credit risk

The carrying amount of DKK 3,707m (2012: DKK 5,748m) represents the maximum credit exposure related to cash and cash equivalents.

The credit risk on receivables is described in section 1.6.1.

Section 4.5 Foreign exchange risk related to net investments and financing activities

The Group is exposed to foreign exchange risk on the translation of the net result and net assets in foreign investments to DKK and on borrowings denominated in a currency other than the functional currency of the individual Group entity.

Section 4.5.1 Currency profile of the Group's borrowings

The Group is exposed to foreign exchange risk on borrowings denominated in a currency other than the Group's functional currency due to the foreign exchange risk as well as the risk that arises when net cash inflow is generated in one currency and loans are denominated in and have to be repaid in another currency.

At 31 December 2013, 79% of the Group's net financial debt was in EUR (2012: 87%), cf. section 4.6.

Currency profile of borrowings before and after derivative financial instruments

DKK million	Original principal	Effect of swap	After swap
CHF	40	1.825	1.865
DKK	1.561	265	1.826
EUR	32.128	-2.668	29.460
GBP	2.796	-2.720	76
RUB	3	-390	-387
USD	1.730	1.771	3.501
Other	1.726	1.917	3.643
Total	**39.984**	**-**	**39.984**
	39.831	**-**	**39.831**

Section 4.5.2 Hedging of net investments in foreign subsidiaries

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 hedges part of this foreign exchange exposure by entering into forward exchange contracts (net investment hedges). This applies to net investments in CHF, CNY, MYR, HKD and SEK. The basis for hedging is reviewed at least once a year, and the two parameters, risk reduction and cost, are balanced.

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. For 2013, all fair value adjustments were recognised in other comprehensive income. The effect of net investment hedges on the income statement and other comprehensive income is summarised in the table to the right.

				2013				2012
Million	Hedging of investment, amount in local currency	Addition to net investment, amount in local currency	Total adjustment to other compre-hensive income (DKK)	Income statement (DKK)	Hedging of investment, amount in local currency	Addition to net investment, amount in local currency	Total adjustment to other compre-hensive income (DKK)	Income statement (DKK)
CNY	-1.250	-	8	-	-1.250	-	-5	-
CHF	-380	-	29	-	-380	-	-20	-
NOK	-	3.000	-326	-	-750	3.182	125	-
SEK	-4.630	-	160	-	-4.560	-	-167	-
RUB	-	-	-39	-	-13.572	-	-105	-
Other	-	-	50	-	-	-	-44	1
Total			**-118**	**-**			**-216**	**1**

The most significant net risk relates to foreign exchange adjustment of net assets in RUB. This risk was hedged only partially for most of the year and not hedged at all at year-end.

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 -118m (2012: DKK -216m).

The fair value of derivatives used as net investment hedges recognised at 31 December 2013 amounted to DKK 35m (2012: DKK -10m).

Section 4.5.3 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 in section 4.5.4 show the impact of a 10% adverse development in exchange rates for the relevant currencies at 31 December.

Section 4.5.4 Impact on financial statements and sensitivity analysis

Impact on operating profit. The impact on operating profit is primarily currency impact as described in section 1.4.

Impact on financial items, net. In 2013, the Group had net gains on foreign exchange and fair value adjustments of financial instruments of DKK 160m (2012: DKK 19m), cf. section 4.1.

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 2013, net interest-bearing debt decreased by DKK 134m (2012: an increase of DKK 327m) due to changes in foreign exchange rates. The main reason for the decrease was a reduction of the net debt in GBP; the GBP/DKK rate depreciated from the end of 2012 to February 2013, at which time a GBP 200m bond was repaid.

Impact on other comprehensive income. For 2013, the total losses on net investments (Carlsberg's share), loans granted to subsidiaries as an addition to the net investment and net investment hedges amounted to DKK -7,204m (2012: DKK 1,686m). Losses were primarily incurred in RUB, as the RUB/DKK rate depreciated 10.5% during the year.

Sensitivity analysis. An adverse development in the exchange rates would, all other things being equal, have the following hypothetical impact on the consolidated profit and loss for 2013. 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 items in the statement of financial position at 31 December.

2013

DKK million	EUR receivable	EUR payable	EUR loans	EUR cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
EUR/RUB	11	-103	-	4	-88	-	-88	10,00%	-9
EUR/UZS	-	-16	-196	4	-208	-	-208	10,00%	-21
EUR/OTHER	68	-226	-	112	-46	-69	-115	5,00%	-5
Total									**-35**

DKK million	USD receivable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
USD/UAH	1	-39	-	357	319	-	319	10,00%	32
USD/KZT	-	-1	-132	-	-133	-	-133	5,00%	-7
Total									**25**

2012

DKK million	EUR receivable	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/UZS	-	-14	-223	9	-228	-	-228	10,00%	-23
EUR/OTHER	39	-149	-	184	72	-	72	10,00%	7
Total									**-25**

DKK million	USD receivable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
USD/UAH	1	-49	-	329	281	-	281	10,00%	28
Total									**28**

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 foreign exchange rates of the currencies hedged had been 5% higher on 31 December, other comprehensive income would have been DKK 162m lower (2012: DKK 170m lower).

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.

Applied exchange rates	Closing Rate		Average Rate	
DKK	2013	2012	2013	2012
Swiss Franc (CHF)	6,0856	6,1758	6,0589	6,1777
Chinese Yuan (CNY)	0,8929	0,9079	0,9144	0,9204
Euro (EUR)	7,4603	7,4604	7,4577	7,4431
Pound Sterling (GBP)	8,9195	9,1320	8,7930	9,1931
Malaysian Ringgit (MYR)	1,6429	1,8486	1,7906	1,8735
Norwegian Krone (NOK)	0,8854	1,0167	0,9538	0,9973
Polish Zloty (PLN)	1,7982	1,8281	1,7743	1,7791
Russian Rouble (RUB)	0,1659	0,1855	0,1759	0,1863
Swedish Krona (SEK)	0,8356	0,8714	0,8614	0,8565
Ukrainian Hryvnia (UAH)	0,6757	0,7080	0,7053	0,7315

Section 4.6 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.

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

Interest rate risk at 31 December

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
					2013
Issued bonds:					
EUR 1,000m maturing 28 May 2014	Fixed	6,22%	<1 year	7.455	Fair value
GBP 300m maturing 28 November 2016	Fixed	7,41%	2-3 years	2.824	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3,55%	3-4 years	7.413	Fair value
EUR 750m maturing 3 July 2019	Fixed	2,49%	>5 years	5.624	Fair value
EUR 750m maturing 15 November 2022	Fixed	2,71%	>5 years	5.552	Fair value
Total issued bonds		**4,25%**		**28.868**	
Total issued bonds 2012		**4,43%**		**30.847**	
Mortgages:					
Floating-rate	Floating	0,99%	<1 year	1.248	Cash flow
Total mortgages		**0,99%**		**1.248**	
Total mortgages 2012		**1,51%**		**1.248**	
Bank borrowings:					
Floating-rate	Floating	0,85%	<1 year	6.212	Cash flow
Fixed-rate	Fixed	4,94%	1-2 years	3.118	Fair value
Total bank borrowings				**9.330**	
Total bank borrowings 2012				**6.901**	

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

A cross-currency swap has been used to change the interest on the GBP 300m bond 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 2013 at a rate of 0.34% (excl. margin) commencing in January 2014 and will be repriced again in July 2014. 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 at floating rate but has been swapped to a fixed rate of 4.94% incl. margin. The maturity of these interest rate swaps is 1.5 years.

		2013		Interest rate[2]	
DKK million	**Net financial interest-bearing debt[1]**	**Floating**	**Fixed**	**loating %**	**Fixed %**
EUR	28.733	7.091	21.642	25%	75%
DKK	1.818	1.818	-	100%	0%
PLN	508	508	-	100%	-
USD	2.916	2.916	-	100%	-
CHF	1.857	1.857	-	100%	-
RUB	-653	-653	-	100%	-
Other	1.098	1.045	53	95%	5%
Total	**36.277**	**14.582**	**21.695**	**40%**	**60%**

[1]Net financial interest-bearing debt consist of current and non-current after swaps and currency derivatives less cash and cash equivalent.
[2]Before currency derivatives.

		2012		Interest rate[2]	
DKK million	**Net financial interest-bearing debt[1]**	**Floating**	**Fixed**	**loating %**	**Fixed %**
EUR	29.855	748	29.107	3%	97%
DKK	-680	-680	-	100%	-
USD	1.180	1.180	-	100%	-
CHF	1.892	1.892	-	100%	-
RUB	-3.049	-3.049	-	100%	-
Other	4.885	4.818	67	98%	2%
Total	**34.083**	**4.909**	**29.174**	**14%**	**86%**

[1]Net financial interest-bearing debt consist of current and non-current after swaps and currency derivatives less cash and cash equivalent.
[2]Before currency derivatives.

Time to maturity for non-current borrowings

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
						2013
Issued bonds	-	2.824	7.413	-	11.176	21.413
Mortgages	-	-	-	-	1.248	1.248
Bank borrowings	277	78	30	33	7.077	7.495
Other non-current borrowings	258	8	6	22	14	308
Total	**535**	**2.910**	**7.449**	**55**	**19.515**	**30.464**
Total 2012	**8.051**	**5.417**	**3.115**	**7.439**	**12.457**	**36.479**

Sensitivity analysis

At the reporting date, 60% of the net borrowings consisted of fixed-rate loans with rates fixed for more than one year (2012: 86%). It is estimated that an interest rate increase of 1 percentage point would lead to an increase in annual interest expenses of DKK 146m (2012: DKK 49m). The analysis assumes a parallel shift in the relevant yield curves and 100% effective hedging of changes in the yield curve.

At 31 December 2013, the duration of the borrowings can be specified as in the table below.

Duration DKK million	2013	2012
Swaps	32	72
Bonds	1.037	1.254
Total duration	**1.069**	**1.326**
Duration in years	**3.0**	**3.9**

The decrease in duration was primarily due to the passing of time. The Group did not raise any significant new fixed-rate debt or enter into new swaps during 2013.

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 1,069m (2012: DKK 1,326m). 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 32m (2012: DKK 72m) 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 is/are no ineffective portion(s). If the market interest rates had been 1 percentage point higher (lower) at 31 December 2013, equity would have been DKK 32m (2012: DKK 72m) higher (lower). The remaining duration is included in borrowings with fixed interest primarily the issued bonds 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 2012.

Section 4.7 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 aim 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.

Credit resources available

At 31 December 2013, the Carlsberg Breweries Group had net financial interest-bearing debt of DKK 36,277m (2012: DKK 34,083m). The credit resources available and the access to unused committed credit facilities are considered reasonable in light of the Group's current needs in terms of financial flexibility.

At 31 December 2013, the Group had total unutilised credit facilities of DKK 13,653m (2012: DKK 14,863m). Credit resources available consist of the unutilised non-current credit facilities and cash and cash equivalents of DKK 3,707m (2012: DKK 5,748m) less utilisation of current facilities of DKK 9,520m (2012: DKK 3,352m).

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 2013 there was sufficient headroom below the ratio.

Committed non-current credit facilities and credit resources available at 31 December:

	2013			2012
DKK million	Total non-current committed loans and credit facilities	Utilised portion of credit facilities	Unused credit facilities	Unused credit facilities
<1 year	9.520	9.520	-	-
Total current committed loans and credit facilities	**9.520**	**9.520**	**-**	**-**
<1 year	-	-	-9.520	-3.352
1-2 years	2.536	535	2.001	-
2-3 years	2.910	2.910	-	8.895
3-4 years	7.449	7.449	-	5.968
4-5 years	55	55	-	-
>5 years	31.167	19.515	11.652	-
Total non-current committed loans and credit facilities	**44.117**	**30.464**	**4.133**	**11.511**
Cash and cash equivalents			3.707	5.748
Credit resources available (Total non-current committed loans and facilities - Net debt)			**7.840**	**17.259**

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

The Group uses cash pools in its day-to-day liquidity management for most of the entities in 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).

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

The risk implied from the values shown in the table 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.

MATURITY OF FINANCIAL LIABILITIES

DKK million	Contractual cash flows	Maturity <1 year	Maturity >1 year <5 years	Maturity >5 years	Carrying amount
					2013
Derivative financial instruments					
Derivative financial instruments, payables	331	198	133	-	334
Non-derivative financial instruments					
Financial debt, gross	40.013	9.525	10.848	19.640	39.984
Interest expenses	4.313	1.114	2.485	714	N/A
Trade payables and other liabilities	14.602	14.602	-	-	14.602
Liabilities related to the acquisition of entities	1.837	652	157	1.028	1.837
Non-derivative financial instruments	**60.765**	**25.893**	**13.490**	**21.382**	**-**
Financial liabilities	**61.096**	**26.091**	**13.623**	**21.382**	**-**
Financial liabilities 2012	**60.064**	**18.330**	**27.315**	**14.419**	**-**

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 29m higher (2012: DKK 121m lower) 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 2013. 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 2013 and 2012. Interest on debt recognised at year-end 2013 and 2012, for which no contractual obligation exists (current borrowing and part of the amount drawn on cash pools), has been included for a two-year period.

Section 4.8 Financial instruments

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

DKK million	2013 Fair value adjustment recognised in the income statement	2013 Fair value	2012 Fair value adjustment recognised in income statement	2012 Fair value
Exchange rate instruments	-8	264	222	438
Other instruments	-6	-2	-5	-1
Ineffective portion of hedge	-3	-	-26	-
Total	**-17**	**262**	**191**	**437**

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. section 4.1). In 2013, fair value adjustments amounted to DKK -17m (2012: DKK 191m).

