THE CARLSBERG GROUP REPORT 2012

MARKET OVERVIEW

Western Europe

	Denmark	Norway	Sweden	Finland	Poland	Germany	The Baltic States[2]	United Kingdom	France	Switzerland	Italy	Portugal	South East Europe[3]
OUR MARKETS[1]													
Population (millions)	5.6	5.0	9.5	5.4	38.2	81.8	6.5	63.1	63.4	8.0	60.9	10.7	30.5
Est. GDP/capita PPP (USD)	37,738	55,264	41,750	36,458	20,976	39,059	23,370[4]	36,728	35,520	45,286	30,116	22,991	21,636
Est. real GDP growth (%)	0.5	3.1	1.2	0.2	2.4	0.9	2.4-4.5	-0.4	0.1	0.8	-2.3	-3.0	-6.0-1
Inflation, avg. consumer prices (%)	2.6	1.0	1.4	2.9	3.9	2.2	2.4-4.4	2.7	1.9	-0.5	3.0	2.8	0.9-5.9
OUR OPERATIONS													
Breweries	1	2	1	1	3	2	4	1	1	1	1	2	5
Employees	1,643	1,261	946	827	1,239	581	1,004	1,665	1,508	1,287	328	661	1,782
OUR POSITION													
Market position (no.)	1	1	1	1	3	1[7]	1-2	4	1	1	4	1	2-3
Market share (%)	54	53	33	53	18	18	33-40	15	29	43	7	48	15-28
Primary competitive climate (int./local)	Local	Local	Local	Int.	Int.	Int./local	Local	Int.	Int.	Int.	Int.	Int.	Int.
CONSUMPTION CHARACTERISTICS[1]													
On-trade share of market, approx. (%)	26	26	21	15	13	18	4-9	58	21	43	40	60	22-55
Per capita beer consumption (litres)	78	46	50	88	99	106	76-99	73	29	59	29	50	32-75

Eastern Europe

	Russia	Ukraine	Kazakhstan	Belarus	Azerbaijan
OUR MARKETS[1]					
Population (millions)	141.9	45.4	16.7	9.4	9.2
Est. GDP/capita PPP (USD)	17,698	7,598	13,921	16,008	10,684
Est. real GDP growth (%)	3.7	3.0	5.5	4.3	3.9
Inflation, avg. consumer prices (%)	5.1	2.0	5.0	60.2	3.0
OUR OPERATIONS					
Breweries	10	3	1	1	1
Employees	8,864	1,787	421	597	239
OUR POSITION					
Market position (no.)	1	2	2	1	1
Market share (%)	38	29	33	26	69
Primary competitive climate (int./local)	Int.	Int.	Int.	Int./local	Local
CONSUMPTION CHARACTERISTICS[1]					
On-trade share of market, approx. (%)	8	11	33	3	20
Per capita beer consumption (litres)	64	59	29	52	6

Asia

	Malaysia	Singapore	Hong Kong	China	Vietnam	Laos	Cambodia	Nepal	India
OUR MARKETS[1]									
Population (millions)	29.0	5.4	7.2	1,353.8	90.4	6.4	15.3	31.0	1,223.2
Est. GDP/capita PPP (USD)	16,942	60,883	50,709	9,146	3,545	3,005	2,398	1,306	3,851
Est. real GDP growth (%)	4.4	2.1	1.8	7.8	5.1	8.3	6.5	4.6	4.9
Inflation, avg. consumer prices (%)	2.0	4.5	3.8	3.0	8.1	5.1	3.6	8.3	10.3
OUR OPERATIONS									
Breweries	1	-	-	40[5]	6[6]	2	1	1	6
Employees	687	74	200	6,625	832	1,095	1,457	354	615
OUR POSITION									
Market position (no.)	2	2	2	1[5]	2[8]	1	1	1	3
Market share (%)	44	20	24	50-55	38	98	64	74	7
Primary competitive climate (int./local)	Int.	Int.	Int.	Local[5]	Int.	Local	Int.	Local	Int.
CONSUMPTION CHARACTERISTICS[1]									
On-trade share of market, approx. (%)	74	54	42	45	50	60	60	80	17
Per capita beer consumption (litres)	6	20	24	39	38	32	27	2	2

[1] 2012E.
[2] Estonia, Latvia, Lithuania.
[3] Bulgaria, Croatia, Serbia, Greece.
[4] Weighted average.
[5] Western China, incl. Chongqing.
[6] Excl. Habeco.
[7] Northern Germany (Schleswig-Holstein, Hamburg, Lower Saxony).
[8] Incl. Habeco.

Sources: IMF, Canadean and Carlsberg estimates.

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DISCLAIMER

This Annual Report contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words *"believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, will result, could, may, might"*, or any variations of such words or other words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements. Some important risk factors that could cause 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.

Editors Carlsberg Group Communications **Design and production** Kontrapunkt **Photos** Nana Reimers **Translation and proofreading** Borella projects
This report is available in Danish and English. In the event of any discrepancy between the two versions, the Danish version shall prevail.

CARLSBERG GROUP

Pro rata beer volumes
■ Western Europe ■ Eastern Europe ■ Asia

The Carlsberg Group is the fourth largest brewer in the world. Our extensive portfolio of beer brands provides a beer for every occasion and palate. Our flagship brand, Carlsberg, is one of the best-known beer brands in the world, and Baltika, Carlsberg, Tuborg and Kronenbourg are among the biggest brands in Europe. In addition, we have a wide range of leading beer brands in local markets. Our business is focused in Western Europe, Eastern Europe and Asia, where we have strong market positions. The rest of the world is mainly serviced through export or licence agreements.

2012 in brief
- Successful execution of Carlsberg's EURO 2012 sponsorship across all regions.
- Rejuvenated Tuborg achieved strong results in Russia, China and India.
- Carlsberg teamed up with a group of global beer, wine and spirits producers to commit to joint actions against the harmful use of alcohol.

No. 4
4th largest global brewer

9.8
DKKbn operating profit

5.9
DKKbn free cash flow

WESTERN EUROPE

Carlsberg is the second largest brewer in Western Europe. The region mainly comprises mature markets and is generally characterised by well-established retail structures and a strong tradition of beer consumption in most markets. Beer consumption is generally flat or slightly declining. However, the uncertain macro-environment has had a slightly negative impact on consumption and has also led to a shift from on-trade to off-trade consumption. The main focus is twofold: increasing market share through improved value management, superior in-store execution and driving international and local premium brands; and simplifying our business model, increasing efficiencies and taking out costs while providing superior customer service and top-quality products.

2012 in brief
- Challenging consumer dynamics and bad weather in Q2 and July led to a market decline of around 3%.
- Overall market share up, driven by the continued focus on the commercial agenda.
- Operating margin impacted by higher input costs, bad weather and country mix.

40bp
Market share growth

5.1
DKKbn operating profit

25
Breweries in 18 countries

EASTERN EUROPE

Carlsberg holds a strong no. 1 position in the region's main market, Russia, and very strong positions in the other markets in the region. The Russian beer market was flat in 2012, having experienced declining volumes over the past few years due to the macro-economic downturn following the financial crisis and unavoidable, significant price increases. Value growth has been healthy and consistent. We expect the Russian beer volume market to revert to positive average annual growth rates. Ukraine is the second largest market and Carlsberg holds a strong no. 2 position. Volumes in the region are driven by increasing disposable incomes, improving consumer dynamics and consumers aspiring to brands and innovation. The retail universe is in a developing stage with traditional trade still dominant.

2012 in brief

- Flat Russian beer market impacted by short-term disruption from closures of non-stationary outlets.
- Russian market share up sequentially in 2012, driven by implementation of Group tools, including value management and portfolio optimisation.
- Buyout of minorities in Baltika Breweries completed.

38.2%

2012 Russian market share

4.3

DKKbn operating profit

RU

Russia – the Group's largest market

ASIA

Carlsberg's Asian portfolio of businesses consists of mature markets such as Malaysia, Hong Kong and Singapore as well as investments in growing beer markets such as China, India and Vietnam. These markets offer considerable prospects for growth, underpinned by expanding populations, rising disposable income levels, growing economies that have proved relatively resilient to the uncertain global macro-environment, and relatively low per capita beer consumption. The competitive intensity varies, with markets being contested by strong local brewers as well as the major international beer companies. In most cases, the presence of the international brewers is through joint venture arrangements or equity stakes in local brewers.

2012 in brief

- Market share gains across the region.
- Strong momentum behind the development of international premium brands.
- M&A and partnership initiatives in key growth markets included increased ownership in Chongqing Jianiang Brewery, China, and the establishment of a sales & marketing joint venture with Singha Beer, Thailand.

9%

Organic beer volume growth

1.7

DKKbn operating profit

CN

China – the world's largest beer market

LETTER FROM THE CHAIRMAN

Flemming Besenbacher
Chairman of the Supervisory Board

IN 2012, CARLSBERG DELIVERED RESULTS IN LINE WITH OUR GUIDANCE, DESPITE THE FACT THAT OUR WESTERN EUROPEAN BUSINESS FACED FURTHER CHALLENGING CONSUMER DYNAMICS AND BAD WEATHER DURING PART OF THE PEAK SEASON.

In 2012, the Carlsberg B share gained 37%. A dividend of DKK 5.5 per share was paid in March 2012, leading to a total shareholder return for 2012 for the Carlsberg B share of 38%.

2012 marked the 165th anniversary of the Carlsberg Group. I believe that our founder, J.C. Jacobsen, would have been very pleased if he were around to see the achievements of the brewery he established in Copenhagen all those years ago. J.C. Jacobsen was a visionary man, ahead of his time, and a pioneer within what we today refer to as corporate social responsibility (CSR). He was committed to producing beer of the highest quality and was a key innovator in the fields of brewing, science and technology. These core values remain alive in Carlsberg today.

Conducting our business in a socially and ethically responsible way is of key importance to Carlsberg. Our growth must focus on creating value in a responsible manner – for shareholders, consumers, customers, employees and the societies in which we operate. We have achieved significant results and are among the very best in our industry when it comes to environmental performance. Within the area of responsible drinking, I am proud that in 2012, in addition to many local and Group initiatives, we teamed up with other global producers of beer, wine and spirits to commit to joint actions to strengthen and expand efforts to reduce the harmful use of alcohol.

In 2011, the Supervisory Board decided to set out objectives for the diversity of the Board in terms of competences, international experience and gender. In 2012, the objectives were adjusted to increase the proportion of the underrepresented gender on the Supervisory Board. I am pleased to report that in March 2012 the Annual General Meeting appointed two female candidates with strong international business experience to the Supervisory Board of Carlsberg.

The Group's strategy was revised and updated during 2012 to reflect the changes of recent years within Carlsberg and the world around us, and to enable the organisation to take up the challenges and opportunities that exist in our three regions. The strategy provides guidance and prioritisation as to how we will meet our long-term objectives for the regions in which we operate and the ambition of being the fastest growing global brewer. To ensure that we deliver on our strategy, we have defined a number of strategic KPIs, which have been embedded into incentive schemes throughout the Group. To increase transparency and allow our shareholders to follow our progress on the strategy, we provide information on some of the key strategy-linked KPIs in this report.

The Carlsberg Group would not be the strong and winning organisation it is today without its many highly competent and committed employees. I strongly believe that one of Carlsberg's strongest assets is our great employees. Their burning passion for Carlsberg and their ability to constantly learn new things, think independently, be innovative, proactive and change-ready, responding to changing business environments and macroeconomics around the world, make all the difference.

On behalf of the Supervisory Board, I would like to thank the Executive Board, the Executive Committee and all Carlsberg employees for their dedication, outstanding efforts and achievements in 2012.

Flemming Besenbacher

CEO STATEMENT

Jørgen
Buhl Rasmussen
President & CEO

IN 2012, WE DELIVERED POSITIVE MARKET SHARE PERFORMANCE ACROSS OUR REGIONS. WE MAINTAINED OUR FOCUS ON OUR COMMERCIAL AGENDA AND OUR CONTINUOUS DRIVE TO IMPROVE EFFICIENCIES.

Carlsberg delivered a good performance in 2012, despite a challenging Western European beer market. The commercial and organisational changes implemented in Russia are bearing fruit, and in Asia we continue to deliver impressive growth and strengthen our market positions.

Group financial highlights

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

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

Net revenue grew by 6% to DKK 67,201m as a result of 3% organic growth (total beverage volume of -1% and positive price/mix of 4%), +2% from currencies and a net acquisition impact of +1%. Revenue dynamics were slightly more favourable in Q4 with 5% organic revenue growth due to country mix.

Cost of sales per hl for the year grew organically by 4% in line with expectations. Gross profit per hl grew organically by 3% (Q4: +8%) as the positive price/mix and production efficiencies more than offset the higher input costs. Due to the higher input costs across all regions, gross profit margin decreased by 30bp to 49.7% (Q4: 130bp improvement to 49.1%).

Operating expenses grew organically by 4% for the year (Q4: +2%), largely in line with the organic growth in net revenue. The increase was driven by several factors, including higher logistics costs in Eastern Europe, increased trade marketing investments in Russia and growth in Asia.

Consequently, Group operating profit was flat at DKK 9,793m with a 5% organic decline (Q4: +14%) and reported operating margin declined to 14.6%. The positive currency impact was mainly due to the weakness of the DKK versus Eastern European and Asian currencies. The acquisition impact was due to the 2011 acquisitions in Laos and Vietnam. Adjusted for the stocking/destocking disruptions in Russia and France and the suspended production in Uzbekistan, organic operating profit would have declined by an estimated 1-2%.

Reported net profit grew to DKK 5,607m (2011: DKK 5,149m), impacted positively by the capital gain in Q2 from the sale of the Copenhagen brewery site.

Adjusted net profit (adjusted for post-tax impact of special items) grew by 6% to DKK 5,504m versus 2011 (DKK 5,203m). This was slightly higher than management's outlook for the year.

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

Free operating cash flow was DKK 4,797m, up 13% from 2011. Free cash flow improved strongly to DKK 5,897m (DKK 3,930m in 2011), driven by improved trade working capital and the proceeds from

FIVE-YEAR SUMMARY

DKK million		2008	2009	2010	2011	2012
Sales volumes, gross (million hl)						
Beer		126.8	137.0	136.5	139.8	140.9
Other beverages		22.3	22.2	22.5	22.2	22.0
Pro rata volumes (million hl)						
Beer		109.3	116.0	114.2	118.7	120.4
Other beverages		19.8	19.8	19.3	19.2	19.1
Income statement						
Net revenue		59,944	59,382	60,054	63,561	67,201
Operating profit before special items		7,978	9,390	10,249	9,816	9,793
Special items, net		-1,641	-695	-249	-268	85
Financial items, net		-3,456	-2,990	-2,155	-2,018	-1,772
Profit before tax		2,881	5,705	7,845	7,530	8,106
Corporation tax		312	-1,538	-1,885	-1,838	-1,861
Consolidated profit		3,193	4,167	5,960	5,692	6,245
Attributable to:						
Non-controlling interests		572	565	609	543	638
Shareholders in Carlsberg A/S		2,621	3,602	5,351	5,149	5,607
Shareholders in Carlsberg A/S, adjusted[1]		4,077	4,170	5,425	5,203	5,504
Balance sheet						
Total assets		142,639	134,515	144,250	147,714	153,965
Invested capital		118,643	109,538	117,119	118,196	121,467
Interest-bearing debt, net		44,156	35,679	32,743	32,460	32,480
Equity, shareholders in Carlsberg A/S		54,750	54,829	64,248	65,866	70,261
Cash flow						
Cash flow from operating activities		7,812	13,631	11,020	8,813	9,871
Cash flow from investing activities		-57,153	-3,082	-5,841	-4,883	-3,974
Free cash flow		-49,341	10,549	5,179	3,930	5,897
Investments						
Acquisition and disposal of property, plant and equipment, net		-4,669	-2,342	-2,197	-3,618	-2,264
Acquisition and disposal of entities, net		-51,438	95	-477	-260	-27
Financial ratios						
Operating margin	%	13.3	15.8	17.1	15.4	14.6
Return on average invested capital (ROIC)	%	8.2	8.2	8.8	8.4	8.0
Equity ratio	%	38.4	40.8	44.5	44.6	45.6
Debt/equity ratio (financial gearing)	x	0.74	0.60	0.47	0.45	0.44
Debt/operating profit before depreciation and amortisation	x	3.80	2.71	2.30	2.39	2.35
Interest cover	x	2.31	3.14	4.76	4.86	5.53
Stock market ratios[2]						
Earnings per share (EPS)	DKK	22.1	23.6	35.1	33.8	36.8
Earnings per share, adjusted[1] (EPS-A)	DKK	34.3	27.3	35.6	34.1	36.1
Cash flow from operating activities per share (CFPS)	DKK	65.8	89.3	72.1	57.7	64.6
Free cash flow per share (FCFPS)	DKK	-415.4	69.1	33.9	25.7	38.6
Dividend per share (proposed)	DKK	3.5	3.5	5.0	5.5	6.0
Pay-out ratio	%	20	15	14	16	16
Share price (B shares)	DKK	171.3	384.0	558.5	405.0	554.0
Number of shares (period-end)	1,000	152,554	152,553	152,539	152,523	152,555
Number of shares (average, excl. treasury shares)	1,000	118,778	152,550	152,548	152,538	152,543

[1] Adjusted for special items net of tax. [2] Stock market ratios for 2008 are adjusted for bonus factor from rights issue in June 2008 in accordance with IAS 33. Number of shares (period-end) is not adjusted. Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines "Recommandations and Financial Ratios 2010".

the sale of the Copenhagen brewery site, which more than offset higher tax payments and slightly higher capital expenditures.

The Group invested significant resources in structural changes such as the buyout of minority shareholders in Russia and the Balkans and still managed to maintain net interest-bearing debt at DKK 32.5bn, unchanged from 2011.

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

The Supervisory Board has decided to propose a 9% increase in dividend per share to DKK 6.00 (DKK 5.50 for 2011).

Group operational highlights

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

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

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

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

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

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

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

During the year, we invested alongside the United Nations Industrial Development Organization (UNIDO) in an initiative to improve the environment in Russia; through the International Centre for Alcohol Policy (ICAP) we pledged a 5-year commitment to strengthen our efforts to reduce the misuse of alcohol; and we continued to make good progress in lowering our energy and water consumption and CO_2 emissions.

Structural changes

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

On April 12, the Group announced the establishment of a consortium comprising a group of Danish investors and the Carlsberg Group, to develop the former brewery site in Copenhagen. The total value of the transaction was approximately DKK 2.5bn. As a result, the Group booked a gain of DKK 1.7bn in special items and proceeds of DKK 1.9bn in Q2.

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

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

EXPECTATIONS AND RESULTS 2012

		Operating profit before special items	Carlsberg's share of adjusted net profit[1]
20.02.2012	Actual (Financial Statements for 2011)	DKK 9.8bn	DKK 5.2bn
20.02.2012	Financial Statements for 2011	At the level of 2011 (higher at the 2011 average EUR/RUB rate)	Slight growth
15.08.2012	Interim results Q2 2012	At the level of 2011	Slight growth
18.02.2013	Actual (Financial Statements for 2012)	DKK 9.8bn	DKK 5.5bn

[1] Reported net profit excluding special items after tax.

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

The supply chain integration and business standardisation project

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

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

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

2013 earnings expectations

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

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

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

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

GROUP

		Change				Change
DKK million	2011	Organic	Acq., net	FX	2012	Reported
Beer (million hl)	118.7	0%	1%		120.4	1%
Other beverages (million hl)	19.2	-2%	2%		19.1	0%
Net revenue	63,561	3%	1%	2%	67,201	6%
Operating profit	9,816	-5%	2%	3%	9,793	0%
Operating margin (%)	15.4				14.6	-80bp

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

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

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

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

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

Based on the above, for 2013 the Group expects:

- Operating profit before special items of around DKK 10bn.
- Adjusted net profit[1] to increase by a mid-single-digit percentage.

Longer-term outlook

In 2012, we updated the Group's strategy to give it an even sharper focus. The strategy revolves around our brands, customers, efficiency and effectiveness, our commitment to social responsibility, and our people. Performance and achievements against the strategy will be measured using a wide range of KPIs, which are embedded in incentive schemes throughout the organisation.

The updated strategy has impacted our external medium-term margin targets. The Group remains confident in its ability to constantly improve profitability through a combination of growth, innovations, efficiency improvements and structural changes. However, the margin targets have proved difficult to use as internal and external performance targets, as several events, both within and beyond our control, have and will continue to impact margins – such as costs related to the supply chain integration and business standardisation project as well as a volatile input cost environment, especially in Eastern Europe.

Consequently, we have decided to remove the medium-term margin targets and replace them with a clear and simple metric that reflects the Group's intentions of generating long-term value. Based on our view of our regional beer markets and our ability to drive volume and value growth in the category and continuously improve efficiencies, we believe the Group is capable of generating sustained long-term operating profit and earnings per share growth.

As a result of this, our ambitions are:

- For Western Europe to improve the operating margin by an average of 50bp or more per year for at least the next five years.
- For the Group, our longer-term ambition is to deliver an average growth in adjusted underlying earnings per share[1] of more than 10% p.a.

Thank you

Looking back at 2012, I would like to thank all employees around the world for their dedication to Carlsberg and their hard work towards delivering this year's result.

Jørgen Buhl Rasmussen

[1] Adjusted for special items after tax.

IN THE **SPOTLIGHT**

EURO 2012

FOR MORE THAN THREE DECADES, CARLSBERG HAS BEEN ONE OF THE LARGEST COMMERCIAL SPONSORS OF PROFESSIONAL FOOTBALL, AND CARLSBERG BEER AND FOOTBALL ARE ALMOST INSEPARABLE.

In 2012, for the seventh time in a row Carlsberg was one of the principal sponsors of the European football championship. The event was a major success for the Carlsberg brand as the tournament surpassed all expectations and raised the bar in terms of both fan engagement and beer sales.

The biggest event in Carlsberg's 2012 marketing calendar, activation of the UEFA EURO 2012™ sponsorship, spanned 60 markets around the world. Every available marketing tool was used, from classic billboard advertising to print media and TV, trophy tours and, for the first time, a social media campaign on Facebook.

Fan parks

During the tournament, there was a lot of focus on fan parks located in major cities throughout the two host countries, Poland and Ukraine. The fan parks were very popular and responsible for a major proportion of the beer sales during the tournament. Bars were decorated and staff trained to deliver a memorable experience at all 31 games. With tasty food, live matches on big-screen TVs and Carlsberg beer on tap, the fan parks were filled to capacity and served a total of more than 6.6 million fans. Carlsberg focused much of its CSR efforts on these fan parks, where purpose-built bins were installed to encourage recycling and over 375,000 fans pledged to drink responsibly.

Fan Challenge

Carlsberg successfully engaged fans through Carlsberg's Fan Challenge campaign, which was centred on Facebook and supported by TV and outdoor advertising, on-pack design and point-of-sale material. A free Carlsberg EURO 2012 app, available for iPhone, iPad, Android and Samsung Internet TV, reached 3 million users. The app featured the latest EURO 2012 news and highlights, a bar finder, games and much more, giving users the chance to win EURO 2012 tickets and vote live for the "Man of the Match" award during the tournament.

The exclusive trademark of Carlsberg since 2000, the Man of the Match award was an important part of Carlsberg's efforts to connect with football fans. The award was given to the best player in each of the 31 matches and served as a powerful public relations tool, allowing markets to choose either a fan or a customer to present the award.

Global exposure

The exposure of the EURO tournament reached millions of fans beyond the host markets of Poland and Ukraine. The 2012 tournament was even more popular than previous tournaments and saw record TV viewing figures in a number of countries. Carlsberg's perimeter advertising received great television pick-up, whilst the distribution of Carlsberg wigs was a fun way for fans to show their team colours and their passion for football. 300,000 wigs were distributed across the host venues and a number of domestic markets.

HIGHLIGHTS OF CARLSBERG'S EURO 2012 CAMPAIGN

40%
stadium beer sales up on 2008

>6.6m
visitors to fan parks

>1m
cups of beer sold during half-time at the final

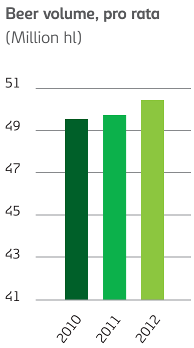
20t
of plastic cups recycled in Poland's fan parks

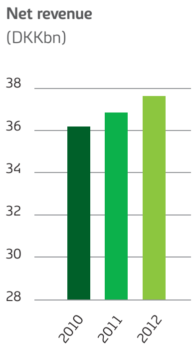
3m
users of Carlsberg's EURO 2012 app

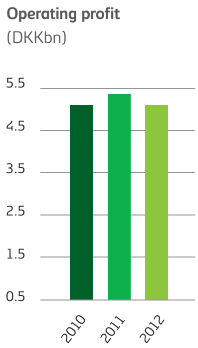
OUR REGIONS

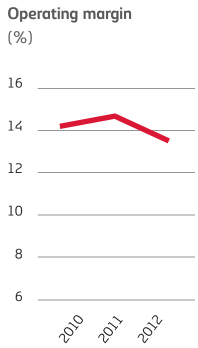
WESTERN EUROPE

DKK million	2011	Change Organic	Change Acq., net	Change FX	2012	Change Reported
Beer (million hl)	49.7	1%	0%		50.3	1%
Other beverages (million hl)	15.1	-4%	0%		14.5	-4%
Net revenue	36,879	1%	0%	1%	37,727	2%
Operating profit	5,419	-6%	0%	1%	5,121	-5%
Operating margin (%)	14.7				13.6	-110bp









THE WESTERN EUROPEAN BEER MARKET WAS CHALLENGING IN 2012, IMPACTED BY DIFFICULT CONSUMER DYNAMICS AS WELL AS POOR WEATHER DURING THE SUMMER IN SOME MARKETS.

The overall Western European market declined by around 3%, excluding the Polish market, which continued to grow.

The positive market share trend from 2010 and 2011 in Western Europe continued in 2012, and we gained approximately 40bp market share for the region with particularly good performances achieved in Finland, Sweden, Norway, Poland, Portugal, the UK, Greece and Serbia. The performance was driven by a focused commercial agenda, including the embedding and further development of our value management tools, a focus on our international premium brands and local power brands, and our improved portfolio optimisation tool.

A very important commercial activity for the Carlsberg brand in 2012 was the EURO 2012 sponsorship. The event was activated in all markets in the region with significant resources being put into a successful execution of the event. It was an important driver behind the 6% volume growth of the Carlsberg brand in its premium markets in the region.

In our ambition to drive revenue growth, innovations remain a key priority. Several new products, including line extensions of local power brands and Garage Hard Lemonade in Finland and Denmark, were launched in the first half of the year. In addition, the roll-out and support of our

Despite challenging consumer dynamics and bad weather during the peak summer months, we grew volumes in Western Europe as a result of strong commercial execution leading to market share growth as well as stock building in France.

international premium brands continued throughout the region.

As a result of the strong market share improvement in Western Europe and stock building in France ahead of the excise duty increase in January 2013, beer volumes grew organically by 1% (Q4: +1%). Other beverages declined organically by 4% (Q4: -3%). Total volumes, including non-beer beverages, were flat.

Organic net revenue grew by 1% (Q4: +3%). Reported net revenue grew by 2% to DKK 37,727m. The positive currency impact came from markets such as the UK, Norway and Sweden.

Price/mix was +1%, driven by the focused execution of our commercial agenda, including low single-digit price increases across markets in the region. Some of the improvement was offset by negative country mix, as our Polish business continued to grow well ahead of the region, and the ongoing negative channel mix with the off-trade taking share from the on-trade.

Gross profit margin declined slightly due to the negative impact from higher input costs.

Operating profit declined organically by 6% and the operating profit margin declined by 110bp to 13.6%. The decline in operating profit margin was mainly because of lower gross profit margin due to higher input costs, a negative country mix and poor weather during the summer. Despite stock building in France, operating margin declined in Q4, impacted by higher input costs, lower volumes (excluding France) and a tough comparison with the historically strong performance in Western Europe in Q4 2011.

The Nordics and Poland

Driven by our local power brands and Somersby, we improved our market share by more than 100bp in Sweden with particularly good performance in the off-trade channel.

In a Finnish market that saw a decline of approximately 5%, we grew our volumes and gained significant market share. This was driven by improved category management and retailers having a better balance between brand and private label promotions in the off-trade.

In Norway, we gained market share thanks to strong commercial execution. In December, we announced our plans to move to 100% one-way recyclable packaging for all water and CSD products. This restructuring will centralise the local CSD production and lead to a workforce reduction of 240 employees by 2015.

The Danish market declined by approximately 7% in 2012, impacted by poor weather during the summer and an excise tax increase in January 2012. As we led on prices for a large part of the year, our market share declined for the first nine months but in Q4 our market share increased strongly.

Our Polish business delivered a strong performance in 2012. In a market that grew by approximately 5%, we grew our volumes by almost 15%, achieving a market share of 17.5% (+90bp). Our value market share grew slightly faster. The strong performance was driven by our local brands Harnas, Kasztelan and Okocim as well as the Carlsberg brand, which benefited strongly from the successful execution of the EURO 2012 sponsorship. In addition, the growth was supported by our position in the rapidly expanding modern trade channel.

France, the UK and Switzerland

The UK market declined by 5% and our UK volumes were down by 3% as the poor weather during the summer more than offset the positive impact from the Diamond Jubilee and EURO 2012. However, our market share improved by 30bp to 15.3% driven by particularly good performance in the on-trade, which benefited from our expanded portfolio offering, while our off-trade market share declined slightly.

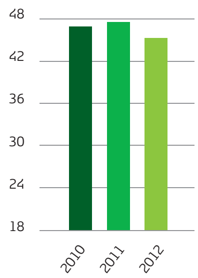
In Q4, our French business was impacted by the announcement of a 160% excise tax increase to come into effect on 1 January 2013, which led to stock building among wholesalers and retailers. Hence, our French volumes (shipments) increased by approximately 1% in a flat market. On 1 January 2013, we increased our prices to pass on the higher taxes. The trend towards greater premiumisation continues in France with consumers trading up from mainstream to premium. This development impacted our market share negatively as the market share growth in super-premium and premium with Carlsberg, Grimbergen and 1664 was not sufficient to offset declining volumes in mainstream and economy.

The Swiss beer market grew slightly in 2012. Our market share declined marginally due to a growing penetration of imported brands supported by a strong CHF.

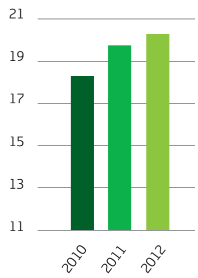
EASTERN EUROPE

DKK million	2011	Change			2012	Change
		Organic	Acq., net	FX		Reported
Beer (million hl)	47.7	-6%	0%		44.7	-6%
Other beverages (million hl)	1.9	-7%	0%		1.8	-7%
Net revenue	19,719	1%	0%	2%	20,236	3%
Operating profit	4,286	-3%	0%	3%	4,302	0%
Operating margin (%)	21.7				21.3	-40bp

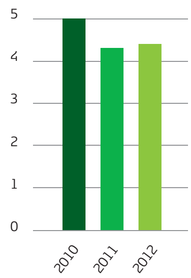
Beer volume, pro rata
(Million hl)



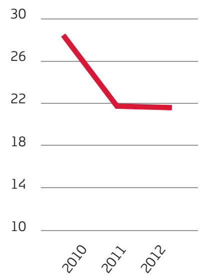
Net revenue
(DKKbn)



Operating profit
(DKKbn)



Operating margin
(%)



OVERALL, THE EASTERN EUROPEAN BEER MARKETS WERE FLAT FOR THE YEAR, ALTHOUGH WITH SOME VARIATIONS BETWEEN THE QUARTERS.

In the first half of the year, the beer category in our two largest markets in the region, Russia and Ukraine, benefited from pre-election income increases and low inflation, which drove market volume growth. In the second half of the year, the beer category was negatively impacted by the lack of pre-election benefits, higher inflation and, in Ukraine, a worsening macroeconomy. In addition, we saw some transitional disruption in Russia following the closure of non-stationary outlets starting from mid-year ahead of the sales restrictions coming into effect on 1 January 2013.

Our Eastern European beer volumes declined organically by 6% to 44.7m hl (Q4: -3%). The decline was due to Russian destocking in Q1 and less stocking in Q4 than in 2011, and to Uzbekistan, where production was suspended all year as a result of a lack of raw materials following increasing currency conversion difficulties.

Organic net revenue for the region grew by 1% (Q4: +2%). Reported net revenue grew by 3% to DKK 20,236m because of a positive currency impact, mainly from the RUB. Driven by positive pricing across most of our Eastern European markets and positive mix, we achieved a positive price/mix for beer of 7% (Q4: 4%).

Operating profit declined organically by 3% to DKK 4,302m with an operating margin of 21.3%. Q4 operating profit grew organically by 40% to DKK 1,174m. The variance in operating profit and margin between the quarters and versus 2011 was driven by the phasing of price increases, higher input costs, the operational leverage effect from Russian destocking in Q1, higher logistics costs and the phasing of sales and marketing investments, which in 2012 were skewed towards H1. In addition, operating profit was impacted by the continued suspension of production in Uzbekistan. The net impact on operating profit in 2012 versus 2011 of the Russian stocking movements and Uzbekistan amounted to approximately DKK -400m.

Russia

The Russian market was flat for the year and our in-market sales ("off-take") grew by 2%. Our Russian volume market share was flat (38.2%) versus 2011 with a similar development in value share (source: Nielsen Retail Audit, Urban & Rural Russia). Our Russian beer volumes (shipments) declined by 4%, impacted by destocking in Q1 (year-on-year impact of estimated 1.3m hl) and an estimated 0.5m hl less stocking in Q4 than 2011.

Our Russian market share improved sequentially during 2012 as the positive impact from the many initiatives, particularly within sales, and the management changes implemented during 2011 and early 2012 began to show.

The market declined by an estimated 2-3% in Q4 as it was temporarily impacted by the closure of non-stationary outlets. Our Russian Q4 volumes (shipments) were flat and our in-market sales ("off-take") grew by 4%. Our Q4 volume market share was 38.3%, a 110bp improvement versus Q4 2011, and with a similar value share development.

Our market share performance has been on a positive trend since end 2011. A key driver behind this has been the commercial and organisational changes that were implemented in the Russian business throughout 2011 and at the beginning of 2012.

We continue to drive a very focused brand agenda in Russia. Within the super-premium category, the largest international premium brand in Russia, Tuborg, delivered solid growth following the rejuvenation of the brand early in the year with the introduction of the 3G bottle. Kronenbourg 1664 was the fastest growing brand in our portfolio. Within mainstream, the Baltika and, especially, Zatecky Gus brands performed very well, while in premium Baltika 7 lost some share due to the disruption following the non-stationary outlet closures.

The price increases for 2012 were introduced in November 2011 and March, May and August 2012 to cover the duty increase and the input cost increases. Another price increase in October 2012 was implemented to offset part of the January 2013 excise duty increase of RUB 3. In total, average consumer price increases for the year were approximately 10%. In addition, Russian consumers continued to trade up. Hence, our Russian price/mix was +5%.

Ukraine

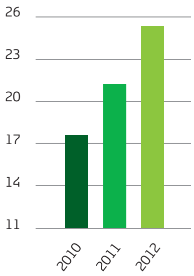
The Ukrainian beer market was slightly down for the year. Market dynamics worsened in the second half due to a slowdown in the Ukrainian economy, which led to market decline and consumer downtrading.

Our Ukrainian business continued its positive trend with a 20bp market share improvement to 29.3%. 2012 was the sixth consecutive year of market share improvement in Ukraine. The main drivers of the market share gains were a strong performance by the Lvivske and Baltika brands and the successful activation of the EURO 2012 sponsorship, which supported local brands as well as the Carlsberg brand.

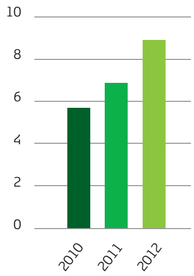
ASIA

DKK million	2011	Change Organic	Change Acq., net	Change FX	2012	Change Reported
Beer (million hl)	21.3	9%	10%		25.4	19%
Other beverages (million hl)	2.1	17%	14%		2.8	31%
Net revenue	6,838	19%	10%	4%	9,114	33%
Operating profit	1,286	12%	15%	4%	1,685	31%
Operating margin (%)	18.8				18.5	-30bp

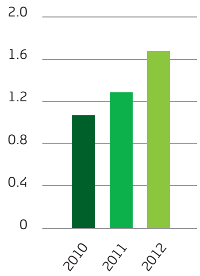
Beer volume, pro rata
(Million hl)



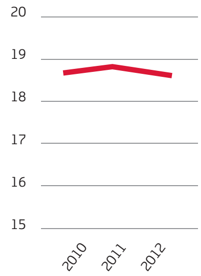
Net revenue
(DKKbn)



Operating profit
(DKKbn)



Operating margin
(%)



MOST OF OUR ASIAN BEER MARKETS SHOWED STRONG GROWTH MOMENTUM THROUGHOUT THE YEAR. CHINA WAS IMPACTED BY BAD WEATHER LATE IN THE YEAR AND A SLIGHT SLOWDOWN IN OVERALL GROWTH.

Our Asian region delivered another year of outstanding performance with strong volume, revenue and profit growth and remains an important growth driver for the Carlsberg Group. We will continue to invest in the region, both organically through capacity expansions to meet the growing demand and by means of acquisitions through a focused M&A approach.

Beer volumes grew organically by 9% (Q4: +4%). Including acquisitions, beer volumes were up 19% to 25.4m hl, corresponding to 21% of Group volumes. Volume growth was particularly strong in India, Cambodia, Vietnam, Laos, Nepal and Malaysia.

The positive acquisition impact was a result of the increased ownership in Hue Brewery (Vietnam) and Lao Brewery (Laos) in 2011; in South Asian Breweries (India) in both 2011 and 2012; and the Chongqing Jianiang Brewery Co. Ltd. joint venture in China in 2012. Other beverages grew significantly by 31% (17% organically) due to strong performance in Laos and Cambodia.

Roll-out of our international brands across Asia is an important growth driver for the business as this will strengthen our local portfolios. In 2012, two important commercial activities in Asia were the activation of EURO 2012 and the rejuvenation of the Tuborg brand. EURO 2012 was effectively leveraged across the region and provided important brand building and promotional opportunities for the Carlsberg brand. The brand grew 7%, mainly driven by China and India. The successful launch of Tuborg in China and the introduction of the new 3G bottle in India resulted in strong brand volume growth of more than 60% across the region, which in 2012 accounted for approximately 13% of the Group's total Tuborg volumes. Somersby was launched in selected markets with positive consumer response.

The Asian region continued to deliver very strong financial results. Net revenue grew organically by 19% (Q4: 21%) and reported net revenue (including currency and acquisitions) grew by 33% (Q4: 20%).

Operating profit grew organically by 12% (Q4: 18%) and reported growth by 31% to DKK 1,685m. The Asian business now accounts for 17% of Group operating profit (9% in 2010). Operating profit margin declined slightly due to the substantial investments in capacity expansions and capability building, as well as a negative country mix.

Our Asian business continued the growth trend of recent years and delivered strong volume, net revenue and operating profit growth. The expansion of our international premium brand portfolio in Asia contributed positively to the results.

China

Our Chinese market share grew slightly, driven by the strong performance of our international premium brands and the expanded distribution of both the Carlsberg and Tuborg brands. In particular, the Carlsberg franchise grew strongly, supported by good performances of Light and Chill. Further, we continued our capability-building programme within sales. Our overall Chinese volumes grew organically by 4% (7% including acquisitions) and reported beer volumes exceeded 14m hl.

Price/mix was approximately 10%, driven by price increases, strong growth of our international premium brands and premiumisation efforts related to local power brands. Profitability in China was impacted by the substantial marketing investments in the Tuborg launch.

Indochina

Our businesses in Indochina continued their strong growth trend with 18% organic beer volume growth. Reported volumes, which included the acquisitions in Vietnam and Laos, grew by more than 50%. All countries – Vietnam, Cambodia, Laos and Thailand – delivered strong growth, mainly as a result of strong performance of the local power brands, Angkor, Beerlao and Huda Beer.

During the year we announced the establishment of a sales and marketing joint venture with Singha Corporation in Thailand.

India

Our Indian volumes grew organically by approximately 45% and, for the first time, volumes exceeded the threshold of 1m hl. The strong volume growth was driven by the Tuborg and Carlsberg brands, with the rejuvenated Tuborg brand being a particular driver as it became the largest international premium brand in the country. Our market share exceeded 7% (+100bp). In Q4, the Group expanded its position in India through the acquisition of a brewery in Dharuhera (Haryana) and began construction of a 0.5m hl brewery in Patna (Bihar). These are the Group's sixth and seventh breweries in India, adding to our five existing breweries in Paonta Sahib, Alwar, Aurangabad, Kolkata and Hyderabad.

Malaysia/Singapore

Our business in Malaysia/Singapore maintained its focus on premiumisation and continued to perform well. Several commercial initiatives took place during the year, including activities behind the international brands Kronenbourg 1664, Kronenbourg Blanc and Somersby. We strengthened our market share in the premium beer category considerably. Somersby became the number one cider brand in Singapore.

IN THE **SPOTLIGHT**

ASIA

OUR EXPOSURE TO THE EMERGING ASIAN MARKETS OFFERS CONSIDERABLE PROSPECTS FOR GROWTH AND IS EXPECTED TO BE A KEY CONTRIBUTOR TO THE FUTURE GROWTH OF THE GROUP.

Carlsberg is one of the leading brewery groups in Asia. We have a well-balanced spread of business activities in mature markets such as Hong Kong, Malaysia and Singapore, as well as in less developed and emerging markets such as China, Indochina (Vietnam, Cambodia and Laos) and India, offering more robust growth opportunities.

Over the past five years, our business in the region has more than trebled in size, with average annual growth (CAGR) of 22% in volumes, 27% in revenue and 35% in operating profit. Today, the Asia region represents approx. 20% of Group volumes and 15% of Group operating profit.

Growing beer markets

With its exposure to growing markets, Asia is a compelling region for any multinational FMCG company. Many of its markets are characterised by large, young and growing populations, increasing urbanisation, growing disposable incomes and relatively low per capita beer consumption, with beer only accounting for around a quarter of total pure alcohol consumption versus a high alcoholic beverage share of around 70%.

According to Canadean[1], global beer volume growth in 2012-2017 is estimated to be around 230m hl (+12%). Asia is expected to account for approximately 140m hl of this growth. China will be the largest single contributor to the projected global beer volume growth, accounting for around 45% of the growth.

With 60% of global beer volume growth in the next five years anticipated to be generated in Asia, the region's share of total global beer volumes in 2017 is assumed to be close to 40%.

Carlsberg's emerging Asia

Carlsberg is well placed to capture our share of the future growth given our exposure to key growth markets in the region.

The region is diverse, and each market presents different strategic and operating challenges. Whilst they differ in terms of competitive environment and consumer attitudes and preferences, the markets also share similarities such as fragmented distribution and retail trade structure, large local discount and mainstream segments, and growing consumption levels underpinned by growing populations and a steadily increasing middle-class driving premiumisation trends.

Our Asian strategy is focused on building strong, scalable positions in the key growth markets, continuously improving commercial execution and capabilities, developing and premiumising our strong

Carlsberg is a well-established and recognised beer brand in Asia.

The repositioning of the brand in 2011 was well received by Asian consumers, and in 2012 the brand delivered growth of 12% in China, 53% in Indochina and 33% in India. In China, the franchise includes Carlsberg Chill and Carlsberg Light, and the brand is the second largest in the international premium segment.

Tuborg is a key brand in our Indian and Nepalese beer portfolios.

In 2012, the Group rejuvenated the brand with a new tagline, new visual identity and new communication, which were all positively received by consumers. In April, Tuborg was launched in China with highly promising results considerably exceeding launch plan expectations. Asia accounted for 13% of the Group's total Tuborg volumes in 2012.

Kronenbourg 1664 Blanc is the wheat beer version of the super-premium brand 1664.

Wheat beer is a relatively new segment in Asia, but, with its distinctive citrus and slightly sweet and refreshing taste, 1664 Blanc has been very successful. In 2012, the "Unmask the Taste of French Summer" campaign was rolled out in a number of Asian markets, including China and Malaysia, and underpinned the strong growth demonstrated during the year.

Dali is a leading beer brand in the Chinese province of Yunnan.

Carlsberg acquired the Dali Beer Group in 2003. Dali is a good example of a local power brand where premiumisation initiatives, such as brand upgrade and premium line extensions, have been successfully applied. In June 2012, Carlsberg and Yunnan province signed a strategic agreement including plans to further expand capacity.

Huda is the market-leading beer brand in central Vietnam.

It is brewed by Hue Brewery, which is fully owned by Carlsberg. Hue Brewery has a 70% market share in central Vietnam, and its two main brands are Huda and Festival. In addition to Hue Brewery, Carlsberg has ownership shares in three breweries in northern Vietnam, making the Group the no. 1 player in central and northern Vietnam.

Angkor is the most popular beer in the growth market of Cambodia.

It is brewed by Carlsberg's joint venture, Cambrew. In addition to Angkor Lager, the Cambrew portfolio includes brands such as Angkor Extra Stout, Bayon, Klang and Black Panther. Cambrew is the market leader in Cambodia, with a market share of 64%.

local and international brand portfolios, investing in and developing employee competences and capabilities, and optimising business processes and structures.

Expanding our presence

Carlsberg's expansion and growth across Asia are a result of organic growth coupled with selective value-enhancing M&A initiatives. The Group's M&A agenda focuses on growth markets, with Asia constituting an important target area.

During the past few years, we have further expanded our presence by increasing our ownership positions in breweries across the region as well as building greenfield breweries, increasing capacity at existing breweries and entering into new joint ventures and partnerships.

In China, in 2012 we signed a strategic agreement with the local government in Yunnan province to expand capacity at the Kunming Brewery and build a greenfield brewery in the province. We also increased our ownership share of the Chongqing Jianiang Brewery joint venture to 49.6%. In Vietnam, in 2011 we increased our ownership in Hue Brewery to 100%, while in Cambodia we significantly increased capacity in both 2011 and 2012. In India, since starting production at our first greenfield brewery in 2007, we have expanded our presence across several states and recently began construction of our seventh brewery.

Building strong brand portfolios

Carlsberg's Asian beer portfolios typically comprise strong local power brands combined with specific international premium brands. Leveraging Group best practice and processes, we identify current and future profit pools and develop country portfolios to target opportunities and new platforms for growth.

Our core Asian power brands include: Dali, Xixia, Wusu and Shancheng in China; Hanoi Beer and Huda in Vietnam; Beerlao in Laos; and Angkor in Cambodia. These are complemented by the international premium brand portfolio, which includes Carlsberg, Tuborg, Kronenbourg 1664, Grimbergen and Somersby cider.

[1] Global market research and data management provider.

PREPARING FOR THE FUTURE

THIRST FOR GREAT

Great people.
Great brands.
Great moments.

Founded on the motto, Semper Ardens – Always Burning – we never settle, but always thirst for the better.

We are stronger together because we share best practices, ideas, and successes. We brand as many, but stand as one.

With the courage to dare, to try, to take risks, we constantly raise the bar. We don't stop at brewing great beer. We brew a greater future – for our consumers and customers, our communities, and our people.

This passion will continue to burn and forever keep us thirsty.

OUR STRATEGY WAS UPDATED AND REFINED IN 2012 TO ENABLE US TO BETTER MANAGE THE CHALLENGES AND OPPORTUNITIES OF OUR BUSINESS AND TO MEASURE OUR PROGRESS IN SELECTED AREAS.

Our long-term ambition remains unchanged: we want to be the fastest growing global brewer. Working towards this ambitious goal will drive the value of our business to the benefit of our shareholders and all other stakeholders. While our long-term ambition has remained unchanged since 2008, we updated the Group's strategy in 2012, giving it a sharper focus and making it more action-oriented to enable us to manage the challenges and opportunities of our business in a world which, in recent years, has experienced fundamental changes.

Our strategy revolves around our strong portfolio of brands catering to consumers across our markets; our emphasis on being a customer-focused business; our unrelenting focus on efficiency and effectiveness; our commitment to being a socially responsible organisation; and, last but not least, our ability to retain and recruit highly skilled employees. It is illustrated as a wheel with five interconnected levers that set the direction for the Group. A number of KPIs linked to the strategy guide us in our daily work and allow us to continuously measure and evaluate our progress.

Four key principles define the playing field for our strategy and clarify the categories and geographies on which the Carlsberg Group focuses:

1. Beer is our core product.
2. We must be a significant player in the markets where we choose to compete.
3. We will balance our presence between growth and mature markets.
4. We will selectively pursue market opportunities in support of our beer business.

OUR STRATEGY IS DRIVEN BY FIVE STRATEGIC LEVERS.

KPIs Measuring our performance
We measure our performance and achievements against our ambition and strategy on a regular, ongoing basis using a wide range of financial and non-financial KPIs.
Read more on page 22

Consumers, Brands & Innovation
We must always view and evaluate our brands and innovations from a consumer's perspective. We aim to create the right innovations and brand them in the best possible way in order to make them attractive to our consumers.
Read more on page 24

Customers
We want to win with our customers. This requires us to work strategically with our customers and to maintain a clear focus on executing at the point of sale.
Read more on page 25

People
We must have highly skilled employees who are empowered and engaged in order to deliver in a high-performance culture. We set the bar high and invest in our employees to attract, develop and retain best-in-class people.
Read more on page 26

Effectiveness & Efficiency
We must continue to drive our efficiency agenda. We need to get the most out of our resources while doing the right things and focusing on actions and activities that most benefit the Group.
Read more on page 27

Society & Reputation
We are aware that every decision and action we take affect our reputation among our stakeholders and the societies in which we operate. We integrate CSR throughout our value chain, and manage and measure our reputation in order to secure our licence to operate and grow in all our markets.
Read more on page 28

Jørgen Buhl Rasmussen
President & CEO

Our Stand and the tagline 'Thirst for Great – people, brands, moments' express what Carlsberg is and wants to stand for. It underpins our culture, our values and our identity.

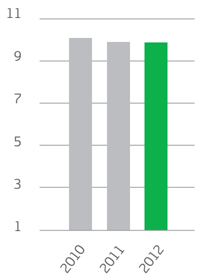
KPIs
MEASURING OUR PERFORMANCE

WE MEASURE OUR SUCCESS AGAINST OUR AMBITION AND STRATEGIC GOALS USING A WIDE RANGE OF KPIs. TO ALIGN THE PERFORMANCE OF THE GROUP AND ACHIEVE THE KPIs, THEY ARE INTEGRATED IN INCENTIVE SCHEMES THROUGHOUT THE ORGANISATION.

SELECTED FINANCIAL AND NON-FINANCIAL KPIs ARE PRESENTED HERE.

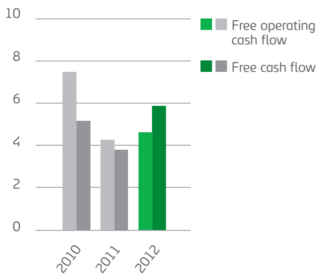
FINANCIAL KPIs

Operating profit
(DKKbn)



Operating profit is a measure of our ability to enhance operational performance through top-line growth and a continuous focus on driving down costs by working more effectively and efficiently.

Free cash flow
(DKKbn)

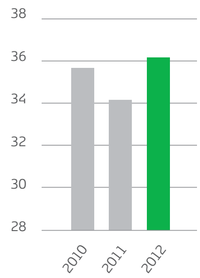


A strong free cash flow allows us to return value to our shareholders and pay down debt, enabling us to reinvest in our business and engage in value-creating M&A activities in growth markets.

Return on invested capital (ROIC)
(%)

Maximising return on all investments is the key to delivering sustainable value to shareholders. ROIC analyses of all investments throughout the value chain ensure the right basis for decision-making.

Adjusted EPS
(DKK)



Adjusted earnings per share is adjusted for the after-tax impact of special items. It is a key financial KPI as it is a measure of the underlying earnings per share for our shareholders.

NON-FINANCIAL KPIs

Western Europe
+40bp

Russia[1]
–10bp

Volume market share

Growing our market share is necessary if we are to be a significant player in the markets where we choose to compete, but it must always be with a view to balancing volume and value market share growth.

2012
8%

2011
7%

Carlsberg brand volume growth in premium markets

The Carlsberg brand is our flagship brand, and in most markets around the world it is a premium brand. The brand still has untapped commercial potential, not least in its premium markets.

	Engagement score	Participation
2012	**83**	**83%**
2011	83	81%

Employee engagement score and participation (My Voice)

My Voice is a tool for tracking employees' engagement and opinions on their work, workplace and the Carlsberg Group, and for continuously driving improvements and the performance of the Carlsberg Group.

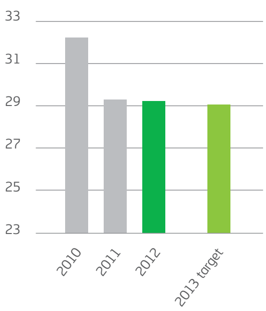
[1] Sequential growth in market share during 2012.

Jørgen Buhl Rasmussen
President & CEO

Delivering sustainable value growth to our shareholders and other stakeholders is guiding the way we run our business and how we set our goals.

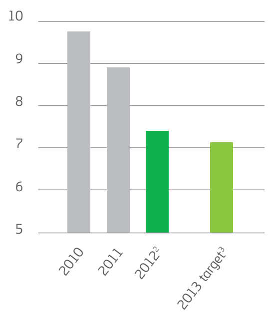
SELECTED CSR TARGETS

Energy
(kWh/hl)



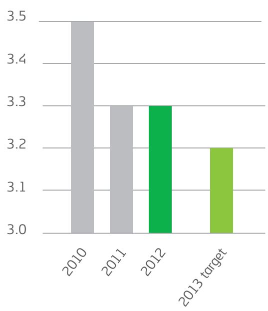
The Carlsberg Group reduces energy consumption through individual breweries' energy efficiency projects and process optimisation.

CO_2
(kg CO_2/hl)[1]



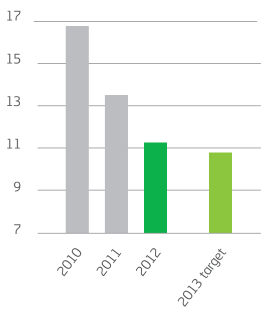
Reductions in CO_2 emissions is a primary measure of how the Group is progressing on our ambitious targets for reducing our environmental impact.

Water
(hl/hl)



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

Lost-time accidents in production
(per 1,000 employees)



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

[1] 2010 and 2011 restated due to changes in methodology. [2] For 2012, Carlsberg purchased renewable power documented by Guarantees of Origin certificates to offset CO_2 emissions. [3] Target revised in 2012 from 7.5 to 7.1 kg CO_2/hl.

→ Learn more at www.carlsberggroup.com/CSR

CONSUMERS, BRANDS & INNOVATION

At Carlsberg, we always think about consumers in the context of brands and innovations. Consumers, brands and innovation each require a specific focus, but in order to excel it is important to always have a clear link between them, accelerate the seamless sharing of best practices and ensure fast transfer of great commercial ideas between markets.

This strategic lever has three areas of focus.

Iconise Carlsberg

The Carlsberg brand was globally repositioned in 2011. This flagship brand is the crown jewel in our portfolio, and it has untapped commercial potential. To exploit this potential, we will increase the availability of the brand and develop and execute consumer, shopper and customer-relevant brand-building programmes.

A winning portfolio of international and local power brands

Alongside the Carlsberg brand, we have a unique roster of outstanding local and international brands. We must ensure that our portfolio of international premium brands and local power brands matches the needs and preferences of our local consumers. Each market must therefore have an attractive brand portfolio that meets consumer needs, allows us to win across channels and captures a growing proportion of profit pools. To that effect, we have developed a number of tools to help markets determine the appropriate positioning and composition of their portfolios.

Consumer-relevant innovation

Innovations are important for driving the beer category and maintaining its attractiveness to consumers and customers. Through superior understanding of trends and insights from consumers, shoppers and customers, we aim to identify which innovations will get consumers excited and deliver top and bottom line growth over time. A combination of Group and local innovations within beer and adjacent beverage categories is the key to recruiting and retaining consumers. Generally, our innovations must be scalable and usable across the Group.

SELECTED ACTIONS AND PROGRESS 2012

In 2012, the European football championship was a significant Carlsberg event that yielded very positive results. More details about our UEFA EURO 2012™ sponsorship are on page 11. In November and December 2012, a global Christmas campaign with unique design elements further supported the iconising of the Carlsberg brand.

The Group's international super-premium French beer brand, Kronenbourg 1664, continued its expansion in 2012 and is now available in 65 markets around the world. The wheat beer 1664 Blanc was launched in several markets, and more will follow.

Radler is a well-known beer mix concept that Carlsberg has launched in several markets as line extensions for local power brands. In 2012, Pan Radler was launched in a 0.5-litre PET in Croatia to cater for convenient "on-the-go" consumption. A new category entry in 2012 was Garage Hard Lemonade, developed by Carlsberg and based on a well-established USD 1bn beverage category in the USA. Garage was launched in Finland and Denmark and has achieved a very positive consumer response.