The ineffective portion of hedge in 2013 relates to the ineffective portion of the Group's aluminium hedging scheme (DKK -3m).

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

The value of fair value hedges recognised at 31 December 2013 amounted to DKK 262m (2012: DKK 437m).

Cash flow hedges

Cash flow hedges comprise interest rate swaps where the hedged item is the underlying (floating-rate) borrowing (EUR 400m maturing June 2015), aluminium hedges where the hedged item is aluminium cans that will be used in a number of Group entities in Western Europe and Eastern Europe during 2014 and 2015, and currency swaps to cover the foreign exchange risk on transactions expected to take place in 2014.

DKK million	2013 Fair value adjustment recognised in other comprehensive income	2013 Fair value	2013 Expected recognition	2012 Fair value adjustment recognised in other comprehensive income	2012 Fair value	2012 Expected recognition
Interest rate instrument:	232	-174	2014-2015	244	-452	2013-2015
Exchange rate instrume	-21	27	2014	24	46	2013
Other instruments	-83	-128	2014-2015	59	-43	2013-2014
Total	**128**	**-275**		**327**	**-449**	

Fair value adjustments of cash flow hedges in the financial year are recognised in other comprehensive income and amounted to DKK 128m (2012: DKK 327m).

The fair value of cash flow hedges recognised at 31 December amounted to DKK -275m (2012: DKK -449m). 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.

Significant accounting estimates and judgements
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.

4.8 Accounting policies
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 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.

Section 4.9 Determination of fair value

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).

The fair value of borrowings is disclosed in section 4.4.1. The carrying amount of other financial assets and liabilities approximates their fair value.

Methods and assumptions to determine fair value
The methods and assumptions used in determining the fair values of each category of financial assets and financial liabilities are described below. The methods are unchanged from 2012.

Category	Measurement method
Derivate financial instruments	Fair value 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. Calculated by a) estimating the notional future cash flows using observable market data such as yield curves and the aluminium forward curves b) discounting the estimated and fixed cash flow to present value c) translating the amounts in foreign currency into the functional currency at the year-end foreign exchange rate
Loans and other receivables	Carrying amount approximates fair value
On-trade loans	Recognised at amortised cost. Based on discounted cash flows using the interest rates at the end of the reporting year, these loans have a fair value of DKK 1,916m (2012: DKK 2,022m)
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 with the exception of a GBP 300m bond, which is measured at fair value based on movements in a benchmark interest rate.

Section 5 - Acquisitions and associates

KEY DEVELOPMENTS 2013

- Chongqing
  - Completion of the step acquisition of Chongqing Brewery Group in China in December for a consideration of DKK 3,064m, including a contingent consideration of DKK 428m.
- Nordic Getränke
  - Step acquisitions of entities acquired from Nordic Getränke through the assumption of debt with a fair value of DKK 143m.
- South Asian Breweries
  - Completion of the step acquisition of South Asian Breweries Group in India in October changing it from a proportionately consolidated entity to a fully consolidated subsidiary.

Section 5.1 Acquisition of subsidiaries

Step acquisition of entities in 2013

In 2013, Carlsberg gained control of Chongqing Brewery Group (China), South Asian Breweries Group (India) and distribution entities acquired from Nordic Getränke (Germany).

DKK million									2013
	Country of main operations	Previous method of consolidation	Previously held ownership interest	Acquired ownership interest	Total Carlsberg interest	Acquisition date	Main activity	Consideration DKK million
Chongqing Brewery Group	China	Equity method	30%	30%	60%	10 Dec. 2013	Brewery	2.636
South Asian Breweries Group	India	Propotionately	60%	7%	67%	31 Oct. 2013	Brewery	108
Distribution entities	Germany	Equity method	50%	50%	100%	1 Jan. 2013	Logistics	143

These step acquisitions were a natural step for Carlsberg and in line with the strategy of obtaining full control of key operating activities. The calculation of goodwill, DKK 6,166m in total, represents staff competences as well as expectations of positive growth. See the table below.

Consideration and goodwill recognised

DKK million	Chongqing Brewery Group	Other	Total
Fair value of consideration transferred for acquired ownership interest	2.636	251	2.887
Fair value of previously held ownership interest	4.115	226	4.341
Fair value of put options recognised as part of acquisition	428	-	428
Total cost of acquisition	**7.179**	**477**	**7.656**
Net assets of acquired entities, attributable to Carlsberg	1.013	477	1.490
Goodwill from step acquisitions	**6.166**	**-**	**6.166**
Other adjustments of goodwill related to acquisitions in prior years			-184
Total change in recognised goodwill			**5.982**

In December 2013 Carlsberg gained control of Chongqing Brewery Group in China by completing a partial takeover offer and acquiring 30.29% of the shares at a purchase price of DKK 2,636m. In addition, a put option was granted allowing a non-controlling interest of 4.95% of the shares to be sold to Carlsberg within a 12-month period at the same price per share as the partial takeover offer price. This put option was recognised at fair value amounting to DKK 428m. Prior to Carlsberg gaining control, Chongqing Brewery Group was classified as an associate and consolidated according to the equity method.

In October 2013 Carlsberg gained control of South Asian Breweries Group through the exercise by a non-controlling interest of a put option of 6.67% of the shares at a price of DKK 108m. Prior to Carlsberg gaining control, South Asian Breweries Group was classified as a joint venture and proportionately consolidated.

The acquisitions of Chongqing Brewery Group and South Asian Breweries Group were both made in several steps over a period of 2-3 years, leading to Carlsberg gaining control in December and October 2013 respectively. The shareholding for each of these groups recognised prior to gaining control had a fair value equal to the carrying amount, which is why no revaluation adjustment has been recognised. The purchase price allocations of the fair value of identified assets, liabilities and contingent liabilities are still ongoing. Adjustments are therefore expected to be made to all items in the opening statement of financial position, especially in relation to trademarks and property, plant and equipment in Chongqing Brewery Group. Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

In January 2013 Carlsberg gained control of distribution entities acquired from Nordic Getränke following the termination of cooperation between Carlsberg and its partner. The consideration consisting of assumed debt amounts to DKK 143m. Prior to Carlsberg gaining control, Nordic Getränke was classified as an associate and consolidated according to the equity method. The shareholding recognised prior to gaining control was impaired to fair value in December 2012, which is why no revaluation adjustment has been recognised. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities has been completed.

Fair value of net assets acquired

DKK million	Chongqing Brewery Group	Other	Total
Intangible assets	106	9	115
Property, plant and equipment	2.297	135	2.432
Financial assets, excl. deferred tax	132	29	161
Inventories	265	101	366
Loans and receivables, current	226	429	655
Cash and cash equivalents	444	103	547
Provisions	-89	-32	-121
Deferred tax assets and liabilities, net	25	20	45
Borrowings	-1.101	62	-1.039
Trade payables and other payables	-753	-375	-1.128
Net assets of acquired entities	**1.552**	**481**	**2.033**
Non-controlling interests' proportionate share of acquired net assets, recognised	-539	-4	-543
Net assets of acquired entities, attributable to Carlsberg	**1.013**	**477**	**1.490**

Acquisition of entities

The Group has not completed any acquisitions of entities during 2013 or 2012 that were not step acquisitions.

In 2012, the purchase price of part of the activities in S&N (acquired in 2008) was 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.

Significant accounting estimates and judgements

Purchase price allocation For acquisitions of 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 held a shareholding immediately before the step acquisition. 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 remeasured at fair value at the acquisition date. The fair value is calculated as the estimated total fair value less the fair value of the consideration paid for the shareholdings acquired in the step acquisition and the fair value of non-controlling interests. The resulting gain or loss on the remeasurement is recognised in the income statement under special items.

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 applic-able for the transaction.

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 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 for the following years (up to seven years) are based on more general expectations and risks for the entity and assumptions about the market in which it operates. As the risk associated with 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 life 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. Consumer demand for beer and other beverages drives sales, and therefore the value of a trademark 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.

Management determines the useful life for each trademark based on its relative local, regional and global market strength, market share and the current and planned marketing efforts which are helping to maintain and increase the value of the trademark. 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.

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 model and assumptions applied are consistent with those used in impairment testing and described in further detail in section 2.3.3.

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 trademarks and sales. In these cases, no separate value for customer relations is recognised as the 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, and standard production and office equipment is based, as far as possible, on the fair value of assets of similar type and condition that may be bought and sold in the open market.

Property, plant and equipment for which there is no reliable evidence of the fair value in the market (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.

Accounting policies

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 an acquired subsidiary, enters the management of a joint venture or obtains significant influence over an associate.

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.

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 no later than 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.

Section 5.2 Impact from acquisitions

In 2013, Carlsberg gained control of Chongqing Brewery Group, South Asian Breweries Group in India and distribution entities acquired from Nordic Getränke, which impacted the income statement by the following amounts:

DKK million	**2013**	**2012**
Operating profit before special items	-93	-
Net profit for the year	-163	-
Net profit for the year had the acquisition been completed 1 January	48	-

Contingent consideration

In 2013 Carlsberg revalued contingent considerations for the previous acquisition of shareholdings in Gorkha Brewery (Nepal), Carlsberg South Asia (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 2013 is DKK 131m (2012: DKK 17m).

Section 5.3 Cash flow effect from acquisitions

The cash flow from acquisition of entities comprises the cash consideration paid net of cash and cash equivalents acquired with the entities.

DKK million	**Chongqing Brewery Group**	**Other**	**Total**
Cash	2.636	251	2.887
Cash and cash equivalents acquired	-444	-103	-547
Total cash consideration paid	**2.192**	**148**	**2.340**

The total cash flow from acquisition of entities can be specified as follows:

	2013	**2012**
Step acquisitions, cash outflow, net	-2.340	-
Acquisition of proportionately consolidated entities, cash outflow	-	-23
Payment regarding acquisition in previous years	-	-4
Net	**-2.340**	**-27**

Section 5.4 Non-controlling interests

The Group has entities primarily in Asia which are not fully owned. The share of the consolidated profit attributable to the non-controlling interests is shown below.

DKK million	2013	2012
Baltika Breweries	-	158
Carlsberg Malaysia Group	165	169
Asia, other	295	291
Other regions	20	20
Total	**480**	**638**

Acquisition and disposal of non-controlling interests

DKK million	Increase in ownership
2013	Other entities[1]
Paid	-320
Change in provisions for put option	-230
Proportionate share of equity acquired	215
Difference recognised directly in equity	**-341**
Difference recognised in goodwill	**6**
Effect on equity attributable to Carlsberg from changes in the Group's ownership interest	
1 January 2013	2.755
Effect of acquisition	215
Comprehensive income	502
Dividends, capital injections etc.	-125
31 December 2013	**3.347**

DKK million	Increase in ownership		
2012	Baltika Breweries[2]	Other entities[3]	Total
Paid	-4.296	-620	-4.916
Change in provision for put option	-	373	373
Proportionate share of equity acquired	2.650	24	2.674
Difference recognised directly in equity	**-1.646**	**-251**	**-1.897**
Difference recognised in goodwill	**-**	**28**	**28**
Effect on equity attributable to Carlsberg from changes in the Group's ownership interest			
1 January 2012	31.065	5.509	36.574
Effect of acquisition	2.650	24	2.674
Comprehensive income	3.749	400	4.149
Dividends, share buy-back, capital injections etc.	400	-306	94
31 December 2012	**37.864**	**5.627**	**43.491**

[1] Comprises transactions with shareholdings in Carlsberg South Asia Pte. Ltd. (Singapore), Lao Brewery Co. Ltd. (Laos), JSC Aldaris (Latvia), OJSC Carlsberg Ukraine, Luen Heng F&B Sdn BHD (Malaysia) and Myanmar Carlsberg Co. Ltd.

[2] 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 its shareholding by 13,058,025 shares in the two transactions, leaving Carlsberg as the sole shareholder of Baltika Breweries.

[3] Comprises transactions with shareholdings in OJSC Olivaria Brewery (Belarus), Carlsberg South Asia Pte. Ltd. (Singapore), Carlsberg Kazakhstan, Lao Brewery Co. Ltd. (Laos), Carlsberg Distributers Taiwan Ltd, UAB Svyturys-Utenos Alus (Lithuania), JSC Aldaris (Latvia), Carlsberg Serbia d.o.o., Carlsberg Croatia d.o.o., Carlsberg Bulgaria AD, Bottling and Brewing Group Ltd. (Malawi) and adjustment to the acquisition price for PJSC Carlsberg Ukraine due to dividends received for 2011.

Accounting policies

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. The difference between the cost and the non-controlling interests' share of the 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 the total carrying amount, including good-will acquired by the non-controlling interests, is transferred from equity attributable to share-holders 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 no later than 31 December 2009 is recognised in goodwill.

Section 5.5 Associates

The Group gained control of Chongqing Brewery Group in December 2013, at which point it was derecognised as an associate and was fully consolidated as a subsidiary. Accordingly, the 2013 profit after tax in associates includes 11 months' activity for Chongqing Brewery Group.

Section 5.1.contains a more detailed description of the acquisition and purchase price allocation for this transaction.

In May 2013, the Group increased its shareholding in the Qinghai and Lanzhou Group to 50% and in late December 2013 the shareholding in Tibet Lhasa Brewery Co. Ltd was increased to 50%.