Khalil Younes
SVP Group Sales, Marketing and Innovation

> At the end of the day, how we develop our innovations, the way we manage our brands and engage in dialogue with consumers is what sets us apart from competitors and enables us to win in the markets where we operate.

CUSTOMERS

Carlsberg recognises the increasing importance of superior execution at the point of sale. Growing the beer category in both volume and value terms can only be achieved in close collaboration with our customers, not least in times of increased marketing restrictions in many of our markets.

This strategic lever has four areas of focus.

Drive category growth

We have an ambition to increase beer's share of throat within total beverages and grow the category in a profitable way. This can only be achieved by understanding customer, shopper and consumer drivers, having best-in-class category management and working closely with our customers.

A winning route to market

In most of our markets, our products are distributed by distributors or wholesalers. Ensuring a winning route to market is crucial for improving market share. It is about working in partnership with our distributors and wholesalers and ensuring that they deliver and present our products with the same care and precision as we expect from our own salespeople. A winning route to market is also about understanding profit drivers by channel and geography, and integrating this insight into business planning and route to market.

Win with our customers

By having a premium approach to customers and a superior understanding of their needs, we will be able to build strong customer partnerships and relationships. While all our customers are important to us, we want to primarily support and invest in winning customers with a principle of "invest for performance".

Excel at point-of-sale execution

Excelling at the point of sale is becoming increasingly important in the beer industry. Carlsberg aims to develop best-in-class point-of-sale standards, including channel marketing capabilities and execution, commercial capability building and on-shelf availability. To ensure a high standard of performance across the Group, we will execute and measure wherever we do business.

SELECTED ACTIONS
AND PROGRESS 2012

Using variables such as beer consumption, unemployment rates, tax changes, local legislation etc., Carlsberg has developed a tool to help forecast where in our markets profit pools will be found in the coming years. The tool is used when determining allocation of resources such as trade investments, sales force, draught systems and coolers.

Value management is a Group-wide programme that aims to drive market share and net sales per hl by optimising various levers such as price points, product mix and promotions. Our value management tool is being continuously developed and implemented using detailed market insights, analysing all commercial parameters and using experiences from other markets.

Isaac Sheps
SVP Eastern Europe

Customers have a huge impact on our products' availability and how they are displayed in stores. We seek to cooperate closely with our customers because more and more shopper decisions are made at the point of sale.

PEOPLE

People are the most important driver of change and growth in our company. In order for us to achieve our goals in the future, our numerous highly skilled employees must possess engagement, drive and ambition, and be provided with the necessary tools for personal and professional development.

This strategic lever has three areas of focus.

High-performance culture

We set high standards and always raise the bar for our employees. We want to embed a high-performance culture by creating an environment where people are motivated to do their best, are engaged and feel empowered. A high-performance culture is also driven by providing regular performance feedback to employees from managers and by embedding a visible link between performance, reward and recognition.

Develop, retain and attract best-in-class people

At Carlsberg, we invest in making our people talent benchmarks within our industry. We want the Carlsberg Group to be considered a highly desirable employer and workplace for high-performance employees. This requires Carlsberg to create and implement effective development strategies and individual plans that incorporate themes such as mobility, leadership competences and training, and competitive remuneration.

Empowerment and engagement

To allow high-performance employees to flourish, we must create a working environment characterised by empowerment and engagement. Empowered and engaged employees are willing to go the extra mile, raise the bar and work to their full potential. This will ultimately help the Group to deliver improved business results on an ongoing basis.

SELECTED ACTIONS AND PROGRESS 2012

The annual Group employee engagement survey, My Voice, measures employee engagement and satisfaction, assesses the organisational health of the Carlsberg Group and provides a starting point for engaging in a dialogue about working in the Carlsberg Group. We set ambitious goals for our engagement results and benchmark ourselves against other FMCG companies as we want to be ranked among the best companies worldwide.

To develop, retain and attract best-in-class people, a number of initiatives were carried out locally and at Group level, including a global vacancy site enabling employees to identify career opportunities across the Group; an East-West-East project aimed at cultural integration and exchange of best people and practices between Western and Eastern Europe; and short-term assignments providing development opportunities and cross-market knowledge sharing.

In 2012, a global mobility team was established to support global mobility within Carlsberg. Its responsibility is to manage the movement of people proactively with a standardised and fast approach, providing clear and transparent guidelines and rules.

Claudia Schlossberger
SVP Group Human Resources

To achieve our ambition of being the fastest growing global brewer, we need high-performance employees who are passionate, who want to win and who have the skills to do so. Our employees are the key to making Carlsberg successful.

EFFECTIVENESS & EFFICIENCY

Producing products of consistently high quality at the right price is critical for creating a competitive advantage within the beer industry. We therefore engage in value-adding activities to get the most out of our resources. That is essentially what effectiveness and efficiency are all about. Over the past decade, we have come a long way on this journey, but the bar is set high and we still have a lot more to do.

This strategic lever has three areas of focus.

An efficient consumer- and customer-focused organisation

Our customers and consumers are at the heart of what we do, and therefore our organisation should support them in the best and most efficient way. We will reduce costs that do not add value for our customers through our newly established centralised supply chain company, our world-class procurement capabilities and tools, and our shared service centres.

Maximise return on investments

All investments throughout the value chain must create value for the Group and our shareholders. We are selective in our investments and invest disproportionally more in activities that offer the greatest impact for the Group. To ensure maximum return on investments, we carry out strict return-on-investment analyses when prioritising resource and capex allocation, apply return on marketing investment calculations and continually focus on reducing working capital.

The Carlsberg way of working

We have a clear understanding of what we believe is the best way of operating our business. However, we are always open to new ideas for improving what we do. To leverage the full potential of the Group, we share best practices across our business, as well as looking outside to learn from others. In order to use our capabilities to best effect, our tenet is "develop once – deploy everywhere".

SELECTED ACTIONS AND PROGRESS 2012

Continuously reducing our cost base by working more efficiently and effectively has been on the agenda at Carlsberg for many years and is an inherent way of running our business.

In the past few years, new steps have been taken to transform the Group into a winning fast moving consumer goods (FMCG) company.

An important step on this journey was the establishment of the integrated Carlsberg Supply Company (CSC). CSC encompasses Group procurement, production, logistics and planning functions, and is responsible for the production and logistics network in Western Europe and the supply chain standards for the entire Group. In 2012, a number of management initiatives and changes were carried out to establish the company.

An important enabler for achieving the full benefits of CSC is the roll-out of the business standardisation project, which aims to standardise work processes across markets enabled by one common IT platform.

The implementation of the supply chain integration and business standardisation project in Western Europe will start in Sweden in the spring of 2013.

Peter Ernsting
SVP Group Supply Chain

Being smarter and acting smarter is key to success. We must optimise the way we work in order to get maximum return on our investments, while simultaneously creating an advantage for our customers and consumers.

SOCIETY & REPUTATION

Improving the image of the beer category and continuing to integrate corporate social responsibility (CSR) throughout the value chain are 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.

This strategic lever has three areas of focus.

Responsible global brewer

Across many markets, the beer industry is increasingly facing legislative actions. Our reputation as a brewer is critical in securing our licence to operate and grow and is therefore top of mind in every decision we make. To this end, we recognise the importance of actively building a strong corporate 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.

Improving the image of beer

We are passionate about beer and committed to driving category growth. In many mature markets, however, beer consumption is flat or declining. To counter this, improving the image and knowledge of beer is essential – not just for the Carlsberg Group, but for the industry as a whole. We partner with key stakeholders to revitalise the image of the beer category, and this includes working with other brewers to build the reputation of beer and train our employees to become beer ambassadors. Read more about our initiatives on page 33.

SELECTED ACTIONS AND PROGRESS 2012

We continued our work of training and creating awareness in the area of responsible drinking, with initiatives targeting both customers and consumers, including server training to discourage underage drinking and binge drinking and reduce harmful consumption of alcoholic beverages.

In addition, we drafted guidelines on responsible drinking and piloted these with consumers during EURO 2012, where 375,000 consumers in stadiums and fan parks pledged to drink responsibly and wore "Drink Responsibly" wristbands. Consumers in stadiums and those watching the matches on TV and other media across the world were also exposed to "drink responsibly" messaging displayed on perimeter boards during games.

The Carlsberg Group and Baltika Breweries entered into a partnership with the United Nations Industrial Development Organization (UNIDO) with a view to investing RUB 1bn in environmental projects in Russia. These projects have the potential to reduce the Carlsberg Group's total environmental footprint significantly, as well as improve the natural environment in Russia.

In 2011, we developed a life cycle analysis tool to measure and benchmark the environmental impact of various packaging materials and formats throughout a product's life. In 2012, the tool was enhanced to include the financial consequences of the environmental impact on society and the tool now applies to all Group companies, making it possible for them to immediately evaluate the business and environmental impact of packaging decisions.

Anne-Marie Skov
SVP Group Communications & CSR

We integrate CSR throughout our value chain and act in a socially and environmentally responsible way in the societies in which we operate. We understand that our business success depends on what we do, what we say and how we behave when we interact with our stakeholders.

We are proud that millions of consumers enjoy our products. Consumed responsibly, beer is a healthy beverage associated with celebration and friendship, and it can make a contribution towards our enjoyment of life.

Integrating CSR throughout the value chain

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

In 2012, we further developed our CSR strategy and priorities and will consequently increase our efforts with sustainable packaging (see page 38) and responsible drinking. Furthermore, we will continue our efforts to reduce consumption of water and energy to maintain our position – according to the most recent data available – as the world's most efficient global brewer from this perspective.

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

Sustainable packaging
Packaging represents both a risk and an opportunity for Carlsberg. Constituting approx. 45% of the Group's total CO_2 emissions, packaging holds great potential in terms of reducing our environmental impact. An increased focus on reducing the environmental impact of packaging is expected to bring about many benefits, both for Carlsberg and the communities where we operate.

Packaging affects nearly all steps in the value chain – from procurement to point-of-sale activities. In 2012, we developed a new strategy for sustainable packaging. A baseline for primary packaging weight and CO_2 emissions was established and reduction potentials were estimated. In 2013, we will implement a number of projects and initiatives to reduce the environmental impact of our packaging. Read more about our sustainable packaging efforts on page 38.

Reducing environmental impacts
Carlsberg is proud to be the most efficient global brewer in terms of energy, CO_2 and water, according to the most recent data available.

We reached our ambitious 2013 target for CO_2 emissions per hl in production already in 2012 and have therefore set a new target for 2013. The reductions are driven by focused efforts at our production sites as well as offsetting emissions through the purchase of renewable power documented by Guarantees of Origin certificates in Western Europe.

Water efficiency continues to be an important area for Carlsberg. Reducing water consumption in and around our breweries is of particular importance in parts of the world where water resources are under pressure.

Our progress on energy, CO_2 and water is shown on page 23.

CSR reporting

We publish an annual CSR report on eight different areas: environment, health & safety, community engagement, labour & human rights, responsible sourcing, business ethics, responsible drinking and marketing communication. The CSR report serves as our Communication on Progress to the United Nations Global Compact, and further enables us to live up to our legal responsibility on CSR disclosure stated in §99a of the Danish Financial Statements Act. As in previous years, a selected set of indicators used to track our performance with respect to environment, health and safety has been independently assured by the KPMG Climate Change & Sustainability team. Progress towards our targets on energy, CO_2, water and lost-time accidents in production is shown on page 23. The full 2012 CSR report, including the KPMG assurance statement and GRI G3 table, is available online at www.carlsberggroup.com/csr/reports.

→ Read more at www.carlsberggroup.com/csr

VALUE CHAIN – CSR

R&D

Our vast research expertise provides significant opportunities to continuously improve the Group's environmental impact through the development of new solutions and the use of alternative raw materials and new processes and products. Our production depends on barley, a niche cereal accounting for less than 2% of global grain production, which is why Carlsberg has a particular interest in supporting and developing this part of the supply chain.

Examples of 2012 activities

- Continued development of null-LOX barley and spin-off barley types with improved taste and longer storability, meaning less food waste. This research also entails potential energy savings relating to beer production and storage.
- Work with barley farmers in Russia, Poland and China, assisting them in their efforts to improve quality and increase efficiency in the growing of barley.

Going forward

We will continue to develop and roll out null-LOX and related types of malt. Research into new raw materials resistant to varying weather conditions will also continue.

PROCUREMENT

We work with our suppliers to ensure that our CSR standards are adhered to, and to reduce the social and environmental impact of products and services purchased by the Carlsberg Group. The purpose of our Responsible Sourcing Programme is to improve knowledge about CSR issues in the supply chain and to monitor compliance with the Carlsberg Group Supplier and Licensee Code of Conduct.

Examples of 2012 activities

- Increase in Carlsberg's purchase in Western Europe of sales coolers using an HFC-free refrigerant from 39% in 2011 to 72% in 2012.
- Start of a pilot responsible sourcing programme involving 15 suppliers and initiation of cooperation with two third-party auditing companies to provide support during the process.
- Application of emission limits for new company cars, which were adhered to in our 2012 tenders throughout the Group.

Going forward

We will work more closely with our suppliers to identify innovations that can reduce environmental impact, and continue to include the Supplier and Licensee Code of Conduct in our contracts.

BREWING AND BOTTLING

Saving energy and water resources, thereby reducing costs at our breweries, and ensuring a safe working environment are important CSR commitments for Carlsberg. According to the most recent data available, our efficiency within energy and water consumption in production is the highest of all global brewers, and we are also making good progress in relation to our safety targets.

Examples of 2012 activities

- Continued efforts to reduce energy consumption and CO_2 emissions.
- Continued efforts to reduce the accident rate in production to further minimise lost-time accidents. There were no work-related fatalities among Carlsberg employees in 2012.
- Launch of a large-scale sustainable packaging programme.

Going forward

We will continue to focus on cleaner energy at our Asian breweries and on meeting our targets for reducing CO_2 emissions and safety incidents in production. We will develop new targets for energy and water consumption and emissions in the years ahead. We will roll out our sustainable packaging programme and increase cooperation with suppliers in this area.

→ Read more at www.carlsberggroup.com/csr

LOGISTICS

We are making more efficient use of resources and cutting costs by optimising logistics. Initiatives include more efficient distribution, the introduction of alternative means of transport and improved warehousing. We are also working with suppliers to improve the materials and equipment used in our logistics operations.

Examples of 2012 activities

- Driver training in six markets.
- Implementation of a driver behaviour tool in two markets.
- Introduction of environmental considerations in the purchasing of trucks.

Going forward

We will continue to pursue opportunities to improve our logistics network further still. As part of the integrated supply chain organisation for Western Europe, we will develop new processes and initiatives to optimise logistics operations, including the roll-out of a global route planning tool. Furthermore, we will develop and implement environmental guidelines for our warehouses.

MARKETING AND COMMUNICATION

We endeavour to market our brands in a way that reflects our philosophy of moderation and enjoyment. Our global Marketing Communication Policy applies across all markets and sets the standard for how all brands and trade marketing materials are developed.

We ensure that all Carlsberg employees and external partners involved in developing communication material receive our policy guidelines.

Examples of 2012 activities

- Incorporation of responsible drinking messages into UEFA EURO 2012™ events and advertising.
- Continued roll-out of our Marketing Communication e-learning tool.
- Increase in efforts to monitor messaging in social media.

Going forward

We will follow up on cases of non-compliance. We will ensure that training materials are updated to keep them relevant in a changing environment and that all relevant employees are trained in the Marketing Communication Policy every two years.

CONSUMERS AND CUSTOMERS

We develop local initiatives and partner with relevant stakeholders to promote responsible drinking to our consumers and to address issues related to alcohol misuse. We work with our customers to improve the impact of our CSR efforts and reduce our environmental footprint and we support local communities in the regions where we operate through a wide variety of activities.

Examples of 2012 activities

- Global commitment to joint actions against the harmful use of alcohol signed by 13 beer, wine and spirits companies.
- Collaborative projects with retailers aimed at reducing packaging waste and increasing reuse of glass bottles.

Going forward

We will continue to incorporate responsible drinking messages into our communications and begin taking action regarding the global commitments to reduce the harmful use of alcohol. We will increase cooperation with customers and encourage consumers to recycle through our sustainable packaging programme.

IN THE
SPOTLIGHT

At Carlsberg we are clear on beer, its benefits and our role in reducing the harmful effects of its misuse, both for the individual and for society as a whole. Enjoyed in moderation, however, beer is a refreshing, low-alcoholic beverage made from natural ingredients – and that is what we are aiming to communicate with the Thirst for Beer initiative.

THIRST FOR BEER

NURTURING THE IMAGE OF BEER IS IMPORTANT FOR THE HEALTH AND DEVELOPMENT OF THE BEER CATEGORY. CARLSBERG'S STRATEGIC INITIATIVE "THIRST FOR BEER" IS DRAWING ON THE STRENGTHS OF THE ENTIRE GROUP TO HELP GROW THE IMAGE OF BEER.

Beer is one of the most popular beverages in the world, only surpassed by water and tea. Beer has been around for millennia, and even after all these years the category enjoys a strong interest and passion across the globe. Nevertheless, in many mature markets the image of beer is being challenged by factors such as cultural shifts, new tax laws, health concerns, societal attitudes and marketing regulations impacting consumer behaviour and consumption.

As a response to this, and in close cooperation with other global brewers and brewers' associations, Carlsberg is working on promoting the reputation of beer with the objective of growing the beer category and maintaining brewers' licence to operate. Areas of cooperation include efforts to develop and manage self-regulation schemes and increase awareness about beer and the contribution of brewers to the communities in which they operate.

However, Carlsberg has also launched its own strategic initiative – Thirst for Beer. Aimed at boosting the image and reputation of beer, Thirst for Beer addresses the issues in the market that affect everyone, from consumers to policymakers.

By focusing on the wider beer category and not just selected Carlsberg brands, Thirst for Beer is about reaching as many people as possible. The purpose is to actively promote facts, dispel myths and profile beer as a refreshing, low-alcohol beverage made with natural ingredients.

Sowing the seeds for change

While we do not expect to change the perception of beer overnight, we want to plant the right seeds for change. Carlsberg is trying to support a global beer movement that will entice media, policymakers, experts, employees and their friends and family. In order to do so, Carlsberg is engaging with multiple stakeholders at all levels and taking concrete actions based on best practices from around the world.

Change starts here with our own employees, so in order to promote the facts and celebrate quality, we are recruiting, training and developing beer ambassadors within Carlsberg.

Tracking progress

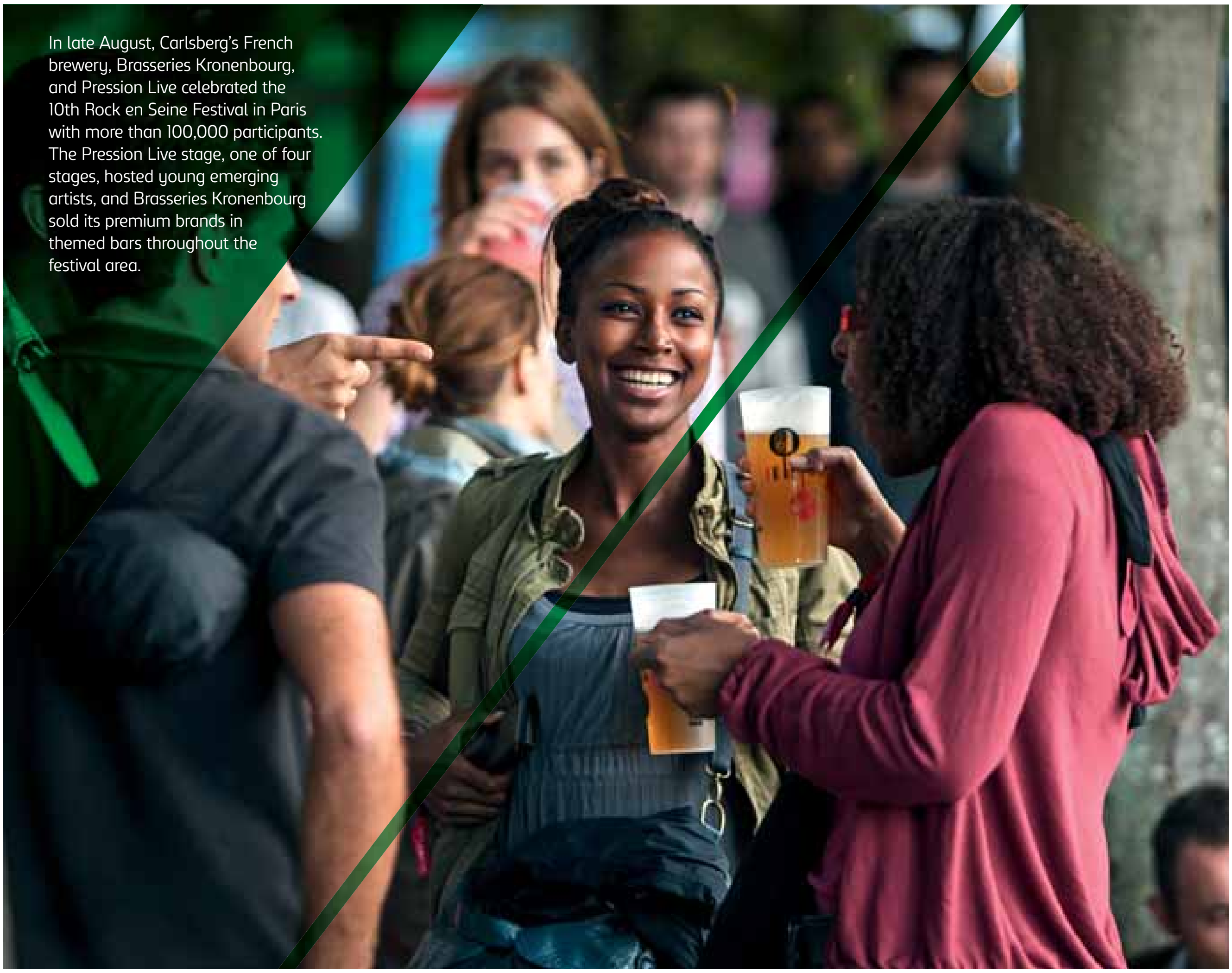
To measure the image of beer among stakeholders and the efficiency of the Thirst for Beer initiative, Carlsberg is assessing attitudes to beer on an annual basis. The survey covers customers, consumers, stakeholders and policymakers, and enables us to identify where we need to improve and where we are succeeding in our efforts.

GLOBAL ACTION TO REDUCE HARMFUL USE OF ALCOHOL

In addition to Thirst for Beer and the cooperation with brewers and brewers' associations, Carlsberg also works in a broader context to promote responsible consumption of beer as a unique and refreshing drink of moderation. In October 2012, the Group announced that it had teamed up with 12 global beer, wine and spirits producers to commit to joint actions to reduce the harmful use of alcohol in five areas:

- Reducing underage drinking.
- Strengthening and expanding marketing codes of practice.
- Providing consumer information and responsible product innovation.
- Reducing drinking and driving.
- Enlisting the support of retailers to reduce harmful drinking.

To emphasise our commitment to these five areas, starting in 2013 the signatories will report on how they are progressing.



In late August, Carlsberg's French brewery, Brasseries Kronenbourg, and Pression Live celebrated the 10th Rock en Seine Festival in Paris with more than 100,000 participants. The Pression Live stage, one of four stages, hosted young emerging artists, and Brasseries Kronenbourg sold its premium brands in themed bars throughout the festival area.

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.

CARLSBERG'S ONGOING RISK MANAGEMENT FRAMEWORK

Risk categories covered by Carlsberg's risk management are:

Strategic risks related to issues such as market development, competition, stakeholders and politics.

Operational risks related to issues such as technology, people, processes, infrastructure and information.

Compliance risks related to issues such as corporate social responsibility, legal and tax.

Financial risks related to issues such as foreign exchange, interest rate, and credit and liquidity risks (described in the notes to the consolidated financial statements).

A formal procedure is in place for ongoing 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 Carlsberg Group.

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

Risk assessment 2013

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

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

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

HIGH RISKS 2012

THREE HIGH RISKS WERE IDENTIFIED FOR 2012. THEIR IMPACT ON THE GROUP AND THE PROACTIVE STEPS TAKEN WERE AS FOLLOWS:

Economic downturn

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

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

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

Russian consumer sentiment and Russian dependency

Russia is the Group's largest market, accounting for approximately 30% of beer volumes and 40% of operating profit. All other markets account for less than 10% of Group operating profit. Group earnings are therefore highly exposed to the performance of the Russian business.

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

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

Ability to increase prices

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

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

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

HIGH RISKS FOR 2013

THE CARLSBERG GROUP'S EXECUTIVE COMMITTEE HAS IDENTIFIED THREE HIGH RISKS FACING THE GROUP IN 2013. THE FINANCIAL RISKS ARE DESCRIBED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Change agenda related to the supply chain integration

Description
In late 2011, it was decided to integrate and centralise the Carlsberg supply chain, incorporating procurement, planning, production and logistics under one management. The integration is dependent on the roll-out of the business standardisation project. Due to the scale of the project and the dependency on initiatives being implemented smoothly, the change agenda related to the integration of the supply chain is deemed a high risk for 2013.

Possible impact
The integrated supply chain represents a step change in the way Carlsberg operates. The aspirations of the integrated supply chain are high and will lead to significant changes for the Group with respect to core working practices. If we do not succeed in making a smooth and lean transition, the expected significant benefits in terms of financial and operational improvements and advantages could be jeopardised.

Mitigation
To avoid local anxiety, opposition and obstacles when implementing the supply chain integration and business standardisation project, frequent communication and regular interaction with the markets and commercial teams is taking place to increase awareness and resolve questions. The change agenda is a standard point on the senior supply chain management agenda. Very close cooperation between the business standardisation implementation teams and supply chain has been established to ensure that installed systems support the integrated supply chain.

Legal restrictions in Eastern Europe

Description
Eastern Europe accounts for approximately 35% of Group beer volumes and 45% of Group operating profit. In recent years, Russia in particular has passed new regulations impacting the beer industry, such as sales and advertising restrictions and recipe requirements.

Possible impact
Changing laws and regulations in Russia and the rest of Eastern Europe might have a negative impact on beer consumption or limit our commercial and operational flexibility. This could have a material impact on the Group's financial performance.

Mitigation
The senior management team in Carlsberg as well as in our Russian and other Eastern European businesses will, in close cooperation with Carlsberg headquarters, continue its strong, systematic focus on government relations. In addition, Carlsberg has proactively engaged in coordinated initiatives with other large brewers in Russia aimed at better representation of the industry to the Russian government and other key stakeholders.

Promotional pressure from retail

Description
The global economic environment continues to be challenging, with consumer sentiment under pressure, in particular in Western Europe. In view of this, increased pressure from customers for more promotions sponsored by Carlsberg has been classified as a high risk for 2013.

Possible impact
Increased promotional pressure from our retail customers could have a negative impact on our net sales prices. Lower net sales/hl would have a negative impact on margins. Conversely, not accommodating promotional pressure from customers could have a negative impact on market share.

Mitigation
In recent years, the Carlsberg Group has implemented a sophisticated value management toolbox with the aims of strengthening our position with our customers and increasing the net sales value per hl in close cooperation with our customers. In addition, we are developing and rolling out tools to measure the return on marketing investment (ROMI). In combination, these tools will allow detailed analysis and understanding of the profitability of various promotional activities, promotional mechanics and competitor actions to determine the best response in terms of overall profitability based on channel, category and brand.

IN THE **SPOTLIGHT**

SUSTAINABLE PACKAGING

At EURO 2012, Carlsberg encouraged football fans to recycle in order to reduce the amount of waste not properly disposed of and subsequently treated. Read more at www.carlsberggroup.com/CSR/ourstories.

PACKAGING IS A VITAL PART OF THE IDENTITY OF A BEER BRAND AND IS THEREFORE A VERY IMPORTANT ELEMENT IN THE MARKETING MIX.

Consumer research shows that packaging can have a positive influence on consumers' buying behaviour. On the flip side, packaging can lead to a negative brand image if it is seen littering the cities or countryside.

In addition to its commercial importance, packaging is the single largest contributor to the Carlsberg Group's CO_2 footprint, accounting for approx. 45% of the Group's total CO_2 emissions when looking at the full impact throughout the value chain.

Consequently, in 2012 the Group began a large-scale programme with the aim of reducing the environmental impact of packaging while maintaining world-class design and consumer appeal.

A comprehensive plan

The sustainable packaging programme is a comprehensive plan encompassing four principles:

- Reduce weight or change to packaging with lower environmental impact.
- Increase reuse of packaging materials, with the main focus on glass bottles.
- Encourage consumers to recycle packaging and increase the amount of recycled content in new packaging.
- Rethink packaging and waste, for example recycling of packaging materials by channelling the material into other products.

In order to measure our success in relation to these four principles, a range of activities will be rolled out in 2013, including a weight reduction initiative, communication with consumers on recycling, and the development of a sustainable packaging ideas catalogue to help all markets reduce the environmental impact of packaging. Furthermore, as part of our "rethink" approach we will commence a Cradle-to-Cradle® project focused on generating positive impacts.

Multiple wins

The sustainable packaging programme is expected to drive a number of operational and commercial benefits. In addition to the environmental benefits, the use of more sustainable packaging is expected to generate cost savings and strengthen the Group's relationship with key customers, many of whom work with sustainable packaging themselves.

The programme will also help us to meet future legislative requirements relating to packaging and waste, thereby also serving as risk mitigation. Finally, the programme will improve the Group's reputation with environmentally conscious consumers.

ENGAGING CUSTOMERS AND CONSUMERS IN POLAND

For the past three years, Carlsberg has been running a sustainable packaging project in Poland in collaboration with three large off-trade customers. By educating consumers, the "ECO-ACTION" project has increased the collection of bottles and cans, improved waste segregation and recycling, and promoted the use of returnable bottles.

In the three-year period, the project has resulted in 242 tonnes of waste packaging being collected. It has also led to a strengthening of Carlsberg's relationship with both consumers and customers. Carlsberg Polska was thus awarded a diploma by Tesco recognising Carlsberg's support of its CSR activities.

CORPORATE GOVERNANCE

CARLSBERG'S SUPERVISORY BOARD AND EXECUTIVE BOARD CONSTANTLY STRIVE TO ENSURE THAT THE GROUP'S MANAGEMENT STRUCTURE AND CONTROL SYSTEMS ARE APPROPRIATE AND WORK SATISFACTORILY. A NUMBER OF INTERNAL PROCEDURES HAVE BEEN DEVELOPED AND ARE REGULARLY UPDATED IN ORDER TO ENSURE ACTIVE, RELIABLE AND PROFITABLE BUSINESS MANAGEMENT.

The basis of the Group's corporate governance includes the Danish Companies Act, the Danish Financial Statements Act, IFRS, the Danish Securities Trading Act, NASDAQ OMX Copenhagen A/S's rules for issuers of shares, and the Company's Articles of Association.

Recommendations on corporate governance

The recommendations of the Danish Committee on Corporate Governance form part of NASDAQ OMX Copenhagen A/S's rules for issuers of shares. These recommendations can be found online[1]. As in other European countries, companies must either comply with the recommendations or explain any deviation.

The Supervisory Board actively uses the corporate governance recommendations in relevant areas to optimise the way it works. Following the implementation of changes to the Supervisory Board structure at the Annual General Meeting in March 2012, Carlsberg complies with all recommendations. Half of the Supervisory Board members elected by the General Meeting are now independent persons with an international business background, while the other half have close links with the Company's principal shareholder, the Carlsberg Foundation, as they make up the Board of the Foundation and represent its interests.

Carlsberg's statutory report on corporate governance includes a full list of the recommendations of the Committee on Corporate Governance, together with Carlsberg's comments with regard to each recommendation; see www.carlsberggroup.com/Company/Governance/Pages/UKrecommendations.aspx.

Shareholders and capital structure

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

The Supervisory Board regularly assesses whether the Company's capital structure fulfils the interests of the Group and its shareholders. The overall goal is to ensure a capital structure that supports long-term profitable growth and value creation. The Company's Articles of Association contain no limits on ownership or voting rights.

Carlsberg's share capital is divided into two classes. All shares have the same nominal value (DKK 20). An A share carries 20 votes, while a B share carries two votes and is entitled to a preferential dividend. Both classes of shares are listed on NASDAQ OMX Copenhagen. The Supervisory Board believes that the different share classes, combined with the Carlsberg Foundation's position as principal shareholder, have been and will remain advantageous for all of the Company's shareholders as this structure supports the long-term development of the business.

The General Meeting

The General Meeting is the Company's supreme governing body. The Supervisory Board believes that it is important that shareholders receive detailed information and are provided with an adequate basis for the decisions to be made at the General Meeting.

[1] www.corporategovernance.dk/file/291825/committee_recommendations_august_2011.pdf

Notice of a General Meeting is published at least three weeks prior to the meeting, and is sent to all shareholders who have provided an e-mail address. In 2012, the Company also sent notices to shareholders who had requested to be notified of General Meetings by ordinary mail. This will also be done in 2013, but the Company expects to discontinue this service after the Annual General Meeting in 2013, as already provided for in the Articles of Association. All shareholders who own shares one week before the General Meeting are entitled to participate in and vote at the General Meeting, provided they have requested an admission card no later than three days before the meeting. Any shareholder is also entitled to put forward proposals for consideration at the Annual General Meeting to the Supervisory Board no later than six weeks before the date of the meeting. Any shareholder who has the right to attend the General Meeting may give proxy to the Supervisory Board or to somebody else attending the General Meeting for each individual item on the agenda or vote by letter as set out in the notice of the General Meeting.

Minutes of the General Meeting are made available on the Company's website no later than two weeks after the meeting.

According to the authorisation of the General Meeting, the Supervisory Board may, in the period until 24 March 2015, allow the Company to acquire treasury shares up to a total holding of 10% of the nominal share capital at the price quoted on NASDAQ OMX Copenhagen at the time of acquisition with a deviation of up to 10%.

Provisions governing alterations of the Articles of Association

In order to pass a resolution to alter the Articles of Association or to dissolve the Company that is not proposed or endorsed by the Supervisory Board, at least one third of the possible number of votes representing the total share capital shall be represented at the General Meeting and the resolution shall be passed by three quarters of both the total number of votes cast and of the voting share capital represented at the General Meeting. If the resolution is proposed or endorsed by the Supervisory Board, a qualified majority of two thirds of both the total number of votes cast and of the voting share capital represented at the General Meeting is required.

If the prescribed portion of the voting share capital is not sufficiently represented at the General Meeting but a resolution is nonetheless passed, such resolution may be finally passed at an Extraordinary General Meeting convened by the Supervisory Board within 14 days of the first General Meeting, irrespective of the number of votes represented at the Extraordinary General Meeting. In order for a resolution not endorsed by the Supervisory Board to be passed successfully at this second General Meeting, three quarters of both the total number of votes cast and of the voting share capital represented at the General Meeting must vote in favour of the resolution.

Stakeholders and the Company

Carlsberg aims to develop and maintain a good relationship with its stakeholders as this is important for the Company's development.

Therefore, the Company has formulated policies for a number of key areas, such as communications, human resources, environment, business ethics, marketing communication and responsibility to customers and society in general. One element of the Supervisory Board's work is to ensure compliance with and regular adjustment of policies to reflect developments both inside and outside the Company. The Communications Policy and related procedures serve to ensure that information of importance to investors, employees, authorities and others is made available to them and published in accordance with applicable rules and regulations.

Communication with investors and analysts is primarily handled by the Company's Executive Board and the Investor Relations department. This dialogue includes a comprehensive programme of activities and complies with the rules of NASDAQ OMX Copenhagen A/S. All company announcements are published simultaneously in English and, for now, Danish, and are distributed directly to shareholders and others who have requested them immediately following publication.

Investor presentations are usually made available on the Company's website at the same time as the presentations are given.

The composition of the Supervisory Board

The General Meeting elects the Supervisory Board. The Supervisory Board currently has 10 members elected by the General Meeting and four members elected by the employees in accordance with the Danish Companies Act. The Supervisory Board thus has a total of 14 members.

Jørn P. Jensen
Deputy CEO & CFO

We believe that maintaining an active and honest dialogue with all of the Company's stakeholder groups is important for the positive development of Carlsberg.

The members elected by the employees hold the same rights and obligations as the members elected by the General Meeting, and are elected for a term of four years. The most recent employee elections took place in 2010.

Five of the members elected by the General Meeting are affiliated to the Carlsberg Foundation, the Company's principal shareholder, and have an academic background, while five members have an international business background. This composition ensures appropriate diversity and breadth in the members' approach to their duties. The Supervisory Board believes that this also helps to ensure that decisions are well considered.

According to the Articles of Association, the members of the Supervisory Board are elected individually and for a term of one year. Re-election is possible. Members must step down at the first General Meeting after they reach the age of 70.

Each year, the Supervisory Board considers the skills that should be represented on the Supervisory Board on the basis of a recommendation from the Nomination Committee. These skills are described in the Specification of Competencies, which is posted on carlsberggroup.com. The Nomination Committee and the Supervisory Board take the description of the required skills into consideration when recommending new candidates for the Supervisory Board. A description of the composition of the Supervisory Board and the individual members' particular competences with respect to the work of the Supervisory Board is found on page 135 as well as on the Company's website. None of the members of the Supervisory Board are or have been involved in the executive management of the Group.

Prior to recommending candidates for election at the General Meeting, the Supervisory Board (based on a proposal from the Nomination Committee) distributes a presentation of each candidate's background, relevant competences and any managerial positions or positions of responsibility, and the Supervisory Board justifies its recommendations on the basis of the recruitment criteria and specification of competences it has laid down.

Diversity

In November 2011, the Supervisory Board decided to lay down the Company's objectives for the diversity of the Supervisory Board members elected by the General Meeting in relation to gender and international experience. These objectives were slightly adjusted in 2012. The Supervisory Board believes that members should be chosen for their overall competences. The Supervisory Board also recognises the benefits of a diverse board in respect of experience, style, culture, international experience and gender.

On that basis, the Supervisory Board has laid down the following objectives in relation to gender and international experience:

- The Supervisory Board's objective is to increase the proportion of the underrepresented gender on the Supervisory Board so that it will reach at least 40% of the Supervisory Board members elected by the General Meeting.
- Currently, women are underrepresented compared to men, both on Carlsberg's Supervisory Board and in senior management positions in the Company. On that basis, the Company also has a general aim of increasing the number of women in senior management positions in the Company and the Executive Board is implementing a policy and specific action plans to do so.
- With regard to international experience, it is the objective that 50% or more of the Supervisory Board members elected by the General Meeting should have substantial international experience from management in and of large corporations or institutions.

The objective regarding the international experience of Supervisory Board members is met as at least six of the 10 members of the Supervisory Board elected by the General Meeting can be considered to have substantial international experience from management in and of large corporations or institutions.

Currently, two Supervisory Board members elected by the General Meeting are women. Accordingly, the objective with regard to gender diversity on the Supervisory Board is not yet met, but the Supervisory Board will recommend one more woman for election at the Annual General Meeting in March 2013. Currently, two members of the Executive Committee are women. Carlsberg has initiated actions to try to identify ways to attract competent women to relevant management positions in the Company. Furthermore, it is a focus area in connection with succession planning in the Company. Carlsberg has also given a general instruction to the search firms it uses, requiring them to ensure presentation of qualified female candidates for senior management positions in Carlsberg. The Supervisory Board and the Nomination Committee have done the same when looking for potential new Supervisory Board candidates.

The work of the Supervisory Board

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

The Supervisory Board of Carlsberg A/S held seven meetings in 2012 and a two-day strategy seminar combined with a visit to Poland. The strategy seminar and three of the Supervisory Board meetings were attended by all Supervisory Board members. The remaining meetings were attended by all but one member. According to its Rules of Procedure, the Supervisory Board meets at least six times a year in addition to an annual strategy meeting at which the Company's strategy and overall organisation are discussed. In between its ordinary meetings, the Supervisory Board receives written information on the Company's operations and financial position. Extraordinary meetings are convened if necessary. The Supervisory Board decides on major investments and divestments, the size and composition of the Company's capital base, long-term obligations, significant policies, control and audit issues, risk management and significant operational matters.

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

The Chairman and Deputy Chairman of the Supervisory Board constitute the Chairmanship, which organises meetings of the Supervisory Board in cooperation with the Executive Board. The Chairmanship held six meetings in 2012 and they were all attended by both the Chairman

Our Ukrainian business has outperformed the market for six consecutive years, thereby improving its market position to a strong no. 2 with a market share of more than 29%. The main drivers of this year's share gain were the strong performance of the Lvivske and Baltika brands and the successful activation of the EURO 2012 sponsorship.

and the Deputy Chairman. The specific duties of the Chairman and – in his absence – the Deputy Chairman are set out in the Rules of Procedure.

Each year, the Chairman of the Supervisory Board heads a structured evaluation of the Board's work, accomplishments and composition in a structured dialogue with each Board member. The evaluation is carried out in accordance with a written procedure established by the Supervisory Board on the basis of a recommendation from the Nomination Committee and on the basis of a questionnaire with a number of items that the Supervisory Board members are to consider as part of the evaluation. This evaluation also includes the cooperation between the Supervisory Board and the Executive Board, and the work, accomplishments and composition of the Executive Board. Finally, the process includes a meeting without the presence of the Chairman or of the Executive Board at which the performance of the Chairman is discussed. During the evaluation process in 2012, the Supervisory Board members generally expressed that they were very content with the structure and function of the Supervisory Board and, in particular, with the detailed meeting planning, the amount and quality of meeting material and the presentation of issues by the Executive Board and the subsequent open discussions at the Supervisory Board meetings. The Supervisory Board also expressed content with the focus on risk evaluation, strategy and direction-setting during board discussions. The evaluation process led to a short catalogue of ideas for minor changes to the way the Supervisory Board works. These ideas will be considered and implemented by the Supervisory Board as relevant, and some of them have been incorporated into the Supervisory Board's meeting plan for 2013.

The Supervisory Board considers regularly – and at least once a year – whether its members' expertise should be updated or strengthened with respect to their duties. In 2012, this was based on input from the Nomination Committee as well as the board evaluation process. Carlsberg provides a detailed introduction programme to all new Supervisory Board members and holds relevant courses for all Supervisory Board members.

Board committees

The Audit Committee

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

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

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

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

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

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

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

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

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

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

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

The Nomination Committee
In 2012, the Nomination Committee consisted of three members of the Supervisory Board. Jess Søderberg and Kees van der Graaf were members of the Committee for the entire year. Povl Krogsgaard-Larsen was Chairman of the Committee until he retired from the Supervisory Board in March 2012, after which Flemming Besenbacher became a member and also Chairman of the Committee. Jess Søderberg and Kees van der Graaf are independent of the Company as defined in the recommendations. The Committee held two meetings in 2012 and all members were present at both meetings. For 2013, Jess Søderberg, Kees van der Graaf and Flemming Besenbacher have been appointed to the Committee.

The Nomination Committee works according to Terms of Reference, which are reviewed and approved annually by the Supervisory Board. The Terms of Reference are available on the Company's website. In 2012, the Committee's work included recommendations to the Supervisory Board with regard to the Specification of Competencies required for the Supervisory Board, including recommended adjustments to the Company's objectives for diversity at relevant management levels. The Committee has set out the expected time commitment for Supervisory and Executive Board positions and made recommendations to the Supervisory Board regarding composition, performance and balance of skills, knowledge and experience of Board members and potential training and updating of these skills. Finally, the Nomination Committee advises and makes recommendations to the Supervisory Board with regard to candidates for the Supervisory Board and Executive Board, if relevant. At the beginning of 2012, the Committee held interviews with a number of potential new candidates for the Supervisory Board and, at the recommendation of the Nomination Committee, three candidates were recommended by the Supervisory Board to the Annual General Meeting in March 2012 as new members of the board.

The Remuneration Committee
The Remuneration Committee is described as part of the remuneration report on page 46 onwards.

The Executive Board

The Supervisory Board appoints the CEO and other members of the Executive Board. Led by the CEO, the Executive Board is responsible for the preparation and implementation of strategic plans. The Executive Board consists of two persons: Jørgen Buhl Rasmussen, President & CEO, and Jørn P. Jensen, CFO & Deputy CEO.

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

The Company also has a wider Executive Committee, which consists of eight individuals in addition to the two Executive Board members. The composition of the Executive Committee can be seen on page 50.

Auditing

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

The auditor reports any significant findings regarding accounting matters and any significant internal control deficiencies to the Supervisory Board via the Audit Committee and through its written long-form audit reports to the Supervisory Board, which are issued at least twice a year. The auditor takes part in all Audit Committee meetings and at least the Supervisory Board meeting at which the Annual Report is discussed and approved.

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 ongoing basis.

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

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

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

Risk assessment

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

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

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

Control activities

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

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

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

Information and communication

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

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

Monitoring

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

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

Group Internal Audit

The Internal Audit department ensures objective and independent assessment of the adequacy, effectiveness and quality of the Group's internal controls. The head of Group Internal Audit reports to the Chairman of the Audit Committee.

Carlsberg has the strongest brand portfolio in Russia with no. 1 positions in all price segments. The Baltika brand is by far the biggest national brand in Russia, enjoying a market share of more than 13%. With its combined portfolio, Baltika had a market share of 38.2% in Russia in 2012.

The Audit Committee must approve the appointment and potential dismissal of the head of Group Internal Audit. Group Internal Audit works in accordance with a charter and Terms of Reference approved by the Audit Committee.

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

When conducting an audit, Group Internal Audit assesses whether the audited entity/function has well-established accounting practices, written policies and procedures in all important business areas, and adequate internal control procedures. This includes the assessment of whether controls in relation to key IT systems are satisfactory, and whether they comply with the IT Policy.

The Carlsberg Group has a whistleblower system which enables employees to report activities that may involve criminal conduct or violations of the Carlsberg Group's policies and guidelines.

The whistleblower system consists of a website and a hotline set up by an independent third party to ensure the highest level of security and confidentiality. Reports filed through the whistleblower system are handled by a few specific employees within Group Internal Audit who are charged with the responsibility of evaluating any potential violation. Group Internal Audit regularly, and at least every quarter, reports to the Audit Committee on issues reported via the whistleblower system and action taken as a result thereof. In 2012, 26 reports were made to the system. Since the establishment of the whistleblower system in April 2010, some reports and their subsequent investigation have led to various disciplinary sanctions for one or more employees, including dismissals on the basis of violation of Group policies and, in some cases, relevant criminal laws. Most of these matters related to isolated incidents of fraud carried out by individual employees in the Group. The incidents have not had any material impact on the financial results of the Group or the Group company in question.

REMUNERATION REPORT

WE WANT OUR EXECUTIVES TO SHARE OUR SHAREHOLDERS' INTERESTS AND BELIEVE THAT REMUNERATION SHOULD PROVIDE THIS ALIGNMENT.

Activities in current year and development of our approach to remuneration

Carlsberg established the Remuneration Committee in late 2010. One of its priorities for 2012 was to undertake a complete review of the remuneration policy and structure for Executive Directors. Our principal aim was to ensure that the Company's executives share our shareholders' long-term performance and value perspective, and that their remuneration aligns these interests.

As a result of its review, the Remuneration Committee concluded that:

- In terms of overall remuneration, the current structure provides a good balance between the drivers of performance and alignment with shareholders.
- However, there is scope to improve alignment and further drive performance by introducing a new element to the existing long-term incentive arrangements.
- The new long-term performance element should be the award of performance shares, which would work in tandem with the existing share option plan. The vesting of these performance shares would be subject to achievement of performance conditions set by the Committee prior to the date of grant.
- To further increase alignment and as an integral part of the new long-term incentive structure, the Remuneration Committee should introduce shareholding guidelines requiring the Executive Directors to retain shares once long-term incentive awards vest.

The current Remuneration Policy for the Executive Board and guidelines for incentive arrangements were approved by the shareholders in March 2011. The incentive guidelines already envisage the use of performance shares and will therefore remain unchanged. To facilitate the granting of the proposed new long-term incentive arrangements, the Company will seek shareholder approval to amend the Remuneration Policy. Under the revised Policy, the maximum total value of share-based long-term incentive awards that may be granted to an Executive Director in any financial year will be increased from 100% of fixed salary to 200% of fixed salary. While the Committee does not intend to grant at these maximum levels in the near future, it does wish to have this flexibility if it later judges higher awards to be appropriate.

The Committee and Supervisory Board believe that these changes will significantly strengthen the alignment of the executives' interests with the performance of the Group and the interests of our shareholders.

Remuneration Policy

The main elements of the Executive Directors' remuneration arrangements are summarised in the table below and are explained in more detail in the subsequent paragraphs.

REMUNERATION POLICY

Element of pay	Objective	Award level	Performance criteria	Performance period
Fixed salary	Attract and retain high-performing individuals by reflecting market value of role and executive's skills and experience. Reward day-to-day performance. Set at a level to prevent overreliance on variable pay.	Takes into account the market rate for similar roles in international comparator companies as well as the skills and experience of the executive.	No performance criteria per se, but the performance of the individual is taken into account when fixed salary levels are reviewed.	N/A
Benefits	Operate a competitive benefits suite to aid recruitment and retention.	Perquisites and other benefits corresponding to market practices.	N/A	N/A
Pension	Executives make their own provision for retirement.	N/A	N/A	N/A
Annual bonus plan	Drive and reward delivery of short-term business objectives.	Maximum bonus opportunity is 100% of fixed salary. Bonus opportunity at target is 60% of fixed salary.	EBIT, free cash flow, net profit, growth in market share.	1 year
Long-term incentive plan	Drive and reward longer-term business objectives. Maximise alignment with shareholder value.	The current maximum level of long-term incentive awards is 100% of fixed salary based on the fair value of an award at the date of grant. Shareholder approval will be sought at the 2013 Annual General Meeting to raise the maximum award limit from 100% of fixed salary to 200% of fixed salary. It is not intended that awards will be made for the foreseeable future at this upper limit.	For share options, inherent share price growth target. For performance share awards to be introduced from 2013: • Relative total shareholder return (TSR) (40% of the award). • Growth in adjusted EPS (30% of the award). • Organic growth in market share (20% of the award). • CSR target (10% of the award).	Options exercisable between 3rd and 8th anniversary of grant. Performance period for performance shares, 3 years.

OUR APPROACH TO REMUNERATION

Carlsberg's remuneration is designed to enable us to recruit and retain individuals with the expertise and ability required to run a growing international company, and to do so in a way that drives our business success and rewards executives when shareholders are rewarded.

Levels of fixed remuneration are set based on individuals' experience and contribution, and in the context of the external market. While we do not seek to adhere rigidly to market benchmarks, we monitor and take into account pay levels and incentive opportunities in the principal markets from which we recruit: our European brewing and spirits peers and the global consumer goods sector as well as companies across industry sectors in the Nordic region.

Many of our investors – including our main shareholder – are long-term holders of our shares. We want our executives to share their perspective and believe that remuneration should align their interests accordingly. Recent developments in our remuneration have sought to strengthen this link by tilting the balance of the package to long-term share-based pay and requiring that any shares awarded be retained for longer.

The Company's full Remuneration Policy for the Supervisory Board and Executive Board and guidelines for incentive programmes as approved at the Annual General Meeting of the Company on 24 March 2011 are available on the Company's website.

MAIN ACTIVITIES IN 2012

During 2012, the Remuneration Committee met five times and its main activities were:

- Considering the achievement of performance criteria for the annual bonus plan and approving levels of vesting.
- Determining levels of long-term incentive awards for 2012.
- Consideration of shareholders' feedback from the 2012 Annual General Meeting.
- Review of overall pay philosophy and policy.
- Review of fixed salary levels, bonus targets and levels of award for 2013.
- Evaluating the remuneration of the Supervisory Board.
- Review of its Terms of Reference and its own effectiveness.

2013 OBJECTIVES

- Ensuring that senior executives remain appropriately compensated and incentivised to deliver on our strategy.
- Alignment of all senior management to the new proposed approach to remuneration.
- Monitoring the workings and outcomes of the proposed revised remuneration approach and structure.

THE COMMITTEE'S RESPONSIBILITIES

Carlsberg's Remuneration Committee was established by the Supervisory Board in late 2010.

The Committee is responsible for the Remuneration Policy (including the general guidelines for incentive programmes) for all members of the Supervisory Board and the Executive Board, for recommending proposals on changes to the Remuneration Policy, and for obtaining the approval of the Supervisory Board prior to seeking shareholders' approval at the General Meeting. The Committee is responsible for making proposals to the Supervisory Board on the actual structure and content of the remuneration packages (in accordance with the policy approved by the shareholders) of the members of the Supervisory Board and the Executive Board.

The Committee monitors and advises the Supervisory Board on any major changes to the policy on senior employee remuneration structures for the Group, including for the Executive Committee. The Committee's Terms of Reference, which govern how it operates, are approved by the Supervisory Board and are available on the Company's website.

COMMITTEE MEMBERS

Members
Richard Burrows (Chairman)
Jess Søderberg
Flemming Besenbacher (appointed March 2012)
Kees van der Graaf
Povl Krogsgaard-Larsen (retired)
Elisabeth Fleuriot (appointed 1 January 2013)

Richard Burrows, Jess Søderberg, Kees van der Graaf and Elisabeth Fleuriot are independent of the Company as defined in the recommendations of the Danish Committee on Corporate Governance.

ATTENDANCE AT COMMITTEE MEETINGS AND ADVISERS

The CEO, Deputy CEO, Senior Vice President HR and Vice President Compensation & Benefits are invited to attend meetings of the Committee where appropriate but are not present when their own remuneration is discussed directly.

In 2012, the Remuneration Committee held five meetings. At three meetings all the members participated, while at two meetings one member was absent.

New Bridge Street, an Aon Hewitt company, is the Committee's external adviser. No other services are provided to the Group by Aon Hewitt and the Committee is satisfied as to the independence of its advisers.

Fixed salary
The Committee reviews fixed salaries annually, taking into account a number of relevant factors, including the individual's performance, role and responsibilities. The Committee also takes into account levels of remuneration for similar roles at comparable companies in both the drinks and fast moving consumer goods sectors as well as companies across industry sectors based in the Nordic region.

The Committee has reviewed the executives' fixed salaries which have not been adjusted since 2008. The Committee and the Supervisory Board have decided to increase the executives' fixed salaries by 4.5% with effect from 2013.

Annual bonus
The annual bonus is structured to incentivise the Executive Directors to deliver on the Group's short-term strategic objectives.

For 2013, the potential maximum bonus will remain at 100% of fixed salary with 60% of fixed salary payable for on-target performance. A scorecard of performance measures is used to assess performance. The determination of the final bonus is subject to the discretion of the Committee and the Supervisory Board taking into account the overall performance of the business. The measures used in the scorecard for the 2013 annual bonus are set out below; these are the same measures which were applied for 2012.

ANNUAL BONUS

Annual bonus measures	EBIT	Free cash flow	Net profit	Growth in market share
Weighting of performance measure	40%	30%	15%	15%

Long-term incentive arrangements
Current structure
The long-term incentive arrangements for the Executive Directors currently comprise share options that vest after three years subject to continued employment. The maximum award that can be made in any one financial year is 100% of fixed salary (calculated in accordance with the International Financial Reporting Standards (IFRS) at the date of grant). All long-term incentive awards are made at the discretion of the Committee.

New proposed structure
Following its review of Carlsberg's Remuneration Policy and remuneration structure for Executive Directors, for 2013 the Committee is proposing to introduce a new element in the long-term incentive arrangements that will facilitate the award of performance shares.

The vesting of any performance shares will be subject to achievement of performance conditions determined by the Committee prior to the date of grant and measured over a three-year period. The performance share awards and the performance conditions attaching to those awards will further increase and support the alignment between the Executive Directors' reward and the long-term Group strategy and shareholder value.

The Committee is proposing that performance share awards granted in 2013 should be subject to the performance conditions set out below.

In order for any award (or part of an award) to vest, the Committee must be satisfied that underlying corporate performance is at a satisfactory level.

Award levels and balance between share options and performance shares
Each year, the Committee will determine the total level of long-term incentive award to be made to each Executive Director and how much of that award will be made using performance shares and how much using share options.

The Committee proposes to change the current Remuneration Policy so that the maximum value of all long-term incentive awards that can be made in a financial year is 200% of fixed salary. Shareholders will be asked to approve this change of policy at the 2013 Annual General Meeting. The Committee does not intend to grant at these maximum levels in the near future, but would wish to have this flexibility if it judges higher awards to be appropriate in future years. It does, however, consider that some increase in award levels above the current 100% is likely to be appropriate for 2013. Details of the actual levels of award made in 2013 will be disclosed in next year's report and financial statements.