					Carlsberg Breweries Group share		2013
DKK million	Revenue	Profit after tax	Assets	Liabilities	Ownership interest	Profit after tax	Equity
Key figures for associates:							
Chongqing Brewery Group	3.256	32	-	-	-	11	-
Tibet Lhasa Brewery Co. Ltd.	395	83	887	111	50%	28	388
Hanoi Beer Company	1.681	213	4.259	735	17%	37	599
Other	3.387	78	4.361	2.909	20-55%	28	892
						104	**1.879**

					Carlsberg Breweries Group share		2012
DKK million	Revenue	Profit after tax	Assets	Liabilities	Ownership interest	Profit after tax	Equity
Key figures for associates:							
Chongqing Brewery 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
Hanoi Beer Company	1.639	210	4.360	827	17%	37	601
Other	5.736	108	4.900	3.512	20-50%	31	757
						112	**5.768**

DKK million	2013	2012
Fair value of investments in listed associates:		
Chongqing Brewery Co. Ltd., Chongqing, China	-	2.006
The Lion Brewery Ceylon, Biyagama, Sri Lanka	294	235
Total	**294**	**2.241**

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 entities in which the Group is unable to exercise significant influence.

Contingent Liabilities

The Group has issued guarantees for loans etc. raised by associated entities (non-consolidated share of loans) of DKK 71m in 2013 (2012: DKK 83m).

Accounting policies

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.

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. The proportionate share of unrealised intra-Group profits and the carrying amount of goodwill are added, whereas the proportionate share of unrealised intra-Group losses is deducted.

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. section 5.1.

Section 5.6 Investments in proportionally consolidated entities

Investments in proportionally consolidated entities

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

The change in key figures is attributable to South Asian Breweries Group, which was previously recognised as a proportionately consolidated entity, being recognised as a subsidiary from November. Accordingly, the 2013 figures only include 10 months' activity for South Asian Breweries Group proportionately consolidated in the income statement and cash flows, while proportionately consolidated figures for South Asian Breweries Group are not included in the statement of financial position as at 31 December 2013.

DKK million	2013	2012
Revenue	2.686	2.709
Total costs	-2.396	-2.428
Operating profit before special items	**290**	**281**
Consolidated profit	**132**	**131**
Non-current assets	1.934	3.086
Current assets	675	938
Non-current liabilities	-502	-672
Current liabilities	-642	-1.762
Net assets	**1.465**	**1.590**
Free cash flow	-169	-360
Net cash flow	59	-100
Cash and cash equivalents, year-end	101	52
Contingent liabilities in joint ventures	298	150

Accounting policies

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

For acquisitions of new joint ventures and additional shareholdings in existing joint ventures the acquisition method is used, cf. section 5.1. For acquisitions of additional shareholdings in existing joint ventures the acquisition method is applied only to the additional share of assets, liabilities and contingent liabilities acquired.

The acquisition date is the date when the Carlsberg Breweries Group effectively obtains control of the acquired joint venture or the additional shareholding in the joint venture.

Section 6 – Tax

KEY DEVELOPMENTS 2013

- Tax totalled DKK 2,086m against DKK 1,529m in 2012.
- Tax rate of 26.1%, impacted by non-capitalised tax assets.

Section 6.1 Corporation tax

Reconciliation of the effective tax rate for the year	2013 %	2013 DKK million	2012 %	2012 DKK million
Nominal weighted tax rate for the Carlsberg Breweries Group	21,0%	1.683	20,5%	1.302
Change in tax rate	-0,2%	-19	0,4%	27
Adjustments to tax for previous years	-0,1%	-11	-0,9%	-61
Non-capitalised tax assets, net movements	2,8%	220	-1,9%	-119
Non-taxable income	-0,7%	-55	-0,4%	-26
Non-deductible expenses	3,0%	237	3,4%	216
Tax incentives etc.	-0,6%	-45	-1,7%	-109
Special items	-0,4%	-28	0,7%	43
Withholding taxes	1,4%	115	4,1%	269
Other and tax in associates	-0,1%	-11	-0,2%	-13
Effective tax rate for the year	**26,1%**	**2.086**	**24,0%**	**1.529**

The 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.

DKK million	2013 Income statement	2013 Other compre-hensive income	2013 Total compre-hensive income	2012 Income statement	2012 Other compre-hensive income	2012 Total compre-hensive income
Tax for the year can be specified as follows						
Current tax	2.260	15	2.275	1.553	189	1.742
Change in deferred tax during the year	-144	189	45	10	-193	-183
Change in deferred tax from change in tax rate	-19	-	-19	27	-	27
Adjustments to tax for previous years	-11	-	-11	-61	-83	-144
Total	**2.086**	**204**	**2.290**	**1.529**	**-87**	**1.442**

Tax recognised in other comprehensive income

DKK million	2013 Recognised item before tax	2013 Tax income/ expense	2013 After tax	2012 Recognised item before tax	2012 Tax income/ expense	2012 After tax
Foreign exchange adjustments	-7.499	-	-7.499	1.904	-	1.904
Hedging instruments	11	-8	3	111	133	244
Retirement benefit obligations	825	-196	629	-739	130	-609
Share of other comprehensive income in associates	4	-	4	4	-	4
Effect of hyperinflation	61	-	61	75	-	75
Other	-28	-	-28	-2	-176	-178
Total	**-6.626**	**-204**	**-6.830**	**1.353**	**87**	**1.440**

An interest ceiling maximises the tax deduction accumulated for fair value adjustments of hedging instruments recognised in other comprehensive income. Tax on such adjustments therefore fluctuates from year to year.

Adjustment to tax for previous years of DKK 0m (2012: DKK 83m) is included in the tax benefit/expense for hedging instruments.

Accounting policies

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 items recognised directly in other comprehensive income is recognised in other comprehensive income.

If the 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.

Section 6.2 Deferred tax

Deferred tax assets and deferred tax liabilities

DKK million	2013	2012
Deferred tax at 1 January, net	7.738	7.999
Adjustments to previous years	-26	-34
Recognised in other comprehensive income	189	-193
Recognised in the income statement	-144	10
Change in tax rate	-19	27
Foreign exchange adjustments	-685	-71
Deferred tax at 31 December, net	**7.053**	**7.738**
Specified as follows		
Deferred tax liabilities	8.175	8.930
Deferred tax assets	-1.122	-1.192
Deferred tax at 31 December, net	**7.053**	**7.738**

Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
DKK million	2013	2012	2013	2012
Intangible assets	735	502	6.549	7.107
Property, plant and equipment	288	403	2.483	2.528
Current assets	160	109	45	52
Provisions and retirement benefit obligations	654	840	71	261
Fair value adjustments	29	20	165	150
Tax losses etc.	1.405	1.573	1.011	1.087
Total before set-off	**3.271**	**3.447**	**10.324**	**11.189**
Set-off	-2.149	-2.255	-2.149	-2.255
Deferred tax assets and liabilities at 31 December	**1.122**	**1.192**	**8.175**	**8.930**
Expected to be used as follows				
Within 12 months after the end of the reporting period	317	219	559	507
More than 12 months after the end of the reporting period	805	973	7.616	8.423
Total	**1.122**	**1.192**	**8.175**	**8.930**

Of the total deferred tax assets recognised, DKK 708m (2012: DKK 705m) related to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities. It is management's opinion that the tax loss carryforwards can be utilised.

Tax assets not recognised, DKK 1,411m (2012: DKK 1,248m), primarily related to tax losses which are not expected to be utilised in the foreseeable future. Tax losses that will not expire amounted to DKK 1,004m (2012: DKK 1,000m).

Deferred tax of DKK 77m (2012: DKK 160m) was recognised in respect of earnings in entities 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.

Deferred tax on temporary differences relating to investments in subsidiaries, joint ventures and associates amounted to DKK 0m (2012: DKK 0m).

Significant accounting estimates and judgements

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.

Accounting policies

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 or to realise the assets and settle the liabilities simultaneously. 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.

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 and 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 on items recognised in other comprehensive income are, however, recognised in other comprehensive income.

Section 7 STAFF COSTS AND REMUNERATION

KEY DEVELOPMENTS 2013

- Decreased defined benefit obligations
  - Changes in future assumptions for defined benefit obligations resulted in a decrease in the obligations.
- New LTI programme
  - In 2013 a new long-term incentive plan (performance shares) was introduced.
- Staff costs in line with 2012

Section 7.1 Staff costs

DKK million	2013	2012
Salaries and other remuneration	8.035	7.926
Severance pay	134	351
Social security costs	1.353	1.240
Retirement benefit costs – defined contribution plans	155	192
Retirement benefit costs – defined benefit plans	247	113
Share-based payment	49	48
Other employee benefits	194	305
Total	**10.167**	**10.175**
Average number of employees	40.341	41.614
Staff costs are included in the following items in the income statement:		
Cost of sales	2.768	2.830
Sales and distribution expenses	5.291	5.069
Administrative expenses	1.943	1.975
Other operating activities, net	3	3
Special items (restructurings)	162	298
Total	**10.167**	**10.175**

The average number of employees decreased due to efficiencies and optimisations, especially in the Asia region. The acquisition of Chongqing Brewery Group increased the number of employees at year-end by approximately 6,500 but had very limited impact on the average number of employees due to the late acquisition date.

Section 7.2 Remuneration

Remuneration of the executive directors 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 directors and other management personnel. These programmes and schemes cover a number of years.

	Jørgen Buhl Rasmussen			Jørn P. Jensen			Key management personnel	
DKK million	2013	2012	2011	2013	2012	2011	2013	2012
Fixed salary	11,0	10,5	10,5	9,5	9,1	9,1	52,0	50,5
Cash bonus	4,7	6,3	-	4,1	5,5	-	21,1	21,3
Non-monetary benefits	0,3	0,3	0,3	0,3	0,3	0,2	7,5	5,5
Share-based payment	8,6	5,7	4,0	7,3	5,4	4,0	6,8	11,2
Total	**24,6**	**22,8**	**14,8**	**21,2**	**20,3**	**13,3**	**87,4**	**88,5**

	Number							DKK million
Grant year	Exercise year	1 Jan. 2013	Granted	Adjusted	Exercised	31 Dec. 2013	For exercise 31 Dec.	Fair value
Jørgen Buhl Rasmussen:								
2007	2010-2015	12.388	-	-	-	12.388	12.388	2
2008	2011-2016	44.776	-	-	-	44.776	44.776	7
2009	2012-2017	30.000	-	-	-	30.000	30.000	11
2010	2013-2018	15.000	-	-	-	15.000	15.000	3
2011	2014-2019	30.000	-	-	-	30.000	-	4
2012	2015-2020	69.500	-	-	-	69.500	-	15
2013	2016-2021		49.000	-	-	49.000	-	8
Total		**201.664**	**49.000**	**-**	**-**	**250.664**	**102.164**	**50**
Jørn P. Jensen:								
2005	2008-2013	12.388	-	-	-12.388	-	-	-
2006	2009-2014	12.388	-	-	-	12.388	12.388	4
2007	2010-2015	12.388	-	-	-	12.388	12.388	2
2008	2011-2016	44.776	-	-	-	44.776	44.776	7
2009	2012-2017	30.000	-	-	-	30.000	30.000	11
2010	2013-2018	15.000	-	-	-	15.000	15.000	3
2011	2014-2019	30.000	-	-	-	30.000	-	4
2012	2015-2020	62.000	-	-	-	62.000	-	13
2013	2016-2021		42.000	-		42.000	-	7
Total		**218.940**	**42.000**	**-**	**-12.388**	**248.552**	**114.552**	**51**
Executive Directors total		**420.604**	**91.000**	**-**	**-12.388**	**499.216**	**216.716**	**101**

Executive Director's performance shares								DKK million
	Number							
Grant year	Exercise year	1 Jan. 2013	Granted	Adjusted	Exercised	31 Dec. 2013	For exercise 31 Dec.	Fair value
Jørgen Buhl Rasmussen:								
2013-2015	2016	-	29.694	-15.589	-	14.105	-	4
Total		**-**	**29.694**	**-15.589**	**-**	**14.105**	**-**	**4**
Jørn P. Jensen:								
2013-2015	2016	-	15.441	-8.106	-	7.335	-	2
Total		**-**	**15.441**	**-8.106**	**-**	**7.335**	**-**	**2**
Executive Director total		**-**	**45.135**	**-23.695**	**-**	**21.440**	**-**	**6**

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

For 2014, the potential maximum bonus will remain at 100% of fixed salary with bonus equal to 60% of fixed salary payable for on-target performance. A scorecard of performance measures is used to assess performance, cf. Remuneration report, and the measures are the same as those applied for 2013.

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

Key management personnel comprise the Executive Committee, Senior Vice Presidents heading regions and Group functions, and CEOs in the most significant Group entities. Other management personnel comprise Vice Presidents and other key employees in central functions as well as the management of significant subsidiaries. The key management personnel are, together with the executive directors, responsible for the planning, directing and controlling of the Group’s activities.

Accounting policies

Staff costs comprise wages and salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits and are recognised in the financial year in which the employee renders the related service. Further, the cost of share-based payment, which is expensed over the vesting period of the programme according to the service conditions, is recognised in staff costs and provisions or equity depending on how the programme is settled with the employees.

Section 7.3 Share-based payments

The Carlsberg Breweries Group has set up share-based incentive programmes to attract, retain and motivate the Group’s executive directors and other levels of management personnel and to align their interests with those of the shareholders. No share-based incentive programme has been set up for Carlsberg A/S’s Supervisory Board.

The current programmes are the Share option programme, the long-term incentive programme (LTI) and the long-term incentive plan (performance shares) introduced in 2013. All programmes are equity-settled programmes.

The fair value at 31 December 2013 was DKK 363m (2012: DKK 322m), which is DKK 41m higher than at year-end 2012.