PERFORMANCE CONDITIONS

Measure	Weighting	Performance condition and period
Relative total shareholder return (TSR) TSR measures the total return to investors. Carlsberg's TSR performance will be measured relative to a comparator group of 18 companies[1].	40%	• Measured over 3 years from date of grant. • 25% of TSR element vests if Carlsberg's TSR performance is at median of peer group[1]. • 100% vests for upper-quartile performance. • Straight-line vesting in between median and upper quartile.
Adjusted EPS growth Adjusted EPS growth targets measure the Group's underlying financial success.	30%	• Measured over 3 financial years. • 25% of the adjusted EPS element vests for 6% p.a. growth. • 100% vests for 11% p.a. growth. • Straight-line vesting in between 6% p.a. and 11% p.a.
Organic growth in market share Growth in market share supports Carlsberg's strategic aim to be the fastest growing global beer company.	20%	• Measured over 3 financial years. • Account taken of the majority of the Group's markets, weighted by volume.
Corporate social responsibility Carlsberg has long held itself to high standards of corporate social performance.	10%	• Measurement of CSR (environment, consumers, employees, communities and other stakeholders) for our major markets.

[1] TSR comparator group: Anheuser-Busch Inbev, Asahi Group Holdings, Beam, Britvic, Brown-Forman 'B', Coca-Cola, Davide Campari-Milano, Diageo, Dr Pepper Snapple, Heineken, Kirin Holdings, Molson Coors Brewing 'B', Monster Beverage, PepsiCo, Pernod Ricard, Rémy Cointreau, SAB Miller, Sapporo Holdings.

Reclaiming variable pay
In the event of serious misconduct, or if an annual bonus or long-term incentive award is made on the basis of accounts that prove to be materially misstated, the Company may reclaim, in full or in part, any over-payment from annual bonus or cancel or withdraw unexercised or unvested long-term incentive awards in respect of the executive directors.

Remuneration of the Supervisory Board
The members of the Supervisory Board of Carlsberg A/S are remunerated for duties performed in the Company.

The fees are reviewed, but not necessarily increased, annually after taking into account market practice with reference to an international comparator group as well as the need to attract and retain high-calibre individuals.

REMUNERATION OF SUPERVISORY BOARD

	Base fee (DKK thousand)	Additional fee (as % of base fee)
All Supervisory Board members	400	
Chairman of Supervisory Board		100%
Deputy Chairman of Supervisory Board		50%
Chairman of Audit Committee		75%
Chairman of Remuneration Committee Chairman of Nomination Committee		50%
Member of Board Committee (per Committee)		38%

Members of the Supervisory Board are not included in share incentive programmes, retirement benefit plans and other schemes. No agreements have been entered into concerning termination benefits, and no such payments were made in 2012.

Share ownership guidelines
In order to strengthen the alignment between the Executive Directors and shareholders, the Committee has introduced shareholding guidelines for the Executive Directors. In future, the Executive Directors will be required to retain shares on the vesting of long-term incentive awards (subject to disposals required to meet any tax and other associated obligations). The CEO is expected to build up a holding of shares equivalent to 150% of fixed salary, and the Deputy CEO/CFO a holding equivalent to 120% of fixed salary.

Executive Directors' service contracts
Service contracts for members of the Executive Board contain terms and conditions that are considered common to executive board members in Danish listed companies.

SHARE OWNERSHIP GUIDELINES

	Share ownership guideline as % fixed salary	Actual % held at 31 Dec. 2012	Unvested options and performance shares as % of fixed salary (prior to deductions for tax and incidental costs)
Jørgen Buhl Rasmussen	150%	45%	371%
Jørn P. Jensen	120%	22%	484%

Our remuneration for 2012

This section sets out how Carlsberg's Remuneration Policy was implemented during the 2012 financial year. Specific detail is provided regarding the different elements of pay that the Supervisory Board and Executive Directors received and how those amounts were calculated.

Remuneration of Executive Directors
The actual fixed salaries paid in 2012 were DKK 10.5m to Jørgen Buhl Rasmussen and DKK 9.1m to Jørn P. Jensen (both unchanged since 2008).

Annual bonus
For the financial year 2012, the bonus targets were met and as a result 60% of the maximum bonus, being 60% of fixed salary, is payable for performance in 2012.

The actual amount of bonus payable equates to DKK 6.3m and DKK 5.5m for Jørgen Buhl Rasmussen and Jørn P. Jensen respectively.

Long-term incentive awards
Granted in 2012. In the financial year 2012, the CEO and CFO were each awarded share options that, at the time of award, had a fair value of 100% of fixed salary. The shares will vest after three years subject to continued employment.

Vested in 2012. In February 2012, the options granted to the CEO and CFO in 2009 vested and became exercisable with over 30,000 shares each.

Share awards and holdings of shares. Share option awards and shares held by the Executive Directors at the beginning of the financial year and movements during the year to 31 December 2012 are shown in note 12 to the consolidated financial statements.

Remuneration of Supervisory Board
The fees for the Supervisory Board members for the financial year 2012 are set out in note 12 to the consolidated financial statements. The Remuneration Policy and the specific remuneration of the Supervisory Board for 2012 have been approved by the Annual General Meeting.

The number of shares in Carlsberg A/S held by the Supervisory Board members at the beginning of the financial year and movements to 31 December 2012 are shown in note 12 to the consolidated financial statements.

EXECUTIVE COMMITTEE

THE ROLE OF THE EXECUTIVE COMMITTEE IS TO DRIVE THE GROUP'S STRATEGIC DEVELOPMENT AND ENSURE ALIGNMENT AND CLEAR OBJECTIVES ACROSS THE GROUP.

Jørgen Buhl Rasmussen

President & CEO since 2007. Appointed to the Executive Board of Carlsberg A/S in 2006.

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 A/S in 2000.

Chairman, Deputy Chairman or member of the Supervisory Boards of Carlsberg Group companies. Member of the Supervisory Boards of Danske Bank A/S and 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.

Jørn Tolstrup Rohde

Senior Vice President, Western Europe since 2012 (Northern Europe since 2009).

Mr Tolstrup Rohde joined Carlsberg in 2004 to initiate the ComEx project and was appointed CEO of Carlsberg Danmark in the same year. From 2007 to 2009, Mr Tolstrup Rohde was President & CEO of 3C Groups A/S. Mr Tolstrup Rohde has also held senior managerial positions in, among others, Orkla Group and Sara Lee.

Isaac Sheps

Senior Vice President, Eastern Europe since 2011.

President of Baltika Breweries since 2011. Dr Sheps joined Carlsberg in 2004, when he was appointed Chairman of the Board of Directors in Bulgaria, Serbia and Croatia. He has been CEO of Carlsberg Srbija, Carlsberg South East Europe and Carlsberg UK. Prior to joining Carlsberg, Dr Sheps held senior management positions in the brewing, electronic and electro-optic industries. He holds a PhD in economics and is an expert member of the ISO technical committee TC 176, responsible for preparing the ISO 9000 family of standards. Dr Sheps is based in St Petersburg.

Roy Bagattini
Senior Vice President, Asia since 2009.

Mr Bagattini joined Carlsberg from SABMiller, where he was Regional Managing Director for Eastern Europe. Prior to that, Mr Bagattini held senior general management positions in South Africa and the USA as well as being Country Managing Director of SABMiller in India, China and Italy. Mr Bagattini is based in Hong Kong.

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

Mr Younes joined Carlsberg after 15 years with The Coca-Cola Company, where his last position was Vice President of Global Juice Marketing. Prior to that, Mr Younes held several positions in global brand stewardship, country general management and regional marketing leadership around the world. Mr Younes started his career with Procter & Gamble in France.

Anne-Marie Skov
Senior Vice President, Group Communications & CSR since 2004.

Responsible for Carlsberg's corporate communication activities, including investor and media relations, and the CSR unit. Member of the Supervisory Boards of BSR, WWF Denmark and the Tuborg Foundation. Prior to joining Carlsberg, Ms Skov worked for the Novo Group, most recently as Vice President and member of the Executive Management of Novozymes A/S.

Claudia Schlossberger
Senior Vice President, Group HR since 2012.

Ms Schlossberger joined Carlsberg in 2012. Ms Schlossberger was previously Chief HR Officer with the Metro Group and Metro Cash & Carry. Prior to that, she held various senior HR leadership positions across the Metro Group. Ms Schlossberger has also been at Daimler-Benz, where she held positions within HR as well as marketing and sales, and worked in Russia and India.

Peter Ernsting
Senior Vice President, Group Supply Chain since 2011.

Member of the Supervisory Board of Accell Group N.V., Netherlands. Mr Ernsting joined Carlsberg in 2011 from Unilever, where he was Chairman of the Unilever Supply Chain Company AG, leading the total end-to-end supply chain of Unilever in Europe. Prior to this, Mr Ernsting managed Unilever's supply chain in Asia and Russia. Mr Ernsting is based in Switzerland.

Bengt Erlandsson
Senior Vice President, Group Procurement since 2011.

Mr Erlandsson joined Carlsberg in 2007 as head of Carlsberg Group Procurement. Before joining Carlsberg, Mr Erlandsson worked for IKEA for 28 years, mostly within procurement. His last position was as head of IKEA Indirect Material & Services. Mr Erlandsson is based in Switzerland.

SHAREHOLDER INFORMATION

CARLSBERG AIMS TO CREATE THE BEST CONDITIONS TO ENSURE EFFICIENT AND FAIR PRICING OF ITS SHARES BY PROVIDING BALANCED AND OPEN INFORMATION TO THE STOCK MARKET.

Carlsberg's shares are listed on NASDAQ OMX Copenhagen in two classes: Carlsberg A and Carlsberg B. Each A share carries 20 votes, while each B share carries two votes and is entitled to a preferential dividend. The B share is included in NASDAQ OMX Nordic Large Cap and OMXC20 blue-chip indices. NASDAQ OMX Nordic also operates sector indices in accordance with the Global Industry Classification Standard, and here the Carlsberg A and B shares are included in the Food & Beverage and Consumer Goods indices.

As a supplement to Carlsberg's listing on NASDAQ OMX Copenhagen, Carlsberg has established a sponsored level 1 ADR (American Depository Receipt) programme with the Bank of New York Mellon. The ADRs trade over-the-counter in the USA under the symbol CABGY.

In addition to NASDAQ OMX Copenhagen, the Carlsberg shares are also traded on a number of other equity exchanges, including BATS Chi-X. In 2012, 73% of the trading in the Carlsberg B share took place on NASDAQ OMX Copenhagen.

In 2012, the Carlsberg B share gained 37% and ended the year at DKK 554. At the end of 2012, the market value of the Company's shares was DKK 85.4bn, compared with DKK 62.2bn at the end of 2011.

Annual General Meeting and dividend

The Company's Annual General Meeting will be held on Thursday, 21 March 2013, at Tap 1, Ny Carlsberg Vej 91, Copenhagen. The Parent Company has posted a profit for 2012 of DKK 507m. The Supervisory Board recommends that the Annual General Meeting approve payment of a dividend of DKK 6.0 per share. This will involve a total payment of DKK 915m, which will be deducted from retained earnings.

Shareholders

At 31 December 2012, the Company's largest shareholder was the Carlsberg Foundation, holding 30% of the share capital and 75% of the votes. In accordance with section 29 of the Danish Securities Trading Act, OppenheimerFunds, Inc. has notified Carlsberg that it too owns more than 5% of the share capital.

At the end of 2012, Carlsberg had almost 57,000 registered shareholders, together holding a nominal capital of DKK 2,847m, corresponding to 93% of the share capital.

Management holdings of Carlsberg shares

The number of shares held by each Supervisory Board member and the number of shares and share options held by each Executive Board member are set out in note 12 to the consolidated financial statements.

Members of the Supervisory Board and the Executive Board are included in Carlsberg's insider register and must disclose any trading in the Company's shares. The members and their relatives may only trade in Carlsberg's shares during a four-week period after the publication of financial statements.

Investor relations

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

As part of its investor relations work, Carlsberg maintains an active dialogue with equity and credit analysts, and with existing and potential shareholders, including domestic and international institutional investors as well as private investors. The Group's Investor Relations department handles day-to-day contact with analysts and investors. As part of the ongoing IR activities, in 2012 Carlsberg held investor and analyst meetings in a number of cities across Europe, North America and Asia.

FINANCIAL CALENDAR 2013

21 March Annual General Meeting

Quarterly financial statements

7 May Interim results – Q1

21 August Interim results – Q2

13 November Interim results – Q3

SHAREHOLDERS (FREE FLOAT)

%	End-2012	End-2011	End-2010
DK	21	22	22
USA	28	29	30
UK	22	20	18
Other	29	29	30

Carlsberg's investor website includes both current and historical information about the Company and its shares and bonds, including company announcements, share prices, investor presentations, webcasts and transcripts, financial calendar, quarterly financial statements, historical financial data and annual reports. A free service allows subscribers to receive instant e-mail alerts when Carlsberg publishes new information. In addition, in 2012 we launched an iPad app featuring latest news, financial and annual reports, financial presentations and magazines.

A total of 38 analysts had initiated coverage of Carlsberg at the end of 2012, 10 of them based in Denmark. A list of analysts covering Carlsberg, their recommendations and consensus estimates can also be found on the investor website.

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

Registration and share register

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

Carlsberg's share register is managed by VP Securities A/S, Weidekampsgade 14, 2300 Copenhagen S, Denmark.

Contact Investor Relations

VP Peter Kondrup +45 3327 1221
Director Iben Steiness +45 3327 1232
investor@carlsberg.com

SHARE PRICE 2012

(DKK per share, Carlsberg B)

COMPANY ANNOUNCEMENTS

20.02.2012	Financial statement as at 31 December 2011
27.02.2012	Carlsberg Group looks to strengthen and diversify Supervisory Board with three new appointments
28.02.2012	Notice to convene the Annual General Meeting
28.02.2012	Annual Report 2011
06.03.2012	Clarification as to Carlsberg's statement of intention to delist Baltika as soon as possible
22.03.2012	Carlsberg A/S – Annual General Meeting – Summary
04.04.2012	Delisting of Baltika Breweries
12.04.2012	Consortium established to develop Copenhagen brewery site
09.05.2012	Financial statement as at 31 March 2012
15.05.2012	Voluntary offer to minority shareholders in Baltika Breweries submitted to Russian authorities
31.05.2012	Voluntary offer to minority shareholders of Baltika Breweries
26.06.2012	Carlsberg issues 7-year EUR Notes
17.07.2012	MICEX approves delisting of Baltika Breweries
15.08.2012	Financial statement as at 30 June 2012
21.08.2012	Ownership of Baltika Breweries increased to 96.77%
17.09.2012	Compulsory purchase of outstanding shares in Baltika Breweries initiated
07.11.2012	Interim results as at 30 September 2012
08.11.2012	Successful placement of two notes
14.11.2012	Carlsberg Group increases its ownership in Chinese joint venture
29.11.2012	Full ownership of Baltika Breweries

SHARE INFORMATION

Share class	A	B	Total
Number of shares	33,699,252	118,857,554	152,556,886
Carlsberg Foundation	32,667,796	13,596,176	46,263,972
Votes per share	20	2	
Par value	DKK 20	DKK 20	
ISIN	DK001018167-6	DK001018175-9	
Bloomberg	CARLA DC	CARLB DC	
Reuters	CARCa.CO	CARCb.CO	
Share price at year-end	DKK 580.0	DKK 554.0	
Proposed dividend per share	DKK 6.0	DKK 6.0	

FINANCIAL REVIEW

Income statement
The Group generated total net revenue of DKK 67,201m, an increase of 6% compared with 2011. Gross profit amounted to DKK 33,370m, up 5% on 2011. The gross profit margin declined 30bp to 49.7%.

Sales and distribution expenses increased by DKK 1,162m to DKK 19,645m. The increase was due to several factors, including higher logistics costs in Eastern Europe and increased trade marketing investments in Russia. Administrative expenses were DKK 4,185m (DKK 3,903m in 2011) and other operating income, net, was DKK 145m (DKK 249m in 2011). The Group's share of profit after tax in associates was DKK 108m (DKK 180m in 2011).

The development in operating profit is further elaborated in the CEO statement on pages 7-10.

Net special items (pre-tax) amounted to DKK 85m against DKK -268m in 2011. The main items impacting special items were the sale of the Copenhagen brewery site (DKK 1.7bn), impairment of Vena Brewery, production and sales equipment in Russia (DKK -589m), impairment and restructuring of our business in Uzbekistan (DKK -290m), restructuring in Norway (DKK -262m) and restructuring of the Nordic Getränke joint venture in Germany (DKK -118m). Generally, special items include costs in connection with the restructuring measures implemented across the Group.

Net financial costs declined to DKK -1,772m against DKK -2,018m in 2011. Net interest costs were DKK -1,560m (2011: DKK 1,744m) due to lower average funding costs coming from lower short-term interest rates and the maturity of a GBP 250m bond in December 2011. Other net financial items decreased to DKK -212m (2011: DKK -274m), primarily due to currency and fair value adjustments.

Tax totalled DKK -1,861m against DKK -1,838m in 2011. The reported tax rate was 23% versus 24% in 2011 impacted by non-taxed gains within special items.

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

Carlsberg's share of net profit was DKK 5,607m versus DKK 5,149m in 2011. Adjusted net profit (adjusted for post-tax impact of special items) was DKK 5,504m (2011: DKK 5,203m), corresponding to 6% growth.

Statement of financial position
At 31 December 2012, Carlsberg had total assets of DKK 154.0bn against DKK 147.7bn at 31 December 2011.

Assets
Intangible assets increased to DKK 91.2bn against DKK 89.0bn at 31 December 2011, driven by currency impact from Russia.

Property, plant and equipment increased to DKK 32.0bn against DKK 31.8bn at 31 December 2011, mainly due to investments being on a par with depreciation, an exchange rate difference of DKK 0.7bn and impairment of DKK -0.9bn, mainly related to activities in Russia and Norway.

Financial assets increased to DKK 9.6bn against DKK 8.0bn at 31 December 2011. The increase was largely related to investments in the 48.58% shareholding in Chongqing Jianiang Brewery Co. Ltd. In China and the 25% shareholding in the consortium developing the Copenhagen brewery site.

Current assets increased to DKK 21.1bn against DKK 18.2bn at 31 December 2011. The increase was primarily related to cash.

Liabilities
Total equity increased to DKK 73.7bn versus DKK 71.6bn at 31 December 2011. DKK 70.3bn can be attributed to shareholders in Carlsberg A/S and DKK 3.4bn to non-controlling interests.

The increase in equity of DKK 2.0bn was mainly due to profit for the period of DKK 6.2bn and foreign exchange gains of DKK 1.9bn. Payment of dividends to shareholders amounted to DKK -1.1bn, actuarial losses to DKK -0.7bn and acquisition of non-controlling interests to DKK -4.6bn, mainly related to the acquisition of minority shares in Baltika Breweries.

Liabilities increased to DKK 80.3bn against DKK 76.1bn at 31 December 2011. The increase was in both current and non-current liabilities.

Non-current liabilities increased to DKK 52.8bn (DKK 49.5bn at 31 December 2011), principally due to higher borrowings related to increased financial investments in associated entities and non-controlling interests.

Current liabilities increased to DKK 27.5bn (DKK 25.7bn at 31 December 2011) due to a DKK 1.9bn bond that matures February 2013 and thus became a current liability, and an increase in trade payables of DKK 0.8bn as a result of our continued focus on reducing average trade working capital.

SEGMENT REPORTING BY QUARTER

DKK million	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Net revenue								
Western Europe	7,311	10,824	10,029	8,715	7,524	10,667	10,361	9,175
Eastern Europe	3,569	6,188	5,578	4,384	3,050	6,515	6,029	4,642
Asia	1,610	1,688	1,805	1,735	2,261	2,379	2,389	2,085
Not allocated	38	40	28	19	39	24	31	30
Beverages, total	12,528	18,740	17,440	14,853	12,874	19,585	18,810	15,932
Other activities	-	-	-	-	-	-	-	-
Total	12,528	18,740	17,440	14,853	12,874	19,585	18,810	15,932
Operating profit before special items								
Western Europe	433	2,031	1,789	1,166	477	1,799	1,807	1,038
Eastern Europe	490	1,677	1,315	804	19	1,509	1,600	1,174
Asia	300	314	389	283	433	431	502	319
Not allocated	-246	-302	-180	-386	-332	-238	-286	-343
Beverages, total	977	3,720	3,313	1,867	597	3,501	3,623	2,188
Other activities	26	-25	-29	-33	-23	-30	-27	-36
Total	1,003	3,695	3,284	1,834	574	3,471	3,596	2,152
Special items, net	-81	-104	991	-1,074	-48	1,445	-6	-1,306
Financial items, net	-569	-615	-344	-490	-467	-411	-442	-452
Profit before tax	353	2,976	3,931	270	59	4,505	3,148	394
Corporation tax	-92	-740	-734	-272	-15	-974	-787	-85
Consolidated profit	261	2,236	3,197	-2	44	3,531	2,361	309
Attributable to:								
Non-controlling interests	88	181	191	83	120	176	225	117
Shareholders in Carlsberg A/S	173	2,055	3,006	-85	-76	3,355	2,136	192

Cash flow

Operating profit before depreciation and amortisation was DKK 13,812m (DKK 13,600m in 2011).

The change in trade working capital was DKK 852m (DKK -571m in 2011). Average trade working capital to net revenue was 1.0% at the end of 2012 versus 1.9% at the end of 2011.

Paid net interest etc. amounted to DKK -1,996m (DKK -2,070m in 2011).

Cash flow from operating activities was DKK 9,871m against DKK 8,813m in 2011. The 12% increase was driven by improved trade working capital.

Cash flow from investing activities was DKK -3,974m against DKK -4,883m in 2011. Cash flow from investing activities was positively impacted by DKK 1.9bn related to the proceeds from the sale of the Copenhagen brewery site. Total operational investments of DKK -5.1bn were above 2011 (DKK -4.6bn in 2011) and primarily included sales investments and capacity expansion in Asia. Total financial investments of DKK -791m (DKK -311m in 2011) were mainly related to the acquisition of associates, including the establishment of the Chongqing Jianiang Brewery Co. Ltd. joint venture and the subsequent acquisition of an additional 18.58% shareholding.

Free cash flow was DKK 5,897m against DKK 3,930m for 2011.

Financing

At 31 December 2012, gross interest-bearing debt amounted to DKK 40.1bn and net interest-bearing debt amounted to DKK 32.5bn. The difference of DKK 7.6bn was other interest-bearing assets, including DKK 5.8bn in cash and cash equivalents. Net interest-bearing debt was impacted by DKK 4.9bn from acquisition of non-controlling interests, mainly related to the increased shareholding in Baltika Breweries.

Of the gross interest-bearing debt, 92% (DKK 36.7bn) was long term, i.e. with maturity after more than one year. The net interest-bearing debt consisted primarily of facilities in EUR and approximately 86% was at fixed interest (fixed-interest period exceeding one year).

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

→ Current and historical financial data are available for download at www.carlsberggroup.com/investor/financials


Kronenbourg
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POUR OUVRIR
Aldaris
OKOCIM
SOMERSBY
APPLE
GRANATAPFEL-HOLUNDER
GRENADE-SUREAU
БАЛТИКА · ПИВОВАРЕННАЯ КОМПАНИЯ
TUBORG
SIDEN
TUBORG
1880
PILSNER
KOFF
EXTRA BREW
1819
БАЛТИКА
2
СВЕТЛОЕ
Cheers
西夏騎士
KARMI
SKOL

FINANCIAL STATEMENTS

We have very attractive businesses in the growth markets in Indochina with no. 1 positions in Laos and Cambodia and a solid no. 2 position in Vietnam. Our growth in market share in all three markets in 2012 was driven by our strong local power brands.

CARLSBERG GROUP

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Income statement

DKK million	Note	2012	2011
Revenue		93,100	86,555
Excise duties on beer and soft drinks etc.		-25,899	-22,994
Net revenue		**67,201**	**63,561**
Cost of sales	3	-33,831	-31,788
Gross profit		**33,370**	**31,773**
Sales and distribution expenses	4	-19,645	-18,483
Administrative expenses	5	-4,185	-3,903
Other operating income	6	589	671
Other operating expenses	6	-444	-422
Share of profit after tax, associates	17	108	180
Operating profit before special items		**9,793**	**9,816**
Special items, net	7	85	-268
Financial income	8	900	630
Financial expenses	8	-2,672	-2,648
Profit before tax		**8,106**	**7,530**
Corporation tax	9	-1,861	-1,838
Consolidated profit		**6,245**	**5,692**
Attributable to:			
Non-controlling interests	10	638	543
Shareholders in Carlsberg A/S		5,607	5,149

DKK			
Earnings per share	11		
Basic earnings per share		36.8	33.8
Diluted earnings per share		36.7	33.7

Statement of comprehensive income

DKK million	Note	2012	2011
Profit for the year		**6,245**	**5,692**
Other comprehensive income:			
Foreign exchange adjustments of foreign entities	8	1,904	-1,839
Value adjustments of hedging instruments	8, 35, 36	111	-12
Retirement benefit obligations	25	-741	-1,093
Share of other comprehensive income in associates	17	4	3
Effect of hyperinflation	8	75	175
Other		-2	-26
Corporation tax	9	88	314
Other comprehensive income		**1,439**	**-2,478**
Total comprehensive income		**7,684**	**3,214**
Attributable to:			
Non-controlling interests		582	639
Shareholders in Carlsberg A/S		7,102	2,575

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

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

Statement of financial position

ASSETS

DKK million	Note	31 Dec. 2012	31 Dec. 2011
Non-current assets:			
Intangible assets	14, 15	91,216	89,041
Property, plant and equipment	15, 16	31,991	31,848
Investments in associates	17	6,241	5,051
Securities	18	133	134
Receivables	19	2,075	1,650
Deferred tax assets	26	1,170	1,199
Retirement benefit plan assets	25	4	5
Total non-current assets		**132,830**	**128,928**
Current assets:			
Inventories	20	4,541	4,350
Trade receivables	19	7,828	7,855
Tax receivables		60	129
Other receivables	19	2,045	1,846
Prepayments		853	867
Securities	18	21	24
Cash and cash equivalents	21	5,760	3,145
Total current assets		**21,108**	**18,216**
Assets held for sale	22	27	570
Total assets		**153,965**	**147,714**

EQUITY AND LIABILITIES

DKK million	Note	31 Dec. 2012	31 Dec. 2011
Equity:			
Share capital	23	3,051	3,051
Reserves		-6,476	-8,740
Retained earnings		73,686	71,555
Equity, shareholders in Carlsberg A/S		70,261	65,866
Non-controlling interests		3,389	5,763
Total equity		**73,650**	**71,629**
Non-current liabilities:			
Borrowings	24	36,706	34,364
Retirement benefit obligations and similar obligations	25	3,961	3,263
Deferred tax liabilities	26	9,682	9,652
Provisions	27	1,230	1,001
Other liabilities	28	1,201	1,262
Total non-current liabilities		**52,780**	**49,542**
Current liabilities:			
Borrowings	24	3,352	1,875
Trade payables		11,862	11,021
Deposits on returnable packaging		1,381	1,291
Provisions	27	619	511
Corporation tax		537	527
Other liabilities etc.	28	9,766	10,490
Total current liabilities		**27,517**	**25,715**
Liabilities associated with assets held for sale	22	18	828
Total liabilities		**80,315**	**76,085**
Total equity and liabilities		**153,965**	**147,714**

Statement of changes in equity

									2012
	Shareholders in Carlsberg A/S								
DKK million	Share capital	Currency translation	Hedging reserves	Available-for-sale investments	Total reserves	Retained earnings	Equity, shareholders in Carlsberg A/S	Non-controlling interests	Total equity
Equity at 1 January 2012	3,051	-7,728	-1,159	147	-8,740	71,555	65,866	5,763	71,629
Profit for the year	-	-	-	-	-	5,607	5,607	638	6,245
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	-	-	-	-	-	-729	-729	-12	-741
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	-42	88	-	88
Other comprehensive income	**-**	**1,863**	**401**	**-**	**2,264**	**-769**	**1,495**	**-56**	**1,439**
Total comprehensive income for the year	**-**	**1,863**	**401**	**-**	**2,264**	**4,838**	**7,102**	**582**	**7,684**
Acquisition/disposal of treasury shares	-	-	-	-	-	12	12	-	12
Exercise of share options	-	-	-	-	-	-37	-37	-	-37
Share-based payment	-	-	-	-	-	54	54	-	54
Dividends paid to shareholders	-	-	-	-	-	-839	-839	-282	-1,121
Acquisition of non-controlling interest	-	-	-	-	-	-1,897	-1,897	-2,674	-4,571
Total changes in equity	**-**	**1,863**	**401**	**-**	**2,264**	**2,131**	**4,395**	**-2,374**	**2,021**
Equity at 31 December 2012	**3,051**	**-5,865**	**-758**	**147**	**-6,476**	**73,686**	**70,261**	**3,389**	**73,650**

2011

DKK million	Shareholders in Carlsberg A/S: Share capital	Currency translation	Hedging reserves	Available-for-sale investments	Total reserves	Retained earnings	Equity, shareholders in Carlsberg A/S	Non-controlling interests	Total equity
Equity at 1 January 2011	3,051	-6,049	-1,154	147	-7,056	68,253	64,248	5,381	69,629
Profit for the year	-	-	-	-	-	5,149	5,149	543	5,692
Other comprehensive income:									
Foreign exchange adjustments of foreign entities	-	-1,941	-	-	-1,941	-	-1,941	102	-1,839
Value adjustments of hedging instruments	-	-20	8	-	-12	-	-12	-	-12
Retirement benefit obligations	-	-	-	-	-	-1,079	-1,079	-14	-1,093
Share of other comprehensive income in associates	-	-	-	-	-	3	3	-	3
Effect of hyperinflation	-	166	-	-	166	-	166	9	175
Other	-	-	-	-	-	-25	-25	-1	-26
Corporation tax	-	116	-13	-	103	211	314	-	314
Other comprehensive income	**-**	**-1,679**	**-5**	**-**	**-1,684**	**-890**	**-2,574**	**96**	**-2,478**
Total comprehensive income for the year	**-**	**-1,679**	**-5**	**-**	**-1,684**	**4,259**	**2,575**	**639**	**3,214**
Acquisition/disposal of treasury shares	-	-	-	-	-	-3	-3	-	-3
Exercise of share options	-	-	-	-	-	-46	-46	-	-46
Share-based payment	-	-	-	-	-	-1	-1	-	-1
Share buy-back	-	-	-	-	-	-	-	-417	-417
Dividends paid to shareholders	-	-	-	-	-	-763	-763	-121	-884
Acquisition of non-controlling interests	-	-	-	-	-	-176	-176	-1,353	-1,529
Effect of hyperinflation	-	-	-	-	-	32	32	2	34
Acquisition of entities	-	-	-	-	-	-	-	1,632	1,632
Total changes in equity	**-**	**-1,679**	**-5**	**-**	**-1,684**	**3,302**	**1,618**	**382**	**2,000**
Equity at 31 December 2011	**3,051**	**-7,728**	**-1,159**	**147**	**-8,740**	**71,555**	**65,866**	**5,763**	**71,629**

The proposed dividend of DKK 6.00 per share, in total DKK 915m (2011: DKK 5.50 per share, in total DKK 839m), is included in retained earnings at 31 December 2012. Dividends paid out in 2012 for 2011 amount to DKK 839m (paid out in 2011 for 2010: DKK 763m), which is DKK 5.50 per share (2011: DKK 5.00 per share). Dividends paid out to shareholders of Carlsberg A/S do not impact taxable income in Carlsberg A/S.

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

Statement of cash flows

DKK million	Note	2012	2011
Operating profit before special items		9,793	9,816
Adjustment for depreciation and amortisation		3,991	3,780
Adjustment for impairment losses[1]		28	4
Operating profit before depreciation, amortisation and impairment losses		**13,812**	**13,600**
Adjustment for other non-cash items	29	334	315
Change in trade working capital	29	852	-571
Change in other working capital	29	-523	-421
Restructuring costs paid		-324	-448
Interest etc. received		354	218
Interest etc. paid		-2,350	-2,288
Corporation tax paid		-2,284	-1,592
Cash flow from operating activities		**9,871**	**8,813**
Acquisition of property, plant and equipment and intangible assets		-5,067	-4,329
Disposal of property, plant and equipment and intangible assets		440	276
Change in trade loans	29	-447	-518
Total operational investments		**-5,074**	**-4,571**
Free operating cash flow		**4,797**	**4,242**
Acquisition and disposal of entities, net	30	-27	-260
Acquisitions of associates		-825	-75
Disposals of associates		3	15
Acquisition of financial assets		-39	-9
Disposal of financial assets		25	7
Change in financial receivables	29	-28	-47
Dividends received		100	58
Total financial investments		**-791**	**-311**
Other investments in property, plant and equipment		-6	-36
Disposal of other property, plant and equipment		1,897	35
Total other activities[2]		**1,891**	**-1**
Cash flow from investing activities		**-3,974**	**-4,883**
Free cash flow		**5,897**	**3,930**
Shareholders in Carlsberg A/S	29	-864	-812
Non-controlling interests	29	-5,198	-1,876
External financing	29	2,473	-1,003
Cash flow from financing activities		**-3,589**	**-3,691**
Net cash flow		**2,308**	**239**
Cash and cash equivalents at 1 January[3]		2,835	2,601
Foreign exchange adjustment of cash and cash equivalents		-84	-5
Cash and cash equivalents at 31 December[3]	21	**5,059**	**2,835**

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

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

[3] Cash and cash equivalents less bank overdrafts.

Notes

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The Group's accounting policies are described in detail in note 42 to the consolidated financial statements.

Estimation uncertainty

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

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

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

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

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

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

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

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

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

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

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

Impairment testing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment

Intangible assets with finite useful life and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

losses. Amortisation and depreciation are recognised on a straight-line basis over the expected useful lives, taking into account any residual value. The expected useful lives and residual values are determined based on past experience and expectations of the future use of the assets. Reassessment of the expected future use is as a minimum made in connection with an evaluation of changes in production structure, restructuring and brewery closures. The expected future use and residual values may not be realised, which will require reassessment of useful lives and residual values and recognition of impairment losses or losses on disposal of non-current assets. The amortisation and depreciation periods used are described in the accounting policies in note 42 and the value of non-current assets is specified in notes 14 and 16.

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

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

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

Receivables
Receivables are measured at amortised cost less impairment.

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

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

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

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

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

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

Provisions and contingencies
Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or probable lawsuits etc. on an on-going basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents. In connection with large restructurings, management assesses the timing of costs to be incurred, which influences the classification as current or non-current liabilities respectively. Provision for losses on onerous procurement contracts is based on agreed terms with the supplier and expected fulfilment of the contract based on the current estimate of volumes and use of raw materials. Warranty provisions are based on the substance of the agreements entered into, including the guarantees issued covering customers in the on-trade. Provisions are disclosed in note 27 and contingent liabilities in note 38.

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

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

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

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

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

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

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

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

Recognition of real estate projects
When entering into contracts, management makes judgements as to whether the individual real estate project is sufficiently modified for the percentage of completion method to apply. During 2012 and 2011 all projects

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

were accounted for using the sales method, under which gains on disposal of real estate are recognised when the real estate is transferred to the buyer. The selling price of real estate projects less production costs is recognised under other operating income.

Following the disposal of the Copenhagen brewery site this assessment is made in cooperation with the management of the consortium owning the site, in which the Group has a 25% shareholding.

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

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

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

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

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

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

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

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

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

NOTE 2 SEGMENT INFORMATION

The Group's activities are segmented on the basis of geographical regions in accordance with the management reporting structure for 2012.

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

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

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

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

							2012
DKK million	Western Europe	Eastern Europe	Asia	Not allocated	Beverages, total	Non-beverage	Carlsberg Group, total
Income statement:							
Net revenue	37,672	20,222	9,114	193	67,201	-	67,201
Intra-segment revenue	55	14	-	-69	-	-	-
Total net revenue	**37,727**	**20,236**	**9,114**	**124**	**67,201**	**-**	**67,201**
Share of profit after tax, associates	4	4	104	-	112	-4	108
Operating profit before special items	**5,121**	**4,302**	**1,685**	**-1,199**	**9,909**	**-116**	**9,793**
Special items, net					-1,812	1,897	85
Financial items, net					-1,735	-37	-1,772
Profit before tax					**6,362**	**1,744**	**8,106**
Corporation tax					-1,529	-332	-1,861
Consolidated profit					**4,833**	**1,412**	**6,245**
Operating margin	13.6%	21.3%	18.5%		14.7%		14.6%

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

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

DKK million							
Other segment items:							
Total assets	52,061	77,698	21,818	-9,629	141,948	12,017	153,965
Assets held for sale	27	-	-	-	27	-	27
Invested capital, cf. note 32	28,002	67,194	17,075	-3,175	109,096	12,371	121,467
Acquisition of property, plant and equipment and intangible assets	2,114	1,233	1,339	374	5,060	13	5,073
Depreciation and amortisation	1,835	1,582	508	55	3,980	11	3,991
Impairment losses	316	679	-	-	995	-	995

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

NOTE 2 SEGMENT INFORMATION – CONTINUED

							2011
DKK million	Western Europe	Eastern Europe	Asia	Not allocated	Beverages, total	Non-beverage	Carlsberg Group, total
Income statement:							
Net revenue	36,840	19,702	6,838	181	63,561	-	63,561
Intra-segment revenue	39	17	-	-56	-	-	-
Total net revenue	**36,879**	**19,719**	**6,838**	**125**	**63,561**	**-**	**63,561**
Share of profit after tax, associates	42	5	127	-	174	6	180
Operating profit before special items	**5,419**	**4,286**	**1,286**	**-1,114**	**9,877**	**-61**	**9,816**
Special items, net					605	-873	-268
Financial items, net					-1,908	-110	-2,018
Profit before tax					**8,574**	**-1,044**	**7,530**
Corporation tax					-2,156	318	-1,838
Consolidated profit					**6,418**	**-726**	**5,692**
Operating margin	14.7%	21.7%	18.8%		15.5%		15.4%

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

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

In 2011, special items were affected by an intra-Group sale between a company within the beverage activity and a company within other activities, which is eliminated at Group level.

DKK million							
Other segment items:							
Total assets	52,113	76,703	20,388	-13,009	136,195	11,519	147,714
Assets held for sale	235	-	-	-	235	335	570
Invested capital, cf. note 32	27,754	65,285	15,631	-2,678	105,992	12,204	118,196
Acquisition of property, plant and equipment and intangible assets	1,946	1,153	889	332	4,320	45	4,365
Depreciation and amortisation	1,884	1,467	356	55	3,762	18	3,780
Impairment losses	379	750	-	250	1,379	-	1,379

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

Information on geographical allocation of net revenue and non-current assets	Net revenue 2012	Net revenue 2011	Non-current assets 2012	Non-current assets 2011
Denmark (Carlsberg A/S's domicile)	4,572	4,722	2,053	2,086
Russia	16,520	16,070	62,397	60,945
Other countries	46,109	42,769	66,622	64,194
Total	**67,201**	**63,561**	**131,072**	**127,225**

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.

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

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

NOTE 3 COST OF SALES

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

NOTE 4 SALES AND DISTRIBUTION EXPENSES

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

NOTE 5 FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

DKK million	2012	2011
KPMG:		
Statutory audit	25	27
Assurance engagements	-	-
Tax advisory	3	4
Other services	14	3

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

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

NOTE 6 OTHER OPERATING INCOME AND EXPENSES

DKK million	2012	2011
Other operating income:		
Gains on disposal of real estate and assets classified as held for sale under other activities	-	68
Gains on disposal of property, plant and equipment and intangible assets within beverage activities	157	123
Interest and amortisation of on-trade loans	91	102
Rental income, real estate	71	79
Funding and grants received for research and development activities	15	15
Income from grants and subsidies	38	47
Other	217	237
Total	**589**	**671**
Other operating expenses:		
Loss on disposal of property, plant and equipment and intangible assets within beverage activities	-45	-56
Losses and write-downs on on-trade loans	-55	-1
Real estate costs	-93	-137
Expenses relating to research centres	-147	-162
Other	-104	-66
Total	**-444**	**-422**
Of which is staff costs, cf. note 12	-64	-83

Funding and grants received for research and development activities include funding from the Carlsberg Foundation of DKK 15m (2011: DKK 15m) for the operation of the Carlsberg Laboratory.

NOTE 7 SPECIAL ITEMS

DKK million	2012	2011
Special items, income:		
Gain on disposal of entities and adjustments to gain in prior year	107	64
Gain on disposal of the Copenhagen brewery site	1,719	-
Revaluation gain on step acquisition of entities	-	1,300
Other restructuring income etc., other entities	-	40
Income total	**1,826**	**1,404**
Special items, cost:		
Impairment of trademarks	-	-450
Impairment and restructuring of Carlsberg Uzbekistan	-290	-300
Impairment of Nordic Getränke GmbH, Germany	-118	-260
Impairment of the business standardisation project	-	-250
Impairment of Vena Brewery, production and sales equipment in connection with restructuring, Baltika Breweries, Russia	-589	-
Impairments of other non-current assets	-93	-31
Restructuring of Carlsberg Sverige (2011: Impairment of non-current assets in connection with change of production structure)	-76	-47
Restructuring of Ringnes AS, Norway	-262	-
Termination benefits and impairment of non-current assets in connection with restructuring at Carlsberg Deutschland	-37	-94
Impairment and restructuring in relation to optimisation of packaging standardisation in Western Europe	-	-36
Termination benefits in connection with restructuring in central headquarter functions	-10	-76
Restructuring of Leeds Brewery, Carlsberg UK	-4	-57
Termination benefits in connection with restructuring of sales force, logistics and administration, Carlsberg UK	-	-16
Termination benefits and impairment of non-current assets in connection with new administration structure at Brasseries Kronenbourg, France	-76	-32
Termination benefits etc., Carlsberg Italia	-16	-10
Termination benefits etc. in connection with Operational Excellence Programmes	-86	-57
Loss on sale of Sorex, France	-	-86
Provision for onerous malt contracts, including reversal of unused provision from previous year	-	150
Costs in relation to acquisition of Hue Brewery Ltd., Vietnam	-	-14
Other restructuring costs etc., other entities	-84	-6
Cost total	**-1,741**	**-1,672**
Special items, net	**85**	**-268**
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Cost of sales	-1,366	-858
Sales and distribution expenses	-83	-5
Administrative expenses	-67	-372
Other operating income	1,719	1,404
Other operating expenses	-	-86
Share of profit after tax in associates	-118	-260
	85	-177
Impairment of goodwill	-	-91
Special items, net	**85**	**-268**

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

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

Special items, income, amounted to DKK 1,826m (2011: DKK 1,404m) and relate to gain on disposal of the Copenhagen brewery site and adjustment of gains and losses on disposal of entities in prior years.

Special items, costs, amounted to DKK -1,741m (2011: DKK -1,672m).

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

NOTE 8 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial items recognised in the income statement

DKK million	2012	2011
Financial income:		
Interest income	345	191
Dividends from securities	4	10
Fair value adjustments of financial instruments, net, cf. note 36	189	-
Foreign exchange gains, net	-	54
Realised gains on disposal of associates and securities	16	-
Expected return on plan assets, defined benefit plans	323	327
Other financial income	23	48
Total	**900**	**630**

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

DKK million	2012	2011
Financial expenses:		
Interest expenses	-1,905	-1,935
Fair value adjustments of financial instruments, net, cf. note 36	-	-72
Foreign exchange losses, net	-172	-
Realised losses on disposal of securities	-22	-1
Impairment of financial assets	-3	-6
Interest cost on obligations, defined benefit plans	-381	-376
Effect of hyperinflation	-9	-59
Other financial expenses	-180	-199
Total	**-2,672**	**-2,648**
Financial items, net, recognised in the income statement	**-1,772**	**-2,018**

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

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

Financial items recognised in other comprehensive income

DKK million	2012	2011
Foreign exchange adjustments of foreign entities:		
Foreign currency translation of foreign entities	1,904	-1,837
Recycling to income statement of cumulative translation differences related to foreign operations acquired in step acquisitions/disposed of during the year	-	-2
Effect of hyperinflation	75	175
Total	**1,979**	**-1,664**
Value adjustments of hedging instruments:		
Change in fair value of effective portion of cash flow hedges	-295	-496
Change in fair value of cash flow hedges transferred to the income statement	622	504
Change in fair value of net investment hedges	-216	-20
Total	**111**	**-12**
Financial items, net, recognised in other comprehensive income	**2,090**	**-1,676**
Financial items, net, recognised in statement of comprehensive income	**318**	**-3,694**

Of the net change in fair value of cash flow hedges transferred to the income statement DKK 266m (2011: DKK 99m) is included in cost of sales and DKK 356m (2011: DKK 405m) is included in financial items.

NOTE 9 CORPORATION TAX

DKK million	2012 Total comprehensive income	2012 Other comprehensive income	2012 Income statement	2011 Total comprehensive income	2011 Other comprehensive income	2011 Income statement
Tax for the year can be specified as follows:						
Current tax	1,742	-189	1,553	1,917	-9	1,908
Change in deferred tax during the year	149	194	343	-318	204	-114
Change in deferred tax from change in tax rate	27	-	27	-15	-	-15
Adjustments to tax for previous years	-145	83	-62	-60	119	59
Total	**1,773**	**88**	**1,861**	**1,524**	**314**	**1,838**

	2012 %	2012 DKK million	2011 %	2011 DKK million
Reconciliation of the effective tax rate for the year:				
Nominal weighted tax rate for the Carlsberg Group	21.4%	1,737	22.3%	1,678
Change in tax rate	0.3%	27	-0.2%	-15
Adjustments to tax for previous years	-0.8%	-62	0.7%	59
Non-capitalised tax assets, net movements	-1.0%	-84	3.5%	264
Non-taxable income	-0.3%	-26	-1.5%	-115
Non-deductible expenses	2.8%	226	2.6%	194
Tax incentives etc.	-1.3%	-109	-1.6%	-119
Special items	-1.1%	-90	-2.1%	-160
Withholding taxes	3.3%	269	1.1%	86
Other and tax in associates	-0.3%	-27	-0.4%	-34
Effective tax rate for the year	**23.0%**	**1,861**	**24.4%**	**1,838**

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

Tax recognised in other comprehensive income:

DKK million	2012 Recognised item before tax	2012 Tax expense/ benefit	2012 Net of tax	2011 Recognised item before tax	2011 Tax expense/ benefit	2011 Net of tax
Foreign exchange adjustments	1,904	-	1,904	-1,839	-	-1,839
Hedging instruments	111	133	244	-12	103	91
Retirement benefit obligations	-741	131	-610	-1,093	208	-885
Share of other comprehensive income in associates	4	-	4	3	-	3
Effect of hyperinflation	75	-	75	175	-	175
Other	-2	-176	-178	-26	3	-23
Total	**1,351**	**88**	**1,439**	**-2,792**	**314**	**-2,478**

An interest ceiling maximises the tax deduction accumulated for fair value adjustments of hedging instruments recognised in other comprehensive income. Therefore tax on such adjustments fluctuates between the years.

DKK million	2012	2011
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	364	192
Deferred tax from change in tax rate	27	-15
Intangible assets and property, plant and equipment etc.	-21	-306
Change in deferred tax recognised in the income statement	**370**	**-129**

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

NOTE 10 NON-CONTROLLING INTERESTS

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

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

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

NOTE 11 EARNINGS PER SHARE

DKK	2012	2011
Basic earnings per share of DKK 20 (EPS)	36.8	33.8
Diluted earnings per share of DKK 20 (EPS-D)	36.7	33.7

1,000 shares		
Average number of shares	152,557	152,557
Average number of treasury shares	-14	-19
Average number of shares outstanding	152,543	152,538
Average dilutive effect of outstanding share options	326	299
Diluted average number of shares outstanding	**152,869**	**152,837**

Diluted earnings per share exclude 353,744 share options (2011: 222,244) which do not have a dilutive effect as the total of the exercise price and the fair value of the options at the grant date is higher than the average market price of the Carlsberg B share in the year. These share options could potentially dilute earnings in the future.

DKK million		
Consolidated profit	6,245	5,692
Non-controlling interests	-638	-543
Profit attributable to shareholders in Carlsberg A/S	**5,607**	**5,149**

NOTE 12 STAFF COSTS AND REMUNERATION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

DKK million	2012	2011
Salaries and other remuneration	7,998	8,942
Severance pay	351	192
Social security costs	1,241	1,220
Retirement benefit costs – defined contribution plans	197	196
Retirement benefit costs – defined benefit plans	113	73
Share-based payment	54	-1
Other employee benefits	304	218
Total	**10,258**	**10,840**
Staff costs are included in the following items in the income statement:		
Cost of sales	2,830	2,652
Sales and distribution expenses	5,068	5,872
Administrative expenses	1,998	2,053
Other operating expenses	64	83
Special items (restructurings)	298	180
Total	**10,258**	**10,840**

The Group had an average of 41,708 (2011: 42,670) full-time employees during the year.

	Jørgen Buhl Rasmussen			Jørn P. Jensen			Key management personnel	
DKK million	2012	2011	2010	2012	2011	2010	2012	2011
Remuneration of the Executive Board and key management personnel:								
Fixed salary	10.5	10.5	10.5	9.1	9.1	9.1	50.5	52.1
Cash bonus	6.3	-	6.3	5.5	-	5.5	21.3	22.1
Non-monetary benefits	0.3	0.3	0.3	0.3	0.2	0.2	5.5	3.4
Share-based payment	5.7	4.0	3.5	5.4	4.0	3.5	11.2	4.2
Total	**22.8**	**14.8**	**20.6**	**20.3**	**13.3**	**18.3**	**88.5**	**81.8**

Executive Board share options:

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

NOTE 12 STAFF COSTS AND REMUNERATION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD – CONTINUED

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

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

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

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

DKK million	2012	2011
Remuneration of the Supervisory Board:		
Flemming Besenbacher (Chairman of the Supervisory Board and of the Nomination Committee)	1.08	0.40
Povl Krogsgaard-Larsen (former Chairman of the Supervisory Board and of the Nomination Committee)	0.33	1.30
Jess Søderberg (Deputy Chairman, Chairman of the Audit Committee)	1.20	1.20
Richard Burrows (Chairman of the Remuneration Committee)	0.75	0.75
Donna Cordner	0.30	0.00
Elisabeth Fleuriot	0.30	0.00
Kees van der Graaf	0.70	0.70
Niels Kærgård	0.40	0.40
Søren-Peter Fuchs Olesen	0.30	-
Lars Stemmerik	0.40	0.40
Per Øhrgaard	0.40	0.40
Hans Andersen	0.40	0.40
Thomas Knudsen	0.40	0.05
Bent Ole Petersen	0.40	0.40
Peter Petersen	0.40	0.40
Ulf Olsson	-	0.40
Total	**7.76**	**7.20**

The Supervisory Board of Carlsberg A/S receives remuneration for duties performed in the Company and some subsidiaries. The remuneration is a fixed annual base amount of DKK 400,000. The Chairman receives double the base fee and the Deputy Chairman receives one-and-a-half times the base fee. Members of board committees receive an additional annual fee per committee of 38% of the base fee. The Chairman of the Audit Committee receives an additional annual fee of 75% of the base fee, and the Chairman of the Remuneration Committee and the Chairman of the Nomination Committee each receive an additional annual fee of 50% of the base fee. The Supervisory Board is not included in share option programmes, retirement benefit plans and other schemes. No agreements have been entered into concerning termination benefits, and no such payments were made.

Management's holdings of Carlsberg A/S shares:

		Number				DKK million
		1 Jan. 2012	Additions	Sold	31 Dec. 2012	Market value
Supervisory Board:						
Flemming Besenbacher	B shares	1,250	-	-	1,250	0.69
Jess Søderberg	B shares	5,900	1,000	-	6,900	3.82
Richard Burrows	B shares	1,540	-	-	1,540	0.85
Donna Cordner	B shares	-	-	-	-	-
Elisabeth Fleuriot	B shares	-	-	-	-	-
Kees van der Graaf	B shares	950	-	-	950	0.53
Niels Kærgård	B shares	600	-	-	600	0.33
Søren-Peter Fuchs Olesen	B shares	-	-	-	-	-
Lars Stemmerik	B shares	-	-	-	-	-
Per Øhrgaard	B shares	2,401	-	-	2,401	1.33
Hans Andersen	B shares	1	-	-	1	0.00
Thomas Knudsen	B shares	27	-	-	27	0.02
Bent Ole Petersen	B shares	54	-	-	54	0.03
Peter Petersen	B shares	-	-	-	-	-
Supervisory Board total		**12,723**	**1,000**	**-**	**13,723**	**7.60**
Executive Board:						
Jørgen Buhl Rasmussen	B shares	8,486	-	-	8,486	4.70
Jørn P. Jensen	A shares	400	-	-	400	0.23
Jørn P. Jensen	B shares	2,616	500	-	3,116	1.73
Executive Board total		**11,502**	**500**	**-**	**12,002**	**6.66**
Total		**24,225**	**1,500**	**-**	**25,725**	**14.26**

The holdings also include the holdings of the related parties of the Supervisory Board and the Executive Board.

No members of the Supervisory Board or the Executive Board own shares or bonds in any of the subsidiaries or associated companies of Carlsberg A/S.

NOTE 13 SHARE-BASED PAYMENT

The Carlsberg Group has set up share option programmes to attract, retain and motivate the Group's Executive Board and other levels of management personnel and to align their interests with those of the shareholders. Key management personnel comprise the Executive Committee 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. No share option programme has been set up for Carlsberg A/S's Supervisory Board.

Since 2001 the Group has issued share options yearly as part of the management's remuneration packages. In 2011 the Group introduced a new long-term incentive programme. 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 long-term programme is settled in performance share units (PSUs). A participant in the long-term incentive programme will receive a number of PSUs, each giving the right to receive one 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.

General terms and conditions for the two programmes:

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

Upon resignation, a proportion of the options may be exercised within one to three months unless special severance terms are agreed. Special terms and conditions apply in the case of retirement, illness, death or changes in Carlsberg A/S's capital resources.

Valuation

The fair value of granted share options and PSUs is estimated using the Black-Scholes call option-pricing model based on the exercise price. The fair value at 31 December 2012 was DKK 322m (2011: DKK 133m), which is DKK 189m higher than at year-end 2011.

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

The risk-free interest rate is the interest rate on Danish government bonds of the relevant maturity, while the dividend yield is calculated as DKK 5.5 per share (2011: DKK 5.0 per share) divided by the share price.

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

The stated exercise prices and number of outstanding share options are adjusted for the bonus element in connection with the share rights issues in 2008.

NOTE 13 SHARE-BASED PAYMENT – CONTINUED

Share option programme

Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares (equity-settled scheme). The Group has not purchased a significant number of treasury shares to meet this obligation. Treasury share holdings at 31 December 2012 totalled 1,587 shares (2011: 33,498 shares).

In 2012, a total of 131,500 (2011: 61,200) share options were granted to two (2011: three) employees. The fair value at the grant date of these options was a total of DKK 19m (2011: DKK 11m). The fair value is recognised in the income statement over the vesting period of three years. In 2012, DKK 5m (2011: DKK 3m) was recognised in respect of share options granted in the year.

The total cost of share-based payment was DKK 17m (2011: DKK 22m) in respect of options granted in the period 2009-2012 (2011: granted in the period 2008-2011). The cost of share-based payment is included in staff costs. At 31 December 2012, an amount of DKK 19m (2011: DKK 17m) has not been recognised in respect of current share option programmes.

	Number					Exercise price
	Executive Board	Key management personnel	Other management personnel	Resigned employees	Total	Fixed, weighted average
Share options outstanding at 31 December 2010	**255,120**	**164,174**	**607,871**	**285,275**	**1,312,440**	**347.08**
Granted	60,000	1,200	-	-	61,200	566.78
Forfeited/expired	-	-3,342	-13,530	-	-16,872	359.25
Exercised	-13,008	-21,387	-102,873	-59,990	-197,258	343.96
Transferred	-	-34,752	-35,029	69,781	-	388.75
Share options outstanding at 31 December 2011	**302,112**	**105,893**	**456,439**	**295,066**	**1,159,510**	**347.08**
Granted	131,500	-	-	-	131,500	444.60
Forfeited/expired	-	-	-4,707	-	-4,707	270.91
Exercised	-13,008	-11,191	-71,545	-77,167	-172,911	260.10
Transferred	-	-17,946	-30,578	48,524	-	406.72
Share options outstanding at 31 December 2012	**420,604**	**76,756**	**349,609**	**266,423**	**1,113,392**	**413.37**
Exercisable at 31 December 2011	152,112	79,220	262,497	237,822	731,651	426.49
Exercised options as % of share capital	0.01%	0.01%	0.07%	0.04%	0.13%	
Exercisable at 31 December 2012	199,104	68,369	193,902	340,030	801,406	395.94
Exercised options as % of share capital	0.01%	0.01%	0.05%	0.05%	0.12%	

Assumptions									2012	2011
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
01.03.2004	01.03.2012	Grant 2004	216.65	29%	3.5%	1.8%	5.5	81.51	-	22,764
01.03.2005	01.03.2013	Grant 2005	232.71	27%	3.1%	1.7%	5.5	74.27	40,739	65,205
01.03.2006	01.03.2014	Grant 2006	306.89	19%	3.3%	1.3%	5.5	89.37	89,670	109,800
01.03.2007	01.03.2015	Grant 2007	472.11	19%	3.9%	1.0%	5.5	136.67	151,257	160,240
01.03.2008	01.03.2016	Grant 2008	457.82	22%	3.6%	1.1%	5.5	141.72	159,138	172,598
01.06.2008	01.06.2016	Special grant	531.80	23%	4.3%	0.9%	5.5	181.08	161,044	161,044
01.09.2008	01.09.2016	Special grant	448.18	27%	4.3%	1.3%	5.5	128.83	40,000	40,000
01.03.2009	01.03.2017	Grant 2009	203.50	52%	3.0%	1.7%	5.5	88.41	159,555	242,507
01.03.2010	01.03.2018	Grant 2010	417.34	30%	3.1%	0.8%	8.0	174.52	119,289	124,152
01.03.2011	01.03.2019	Grant 2011	566.78	25%	2.9%	0.9%	8.0	180.50	61,200	61,200
01.03.2012	01.03.2020	Grant 2012	444.60	34%	0.9%	1.2%	8.0	146.67	131,500	-
Outstanding share options under the share option programme									**1,113,392**	**1,159,510**

The average share price at the exercise date for share options was DKK 493 (2011: DKK 571). At 31 December 2012, the exercise price for outstanding share options was in the range of DKK 203.50 to DKK 566.78 (2011: DKK 203.50 to DKK 566.78). The average remaining contractual life was 3.8 years (2011: 4.2 years).