Carlsberg Breweries Group	Share option programme		Long-term incentive programme		Long-term incentive plan (performance shares)	
	2013	2012	2013	2012	2013	2012
Total share options granted	91.000	131.500	-	218.508	372.049	-
Number of employees	2	2	-	319	336	-
DKK million						
Fair value at grant date	15	19	-	112	103	-
Total cost of options granted in the year recognised in the income statement	3	5	-	37	17	-
Total cost of options granted 2009-2012 (2008-2011)	12	17	25	37	-	-
Not recognised in respect of share options expected to vest	20	19	30	75	60	-

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.

The three individual programmes are shown on the next page.

:

General terms and conditions for the three programmes.

	Share option programme	Long-term incentive programme	Long-term incentive plan (performance shares)
Equity-settled scheme	Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares. The Group has not purchased a significant number of treasury shares to meet this obligation. Treasury share holdings at 31 December 2013 totalled 23,941 shares (2012: 1,587 shares).	The long-term incentive programme is settled in performance share units (PSUs). A participant in the programme will receive a number of PSUs, each giving the right to receive one Carlsberg B share. 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 long-term incentive plan is settled in performance shares. A participant in the programme will receive a number of Carlsberg B shares. For each grant, the exact number of shares granted is determined after the publication of the Annual Report for the last year in the vesting period.
Valuation	The fair value of granted share options is estimated using the Black-Scholes call option-pricing model based on the exercise price. The share price and the exercise price for share options 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.	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 at the time of vesting of each part of the long-term incentive programme (final). The value of PSUs is calculated using the same method as for the share option programme, although not until after the publication of the Annual Report in the year following the grant year. The preliminary share price and the value for PSUs granted under the long-term incentive programme are the last available prices before 31 December of the reporting year. The value of the remuneration received under the long-term incentive programme is calculated as a predetermined percentage of the employee's yearly salary. Depending on the Group's performance, this percentage can be adjusted to a maximum of 150% of the predetermined percentage.	The calculation of the number of performance shares is based on the estimated number of performance shares expected to vest. The final number of performance shares is the number that ultimately vest. The fair value of performance shares is calculated at the grant date using a stochastic valuation model.
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.	Immediately after publication of the Annual Report for the Group for the prior reporting period.
Vesting conditions	3 years of service.	3 years of service and the Group's financial performance for the grant year.	3 years of service and achievement of 4 KPIs in the vesting period.
Earliest time of exercise	3 years from grant date.	-	-
Latest time of exercise	8 years from grant date.	Shares are transferred to the employee immediately after PSUs have vested.	Shares are transferred to the employee immediately after they have vested.

7.3.1 Share option programme

Carlsberg Breweries Group	Number					Exercise price
	Executive directors	Key management personnel	Other management personnel	Resigned employees	Total	Fixed, weighted average
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**
Granted	91.000	-	-	-	91.000	573,50
Forfeited/expired	-	-	-2.550	-	-2.550	305,22
Exercised	-12.388	-19.648	-145.129	-80.792	-257.957	363,46
Transferred	-	-	-7.417	7.417	-	342,73
Share options outstanding at 31 December 2013	**499.216**	**57.108**	**194.513**	**181.680**	**932.517**	**444,16**
Exercisable at 31 December 2012	199.104	68.369	193.902	329.859	791.235	396,49
Exercised options as % of share capital	0,01%	0,01%	0,05%	0,05%	0,12%	
Exercisable at 31 December 2013	216.716	55.908	185.280	190.913	648.817	414,37
Exercised options as % of share capital	0,01%	0,01%	0,10%	0,05%	0,17%	

Assumptions									2013	2012
Grant date	Expiry 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
01.03.2005	01.03.2013	Grant 2005	232,71	27%	3,1%	1,7%	5,5	74,27	-	39.881
01.03.2006	01.03.2014	Grant 2006	306,89	19%	3,3%	1,3%	5,5	89,37	29.731	87.812
01.03.2007	01.03.2015	Grant 2007	472,11	19%	3,9%	1,0%	5,5	136,67	103.254	148.161
01.03.2008	01.03.2016	Grant 2008	457,82	22%	3,6%	1,1%	5,5	141,72	117.303	157.281
01.06.2008	01.06.2016	Special grant	531,80	23%	4,3%	0,9%	5,5	181,08	142.462	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	124.328	157.056
01.03.2010	01.03.2018	Grant 2010	417,34	30%	3,1%	0,8%	8,0	174,52	91.739	118.089
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	131.500
01.05.2013	01.05.2021	Grant 2013	573,50	27%	1,5%	1,0%	8,0	167,98	91.000	-
Outstanding share options under the share option programme									**932.517**	**1.102.024**

The average share price at the exercise date for share options was DKK 583 (2012: DKK 493). At 31 December 2013, the exercise price for outstanding share options was in the range DKK 203.50 to DKK 573.50 (2012: DKK 203.50 to DKK 566.78). The average remaining contractual life was 3.8 years (2012: 3.8 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 -51m (2012: DKK -33m). Change in expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK 1m (2012: DKK 148m).

The fair value at 31 December 2013 was DKK 309m (2012: DKK 275m), which is DKK 34m higher than at year-end 2012.

Significant accounting estimates

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, while prior to 2010 it was based on the historical volatility in the price of Carlsberg A/S's class B shares over the previous two years.

The risk-free interest rate is the interest rate on Danish government bonds of the relevant maturity, while the dividend yield is calculated as the expected dividend at the grant date of DKK 5.50 per share (2012: DKK 5.50 per share) divided by the share price. The fair value at 31 December is calculated applying an expected dividend of DKK 8.00 per share.

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

7.3.2 Long-term incentive programme

	Number				
	Executive directors	Key management personnel	Other management personnel	Resigned employees	Total
Performance share units outstanding at 31 December 2011	**-**	**-**	**-**	**-**	**-**
Granted	-	28.455	174.500	-	202.955
Transferred	-	-3.860	-5.670	9.530	-
Performance share units outstanding at 31 December 2012	**-**	**24.595**	**168.830**	**9.530**	**202.955**
Forfeited/expired	-	-	-	-6.547	-6.547
Adjusted	-	3.278	19.061	-239	22.100
Transferred	-	-3.614	-11.955	15.569	-
Performance share units outstanding at 31 December 2013	**-**	**24.259**	**175.936**	**18.313**	**218.508**

Transferred PSUs comprise PSUs that have been granted to employees who have either moved between management categories or left the Group during the year.

Assumptions									**2013**	**2012**
Grant date	Expiry date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of units, years	Fair value at measurement date	Units outstanding	Units outstanding
01.01.2012	01.03.2015	LTI 2012-2014 (preliminary)	None	284%	0,3%	1,2%	3,2	542,22	-	202.955
01.01.2012	01.03.2015	LTI 2012-2014 (Final)	None	284%	0,3%	1,2%	3,2	542,22	218.508	-
Outstanding performance share units under the long-term incentive programme									**218.508**	**202.955**

There were no exercisable PSUs in the long-term incentive programme at 31 December 2013.

7.3.3 Long-term incentive plan (performance shares)

	Number				
	Executive directors	Key management personnel	Other management personnel	Resigned employees	Total
Performance shares outstanding at 31 December 2012	**-**	**-**	**-**	**-**	**-**
Granted	45.135	52.535	274.379	-	372.049
Transferred	-	-	-924	924	-
Adjusted	-23.695	-30.167	-140.823	-485	-195.170
Performance shares outstanding at 31 December 2013	**21.440**	**22.368**	**132.632**	**439**	**176.879**

Assumptions									**2013**	**2012**
Grant date	Expiry date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of grant, years	Fair value at measurement date	Awards outstanding	Awards outstanding
01.01.2013	01.05.2016	2013-2015	None	28%	0,2%	1,1%	3,4	277,09	176.879	-
Outstanding performance shares under the long-term incentive programme									**176.879**	**-**

Transferred performance shares comprise performance shares that have been granted to employees who have either moved between management categories or left the Group during the year. Adjusted performance shares comprise the change in number of performance shares expected to vest based on the development of the vesting conditions.

There were no exercisable performance shares in the long-term incentive plan at 31 December 2013. The granted number of performance shares included in the specification is the number of performance shares that are expected to vest. The estimated number is revised on a regular basis until vesting.

Accounting policies

The fair value of equity-settled programmes is measured at the grant date and recognised in the income statement under staff costs, net over the vesting period with a corresponding increase in equity.

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

The fair value of granted performance shares is estimated using a stochastic (quasi-Monte Carlo) valuation model, taking into account the terms and conditions upon which the performance shares were granted.

On initial recognition of share options, PSUs and performance shares, an estimate is made of the number of awards expected to vest. The estimated number is subsequently revised for changes in the number of awards expected to vest. Accordingly, recognition is based on the number of awards that ultimately vested.

Section 7.4 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.

The future retirement obligation is primarily based on seniority and salary at the point of retirement.

Defined contribution plans

Approximately 39% (2012: 63%) 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 to funds that are independent of the Group.

Defined benefit plans

The defined benefit plans typically guarantee the employees covered a retirement benefit based on the salary at the time of retirement. For defined benefit plans, the Group assumes the risk associated with future developments in interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded, with assets placed in independent pension funds in e.g. Switzerland, Norway, the UK and Hong Kong.

In some countries, primarily in Germany, Sweden and Italy, the obligation is unfunded. For these unfunded plans, the retirement benefit obligations amounted to DKK 1,543m (2012: DKK 1,612m) or approximately 14% (2012: 14%) of the total gross liability.

Obligation, net is specified to the right.

	2013			2012		
DKK million	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
1 January	11.561	7.648	3.913	10.312	7.099	3.213
Recognised in income statement						
Current service cost	221	-	221	114	-	114
Interest cost	332	-	332	381	-	381
Return on plan assets (excluding interest cost)	-	-	-	-	-129	129
Expected return on plan assets	-	218	-218	-	452	-452
Curtailments and settlements	26	-	26	-1	-	-1
Total	579	218	361	494	323	171
Remeasurements						
Gain/loss from changes in actuarial assumptions	28	-2	30	691	-6	697
Gain/loss from changes in financial assumptions	-508	347	-855	310	268	42
Total	-480	345	-825	1.001	262	739
Other changes						
Contributions to plans	6	252	-246	15	245	-230
Benefits paid	-477	-402	-75	-511	-415	-96
Acquisition and disposal of entities	1	-	1	-	-	-
Foreign exchange adjustments etc.	-268	-189	-79	189	134	55
Transfer from other provisions	1	2	-1	61	-	61
Obligation at 31 December	10.923	7.874	3.049	11.561	7.648	3.913

The total return on plan assets for the year amounted to DKK 563m (2012: DKK 585m).

The Group expects to contribute DKK 22m (2012: DKK 23m) to the plan assets in 2014. Plan assets are invested in the following:

	2013		2012	
Breakdown of plan assets:	DKK million	%	DKK million	%
Shares	2.842	36%	2.490	33%
Bonds and other securities	3.502	45%	3.460	45%
Real estate	1.192	15%	1.170	15%
Cash and cash equivalents	338	4%	528	7%
Total	**7.874**	**100%**	**7.648**	**100%**

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

The actuarial gain and foreign exchange adjustment recognised in other comprehensive income amounted to DKK 904m (2012: DKK -794m). The accumulated amount recognised at 31 December 2013 was DKK -2,400m (2012: DKK -3,304m), of which actuarial losses, net totalled DKK 2,504m (2012: DKK -3,329m).

7.4.1 Significant assumptions applied

The main assumptions applied in calculating the defined benefit obligations can be summarised as follows:

	2013					2012	
Assumptions applied:	CHF	UK	EUR	Others	Weighted average	CHF	Weighted average
Discount rate	2,1%	4,5%	2.4 - 4.0%	2.1 - 18.6%	3,1%	1,8%	3.0%
Future salary increases	1,0%	3,0%	1.0 - 3.0 %	3.5 - 16.0 %	2,0%	2,0%	2.8%

Switzerland represents 39% (2012: 41%), the UK 42% (2012: 39%) and the euro-zone countries 11% (2012: 6%) of the gross obligation.

The two most significant plans in the Group are in Carlsberg UK and in the Swiss entities, including Feldschlösschen. The mortality tables used in Carlsberg UK are S1PMA/S1PFA tables for post-retirement and AMC00/AFC00 for pre-retirement, both with CMI_2013 projections, while the Swiss entities use the BVG 2010-2013 (KJ) mortality table for valuation of their retirement obligations.

7.4.2 Sensitivity analysis

The table below shows a sensitivity analysis of the total calculated retirement benefit obligation. The sensitivity analysis is based on the following changes to the assumptions applied in the calculation of the obligation.

DKK million	2013
Reported pension obligation	10.923
Sensitivity relating to the discount rate	
Discount+ assumption +0.5%	-781
Discount+ assumption -0.5%	555
Sensitivity relating to increase in future salary	
Future salary + assumption +0.5%	180
Future salary + assumption -0.5%	-251
Sensitivity relating to mortality	
Mortality assumption +1 year	154
Mortality assumption -1 year	-153

The sensitivity analysis is based on a change in one of the assumptions while all other assumptions remain constant. This is highly unlikely to occur as a change in one assumption will likely affect other assump-tions as well. When calculating the obligation on the basis of a changed assump-tion, the same method has been applied as when calculating the pension liability recognised in the statement of financial position.

Expected maturity and duration

Retirement benefit obligations are primarily expected to mature after 5 years. The non-discounted maturity is:

DKK million	<1 year	1-5 years	> 5 years	Total
Pension benefits	362	1.794	18.413	20.569

The expected duration of the obligations at year-end 2013 was 20 years, comprising active employees at 26 years and retired employees at 15 years. The duration is calculated using a weighted average of the duration compared to the benefit obligation.

Significant accounting estimates and judgements

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 the table.

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

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

The present value of the net obligation is calculated based on the expected long-term interest rate in each country, where available, based on long-term government bonds.