NOTE 13 SHARE-BASED PAYMENT – CONTINUED

Long-term incentive programme

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

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

Number

	Executive Board	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**

Assumptions

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	2012 Options outstanding	2011 Options outstanding
01.01.2012	01.01.2015	LTI 2012-2014 (preliminary)	None	28.4%	0.3%	1.2%	3.2	542.22	202,955	-
Outstanding performance share units under the long-term incentive programme									**202,955**	**-**

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

NOTE 14 INTANGIBLE ASSETS

DKK million	Goodwill	Trademarks	Other intangible assets	Under development	Total
					2012
Cost:					
Cost at 1 January 2012	53,102	35,941	2,383	797	92,223
Acquisition of ownership interest in proportionally consolidated entities	17	-	-	-	17
Additions/(-) adjustments to prior period	-24	2	141	329	448
Disposals	-	-	-132	-	-132
Transfers	-	-	51	-34	17
Transfer to/from assets held for sale	-	-	-	-1	-1
Effect of hyperinflation	43	7	-	-	50
Foreign exchange adjustments etc.	872	1,093	-22	-	1,943
Cost at 31 December 2012	**54,010**	**37,043**	**2,421**	**1,091**	**94,565**
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2012	105	1,070	2,007	-	3,182
Disposals	-	-	-130	-	-130
Amortisation	-	25	214	-	239
Impairment losses	-	11	28	-	39
Foreign exchange adjustments etc.	-9	10	18	-	19
Amortisation and impairment losses at 31 December 2012	**96**	**1,116**	**2,137**	**-**	**3,349**
Carrying amount at 31 December 2012	**53,914**	**35,927**	**284**	**1,091**	**91,216**

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

NOTE 14 INTANGIBLE ASSETS – CONTINUED

DKK million	Goodwill	Trademarks	Other intangible assets	Under development	Total
					2011
Cost:					
Cost at 1 January 2011	50,791	36,413	2,078	613	89,895
Step acquisition of entities	2,712	237	1	-	2,950
Revaluation of previously recognised assets acquired in step acquisition	-	237	-	-	237
Acquisition of ownership interest in proportionally consolidated entities	101	-	-	-	101
Additions	122	-	197	247	566
Disposal of entities	-6	-	-3	-	-9
Disposals	-	-	-21	-	-21
Transfers	-	-1	99	-62	36
Transfer to/from assets held for sale	-	-	-2	-	-2
Effect of hyperinflation	115	23	-	-	138
Foreign exchange adjustments etc.	-733	-968	34	-1	-1,668
Cost at 31 December 2011	**53,102**	**35,941**	**2,383**	**797**	**92,223**
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2011	13	569	1,542	-	2,124
Disposals	-	-	-19	-	-19
Amortisation	-	43	220	-	263
Impairment losses	91	450	250	-	791
Transfers	-	-1	32	-	31
Transfer to/from assets held for sale	-	-	-2	-	-2
Foreign exchange adjustments etc.	1	9	-16	-	-6
Amortisation and impairment losses at 31 December 2011	**105**	**1,070**	**2,007**	**-**	**3,182**
Carrying amount at 31 December 2011	**52,997**	**34,871**	**376**	**797**	**89,041**

DKK million	2012	2011
Additions to goodwill during the year can be specified as follows:		
Step acquisition of entities	-	2,712
Acquisition of ownership interest in proportionally consolidated entities	17	101
Recognition and revaluation of put options related to acquisitions prior to 2010	-28	122
Adjustment to acquisition of entities in prior years	4	-
Total	**-7**	**2,935**

Additions to goodwill are further described in notes 30 and 31.

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

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

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

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

NOTE 15 IMPAIRMENT TEST

Goodwill and trademarks with an indefinite useful life

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

Goodwill and trademarks related to Baltika Breweries (Russia), Brasseries Kronenbourg (France) and the acquisition of the 40% non-controlling holding in Carlsberg Breweries A/S each comprise 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2012. No other goodwill and trademarks comprise 10% or more of the total carrying amount of goodwill and trademarks with indefinite useful life at 31 December 2012.

Goodwill

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

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

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

DKK million	2012	%	2011	%
Western Europe:				
Northern Europe	6,711	13%	6,659	13%
Western Europe excl. Unicer-Bebidas de Portugal	13,564	25%	13,542	26%
Unicer-Bebidas de Portugal	536	1%	534	1%
Eastern Europe:				
Eastern Europe	26,378	49%	25,488	48%
Asia:				
Greater China and Malaysia	2,187	4%	2,181	4%
Indochina	3,936	7%	3,977	7%
India	247	0%	243	0%
Nepal	355	1%	373	1%
Total	**53,914**	**100%**	**52,997**	**100%**

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

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

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

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

Trademarks

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

DKK million	2012	%	2011	%
Western Europe	6,411	19%	6,396	19%
Eastern Europe	28,479	80%	27,410	80%
Asia	505	1%	488	1%
Total	**35,395**	**100%**	**34,294**	**100%**

NOTE 15 IMPAIRMENT TEST – CONTINUED

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

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

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

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

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

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

Significant assumptions for goodwill and trademarks

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

	Growth in the terminal period		Discount rates (risk-free interest rate)	
	2012	2011	2012	2011
Goodwill:				
Northern Europe	1.5%	1.5%	2.3%	2.8%
Western Europe excl. Unicer-Bebidas de Portugal	1.5%	1.5%	2.6%	2.6%
Unicer-Bebidas de Portugal	1.5%	1.5%	1.6%	2.4%
Eastern Europe	2.5%	2.5%	7.0%	8.5%
Asia	2.5 - 3.5%	2.5 - 3.5%	3.5 - 12.1%	3.4 - 12.7%

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

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

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

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

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

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

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

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

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

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

NOTE 15 IMPAIRMENT TEST – CONTINUED

Sensitivity test

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

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

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

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

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

Property, plant and equipment

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

Impairment losses

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

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

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

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

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

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

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

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Under construction	Total 2012
Cost:					
Cost at 1 January 2012	18,014	28,033	11,792	1,255	59,094
Increase in ownership interest in proportionally consolidated entities	8	28	10	5	51
Additions	318	1,228	1,520	1,477	4,543
Disposals	-87	-757	-1,247	-4	-2,095
Transfers	104	418	358	-896	-16
Transfer to/from assets held for sale	-5	-	-1	-	-6
Effect of hyperinflation	8	18	10	-	36
Foreign exchange adjustments etc.	265	363	-3	-38	587
Cost at 31 December 2012	**18,625**	**29,331**	**12,439**	**1,799**	**62,194**
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2012	4,905	14,570	7,771	-	27,246
Disposals	-34	-714	-1,238	-	-1,986
Depreciation	544	1,769	1,439	-	3,752
Impairment losses	289	522	81	-	892
Transfers	4	4	-8	-	-
Transfer to/from assets held for sale	-	-	-1	-	-1
Effect of hyperinflation	1	7	4	-	12
Foreign exchange adjustments etc.	61	187	40	-	288
Depreciation and impairment losses at 31 December 2012	**5,770**	**16,345**	**8,088**	**-**	**30,203**
Carrying amount at 31 December 2012	**12,855**	**12,986**	**4,351**	**1,799**	**31,991**
Assets held under finance leases:					
Cost	7	92	11	-	110
Depreciation and impairment losses	-7	-55	-2	-	-64
Carrying amount at 31 December 2012	**-**	**37**	**9**	**-**	**46**
Carrying amount of assets pledged as security for loans	1,033	338	3	28	1,402

DKK million	2012	2011
Depreciation and impairment losses are included in:		
Cost of sales	2,766	2,605
Sales and distribution expenses	820	737
Administrative expenses	168	179
Special items	890	324
Total	**4,644**	**3,845**

NOTE 16 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

2011

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Under construction	Total
Cost:					
Cost at 1 January 2011	19,307	27,332	10,741	1,211	58,591
Step acquisition of entities	68	147	63	64	342
Revaluation of previously recognised assets acquired in step acquisition	-1	-41	-	-	-42
Increase in ownership interest in proportionally consolidated entities	30	91	2	12	135
Additions	279	1,259	1,350	1,073	3,961
Disposals of entities	-52	-2	-8	-2	-64
Disposals	-233	-496	-563	-15	-1,307
Transfers	69	465	277	-929	-118
Transfer to/from assets held for sale	-1,305	-474	-12	-120	-1,911
Effect of hyperinflation	23	52	21	1	97
Foreign exchange adjustments etc.	-171	-300	-79	-40	-590
Cost at 31 December 2011	**18,014**	**28,033**	**11,792**	**1,255**	**59,094**
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2011	5,451	13,656	7,004	-	26,111
Disposals of entities	-14	-1	-5	-	-20
Disposals	-102	-413	-518	-	-1,033
Depreciation	542	1,695	1,280	-	3,517
Impairment losses	-	275	53	-	328
Transfers	-49	-69	-11	-	-129
Transfer to/from assets held for sale	-927	-538	-11	-	-1,476
Effect of hyperinflation	3	15	8	-	26
Foreign exchange adjustments etc.	1	-50	-29	-	-78
Depreciation and impairment losses at 31 December 2011	**4,905**	**14,570**	**7,771**	**-**	**27,246**
Carrying amount at 31 December 2011	**13,109**	**13,463**	**4,021**	**1,255**	**31,848**
Assets held under finance leases:					
Cost	7	95	12	-	114
Depreciation and impairment losses	-5	-52	-3	-	-60
Carrying amount at 31 December 2011	**2**	**43**	**9**	**-**	**54**
Carrying amount of assets pledged as security for loans	1,828	257	4	78	2,167

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

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

NOTE 17 ASSOCIATES

DKK million	2012	2011
Cost:		
Cost at 1 January	5,033	4,762
Acquisition of entities	775	26
Additions	488	49
Disposals	-3	-1
Foreign exchange adjustments etc.	-12	197
Transfers incl. prepayments in connection with business combinations	1	-
Cost at 31 December	**6,282**	**5,033**
Value adjustments:		
Value adjustments at 1 January	18	115
Dividends	-99	-46
Impairment losses	-64	-260
Share of profit after tax	108	180
Share of other comprehensive income	4	3
Reversal of impairment	3	-
Foreign exchange adjustments etc.	-11	26
Value adjustments at 31 December	**-41**	**18**
Carrying amount at 31 December	**6,241**	**5,051**

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

Additions comprise recognition of the 25% shareholding in the consortium developing the Copenhagen brewery site, following the partial disposal of the site.

2012					Carlsberg Group share		
DKK million	Revenue	Profit after tax	Assets	Liabilities	Ownership interest	Profit after tax	Equity
Key figures for associates:							
Chongqing Group	2,866	57	15,630	2,567	29.7%	17	4,201
Tibet Lhasa Brewery Co. Ltd.	426	81	680	48	33%	27	209
Lanzhou Huanghe Jianjiang Brewery Company	337	23	501	109	30%	7	118
Hanoi Beer Company	1,639	210	4,360	827	17%	37	601
The Lion Brewery Ceylon	560	56	433	324	25%	14	27
Other associates, Asia (3 entities)	245	15	338	82	30-33%	5	84
International Breweries BV	560	-45	723	652	23.3%	-11	16
Nuuk Imeq A/S	207	26	266	119	31.9%	8	47
Nordic Getränke GmbH	2,246	-18	715	715	50%	-9	-
Carlsberg Byen P/S	45	-38	2,724	1,012	25%	-10	428
Other	1,635	71	2,125	1,531	20-55%	23	510
						108	**6,241**

2011					Carlsberg Group share		
DKK million	Revenue	Profit after tax	Assets	Liabilities	Ownership interest	Profit after tax	Equity
Key figures for associates:							
Chongqing Brewery Co. Ltd.	2,434	232	13,535	1,929	29.7%	61	3,447
Tibet Lhasa Brewery Co. Ltd.	390	82	642	27	33%	25	203
Lanzhou Huanghe Jianjiang Brewery Company	268	11	456	86	30%	3	111
Hanoi Beer Company	1,466	249	3,728	310	17%	41	581
The Lion Brewery Ceylon	379	20	283	187	25%	5	24
Other associates, Asia (3 entities)	211	-4	283	70	30-33%	-2	80
International Breweries BV	680	-46	113	7	16%	-7	17
Nuuk Imeq A/S	147	22	211	70	31.9%	7	45
Nordic Getränke GmbH	2,437	59	1,098	953	50%	30	127
Other	1,373	70	2,792	2,215	20-50%	17	416
						180	**5,051**

NOTE 17 ASSOCIATES – CONTINUED

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

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

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

NOTE 18 SECURITIES

DKK million	2012	2011
Securities are classified in the statement of financial position as follows:		
Non-current assets	133	134
Current assets	21	24
Total	**154**	**158**
Types of security:		
Listed shares	1	23
Unlisted shares	153	135
Total	**154**	**158**

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

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

NOTE 19 RECEIVABLES

DKK million	2012	2011
Receivables are included in the statement of financial position as follows:		
Trade receivables	7,828	7,855
Other receivables	2,045	1,846
Total current receivables	**9,873**	**9,701**
Non-current receivables	2,075	1,650
Total	**11,948**	**11,351**

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

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

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

NOTE 19 RECEIVABLES – CONTINUED

DKK million	2012	2011
Receivables by origin:		
Receivables from the sale of goods and services	7,117	7,115
On-trade loans	2,022	2,066
Loans to associates	137	123
Loans to partners	226	230
Fair value of hedging instruments	584	499
Other receivables	1,862	1,318
Total	**11,948**	**11,351**

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

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

%	2012	2011
Average effective interest rates:		
Loans to associates	4.4	3.1
On-trade loans	4.9	5.8

NOTE 20 INVENTORIES

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

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

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

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

NOTE 21 CASH AND CASH EQUIVALENTS

DKK million	2012	2011
Cash at bank and in hand	5,760	3,145
Total	**5,760**	**3,145**
In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents as follows:		
Cash and cash equivalents	5,760	3,145
Bank overdrafts	-701	-310
Cash and cash equivalents, net	**5,059**	**2,835**
Of which pledged as security	-	-

Short-term bank deposits amounted to DKK 3,580m (2011: DKK 1,524m). The average interest rate on these deposits was 6.6% (2011: 6.3%).

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

NOTE 22 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

DKK million	2012	2011
Assets held for sale comprise the following individual assets:		
Property, plant and equipment	27	544
Other non-current assets	-	7
Current assets	-	18
Financial assets	-	1
Total	**27**	**570**
Liabilities associated with assets held for sale:		
Interest-bearing loans and liabilities	-	747
Deferred tax liabilities	5	-
Other provisions	13	56
Other liabilities	-	25
Total	**18**	**828**

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

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

Interest-bearing loans associated with assets held for sale amounting to DKK 747m as of 31 December 2011 comprised loans secured on the assets held for sale. The buyer took over the loans when the assets were acquired.

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

Gains or losses on the disposal of assets held for sale are recognised in the income statement under other operating income. The gains recognised as income in all material respects relate to disposal of land, depots and properties and total DKK 0m (2011: DKK 58m).

Gain on disposal of the activities in Dresden was, however, recognised in the income statement under special items in 2011. The gain amounted to DKK 64m.

NOTE 23 SHARE CAPITAL

	Class A shares		Class B shares		Total share capital	
	Shares of DKK 20	Nominal value, DKK '000	Shares of DKK 20	Nominal value, DKK '000	Shares of DKK 20	Nominal value, DKK '000
1 January 2011	33,699,252	673,985	118,857,554	2,377,151	152,556,806	3,051,136
No change in 2011	-	-	-	-	-	-
31 December 2011	**33,699,252**	**673,985**	**118,857,554**	**2,377,151**	**152,556,806**	**3,051,136**
No change in 2012	-	-	-	-	-	-
31 December 2012	**33,699,252**	**673,985**	**118,857,554**	**2,377,151**	**152,556,806**	**3,051,136**

A shares carry 20 votes per DKK 20 share.

B shares carry two votes per DKK 20 share. A preferential right to an 8% non-cumulative dividend is attached to B shares. Apart from votes and dividends, all shares rank equally.

	Treasury shares		
	Shares of DKK 20	Nominal value, DKKm	Percentage of share capital
1 January 2011	17,756	-	0.0%
Acquisition of treasury shares	213,000	4	0.1%
Used to settle share options	-197,258	-4	-0.1%
31 December 2011	**33,498**	**-**	**0.0%**
1 January 2012	33,498	-	0.0%
Acquisition of treasury shares	141,000	3	0.1%
Used to settle share options	-172,911	-3	-0.1%
31 December 2012	**1,587**	**-**	**0.0%**

At 31 December 2012, the fair value of treasury shares amounted to DKK 1m (2011: DKK 14m).

According to the authorisation of the General Meeting, the Supervisory Board may, in the period until 24 March 2015, allow the Company to acquire treasury shares up to a total holding of 10% of the nominal share capital, at a price quoted on NASDAQ OMX Copenhagen at the time of acquisition with a deviation of up to 10%.

In the financial year the Company acquired class B treasury shares of a nominal amount of DKK 3m (2011: DKK 4m) at an average price of DKK 495 (2011: DKK 549), corresponding to a purchase price of DKK 70m (2011: DKK 117m). Class B treasury shares are primarily acquired to facilitate settlement of share option schemes. The Company holds no class A shares.

In the financial year the Company disposed of class B treasury shares at a total price of DKK 45m (2011: DKK 68m). The disposal was made in connection with settlement of share options.

NOTE 24 BORROWINGS

DKK million	2012	2011
Non-current borrowings:		
Issued bonds	29,021	19,478
Mortgages	1,457	1,457
Bank borrowings	5,722	13,071
Finance lease liabilities	35	38
Other non-current borrowings	471	320
Total	**36,706**	**34,364**
Current borrowings:		
Issued bonds	1,826	-
Current portion of other non-current borrowings	283	159
Bank borrowings	1,179	1,369
Financial lease liabilities	4	14
Other current borrowings	60	333
Total	**3,352**	**1,875**
Total non-current and current borrowings	**40,058**	**36,239**
Fair value	41,557	37,003

Other non-current borrowings include employee bonds of DKK 18m. No new employee bonds were issued in 2012 or 2011.

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

Time to maturity for non-current borrowings

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	2012 Total
Issued bonds	7,443	-	2,999	7,402	11,177	29,021
Mortgages	-	-	-	-	1,457	1,457
Bank borrowings	400	5,263	56	3	-	5,722
Finance lease liabilities	4	4	4	4	19	35
Other non-current borrowings	209	163	56	30	13	471
Total	**8,056**	**5,430**	**3,115**	**7,439**	**12,666**	**36,706**

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	2011 Total
Issued bonds	1,780	7,406	-	2,927	7,365	19,478
Mortgages	-	-	-	-	1,457	1,457
Bank borrowings	792	426	11,753	100	-	13,071
Finance lease liabilities	4	4	4	4	22	38
Other non-current borrowings	73	194	22	4	27	320
Total	**2,649**	**8,030**	**11,779**	**3,035**	**8,871**	**34,364**

NOTE 24 BORROWINGS – CONTINUED

Interest rate risk at 31 December

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
					2012
Issued bonds:					
GBP 200m maturing 26 February 2013	Fixed	7.01%	0-1 year	1,826	Fair value
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	1-2 years	7,443	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	3-4 years	2,999	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	4-5 years	7,402	Fair value
EUR 750m maturing 3 July 2019	Fixed	2.49%	>5 years	5,629	Fair value
EUR 750m maturing 15 November 2022	Fixed	2.71%	>5 years	5,548	Fair value
Total issued bonds		**4.43%**		**30,847**	
Mortgages:					
Floating-rate	Floating	1.51%	0-1 year	1,248	Cash flow
Fixed-rate	Fixed	2.91%	3-4 years	209	Fair value
Total mortgages		**1.71%**		**1,457**	
Bank borrowings:					
Fixed-rate	Fixed		0-3 years	6,901	Fair value
Total bank borrowings				**6,901**	

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

All interest rates stated in the table include a margin.

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

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

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

DKK million	Net financial interest-bearing debt[1]	Floating	Fixed	Floating %	Fixed %
					Interest rate[2]
EUR	29,855	748	29,107	3%	97%
DKK	-465	-692	227	149%	-49%
PLN	1,504	1,504	-	100%	-
USD	1,180	1,180	-	100%	-
CHF	1,892	1,892	-	100%	-
RUB	-3,049	-3,049	-	100%	-
Other	3,381	3,314	67	98%	2%
Total	**34,298**	**4,897**	**29,401**	**14%**	**86%**

[1] After swaps and currency derivatives.

[2] Before currency derivatives.

NOTE 24 BORROWINGS – CONTINUED

Interest rate risk at 31 December

					2011
DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds:					
GBP 200m maturing 26 February 2013	Fixed	7.01%	1-2 years	1,780	Fair value
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	2-3 years	7,406	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	4-5 years	2,927	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	>5 years	7,365	Fair value
Total issued bonds		**5.46%**		**19,478**	
Mortgages:					
Floating-rate	Floating	1.82%	0-1 year	724	Cash flow
Fixed-rate	Fixed	4.10%	4-5 years	733	Fair value
Total mortgages		**2.97%**		**1,457**	
Bank borrowings:					
Floating-rate	Floating		0-1 year	3,915	Cash flow
Fixed-rate	Fixed		1-2 years	10,525	Fair value
Total bank borrowings				**14,440**	

All interest rates stated in the table include a margin.

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

In December 2011 a GBP 250m bond matured and was repaid.

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

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

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

		Interest rate[2]			
DKK million	Net financial interest-bearing debt[1]	Floating	Fixed	Floating %	Fixed %
EUR	30,415	4,924	25,491	16%	84%
DKK	-2,975	-3,726	751	125%	-25%
PLN	710	708	2	100%	-
USD	1,601	1,588	13	99%	1%
CHF	2,469	2,469	-	100%	-
RUB	-1,249	-1,249	-	100%	-
Other	2,123	280	1,843	13%	87%
Total	**33,094**	**4,994**	**28,100**	**15%**	**85%**

[1] After swaps and currency derivatives.

[2] Before currency derivatives.

NOTE 24 BORROWINGS – CONTINUED

2012

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

DKK million	Original principal	Effect of swap	After swap	2013	2014	2015	2016	2017	2018-
CHF	52	1,853	1,905	52	-	-	-	-	-
DKK	1,470	-1,895	-425	1,243	5	13	209	-	-
EUR	30,237	290	30,527	1,130	7,499	2,988	4	7,406	11,210
GBP	5,240	-4,521	719	5,240	-	-	-	-	-
NOK	143	229	372	143	-	-	-	-	-
PLN	86	1,425	1,511	86	-	-	-	-	-
RUB	9	-634	-625	9	-	-	-	-	-
SEK	132	70	202	132	-	-	-	-	-
SGD	1	-342	-341	1	-	-	-	-	-
USD	2,173	34	2,207	2,173	-	-	-	-	-
Other	515	3,491	4,006	448	4	4	56	3	-
Total	**40,058**	**-**	**40,058**	**10,657**	**7,508**	**3,005**	**269**	**7,409**	**11,210**

Cf. also note 35, Financial risks.

2011

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

DKK million	Original principal	Effect of swap	After swap	2012	2013	2014	2015	2016	2017-
CHF	29	2,441	2,470	29	-	-	-	-	-
DKK	1,488	-4,424	-2,936	737	-	5	13	209	524
EUR	27,543	3,425	30,968	2,052	7,608	7,474	2,986	9	7,414
GBP	4,693	-4,489	204	2,913	1,780	-	-	-	-
NOK	-53	632	579	-53	-	-	-	-	-
PLN	56	660	716	54	1	1	-	-	-
RUB	9	-1,098	-1,089	9	-	-	-	-	-
SEK	81	-313	-232	81	-	-	-	-	-
SGD	24	-424	-400	24	-	-	-	-	-
USD	1,773	592	2,365	1,760	13	-	-	-	-
Other	596	2,998	3,594	533	10	-	27	26	-
Total	**36,239**	**-**	**36,239**	**8,139**	**9,412**	**7,480**	**3,026**	**244**	**7,938**

NOTE 25 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

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

Approximately 64% (2011: 73%) of the Group's retirement benefit costs relate to defined contribution plans, which limit the Group's obligation to the contributions paid. The retirement benefit plans are funded by payments from the Group's companies and employees to funds that are independent of the Group.

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

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

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

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

NOTE 25 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

DKK million	2012	2011
Defined benefit plans are recognised in the statement of financial position as follows:		
Retirement benefit obligations and similar obligations	3,961	3,263
Plan assets	-4	-5
Net obligations	**3,957**	**3,258**
Specification of net obligations:		
Present value of funded plans	9,983	8,893
Fair value of plan assets	-7,648	-7,099
Net obligation for funded plans	**2,335**	**1,794**
Present value of unfunded plans	1,612	1,446
Payment in transit	10	18
Net obligations recognised	**3,957**	**3,258**
Specification of total obligations:		
Present value of funded plans	9,983	8,893
Present value of unfunded plans	1,612	1,446
Total obligations	**11,595**	**10,339**
Changes in obligations:		
Total obligations at 1 January	10,339	9,330
Current service cost	114	176
Interest cost	381	376
Actuarial gains (-) and losses (+)	1,003	849
Benefits paid	-513	-478
Curtailments and settlements	-1	-103
Employee contributions to pension scheme	15	14
Transfer from other provisions	61	-3
Disposal of entities	-	-7
Foreign exchange adjustments etc.	196	185
Total obligations at 31 December	**11,595**	**10,339**
Changes in plan assets:		
Fair value of assets at 1 January	7,099	6,904
Expected return	323	327
Actuarial gains (+) and losses (-)	262	-244
Contributions to plans	245	331
Benefits paid	-415	-391
Foreign exchange adjustments etc.	134	172
Fair value of assets at 31 December	**7,648**	**7,099**

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

DKK million	2012	2011
Actual return on plan assets:		
Expected return	323	327
Actuarial gains (+) and losses (-)	262	-244
Actual return	**585**	**83**

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

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

NOTE 25 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS – CONTINUED

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

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

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

DKK million	2012	2011
Recognised in the income statement:		
Current service cost	114	176
Expected return on plan assets	-323	-327
Interest cost on obligations	381	376
Curtailments and settlements	-1	-103
Total recognised in the income statement	**171**	**122**
The cost is recognised in the income statement as follows:		
Cost of sales	23	9
Sales and distribution expenses	64	42
Administrative expenses	26	25
Special items (restructuring)	-	-3
Total staff costs, cf. note 12	**113**	**73**
Financial income	-323	-327
Financial expenses	381	376
Total	**171**	**122**

DKK million	2012	2011
Recognised in other comprehensive income:		
Recognised at 1 January	-2,530	-1,424
Actuarial gains/losses	-741	-1,093
Foreign exchange adjustment of foreign entities	-62	-13
Recognised in other comprehensive income during the year	**-803**	**-1,106**
Recognised at 31 December	**-3,333**	**-2,530**
Of which accumulated actuarial gains/losses	-3,357	-2,616

DKK million	2012	2011	2010	2009	2008
Five-year overview:					
Obligations	11,595	10,339	9,330	7,974	7,036
Plan assets	-7,648	-7,099	-6,905	-5,823	-5,245
Deficit	**3,947**	**3,240**	**2,425**	**2,151**	**1,791**
Experience adjustments to obligations	231	82	108	-34	-69
Experience adjustments to plan assets	-881	-506	-815	-544	-323

NOTE 26 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

DKK million	2012	2011
Deferred tax at 1 January, net	8,453	8,646
Adjustments to previous years	-39	87
Step acquisition of entities	-	60
Revaluation of previously recognised deferred tax acquired in a step acquisition	-	43
Disposal of entities	-	11
Recognised in other comprehensive income	-194	-204
Recognised in the income statement	341	-114
Change in tax rate	27	-15
Effect of hyperinflation	-	16
Foreign exchange adjustments	-72	-77
	8,516	**8,453**
Of which transferred to assets held for sale	-4	-
Deferred tax at 31 December, net	**8,512**	**8,453**
Specified as follows:		
Deferred tax liabilities	9,682	9,652
Deferred tax assets	-1,170	-1,199
Deferred tax at 31 December, net	**8,512**	**8,453**

Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
DKK million	2012	2011	2012	2011
Intangible assets	503	549	7,917	7,769
Property, plant and equipment	440	823	2,536	3,031
Current assets	109	84	52	45
Provisions and retirement benefit obligations	862	712	261	359
Fair value adjustments	201	293	323	232
Tax losses etc.	1,576	1,451	1,118	929
Total before set-off	**3,691**	**3,912**	**12,207**	**12,365**
Set-off	-2,521	-2,713	-2,521	-2,713
Transferred to assets held for sale	-	-	-4	-
Deferred tax assets and liabilities at 31 December	**1,170**	**1,199**	**9,682**	**9,652**
Expected to be used as follows:				
Within 12 months after the end of the reporting period	222	531	507	273
More than 12 months after the end of the reporting period	948	668	9,175	9,379
Total	**1,170**	**1,199**	**9,682**	**9,652**

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

Of the total deferred tax assets recognised, DKK 718m (2011: DKK 789m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

Tax assets of DKK 1,328m (2011: DKK 1,480m) were not recognised. These relate primarily to tax losses which are not expected to be utilised in the foreseeable future. Tax losses that will not expire amount to DKK 1,093m (2011: DKK 1,138m).