Mortality assumptions are based on the Group entity's best estimate of the mortality of plan members during and after employment, and include expected changes in mortality, for example using estimates of mortality improvements. Due to the broad range of entities comprising the retirement benefit obligation, several different mortality tables are used to calculate the future retirement benefit obligation.

Accounting policies

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised in the income statement in the period during which services are rendered by employees. Any contributions outstanding are recognised in the statement of financial position as other liabilities.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and previous years. The future benefits are discounted to determine the present value. The calculation is performed annually by a qualified actuary.

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 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 assets and liabilities and realised amounts at year-end are designated as actuarial gains or losses and 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 restructurings 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 under staff costs.

Section 8 – Other disclosure requirements

Section 8.1 Related party disclosure

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		Proportionately consolidated entities	
DKK million	**2013**	**2012**	**2013**	**2012**
Revenue	201	286	14	13
Cost of sales	-339	-381	-	-
Loans	212	300	-	727
Receivables	22	131	9	26
Borrowings	-	-96	-	-
Trade payables and other liabilities etc.	-26	-22	-3	-4

The decrease in transactions with and receivables from associates is primarily a result of the terminated cooperation in Nordic Getränke at 1 January 2013. After this date, the activities acquired were fully consolidated in the Group.

The decrease in key figures for proportionately consolidated entities is attributable to South Asian Breweries Group, which was recognised as a subsidiary as of 31 October 2013.

Accordingly, the 2013 figures only include 10 months' activity for Carlsberg India Group recognised proportionately in the income statement, while proportionately consolidated figures are not included in the statement of financial position at 31 December 2013.

Section 8.2 Fees to auditors

Fees to the auditors appointed by the Annual General Meeting are specified as follows.

DKK million	**2013**	**2012**
KPMG		
Statutory audit	25	24
Assurance engagements	-	-
Tax advisory	4	3
Other services	11	14

Assurance engagements include fees for assurances in relation to opinions on third parties, including fees 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 fees for advice and services in relation to acquisition and disposal of entities, which includes accounting and tax advice and due diligence.

Section 8.3 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.

Section 9 – Basis for preparation

- New presentation of financial statements and explanatory notes
    - The presentation of the financial statements for 2013 has been changed to improve the information and provide a better presentation of the financial flows.
- Change in presentation of listing fees
    - As a result of changes in the Russian retail landscape as well as recent changes in marketing regulation, the Group has changed the presentation of listing fees.

Section 9.1 Significant accounting estimates

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 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 significant accounting estimates and judgements made and the accounting policies specific to the income statement, statement of financial position and statement of cash flows are presented in the explanatory notes in section 1-7:

- Business combinations – Section 5
- Impairment testing – Section 2
- Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment – Section 2
- Restructurings – Section 3
- Provisions and contingencies – Section 3
- Receivables – Section 1
- Deferred tax assets – Section 6
- Retirement benefit obligations and similar obligations – Section 7

The most significant accounting estimates and judgements performed relate to these areas.

Accounting policies for more general areas, including consolidation, financial instruments and segmentation, are presented below.

Section 9.2 General accounting policies

The 2013 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), which is the Parent Company's functional currency.

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities 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.

Changed accounting policies and presentation of the annual report 2013

Apart from the implementation of the amended IAS 19 "Employee Benefits", the Annual Report has been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2012. The amended standard has changed the recognition of the expected return on pension plan assets. Under the changed accounting policy applicable from 1 January 2013, the expected return on plan assets is calculated on the basis of the discount rate used to measure retirement benefit obligations, whereas previously the return was based on the expected return on the specific plan assets. The change did not have any significant impact on the Annual Report.

The presentation format has been changed for the Annual Report 2013, resulting in minor changes to the classification of elements in the financial statements. Furthermore, the structure of the explanatory notes has been changed significantly to improve the information provided. The comparative figures have been restated accordingly.

Furthermore, the Carlsberg Breweries Group has changed the presentation of listing fees in Russia as of 1 January 2013. Following changes in Russian marketing regulation, the nature of the cooperation with and services provided by retailers has changed. Specific listing fees closely related to the sale of beer are therefore now presented as discounts that reduce net revenue. Listing fees in Russia were previously included in sales and distribution expenses in line with the main nature of the activities. Comparative figures for 2012 have been restated accordingly.

IFRS 13 "Fair Value Measurement" and the amendments to IAS 1 "Other Comprehensive Income", IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" and IAS 32 "Offsetting Financial Assets and Financial Liabilities", and the "Annual Improvements to IFRSs 2009-2011" have been implemented from 1 January 2013. The new and amended standards have changed the presentation of other comprehensive income. The changes did not have any significant impact on the Annual Report.

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

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% but less than 50% of the voting rights. 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 proportionately, and the individual accounting entries are recognised in proportion to the ownership interest.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company, subsidiaries and proportionately consolidated entities according to the Group's 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 trans-actions with associates and proportionately 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 proportionately 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.

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.

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.

The gain/loss is recognised in other comprehensive income. The 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 fluctua-tions 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 and statement of financial position, general

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

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 flow from operating activities are calculated using the indirect method as the opera-ting 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 flow 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.

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 flow 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.

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

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.

Cash flow from operating activities 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.
Equity ratio	Equity attributable to shareholders in Carlsberg Breweries 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	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 percent-age 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 acquisi-tions, divestitures and foreign exchange from year-over-year comparisons. We believe this provides investors with a better understanding of underlying trends.
Payout ratio	Dividend for the year as a percentage of consolidated profit, excluding non-controlling interests.
Pro rata volumes	The Group's sale of beverages in consolidated entities, and 100% of the sale of the Group's international brands in proportionately consolidated entities and associates and the proportionate share of the sale of local brands in these entities.
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 proportionately 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 section 4.2.

3 The calculation of free cash flow is specified in the statement of cash flows.

4 The calculation of invested capital is specified in section 2.1.

Section 9.3 New legislation

New IFRSs and Interpretations

New and amended IFRSs and Interpretations not yet applicable within the EU IFRS 10-12 and the amendments to IAS 27-28 have not yet been implemented. The standards are effective for financial years begin-ning on or after 1 January 2013, however not until 1 January 2014 for companies within the EU. The amendments to IAS 36 and 39 are effective for financial years beginning on or after 1 January 2014. The Group will implement the standards as of 1 January 2014:

- 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.
- 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.
- IFRS 12 “Disclosure of Interests in Other Entities”. The standard defines disclosure requirements for consolidated financial statements.
- 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.
- 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.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities – Transition Guidance”.
- Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”. The standard prescribes disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.
- Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”. The standard prescribes an exception to the re-quirement for the discontinuation of hedge ac-counting in circumstances where a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

Impact from changes in accounting policies for 2014

The implementation of IFRS 10-12 and the amendments to IAS 27-28 as of 1 January 2014 will impact the Group’s financials and segments as proportionately consolidated entities will be included as associates, i.e. accounted for using the equity method instead of proportionate consolidation.

The consequences of the change in consolidation method have been assessed for each individual shareholding taking the changed guidance on assessment of control into consideration. The change will primarily impact the currently proportionately consolidated companies such as Unicer and Cambrew.

The impact from the changed accounting policies on key financials for the Group and segments for 2013 is specified in the table on the next page.

	2013	2013
DKK Million	Reported	Restated
Net revenue	**66.552**	**64.350**
Cost of sales	-33.622	-32.423
Gross profit	**32.930**	**31.927**
Sales and distribution expenses	-18.717	-18.180
Administrative expenses	-4.464	-4.376
Other operating activities, net	129	133
Share of profit after tax, associates	104	358
Operating profit before special items	**9.982**	**9.862**
Special items, net	-473	-442
Financial income	725	721
Financial expenses	-2.237	-2.207
Profit before tax	**7.997**	**7.934**
Corporation tax	-2.086	-2.025
Consolidated profit	**5.911**	**5.909**

	2013	2013
DKK Million	Reported	Restated
Net Revenue		
Western Europe	38.796	37.393
Eastern Europe	17.711	17.711
Asia	9.874	9.063
Not Allocated	171	183
Carlsberg Breweries Group, total	**66.552**	**64.350**
Operating Profit before special items		
Western Europe	5.269	5.183
Eastern Europe	4.127	4.127
Asia	1.921	1.882
Not Allocated	-1.335	-1.330
Carlsberg Breweries Group, total	**9.982**	**9.862**
Operating Profit margin (%)		
Western Europe	13,6%	13,9%
Eastern Europe	23,3%	23,3%
Asia	19,5%	20,8%
Not Allocated	…	…
Carlsberg Breweries Group, total	**15,0%**	**15,3%**

The changes in accounting policies have no impact on the equity attributable to shareholders in Carlsberg A/S, whereas the equity attributable to non-controlling interests will decrease DKK 13m at 31 December 2013 (31 December 2012: DKK 13m).

Furthermore, the changed consolidation method will impact all line items in the statement of financial position and statement of cash flows due to the deconsolidation of the currently proportionately consolidated share of the entities. The free cash flow will be reduced by DKK 96m, whereas cash flow from financing will increase by DKK 49m.

New and amended IFRSs and Interpretations not yet adopted by or applicable within the EU

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:

- 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.
- Improvements to IFRS 2010-2012, effective for financial years beginning on or after
- 1 July 2014.
- Improvements to IFRS 2011-2013, effective for financial years beginning on or after 1 July 2014.
- IFRIC 21 “Levies”, effective for financial years beginning on or after 1 January 2014.
- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”, effective for financial years beginning on or after 1 July 2014.

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2013. The Carlsberg Breweries Group expects to adopt the Standards and Interpretations when they become mandatory.

Section 10.1 Group Companies

	Number of subsidiaries		Ownership share [1]	Nominal share capital ('000)	Currency
Western Europe					
Carlsberg Danmark A/S, Copenhagen, Denmark	1	○	100%	100.000	DKK
Carlsberg Sverige AB, Stockholm, Sweden	1	○	100%	70.000	SEK
Carlsberg Supply Company Sverige AB, Falkenberg, Sweden		○	100%	50	SEK
Ringnes AS, Oslo, Norway	2	○	100%	210.366	NOK
Ringnes Supply Company AS, Oslo, Norway		○	100%	20.907	NOK
Oy Sinebrychoff Ab, Helsinki, Finland		○	100%	96.707	EUR
Carlsberg Deutschland GmbH, Hamburg, Germany	4	○	100%	26.900	EUR
Nordic Getränke GmbH, Hamburg, Germany[4]	8	○	100%	5.000	EUR
Holsten-Brauerei Aktiengesellschaft, Hamburg, Germany [4]	3	○	100%	41.250	EUR
Carlsberg Polska S. A., Warsaw, Poland	1	○	100%	28.721	PLN
Saku Õlletehase AS, Tallinn, Estonia		○	100%	5.113	EUR
JSC Aldaris, Riga, Latvia		○	99%	7.500	LVL
UAB Svyturys-Utenos Alus, Utena, Lithuania		○	99%	118.000	LTL
Carlsberg UK Holdings Limited, Northampton, United Kingdom	1	○	100%	110.004	GBP
Carlsberg UK Limited, Northampton, United Kingdom	7	○	100%	2.100	GBP
Emeraude S.A.S., Strasbourg, France[4]	6	○	100%	206.022	EUR
Brasseries Kronenbourg S.A.S., Strasbourg, France	6	○	100%	507.891	EUR
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	4	○	100%	95.000	CHF
Carlsberg Italia S.p.A., Lainate, Italy	3	○	100%	311.400	EUR
Unicer-Bebidas de Portugal, S.G.P.S., S.A., Leca do Balio, Portugal[4]	5	♦	44%	50.000	EUR
Mythos Brewery SA, Thessaloniki, Greece		○	100%	39.405	EUR
Carlsberg Serbia d.o.o, Celarevo, Serbia	2	○	100%	2.998.273	RSD
Carlsberg Croatia d.o.o., Koprivnica, Croatia		○	100%	239.932	HRK
Carlsberg Bulgaria AD, Mladost, Bulgaria		○	100%	37.325	BGN
B to B Distribution EOOD, Mladost, Bulgaria		○	100%	10	BGN
Carlsberg Hungary Kft., Budaörs, Hungary		○	100%	25.600	HUF
CTDD Beer Imports Ltd., Montreal, Canada		○	100%	532	CAD
Carlsberg Canada Inc., Mississauga, Canada		○	100%	11.000	CAD
Ringnes Norge AS, Oslo, Norway	7	○	100%	50.000	NOK
Pripps Ringnes AB, Stockholm, Sweden	1	○	100%	287.457	SEK
Nuuk Imeq A/S, Nuuk, Greenland		■	32%	38.000	DKK

	Number of subsidiaries		Ownership share	Nominal share capital ('000)	Currency
Eastern Europe					
Baltika Breweries, Saint Petersburg, Russia	4	○	100%	156.087	RUB
Baltika Baku LLC, Baku, Azerbaijan		○	100%	26.849	AZN
Carlsberg Georgia LLC, Tblisi, Georgia[4]		○	100%	1.173	GEL
PJSC Carlsberg Ukraine, Zaporizhzhya, Ukraine	3	○	96%	1.022.433	UAH
OJSC Olivaria Brewery, Minsk, Belarus	1	○	68%	61.444.801	BYR
Carlsberg Kazakhstan, Almaty, Kazakhstan	1	○	100%	5.362.774	KZT
UzCarlsberg LLC., Tashkent, Uzbekistan[4]		○	100%	82.282.014	UZS
Baltic Beverages Holding AB, Stockholm, Sweden	3	○	100%	12.000	EUR

	Number of subsidiaries		Ownership share	Nominal share capital ('000)	Currency
Asia					
Carlsberg Brewery Hong Kong Limited, Hong Kong, China	3	○	100%	261.000	HKD
Carlsberg Brewery (Guangdong) Limited, Huizhou, China		○	99%	442.330	CNY
Kunming Huashi Brewery Company Limited, Kunming, China		○	100%	79.528	CNY
Xinjiang Wusu Beer Co., Ltd., Urumqi, China	10	○	65%	105.480	CNY
Ningxia Xixia Jianiang Brewery Company Limited, Xixia, China		○	70%	194.351	CNY
Dali Beer Company Limited, Dali, China		○	100%	97.799	CNY
Chongqing Brewery Co., Ltd, Chongqing, China[2,4]	8	○	60%	483.971	CNY
Chongqing Jianiang Brewery Ltd., Chongqing, China[4]	6	○	79%	435.000	CNY
Tibet Lhasa Brewery Company Limited, Lhasa, China		■	50%	380.000	CNY
Lanzhou Huanghe Jianiang Brewery Company Limited, Lanzhou, China		■	50%	210.000	CNY
Qinghai Huanghe Jianiang Brewery Company Ltd., Xining, China		■	50%	85.000	CNY
Jiuquan West Brewery Company Limited, Jiuquan, China		■	50%	36.000	CNY
Tianshiui Huanghe Jianiang Brewery Company Limited, Tianshui, China		■	50%	58.220	CNY
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia		○	51%	300.000	MYR
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		○	100%	10.000	MYR
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		○	100%	100	MYR
Luen Heng F&B Sdn BHD, Selangor Darul Ehsan, Malaysia		○	70%	5.000	MYR
Carlsberg Singapore Pte Ltd, Singapore		○	100%	1.000	SGD
Lion Brewery (Ceylon) PLC, Biyagama, Sri Lanka[2,4]		■	25%	850.000	LKR
Carlsberg Distributors Taiwan Limited, Taipei, Taiwan	1	■	50%	100.000	TWD
Cambrew Pte Ltd., Singapore[4]		♦	50%	21.720	SGD
Cambrew Ltd, Phnom Penh, Cambodia [4]	1	♦	50%	125.000	USD
Carlsberg Indochina Limited, Hanoi, Vietnam		○	100%	80.000.000	VND
South-East Asia Brewery Ltd., Hanoi, Vietnam		○	60%	212.705.000	VND
International Beverage Distributors Ltd., Hanoi, Vietnam		○	60%	15.622.000	VND
Hue Brewery Ltd., Hue, Vietnam		○	100%	216.788.000	VND
Hanoi-Vungtau Beer Joint Stock Company, Vung Tàu, Vietnam		■	62%	540.000.000	VND
Ha Long Beer and Beverage Joint stock Company, Ha Long, Vietnam		■	31%	30.200.000	VND
Hanoi Beer Alcohol and Beverage Joint-Stock Corporation, Hanoi, Vietnam [4]		■	17%	2.318.000.000	VND
Lao Brewery Co. Ltd., Vientiane, Laos		○	61%	22.808.641	LAK
CB Distribution Co., Ltd., Bangkok, Thailand		○	100%	200.000	THB
Carlsberg India Private Limited, New Delhi, India	1	○	100%	16.522.288	INR
Parag Breweries Limited, Kolkata, India		○	100%	1.074.354	INR
The Bottling and Brewing Group Limited, Blantyre, Malawi[4]	3	○	59%	1.267.128	MWK
Brewery Invest Pte Ltd, Singapore		○	100%	3.200	SGD
Caretech Ltd, Hong Kong, China[4]		♦	50%	10.000	HKD
South Asian Breweries Pte. Ltd., Singapore		○	67%	200.000	SGD
Carlsberg Asia Pte Ltd, Singapore	1	○	100%	565.292	SGD
Paduak Holding Pte. Ltd., Singapore		○	100%	16.500	USD
Myanmar Carlsberg Co. Ltd, Yangon, Myanmar[4]		○	51%	75	USD

Not allocated					
Danish Malting Group A/S, Vordingborg, Denmark		○	100%	100.000	DKK
Danish Malting Group Polska Sp. z o.o., Sierpc, Poland		○	100%	20.000	PLN
Carlsberg Finans A/S, Copenhagen, Denmark		○	100%	8.308.000	DKK
Carlsberg International A/S, Copenhagen, Denmark		○	100%	1.100	DKK
Carlsberg Invest A/S, Copenhagen, Denmark	1	○	100%	33.000	DKK
Carlsberg IT A/S, Copenhagen, Denmark		○	100%	50.000	DKK
Carlsberg Insurance A/S, Copenhagen, Denmark		○	100%	25.000	DKK
Carlsberg Accounting Centre Sp. z.o.o., Poznan, Poland		○	100%	50	PLN
Carlsberg Supply Company AG, Ziegelbrücke, Switzerland		○	100%	50	CHF

○ Subsidiary

◆ Proportionately consolidated entity

■ Associate

1 For some entities the consolidation percentage is higher than the ownership share due to written put options
2 Listed company
3 A separate annual report is not prepared
4 Company not audited by KPMG

AZN 692.97 BGN 381.44 BYR 0.06 CAD 505.30 CHF 608.56 CNY 89.29 DKK 100.00 EUR 746.03 GEL 312.93 GBP 891.95 HKD 69.80 HRK 97.68 HUF 2.51 INR 8.78 KZT 3.51 LA K 0.07 LKR 4.15 LTL 216.07 LVL 1,061.96 MWK 1.26 MYR 164.29 NOK 88.54 PLN 179.82 RSD 6.51 RUB 16.59 SEK 83.56 SGD 426.77 THB 16.49 TWD 18.20 UAH 67.57 USD 541.27 UZS 0.25 VND 0.03

Carlsberg Breweries A/S - Parent Company

Financial statements 2013

Income Statement

DKK million	Section	2013	2012
Net revenue		**2.757**	**2.266**
Cost of sales	1,1	-1.355	-1.081
Gross profit		**1.402**	**1.185**
Sales and distribution expenses	1,1	-704	-724
Administrative expenses		-532	-645
Other operating activities, net	1,1	143	234
Operating profit before special items		**309**	**50**
Special items, net	3,1	-1.525	463
Financial income	4,1	2.590	2.756
Financial expenses	4,1	-2.126	-2.369
Profit before tax		**-752**	**900**
Corporation tax	6,1	102	210
Profit for the year		**-650**	**1.110**
Attributable to			
Dividends to shareholders		1.220	915
Reserves		-1.870	195
Profit for the year		**-650**	**1.110**

Statement of comprehensive income

DKK million	Section	2013	2012
Profit for the year		**-650**	**1.110**
Carlsberg Breweries A/S - Parent Company			
Value adjustments of hedging instruments	4,8	249	307
Corporation tax	6,1	-62	113
Items that may be reclassified to the income statement		187	420
Other comprehensive income		**187**	**420**
Total comprehensive income		**-463**	**1.530**

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.

Statement of Financial Position

DKK million	Section	31 Dec. 2013	31 Dec. 2012
Assets			
Non-current assets			
Intangible assets	2,2	1.080	1.113
Property, plant and equipment	2,2	19	16
Investments in subsidiaries	5,1	72.592	66.682
Investments in associates and joint ventures	5,2	2.884	2.812
Receivables	1,5	167	237
Deferred tax assets	6,2	86	317
Total non-current assets		**76.828**	**71.177**
Current assets			
Inventories		2	2
Trade receivables	1,5	1.161	1.366
Other receivables	1,5	19.751	29.562
Cash and cash equivalents	4,4	22	16
Total current assets		**20.936**	**30.946**
Total assets		**97.764**	**102.123**

DKK million	Section	31 Dec. 2013	31 Dec. 2012
Equity and liabilities			
Equity			
Share capital	4,3	501	501
Hedging reserves		-427	-614
Retained earnings		44.961	46.522
Total equity		**45.035**	**46.409**
Non-current liabilities			
Borrowings	4,4	29.128	34.877
Provisions	3,2	138	67
Other liabilities		-	3
Total non-current liabilities		**29.266**	**34.947**
Current liabilities			
Borrowings	4,4	21.517	18.123
Trade payables		584	535
Deposits on returnable packaging		22	22
Other liabilities, etc.		1.340	2.087
Total current liabilities		**23.463**	**20.767**
Total liabilities		**52.729**	**55.714**
Total equity and liabilities		**97.764**	**102.123**

Statement of changes in equity

DKK million				Shareholders in Carlsberg Breweries A/S
2013	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January 2013	501	-614	46.522	46.409
Profit for the year	-	-	-650	-650
Other comprehensive income				
Value adjustments of hedging instruments	-	249	-	249
Corporation tax	-	-62	-	-62
Other comprehensive income	**-**	**187**	**-**	**187**
Total comprehensive income for the year	**-**	**187**	**-650**	**-463**
Share-based payment	-	-	26	26
Exercise of share options	-	-	-22	-22
Total changes in equity	**-**	**187**	**-1.561**	**-1.374**
Equity at 31 December 2013	**501**	**-427**	**44.961**	**45.035**

DKK million				Shareholders in Carlsberg Breweries A/S
2012	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	**-**	**420**	**1.110**	**1.530**
Share-based payment	-	-	22	22
Exercise of share options	-	-	-34	-34
Total changes in equity	**-**	**420**	**1.098**	**1.518**
Equity at 31 December 2012	**501**	**-614**	**46.522**	**46.409**

The proposed dividend of DKK 2,435 per share, in total DKK 1,220m (2012: DKK 1,827 per share, in total DKK 915m), is included in retained earnings at 31 December 2013. Dividends paid out in 2013 for 2012 amount to DKK 915m (paid out in 2012 for 2011 DKK 0m), which is DKK 1,827 per share. Dividends paid out to shareholders of Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

Statement of cash flows

DKK million	Section	2013	2012
Operating profit before special items		309	50
Adjustment for depreciation and amortisation and impairment losses		15	15
Operating profit before depreciation, amortisation and impairment losses		**324**	**65**
Adjustment for other non-cash items	1,4	23	15
Change in working capital	1,4	99	-245
Restructuring costs paid		-16	-63
Interest etc. received		787	1.067
Interest etc. paid		-2.726	-2.130
Corporation tax paid		271	284
Cash flow from operating activities		**-1.238**	**-1.007**
Acquisition of property, plant and equipment and intangible assets		-8	-12
Total operational investments		**-8**	**-12**
Acquisition and disposal of subsidairies, net		-108	1.566
Capital injection in subsidiaries		-7.310	-164
Acquisition and disposal of associates, net		-72	-65
Dividend paid in excess of accumulated earnings from the acquisition		-	3
Change in financial receivables		90	21
Dividends received		1.610	1.673
Total financial investments		**-5.790**	**3.034**
Disposal of other property, plant and equipment		-2	-15
Total other activities		-2	-15
Cash flow from investing activities		**-5.800**	**3.007**
Free cash flow		**-7.038**	**2.000**
Shareholders in Carlsberg Breweries A/S		-915	-
External financing	4,4	8.448	-2.438
Cash flow from financing activities		**7.533**	**-2.438**
Net cash flow		**495**	**-438**
Cash and cash equivalents at 1 January		-473	-35
Cash and cash equivalents at 31 December[1]	4,4	**22**	**-473**

Section 1 – OPERATING ACTIVITIES

Section 1.1 Operating expenses

Section 1.1.1 Cost of sales

DKK million	2013	2012
Purchased finished goods and other costs	1.355	1.081
Total	**1.355**	**1.081**

Section 1.1.2 Operating expenses

DKK million	2013	2012
Marketing expenses	442	510
Sales expenses	89	82
Distribution expenses	173	132
Total	**704**	**724**

1.1.3 Other operating activities, net

Other operating activities, net

DKK million	2013	2012
Management fee from group companies	166	295
Gains and losses on disposal of property, plant and equipment and intangible assets, net	-43	-76
Other, net	20	15
Total	**143**	**234**

Section 1.3 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 solid credit rating.

Section 1.4 Cash flow from operating activities

DKK million	2013	2012
Adjustment for other non-cash items		
Gains on disposal of property, plant and equipment and intangible assets, net	-	1
Share-based payment	26	22
Other non-cash adjustments	-3	-8
Total	**23**	**15**
Change in working capital		
Receivables	-95	-69
Trade payables and other liabilities	162	-178
Other liabilities related to operating activities before special items	72	-
Adjusted for unrealised foreign exchange gains/losses	-40	2
Total	**99**	**-245**

Section 1.5 Trade receivables

Receivables included in the statement of financial position

DKK million	2013	2012
Trade receivables	1.161	1.366
Other receivables	19.751	29.562
Total current receivables	**20.912**	**30.928**
Non-current receivables	167	237
Total	**21.079**	**31.165**

Trade receivables comprise invoiced goods and services.

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

Receivables by origin

DKK million	2013	2012
Receivables from sale of goods and services	269	241
Receivables from group companies	892	1.125
Loans to group companies	18.746	28.377
Loans, fair value of hedging instruments and other receivables	1.172	1.422
Total	**21.079**	**31.165**

Section 2 – Asset base

Section 2.1 Impairment test

At 31 December 2013 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. An after 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 2013. In addition, it is Management's assessment that probable changes in the described significant parameters would not lead to the carrying amount of the trademarks with an indefinite useful life exceeding the recoverable amount.

Section 2.2 Intangible assets and property, plant and equipment

2013	Intangible assets				Property, plant and equipment		
DKK million	Trademarks	Other intangible assets	Prepayments	Total	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost							
Cost at 1 January 2013	1.108	35	23	1.166	2	41	43
Additions	-	-	-	-	-	8	8
Disposals	-	-23	-	-23	-	-	-
Transfers	-	23	-23	-	-	-	-
Cost at 31 December 2013	**1.108**	**35**	**-**	**1.143**	**2**	**49**	**51**
Amortisation, depreciation and impairment losses							
Amortisation, depreciation and impairment losses at 1 January 2013	24	29	-	53	2	25	27
Amortisation and depreciation	7	3	-	10	-	5	5
Impairment losses	-	23	-	23	-	-	-
Disposals	-	-23	-	-23	-	-	-
Amortisation, depreciation and impairment losses at 31 December 2013	**31**	**32**	**-**	**63**	**2**	**30**	**32**
Carrying amount at 31 December 2013	**1.077**	**3**	**-**	**1.080**	**-**	**19**	**19**
Carrying amount of assets pledged as security for loans	-	-	-	-	-	-	-

Recognition of amortisation, depreciation and impairment losses in the income statement

	Intangible assets		Property, plant and equipment	
DKK million	2013	2012	2013	2012
Cost of sales	5	6	2	3
Sales and distribution expenses	1	-	2	-
Administrative expenses	4	2	1	2
Special items	23	-	-	-
Total	**33**	**8**	**5**	**5**

2012				Intangible assets			Property, plant and equipment
DKK million	Trademarks	Other intangible assets	Prepayments	Total	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost							
Cost at 1 January 2012	1.108	34	22	1.164	5	35	40
Additions	-	1	3	4	-	8	8
Disposals	-	-	-	-	-3	-2	-5
Transfers	-	-	-2	-2	-	-	-
Cost at 31 December 2012	**1.108**	**35**	**23**	**1.166**	**2**	**41**	**43**
Amortisation, depreciation and impairment losses							
Amortisation, depreciation and impairment losses at 1 January 2012	18	27	-	45	2	24	26
Amortisation and depreciation	6	2	-	8	2	3	5
Disposals	-	-	-	-	-2	-2	-4
Amortisation, depreciation and impairment losses at 31 December 2012	**24**	**29**	**-**	**53**	**2**	**25**	**27**
Carrying amount at 31 December 2012	**1.084**	**6**	**23**	**1.113**	**-**	**16**	**16**
Carrying amount of assets pledged as security for loans	-	-	-	-	-	-	-

Assets under construction amounted to DKK 1m (2012: DKK 1m) and are included in fixtures and fittings, other plant and equipment.

Measurement of trademarks is based on a number of estimates, see section 9 general accounting policies 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 2013 included capitalised software costs of DKK 1m (2012: DKK 1m).

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 recognized as the services are received.

Capital commitments

Neither at the end of the reporting period in 2013 nor 2012 had Carlsberg Breweries A/S any capital commitments to be made at a later date.

Section 3 – Special items and provisions

Section 3.1 Special Items

DKK million	**2013**	**2012**
Gain on disposal of investments in subsidiaries to group companies	-	520
Gain on disposal of entities and adjustments to gain in prior year	-2	50
Loss on external sale of activities	-	-41
Impairment of intercompany receivables etc.	-	-61
Impairment of investments in subsidiaries	-1.508	-
Restructuring cost	-15	-2
Other	-	-3
Special items, net	**-1.525**	**463**

Investments in subsidiaries were impaired by DKK 1,508m due to difficult market conditions.

In 2013, the impairment of an intangible asset, DKK 23m, was recognised in special items. The capitalised expense related to the asset was subsequently invoiced to subsidiaries of Carlsberg Breweries A/S and the related income was recognised in special items, offsetting the impairment.

If special items had been recognised in operating profit before special items, they would have been included in the following items

Cost of sales	-4	-3
Administrative expenses	-4	-28
Other operating activities, net	-2	551
Impairment losses	-1.513	-57
Special items, net	**-1.525**	**463**

Section 3.2 Provisions

Provisions totalling DKK 138m (2012: DKK 67m) relates primarily to ongoing disputes, lawsuits, restructurings etc.

DKK million

2013	Restructurings	Other	Total
Provisions at 1 January 2013	-	67	67
Used during the year	-	-6	-6
Transfers	-	77	77
Provisions at 31 December 2013	**-**	**138**	**138**
Provisions are recognised in the statement of financial position as follows			
Non-current provisions	-	138	138
Current provisions	-	-	-
Total	**-**	**138**	**138**

Section 3.3 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 3,592 (2012: DKK 3,726m)

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 join taxation scheme are jointly and severally liable for payment of corporation tax for 2004 and previous years.

Carlsberg Breweries A/S is party to certain lawsuits, disputes etc. of various scopes. In management's opinion, apart from as recognised in the statement of financial position or disclosed in the financial statements, the outcome of these lawsuits, disputes etc. will not have a material negative effect on the Company's financial position.

Section 4 – Capital Structure and Equity

Section 4.1 Financial Income and expenses

Financial items recognised in the income statement

DKK million	2013	2012
Financial income		
Interest income	728	1.024
Dividends from subsidiaries and associates	1.607	1.670
Fair value adjustments of financial instruments, net, cf. section 4.5	-	55
Foreign exchange gains, net	251	-
Realised gains on disposal of associates and securities	-	3
Other financial income	4	4
Total	**2.590**	**2.756**
Financial expenses		
Interest expenses	1.977	2.059
Fair value adjustments of financial instruments, net, cf. Section 4.5	83	182
Realised foreign exchange losses, net	-	70
Bank and commitment fees	49	44
Other financial expenses	17	14
Total	**2.126**	**2.369**
Financial items, net, recognised in the income statement	**464**	**387**

Interest income relates to interest from intercompany loan receivables measured at amortised cost. Interest expenses primarily relate to interest on borrowings (external and intercompany) measured at amortised cost.

Financial items recognised in other comprehensive income

DKK million	2013	2012
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	19	-78
Change in fair value of cash flow hedges transferred to the income statement	230	385
Total	**249**	**307**
Financial items, net, recognised in other comprehensive income	**713**	**694**

Financial income and 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.

Section 4.2 Net interest bearing debt

Net interest-bearing debt

DKK million	2013	2012
Non-current borrowings	29.128	34.877
Current borrowings	21.517	18.123
Gross interest-bearing debt	**50.645**	**53.000**
Cash and cash equivalents	-22	-16
Loans to group companies	-18.746	-28.377
Net interest-bearing debt	**31.877**	**24.607**

Changes in net interest-bearing debt

Net interest-bearing debt at 1 January	24.607	26.254
Cash flow from operating activities	1.238	1.007
Cash flow from investing activities, excl. acquisition of subsidiaries, net	5.692	-1.441
Cash flow from acquisition of subsidiaries, net	108	-1.566
Dividends to shareholders	915	-
Change in interest-bearing lending	83	25
Effect of currency translation	-682	318
Other	-84	10
Total change	**7.270**	**-1.647**
Net interest-bearing debt at 31 December	**31.877**	**24.607**

Section 4.3 Capital structure

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

Share capital

	Shares of DKK 1,000	Nominal value, DKK '000
1 January 2012	501	501,000
No change in 2012	-	-
31 December 2012	**501**	**501,000**
No change in 2013	-	-
31 December 2013	**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.

Transactions with shareholders in Carlsberg Breweries A/S

DKK million	**2013**	**2012**
Dividends to shareholders	-915	-
Total	**-915**	**-**

Section 4.4 Borrowings and cash

Gross financial debt

DKK million	**2013**	**2012**
Non-current borrowings		
Issued bonds	21.413	29.021
Bank borrowings	6.969	5.110
Borrowings from Group companies	746	746
Total	**29.128**	**34.877**
Current borrowings		
Issues bonds - short tern portion	7.455	-
Bank borrowings	-	489
Borrowings from Group companies	14.062	17.634
Total	**21.517**	**18.123**
Total non-current and current borrowings	**50.645**	**53.000**
Fair value	51.256	54.485

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 2,824m.

DKK million	**2013**	**2012**
External financing		
Proceeds from issue of bonds	-	11.160
Credit institutions, long-term	1.989	-6.923
Borrowing and loans with group companies	6.459	-6.639
Other financing liabilities	-	-36
Total	**8.448**	**-2.438**

Cash and cash equivalents

DKK million	2013	2012
Cash and cash equivalents	22	16
Bank overdrafts	-	-489
Cash and cash equivalents, net	**22**	**-473**

Cash and cash equivalents are not associated with any significant credit risks.

Section 4.5 Foreign exchange risk

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.

Currency profile of borrowings before and after derivative financial instruments

2013

DKK million	Original principal	Effect of swap	After swap
CHF	1.108	1.826	2.934
DKK	2.207	265	2.472
EUR	34.991	-2.668	32.323
GBP	3.151	-2.720	431
NOK	606	-12	594
PLN	334	406	740
RUB	533	-389	144
SEK	5.711	305	6.016
SGD	359	-350	9
USD	1.605	1.771	3.376
Other	40	1.566	1.606
Total	**50.645**	**-**	**50.645**
Total 2012	53.000	-	53.000

Section 4.6 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 2013 gross debt (non-current and current borrowings) amounted to DKK 50,645m (2012: DKK 53,000m). After deducting cash and cash equivalents, net debt is DKK 50,623m (2012: 52,984m), and decrease of DKK 2,361m.
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.

The main part of the long term bank borrowing is originally floating but have been swapped to an average fixed interest of 4,94% including margin.

Interest rate risk at 31 December

2013 DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
EUR 1,000m maturing 28 May 2014	Fixed	6,22%	<1 year	7.455	Fair value
GBP 300m maturing 28 November 2016	Fixed	7,41%	2-3 years	2.824	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3,55%	3-4 years	7.413	Fair value
EUR 750m maturing 3 July 2019	Fixed	2,49%	>5 years	5.624	Fair value
EUR 750m maturing 15 November 2022	Fixed	2,71%	>5 years	5.552	Fair value
Total issued bonds		**4,25%**		**28.868**	
Total issued bonds 2012		**4,27%**		**29.021**	
Bank borrowings					
Floating-rate	Floating	0,85%	<1 year	3.851	Cash flow
Fixed rate	Fixed	4,94%	1-2 years	3.118	Fair value
Total bank borrowings				**6.969**	
Total bank borrowings 2012				**5.559**	

Time to maturity for non-current borrowings

2013

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	-	2.824	7.413	-	11.177	21.414
Bank borrowings	6	-	-	-	6.963	6.969
Borrowings from Group Companies	-	-	-	-	746	746
Total	**6**	**2.824**	**7.413**	**-**	**18.886**	**29.129**
Total 2012	7.443	5.110	2.999	7.402	11.923	34.877

At year-end 44% of the gross loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2012: 56%). Carlsberg Breweries A/S engages in on-lending to subsidiaries. At 31 December 2013 Carlsberg Breweries A/S lent DKK 18,746m to subsidiaries and Carlsberg A/S (2012: DKK 28,377m).

Section 4.7 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 section on financial risk in Carlsberg Breweries Group with regards to liquidity risk is made.

2013

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	302	169	133	-	363
Non-derivative financial instruments					
Financial debt gross	50.675	21.522	10.142	19.011	50.645
Interest expense	4.683	1.352	2.679	652	N/A
Trade payables and other liabilities	606	606	-	-	606
Non-derivate financial instruments total	**55.964**	**23.480**	**12.821**	**19.663**	**-**
Financial liabilities	**56.266**	**23.649**	**12.954**	**19.663**	**-**
Financial liabilities 2012	59.773	20.602	26.285	12.886	-

Section 4.8 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 discounting 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.

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 end of the reporting period of these instruments is DKK 261m (2012: DKK 411m).

	2013		**2012**	
DKK million	Fair value adjustment recognised in income statement	Fair value	Fair value adjustment recognised in income statement	Fair value
Exchange rate instruments	-60	292	-85	419
Other instruments	-23	-31	-16	-8
Ineffective portion of hedge	-	-	-26	-
Total	**-83**	**261**	**-127**	**411**

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. section 4.1). In 2013 financial expense of DKK -177m is recognised, and in 2012 financial income of DKK 55m was recognised.

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 A/S un-consolidated account, the aluminium hedges are not treated as cash flow hedges.

The fair value of cash flow hedges recognised at 31 December amounted to DKK -150m (2012: DKK -410m).

Cash flow hedges

DKK million

2013	Fair value adjustment recognised in other compre-hensive income	Fair value	Expected recognition
Interest rate instruments	270	-174	2014-2015
Exchange rate instruments	-21	24	-
Total	**249**	**-150**	
2012			
Interest rate instruments	244	-452	2013-2015
Exchange rate instruments	63	42	-
Total	**307**	**-410**	

Fair value adjustments on cash flow hedges in the financial year are recognised in other comprehensive income and amount to DKK 249m in 2013 and DKK 307m in 2012. The adjustments are included in financial income and financial expenses (cf. section 4.1).

Section 4.9 Determination of fair value

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 borrowings is disclosed in section 4.4.1. The carrying amount of other financial assets and liabilities approximates their fair value.

Methods and assumptions to determine fair value

The methods and assumptions used in determining the fair values of each category of financial assets and financial liabilities are described below. The methods are unchanged from 2012.

Category	Measurement method
Derivate financial instruments	Fair value 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. Calculated by a) estimating the notional future cash flows using observable market data such as yield curves and the aluminium forward curves b) discounting the estimated and fixed cash flow to present value; and c) translating the amounts in foreign currency into the functional currency at the end-of-year foreign exchange rate
Loans and other receivables	Carrying amount approximates fair value
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 with the exception of a GBP 300m bond, which is measured at fair value based on movements in a benchmark interest rate

Section 5 – Investments in subsidiaries, associates and joint ventures

Section 5.1 Investments in subsidiaries

Investments in subsidiaries

DKK million	2013	2012
Cost		
Cost at 1 January	71.218	72.071
Additions	7.418	199
Disposals to group companies	-	-1.052
Cost at 31 December	**78.636**	**71.218**
Value adjustments		
Value adjustments at 1 January	4.536	4.533
Disposal of entities	-	3
Impairment losses	1.508	-
Value adjustments at 31 December	**6.044**	**4.536**
Carrying amount at 31 December	**72.592**	**66.682**

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 section 2.3 to the consolidated financial statements.

Section 5.2 Investments in associates and joint ventures

DKK million	2013	2012
Cost		
Cost at 1 January	2.812	2.751
Acquisition of entities	-	-
Additions	72	65
Disposals	-	-3
Transfers	-	-
Other	-	-1
Cost at 31 December	**2.884**	**2.812**
Value adjustments		
Value adjustments at 1 January	-	3
Reversal of impairment	-	-3
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**2.884**	**2.812**

No indications of impairment of investments in associates and joint ventures have been identified, and accordingly no impairment tests have been performed.

Significant accounting estimates and judgements
Management performs an annual test for indications of impairment of investments in subsidiaries joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Carlsberg Group, cf. section 2 to the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2013. Impairment tests have therefore not been made of subsidiaries and associates.

Dividends on investments in subsidiaries 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.

Investments in subsidiaries, joint ventures and associates are measured at the lower of cost or recoverable amount.

Section 6 – Tax and deferred tax

Section 6.1 Corporation tax

Reconciliation of the effective tax rate for the year	2013 %	2012 %
Tax rate in Denmark	-25,0%	-25,0%
Change in tax rate	-0,2%	0,0%
Adjustments to tax for previous years	-1,5%	-1,8%
Non-capitalised tax assets	-9,3%	-3,3%
Non-taxable income	53,7%	55,7%
Non-deductible expenses	-1,4%	-1,4%
Special items	-0,8%	-0,2%
Withholding taxes	-1,5%	-1,2%
Other	-0,4%	-0,2%
Effective tax rate for the year	**13,6%**	**22,6%**

	2013			2012		
DKK million	Income statement	Other compre-hensive income	Total Comprehen-sive income	Income statement	Other compre-hensive income	Total Comprehen-sive income
Tax for the year can be specified as follows						
Current tax	11	-	11	11	-	11
Change in deferred tax during the year	-125	62	-63	-238	-27	-265
Change in deferred tax from change in tax rate	1	-	1	-	-	-
Adjustments to tax for previous years	11	-	11	17	-86	-69
Total	**-102**	**62**	**-40**	**-210**	**-113**	**-323**

Tax recognised in other comprehensive income

	2013			2012		
DKK million	Recognised item before tax	Tax income/ expense	After tax	Recognised item before tax	Tax income/ expense	After tax
Hedging instruments	249	-62	187	307	113	420
Total	**249**	**-62**	**187**	**307**	**113**	**420**

Adjustment for tax for previous years, DKK 0m (2012: DKK 86m), is included in the tax expense for hedging instruments

6.1 Accounting policies

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 section 6 in the consolidated financial statements.

Section 6.2 Deferred tax

Deferred tax assets

DKK million	2013	2012
Deferred tax at 1 January, net	317	278
Joint taxation contribution	-287	-295
Adjustments to previous years	-6	69
Change in tax rate	-1	-
Recognised in other comprehensive income	-62	27
Recognised in the income statement	125	238
Deferred tax at 31 December, net	**86**	**317**

Specification of deferred tax assets and liabilities

DKK million	2013	2012	2013	2012
	Deferred tax assets		**Deferred tax liabilities**	
Intangible assets	5	5	38	41
Property, plant and equipment	10	8	2	2
Current assets	1	2	-	-
Provisions and retirement benefit obligations	27	28	-	-
Tax losses etc.	117	352	34	35
Total before set-off	**160**	**395**	**74**	**78**
Set-off	-74	-78	-74	-78
Deferred tax assets and liabilities at 31 December	**86**	**317**	**-**	**-**
Expected to be used as follows				
Within 12 months from the end of the reporting period	30	60	-	-
More than 12 months after the end of the reporting period	56	257	-	-
Total	**86**	**317**	**-**	**-**

Of the total deferred tax assets recognised, DKK 117m (2012: DKK 352m) relates to tax loss carry forwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Not recognised tax assets amount to DKK 505m (2012: DKK 524m). Of the tax asset DKK 168m (2012: DKK 155m) relate to tax losses on exchange rates effect of the Danish tax rules for interest ceiling. The tax loss must be utilised within 3 years otherwise it will expire.

6.2 Significant accounting estimates and judgements

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.

6.2 ACCOUNTING POLICIES

Carlsberg Breweries A/S is the administrative company and is subject to the Danish rules on mandatory joint taxation of the Carlsberg Group's Danish companies. Carlsberg accordingly pays all income taxes to the tax authorities under the join taxation scheme.

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.

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).

Section 7 – Remuneration

Section 7.1 Staff cost

DKK million	2013	2012
Salaries and other remuneration	425	452
Severance pay	2	21
Social security costs	2	2
Retirement benefit costs - defined contribution plans	26	26
Share-based payment	26	17
Other employee benefits	4	5
Total	**485**	**523**

Staff costs are included in the following items in the income statement		
Sales and distribution expenses	175	110
Administrative expenses	309	413
Total	**485**	**523**

The Company had an average of 425 (2012: 411) full-time employees during the year.

Remuneration of the Executive directors 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 directors. These programmes and schemes cover a number of years. The remuneration is specified in section 7.2.

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 noncompetition clauses.

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 directors and Supervisory Board as well as their holdings of shares in the Company are specified in note section 7.1 to the consolidated financial statements.

Section 7.2 Share-based payment

In 2013, a total of 91,000 (2012: 131,500) share options were granted to 2 (2012: 2) employees. The grant date fair value of these options was a total of DKK 15m (2012: DKK 19m). The total cost of share-based payment was DKK 14m (2012: 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 -24m (2012: DKK -14m). Expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK 2m (2012: DKK -20m).

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 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**
Granted	91.000	-	-	-	91.000	573,50
Exercised	-12.388	-3.500	-31.473	-71.004	-118.365	351,68
Transferred	-	-	-	862	862	416,81
Share options outstanding at 31 December 2013	**499.216**	**32.326**	**33.244**	**151.292**	**716.078**	**379,05**
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%	
Exercisable at 31 December 2013	216.716	32.326	14.113	169.223	432.378	412,32
Exercised options as % of share capital of Carlsberg A/S	0,01%	0,00%	0,02%	0,05%	0,08%	

Assumptions									2013	2012
Grant date	Expiry 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
01.03.2005	01.03.2013	Grant 2005	232,71	27%	3,1%	1,7%	5,5	74,27	-	34.686
01.03.2006	01.03.2014	Grant 2006	306,89	19%	3,3%	1,3%	5,5	89,37	19.820	56.054
01.03.2007	01.03.2015	Grant 2007	472,11	19%	3,9%	1,0%	5,5	136,67	68.010	77.920
01.03.2008	01.03.2016	Grant 2008	457,82	22%	3,6%	1,1%	5,5	141,72	75.048	81.545
01.06.2008	01.06.2016	Special grant	531,80	23%	4,3%	0,9%	5,5	181,08	88.781	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	84.819	86.213
01.03.2010	01.03.2018	Grant 2010	417,34	30%	3,1%	0,8%	8,0	174,52	55.900	66.100
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	131.500
01.05.2013	01.05.2021	Grant 2013	573,50	27%	1,5%	1,0%	8,0	167,98	91.000	-
Outstanding share options under the share options programme									**716.078**	**742.581**

The average share price at the exercise date for share options was DKK 591 (2012: DKK 575).

At 31 December 2013, the exercise price for outstanding share options was in the range of DKK 203.50 to DKK 573.50 (2012: DKK 203.50 to DKK 566.78). The average remaining contractual life was 4.1 years (2012: 4.0 years).

Long-term incentive programme

In 2013, no PSUs were granted under the long-term incentive programme (2012: 50,494). In 2012 PSUs were granted to 55 employees. The grant date fair value of the PSUs granted in 2012 was a total of DKK 28m. The total cost of share-based payment was DKK 6m (2012: DKK 9m), which is recognised in the income statement under staff costs.

Number	Executive board	Key management personnel	Other management personnel	Resigned employees	Total
Performance share units outstanding at 31 December 2011	**-**	**-**	**-**	**-**	**-**
Granted	-	15.041	35.453	-	50.494
Transferred	-	-3.078	-4.130	7.208	-
Performance share units outstanding at 31 December 2012	**-**	**11.963**	**31.323**	**7.208**	**50.494**
Forfeited/expired	-	-	-	-4.866	-4.866
Adjusted	-	1.497	3.410	593	5.500
Transferred	-	-2.500	-3.566	7.456	1.390
Performance share units outstanding at 31 December 2013	**-**	**10.960**	**31.167**	**10.391**	**52.518**

Assumptions									**2013**	**2012**
Grant date	Expiry date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of units, years	Fair value at measurement date	Units outstanding	Units outstanding
01.01.2012	01.03.2015	LTI 2012-2014 (p	None	284%	0,3%	1,2%	3,2	542,22	-	50.494
01.01.2012	01.03.2015	LTI 2012-2014 (F	None	284%	0,3%	1,2%	3,2	542,22	52.518	-
Outstanding performance share units under the long-term incentive programme									**52.518**	**50.494**

There were no exercisable PSUs in the long-term incentive programme at 31 December 2013.

Long-term incentive plan (performance shares)

In 2013 a new performance share programme was established under which a total of 123,511 performance shares were granted to 61 employees. The grant date fair value of these performance shares was a total of DKK 35m. The total cost of share-based payment was DKK 6m, which is recognised in the income statement under staff costs.

Number	Executive board	Key management personnel	Other management personnel	Resigned employees	Total
Performance shares outstanding at 31 December 2012	**-**	**-**	**-**	**-**	**-**
Granted	45.135	25.425	52.951	-	123.511
Transferred	-	-	1.670	924	2.594
Forfeited	-23.695	-15.937	-26.057	-485	-66.174
Performance shares outstanding at 31 December 2013	**21.440**	**9.488**	**28.564**	**439**	**59.931**

Assumptions									**2013**	**2012**
Grant date	Expiry date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of grant, years	Fair value at measurement date	Awards outstanding	Awards outstanding
01.01.2013	01.05.2016	2013-2015	None	28%	0,2%	1,1%	3,4	277,09	59.931	-
Outstanding performance shares under the long-term incentive programme									**59.931**	**-**

There were no exercisable performance shares in the performance share programme at 31 December 2013.

The assumptions underlying the calculation of the fair value of share options are described in section 7.3.1 of the consolidated financial statements.

7.2 Accounting Policies

Share-based payment to employees in subsidiaries. The fair value of granted share-based incentives to employees in the Parent Company's subsidiaries is recognised in investments in subsidiaries as the services rendered in exchange for the granted incentives 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 share-based incentives 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 share-based incentives is recognised as a receivable in Carlsberg Breweries A/S, with a set-off directly against investments in subsidiaries.

Share-based incentives granted to the Parent Company's own employees are recognised and measured in accordance with the accounting policies used by the Carlsberg Group, we refer to the consolidated financial statements for a description of accounting policies.

Section 8 – Other

Section 8.1 Related party disclosure

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 (2012: 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:

DKK million	2013	2012
Other operating activities, net	16	12
Financial income	11	6
Loans	982	632
Receivables from the sale of goods and services	13	40
Trade payables	26	13

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

Emoluments to the Executive directors and remuneration of the Executive Board are disclosed in section 7.1 - 7.2.

Associates Dividends of DKK 28m (2012: DKK 31m) were received from associates.

DKK million	2013	2012
Revenue	24	26
Loans	156	278
Receivables from the sale of goods and services	1	3

No losses on loans to or receivables from associates were recognised or provided for in either 2013 or 2012.

Subsidiaries
Dividends of DKK 1,578m (2012: DKK 1,670m) were received from subsidiaries.

DKK million	2013	2012
Revenue	683	520
Cost of sales	-109	-138
Sales and distribution income	21	63
Administrative expenses	-37	-42
Other operating activities, net	124	230
Interest income	626	929
Interest expenses	-401	-502
Loans	18.746	28.377
Receivables	1.237	1.515
Borrowings	-14.809	-18.380
Trade payables and other liabilities etc.	-310	-539

Section 8.2 Fees to auditors

Fee to the auditors appointed by the Annual General Meeting is specified as follows.

DKK million	2013	2012
KPMG:		
Statutory audit	3	3
Assurance engagements	-	-
Tax advisory	2	1
Other services	3	9

Section 8.3 Events after the reporting period

Apart from the events recognised or disclosed in the financial statements, no events have occurred after the balance sheet date of importance to the financial statements.

Section 9 –General accounting policies

The 2013 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.

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, section 9 and to the consolidated financial statements in the individual sections.

Significant accounting estimates

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 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 significant accounting estimates and judgements made and accounting policies specific for the parent company are presented in the explanatory notes.

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, LevOss and the Danish management development organisation CfL. 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. Most recently appointed as Foreign Academician of the Chinese Academy of Sciences, which advises the Chinese government on major scientific decisions.

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 2013.

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 2013 and of the results of the Carlsberg Breweries Group's and the parent company's operations and cash flows for the financial year 2013.

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, 21 March 2014

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 2013. 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 2013 and of the results of the Carlsberg Breweries Group's and the parent company's operations and cash flows for the financial year 2013 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, 21 March 2014
KPMG
Statsautoriseret Revisionspartnerselskab

Henrik Kronborg Iversen
State Authorised Public
Accountant

Jesper Ridder Olsen
State Authorised Public
Accountant