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

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

NOTE 27 PROVISIONS

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

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

Other provisions totalling DKK 1,162m (2011: DKK 1,064m) relate primarily to profit sharing in France, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

				2012
DKK million	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2012	336	112	1,064	1,512
Additional provisions recognised	414	-	337	751
Used during the year	-156	-	-235	-391
Reversal of unused provisions	-24	-	-135	-159
Transfers	2	-	130	132
Discounting	13	-	53	66
Foreign exchange adjustments etc.	-10	-	-52	-62
Provisions at 31 December 2012	**575**	**112**	**1,162**	**1,849**
Provisions are recognised in the statement of financial position as follows:				
Non-current provisions	304	5	921	1,230
Current provisions	271	107	241	619
Total	**575**	**112**	**1,162**	**1,849**

				2011
DKK million	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2011	409	315	1,294	2,018
Step acquisition of entities	-	-	13	13
Additional provisions recognised	164	-	77	241
Disposal of entities	-	-	-6	-6
Used during the year	-216	-6	-276	-498
Reversal of unused provisions	-13	-197	-102	-312
Transfers	-9	-	71	62
Discounting	10	-	57	67
Foreign exchange adjustments etc.	-9	-	-64	-73
Provisions at 31 December 2011	**336**	**112**	**1,064**	**1,512**
Provisions are recognised in the statement of financial position as follows:				
Non-current provisions	121	5	875	1,001
Current provisions	215	107	189	511
Total	**336**	**112**	**1,064**	**1,512**

DKK 973m (2011: DKK 898m) of total non-current provisions falls due within five years from the end of the reporting period.

NOTE 28 OTHER LIABILITIES ETC.

DKK million	2012	2011
Other liabilities are recognised in the statement of financial position as follows:		
Non-current liabilities	1,201	1,262
Current liabilities	9,766	10,490
Total	**10,967**	**11,752**
Other liabilities by origin:		
Excise duties and VAT payable	3,690	3,512
Staff costs payable	1,602	1,571
Interest payable	807	727
Fair value of hedging instruments	606	1,280
Liabilities related to the acquisition of entities	1,129	1,459
Amounts owed to associates	2	1
Deferred income	1,146	1,127
Other	1,985	2,075
Total	**10,967**	**11,752**

NOTE 29 CASH FLOWS

DKK million	2012	2011
Adjustment for other non-cash items:		
Share of profit after tax, associates	-108	-180
Gains on disposal of property, plant and equipment and intangible assets, net	-112	-77
Amortisation of on-trade loans etc.	554	572
Total	**334**	**315**
Change in trade working capital:		
Inventories	-202	-206
Trade receivables	206	-2,190
Trade payables and deposit liabilities	848	1,825
Total	**852**	**-571**
Change in other working capital:		
Other receivables	-140	127
Other payables	-71	162
Retirement benefit obligations and other liabilities related to operating activities before special items	-301	-690
Adjusted for unrealised foreign exchange gains/losses	-11	-20
Total	**-523**	**-421**
Change in on-trade loans:		
Loans provided	-1,089	-1,052
Repayments	642	534
Total	**-447**	**-518**
Change in financial receivables:		
Loans and other receivables	-66	2
Other financial receivables	38	-49
Total	**-28**	**-47**
Shareholders in Carlsberg A/S:		
Dividends to shareholders	-839	-763
Acquisition of treasury shares	-70	-117
Disposal of treasury shares	45	68
Total	**-864**	**-812**
Non-controlling interests:		
Acquisition of non-controlling interests	-4,916	-1,338
Dividends to non-controlling interests	-282	-121
Share buy-back	-	-417
Total	**-5,198**	**-1,876**
External financing:		
Proceeds from issue of bonds	11,160	-
Repayment of bonds including cross-currency swap	-	-2,965
Debt institutions, long-term	-7,908	1,640
Debt institutions, short-term	-874	533
Loans from associates	-65	-30
Finance lease liabilities	-14	-12
Other financing liabilities	174	-169
Total	**2,473**	**-1,003**

NOTE 30 ACQUISITION AND DISPOSAL OF ENTITIES

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

Acquisition of entities

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

Acquisition of proportionally consolidated entities

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

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

Step acquisition of entities

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

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

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

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

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

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

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

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

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

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

DKK million	Previous method of consolidation	Previously held ownership interest	Acquired ownership interest	Total Carlsberg interest	Acquisition date	Main activity	2012 Cost
Acquired entity:							
Lao Brewery Co. Ltd.	Proportionate	50.00%	1.00%	51.00%	30 Aug. 2011	Brewery	33
Hue Brewery Ltd.	Proportionate	50.00%	50.00%	100.00%	23 Nov. 2011	Brewery	485
Total							**518**

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

NOTE 30 ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

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

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

Contingent consideration

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

Disposal of entities

No entities were disposed of in 2012.

In Q1 2011, Carlsberg disposed of the subsidiary Dresden Brauerei, Germany, at a sales price of DKK 126m. The entity had a carrying amount of DKK 116m, resulting in a gain of DKK 10m, which was recognised in special items. Prior to the sale, an impairment loss of DKK 128m had been recognised in 2010 on the brewery assets, corresponding to the difference between the carrying amount and the expected sales price. In Q2 2011, Carlsberg disposed of the subsidiary Sorex Holding SAS, a logistical company in France, at a sales price of DKK 134m. The entity had a carrying amount of DKK 220m, including goodwill of DKK 6m, resulting in a loss of DKK 86m, which was recognised in special items.

DKK million	2012	2011
Net assets disposed of	**-**	**336**
Gains/losses recognised under special items	-	-76
Cash consideration received	**-**	**260**
Cash and cash equivalents disposed of	-	-51
Cash inflow, net	**-**	**209**
Acquisition and disposal of entities, net:		
Step acquisitions, cash outflow	-	-294
Acquisitions of proportionally consolidated entities, cash outflow	-23	-175
Payment regarding acquisition in prior period	-4	-
Disposals, cash inflow	-	209
Net	**-27**	**-260**

NOTE 31 ACQUISITION AND DISPOSAL OF NON-CONTROLLING INTERESTS

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

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

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

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

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

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

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

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

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

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

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

NOTE 32 SPECIFICATION OF INVESTED CAPITAL

DKK million	2012	2011
Invested capital is calculated as follows:		
Total assets	153,965	147,714
Less:		
Deferred tax assets	-1,170	-1,199
Loans to associates (current)	-126	-105
Interest income receivable, fair value of hedging instruments and financial receivables	-613	-529
Securities (current and non-current)	-154	-158
Cash and cash equivalents	-5,760	-3,145
Assets held for sale	-27	-570
Assets included	**146,115**	**142,008**
Trade payables	-11,862	-11,021
Deposits on returnable packaging	-1,381	-1,291
Provisions, excluding restructuring	-1,274	-1,176
Corporation tax	-537	-527
Deferred income	-1,146	-1,127
Finance lease liabilities, included in borrowings	-39	-52
Other liabilities, excluding deferred income, interest payable and fair value of hedging instruments	-8,409	-8,618
Liabilities offset	**-24,648**	**-23,812**
Invested capital	**121,467**	**118,196**

NOTE 33 SPECIFICATION OF NET INTEREST-BEARING DEBT

DKK million	2012	2011
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	36,706	34,364
Current borrowings	3,352	1,875
Liabilities associated with assets held for sale	-	747
Gross interest-bearing debt	**40,058**	**36,986**
Cash and cash equivalents	-5,760	-3,145
Loans to associates, interest-bearing portion	-110	-97
Loans to partners	-226	-230
On-trade loans	-2,022	-2,066
Non-interest-bearing portion	1,012	1,030
Other receivables	-1,862	-1,318
Non-interest-bearing portion	1,390	1,300
Net interest-bearing debt	**32,480**	**32,460**
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	32,460	32,743
Cash flow from operating activities	-9,871	-8,813
Cash flow from investing activities, excl. acquisition of entities, net	3,947	4,623
Cash flow from acquisition of entities, net	27	260
Share buy-back	-	417
Dividends to shareholders and non-controlling interests	1,121	884
Acquisition of non-controlling interests	4,916	1,338
Acquisition/disposal of treasury shares and exercise of share options	25	49
Acquired net interest-bearing debt from step acquisition/disposal of entities	-154	44
Change in interest-bearing lending	18	18
Settlement of financial instruments in relation to loan agreements	-	805
Effect of currency translation	327	289
Other	-336	-197
Change	**20**	**-283**
Net interest-bearing debt at 31 December	**32,480**	**32,460**

NOTE 34 INVESTMENTS IN PROPORTIONALLY CONSOLIDATED ENTITIES

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

DKK million	2012	2011
Revenue	2,709	2,744
Total costs	-2,428	-2,329
Operating profit before special items	**281**	**415**
Consolidated profit	**131**	**235**
Non-current assets	3,086	2,563
Current assets	955	924
Assets held for sale, net	9	10
Non-current liabilities	-679	-455
Current liabilities	-1,769	-1,477
Net assets	**1,602**	**1,565**
Free cash flow	-364	-197
Net cash flow	-104	-149
Cash and cash equivalents, year-end	64	164
Contingent liabilities in joint ventures	150	132

NOTE 35 FINANCIAL RISKS

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

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

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

Capital structure

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

This includes 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.

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

As an element of strategic capital structure decisions, 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 these ratings were upgraded one notch each by both rating agencies. 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.

At 31 December 2012, the Carlsberg Group had net interest-bearing debt totalling DKK 32,480m (2011: DKK 32,460m). The credit resources available and the access to unused committed credit facilities are considered reasonable in the light of the Group's current needs in terms of financial flexibility.

NOTE 35 FINANCIAL RISKS – CONTINUED

Committed non-current credit facilities at 31 December:

DKK million	2012	2011
1-2 years	8,055	3,409
2-3 years	14,326	8,030
3-4 years	9,083	13,142
4-5 years	7,439	8,982
>5 years	12,666	8,871
Total	**51,569**	**42,434**

Current borrowings	3,352	1,875
Non-current borrowings	36,706	34,364
Total	**40,058**	**36,239**

Market risk

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

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

Foreign exchange risk

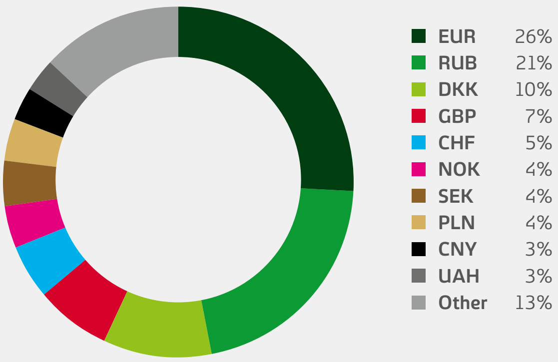
A significant part of the Group's activities and investments take place outside Denmark and in currencies other than DKK. Foreign exchange risk is therefore a principal financial risk for the Group and, as such, exchange rate fluctuations can have a significant impact on the income statement and the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

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

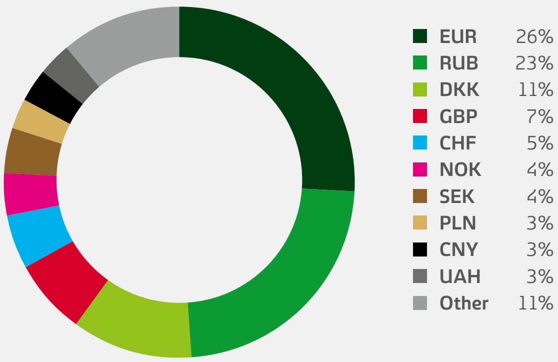
Furthermore, the Group has a foreign exchange risk on cash flow from operations in countries where there is no natural hedge relationship between cash flow from operations and loans.

Revenue exposure to currencies is illustrated below:

Net revenue by currency as a percentage of total net revenue 2012



Net revenue by currency as a percentage of total net revenue 2011



NOTE 35 FINANCIAL RISKS – CONTINUED

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

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

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

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

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

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

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

At 31 December 2012, 87% of the Group's net financial debt was in EUR (2011: 92%), cf. note 24.

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

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

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

	Closing rate		Average rate	
DKK	2012	2011	2012	2011
Swiss Franc (CHF)	6.1758	6.1157	6.1777	6.0678
Chinese Yuan (CNY)	0.9079	0.9112	0.9204	0.8260
Euro (EUR)	7.4604	7.4342	7.4431	7.4514
Pound Sterling (GBP)	9.1320	8.9000	9.1931	8.6019
Malaysian Ringgit (MYR)	1.8486	1.8108	1.8735	1.7545
Norwegian Krone (NOK)	1.0167	0.9588	0.9973	0.9562
Polish Zloty (PLN)	1.8281	1.6676	1.7791	1.8245
Russian Rouble (RUB)	0.1855	0.1784	0.1863	0.1827
Swedish Krona (SEK)	0.8714	0.8342	0.8565	0.8248
Ukrainian Hryvnia (UAH)	0.7080	0.7219	0.7315	0.6679

NOTE 35 FINANCIAL RISKS – CONTINUED

Impact on financial statements and sensitivity analysis

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

Impact on financial items, net. In 2012, the Group had net gains on foreign exchange and fair value adjustments of financial instruments of DKK 6m (2011: DKK -93m).

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

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

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

DKK million									2012
	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/LTL	11	-26	-	14	-1	-	-1	10.00%	-
EUR/RSD	24	-69	-	98	53	-	53	10.00%	5
EUR/KZT	-	-8	-	-	-8	-	-8	10.00%	-1
EUR/UAH	4	-46	-	72	30	-	30	10.00%	3
EUR/UZS	-	-14	-223	9	-228	-	-228	10.00%	-23
EUR/CNY	-	-2	-	-	-2	-	-2	10.00%	-
Total									**-25**
	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**

DKK million									2011
	EUR receivable	EUR payable	EUR loans	EUR cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
EUR/RUB	2	-143	-	100	-41	-	-41	10.00%	-4
EUR/LTL	2	-14	-	1	-11	-	-11	10.00%	-1
EUR/RSD	19	-35	-	23	7	-	7	10.00%	1
EUR/KZT	-	-3	-	-	-3	-	-3	10.00%	-
EUR/UAH	1	-29	-	22	-5	-	-5	10.00%	-
EUR/UZS	-	-14	-246	10	-250	-	-250	10.00%	-25
EUR/CNY	-	-4	-	-	-4	-	-4	10.00%	-
Total									**-29**
	USD receivable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
USD/UAH	-	-39	-102	26	-115	-	-115	10.00%	-12
Total									**-12**

NOTE 35 FINANCIAL RISKS – CONTINUED

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 170m lower (2011: DKK 139m lower).

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

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

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

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

Sensitivity analysis. At the reporting date, 86% of the net borrowings consisted of fixed-rate loans with rates fixed for more than one year (2011: 85%). It is estimated that an interest rate increase of 1 percentage point would lead to an increase in annual interest expenses of DKK 49m (2011: DKK 50m). The calculation assumes a parallel shift in the relevant yield curves and 100% effective hedging of changes in the yield curve.

At 31 December 2012, the duration of the borrowings was 3.9 years (2011: 2.5 years) and in value terms amounted to DKK 1,332m (2011: DKK 812m). The duration has increased compared to 2011 due to the issuance of a total of EUR 1.5bn of fixed-rate bonds during 2012. The maturity of the bonds issued in 2012 is evenly split between EUR 750m maturing in 2019 and EUR 750m maturing in 2022. If the market interest rate had been 1 percentage point higher (lower) at the reporting date, it would have led to a financial gain (loss) of DKK 1,332m (2011: DKK 812m). However, since only interest rate swaps and not fixed-rate borrowings are recognised at fair value, marked-to-market, only the duration contained in financial instruments will impact on comprehensive income or the income statement. It is estimated that DKK 72m (2011: DKK 194m) of the duration is contained in interest rate derivatives designated as cash flow hedges, meaning that the impact from changes in interest rates will be recognised in other comprehensive income, provided that the hedges are efficient and that there are no ineffective portion(s). If the market interest rates had been 1 percentage point higher (lower) at 31 December 2012, shareholders' equity would have been DKK 72m (2011: DKK 194m) higher (lower). The remaining duration is included in borrowings with fixed interest – primarily the issued bonds described in note 24, which are carried at amortised cost.

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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

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

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

NOTE 35 FINANCIAL RISKS – CONTINUED

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

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

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

Exposure to credit risk. The carrying amount of financial assets represents the maximum credit exposure. The carrying amount of financial assets, DKK 17,708m (2011: DKK 14,496m), is summarised below.

2012

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

2011

DKK million	Net carrying amount at 31 Dec.	Of which neither impaired nor past due at the reporting date	Past due less than 30 days	Past due between 30 and 90 days	Past due more than 90 days
Receivables from sale of goods and services	7,115	6,529	216	154	216
On-trade loans	2,066	1,923	12	10	121
Loans to associates	123	123	-	-	-
Loans to partners	230	230	-	-	-
Fair value of hedging instruments	499	499	-	-	-
Other receivables	1,318	1,131	32	82	73
Cash and cash equivalents	3,145	3,145	-	-	-

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

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

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

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

2012

DKK million	Trade receivables	On-trade loans	Other receivables	Total
Impairment at 1 January	-715	-234	-	-949
Impairment loss recognised	-129	-78	-163	-370
Realised impairment losses	135	59	-	194
Reversed impairments	16	25	-	41
Disposals	5	-5	-	-
Impairment losses at 31 December	**-688**	**-233**	**-163**	**-1,084**

2011

DKK million	Trade receivables	On-trade loans	Other receivables	Total
Impairment at 1 January	-675	-267	-	-942
Impairment loss recognised	-151	-23	-	-174
Realised impairment losses	61	33	-	94
Reversed impairments	21	25	-	46
Disposals	30	-	-	30
Impairment losses at 31 December	**-714**	**-232**	**-**	**-946**

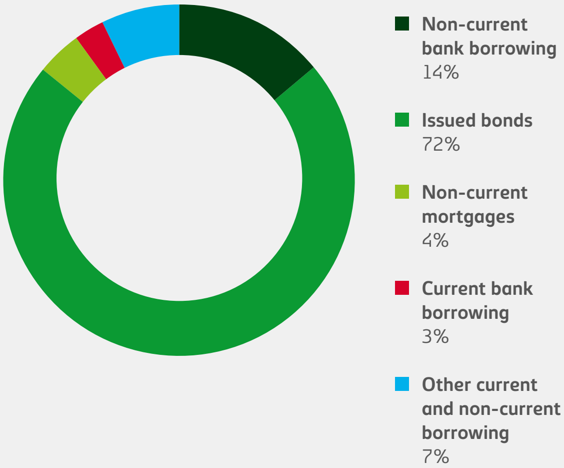
NOTE 35 FINANCIAL RISKS – CONTINUED

Liquidity risk

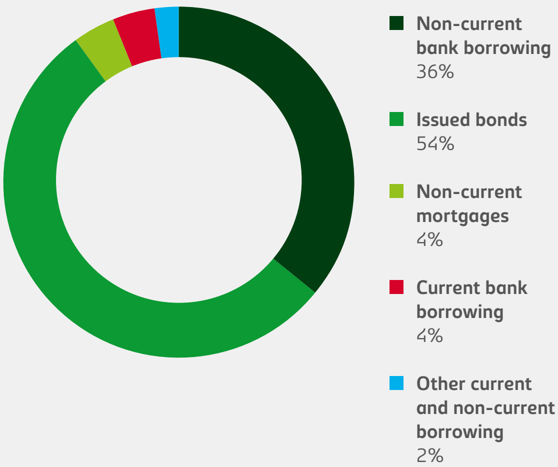
Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. The Group's liquidity is managed by Group Treasury. The approach is to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources, and to some extent tapping a diversity of funding sources. At 31 December 2012, the Group had unutilised non-current committed credit facilities of DKK 14,863m (2011: DKK 8,070m).

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

Distribution of gross financial debt 2012, DKK 40,058m



Distribution of gross financial debt 2011, DKK 36,239m



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

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

DKK million	2012	2011
Total non-current committed loans and credit facilities	51,569	42,434
Total current and non-current borrowings	-40,058	-36,239
Unused committed non-current credit facilities	11,511	6,195
Cash and cash equivalents	5,760	3,145
Credit resources available	**17,271**	**9,340**

The unused non-current committed credit facilities of DKK 11,511m (2011: DKK 6,195m) stated in the formula are net of non-current and current borrowings and therefore DKK 3,352m (2011: DKK 1,875m) (the current borrowing) lower than the actual unutilised part of non-current committed credit facilities of DKK 14,863m (2011: DKK 8,070m).

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

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

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

NOTE 35 FINANCIAL RISKS – CONTINUED

Financial liabilities 2012

DKK million	Contractual cash flows	Maturity <1 year	Maturity >1 year <5 years	Maturity >5 years	Carrying amount
Derivative financial instruments:					
Derivative financial instruments, payables	646	383	263	-	606
Non-derivative financial instruments:					
Financial debt, gross	39,938	3,352	23,907	12,679	40,058
Interest expense	5,310	1,297	3,063	950	N/A
Trade payables and other liabilities	13,243	13,243	-	-	13,243
Liabilities related to the acquisition of entities	1,129	1	129	999	1,129
Financial liabilities associated with assets held for sale	18	18	-	-	18
Non-derivative financial instruments	**59,638**	**17,911**	**27,099**	**14,628**	**-**
Financial liabilities	**60,284**	**18,294**	**27,362**	**14,628**	**-**

Financial liabilities 2011

DKK million	Contractual cash flows	Maturity <1 year	Maturity >1 year <5 years	Maturity >5 years	Carrying amount
Derivative financial instruments:					
Derivative financial instruments, payables	1,255	550	684	21	1,280
Non-derivative financial instruments:					
Financial debt, gross	36,145	1,875	25,330	8,940	36,239
Interest expense	4,383	1,323	2,838	222	N/A
Trade payables and other liabilities	12,312	12,312	-	-	12,312
Liabilities related to the acquisition of entities	1,459	418	24	1,017	1,459
Financial liabilities associated with assets held for sale	828	828	-	-	828
Non-derivative financial instruments	**55,127**	**16,756**	**28,192**	**10,179**	**-**
Financial liabilities	**56,382**	**17,306**	**28,876**	**10,200**	**-**

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

NOTE 35 FINANCIAL RISKS – CONTINUED

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

DKK million	Note	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Securities	18	154	154	158	158
Available-for-sale instruments		**154**	**154**	**158**	**158**
Fair value hedges	36	499	499	443	443
Cash flow hedges	36	46	46	43	43
Net investment hedges	36	39	39	13	13
Derivative financial instruments		**584**	**584**	**499**	**499**
Receivables from the sale of goods and services	19	7,117	7,117	7,115	7,115
On-trade loans	19	2,022	2,022	2,066	2,066
Other receivables	19	1,862	1,862	1,318	1,318
Loans to partners	19	226	226	230	230
Loans to associates	19	137	137	123	123
Cash and cash equivalents	21	5,760	5,760	3,145	3,145
Loans and receivables		**17,124**	**17,124**	**13,997**	**13,997**
Fair value hedges	36	-62	-62	-165	-165
Cash flow hedges	36	-495	-495	-875	-875
Net investment hedges	36	-49	-49	-240	-240
Derivative financial instruments	**28**	**-606**	**-606**	**-1,280**	**-1,280**
Issued bonds	24	29,021	30,520	19,478	20,242
Mortages	24	1,457	1,470	1,457	1,457
Bank borrowings	24	6,901	6,901	14,440	14,440
Finance lease obligations	24	39	39	52	52
Other borrowings	24	2,640	2,640	812	812
Trade payables		11,862	11,862	11,021	11,021
Financial liabilities measured at amortised cost		**51,920**	**53,432**	**47,260**	**48,024**

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

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

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

The fair value of all derivatives (whether designated as fair value or economic hedges, cash flow hedges or net investment hedges) is calculated internally by:

a) estimating the notional future cash flows using observable market data such as yield curves and the aluminium forward curve;
b) discounting the estimated and fixed cash flow to present value; and
c) converting the amounts in foreign currency into the functional currency at the end-of-period foreign exchange rate.

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

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

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

NOTE 36 FINANCIAL INSTRUMENTS

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

DKK million	2012 Fair value adjustment recognised in income statement	2012 Fair value	2011 Fair value adjustment recognised in income statement	2011 Fair value
Exchange rate instruments	220	438	8	284
Other instruments	-5	-1	-7	-6
Ineffective portion of hedge	-26	-	-73	-
Total	**189**	**437**	**-72**	**278**

Value adjustments of fair value hedges and financial derivatives not designated as hedging instruments in the financial year are recognised in the income statement. The adjustments are included in financial income and financial expenses (cf. note 8). In 2012, financial income amounted to DKK 189m (2011: DKK -72m).

The ineffective portion of hedge in 2012 relates to the reclassification of the ineffective portion of interest rate instruments (DKK -37m) designated as cash flow hedges where the hedged item is no longer likely to occur, and reversals of prior years' ineffective portions of interest rate hedges (DKK 11m). For 2011, the ineffective portion related to the reclassification of fair value adjustments of interest rate instruments (DKK -83m) and of exchange rate instruments (DKK -2m) designated as cash flow hedges where the hedged item was no longer likely to occur, and of reversal of prior years' ineffective portion of interest rate hedges (DKK 12m). The total ineffective portion for 2012 was a loss of DKK 26m (2011: DKK 73m).

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

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

Cash flow hedges

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

Main financial instruments – overview

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

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

Cash flow hedges

DKK million	2012 Fair value adjustment recognised in other comprehensive income	2012 Fair value	2012 Expected recognition	2011 Fair value adjustment recognised in other comprehensive income	2011 Fair value	2011 Expected recognition
Interest rate instruments	244	-452	2013-2015	196	-752	2012-2015
Exchange rate instruments	24	46	2013	65	22	2012
Other instruments	59	-43	2013-2014	-253	-102	2012-2013
Total	**327**	**-449**		**8**	**-832**	

Fair value adjustments on cash flow hedges in the financial year are recognised in other comprehensive income and amounted to DKK 327m (2011: DKK 8m).

The fair value of cash flow hedges recognised at 31 December amounted to DKK -449m (2011: DKK -832m). 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.

NOTE 36 FINANCIAL INSTRUMENTS – CONTINUED

Hedging of net investments in foreign subsidiaries

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

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

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

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

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

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

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

NOTE 37 RELATED PARTY DISCLOSURES

Related parties exercising control. The Carlsberg Foundation, H.C. Andersens Boulevard 35, 1553 Copenhagen V, Denmark, holds 30.3% of the shares and 74.6% of the voting power in Carlsberg A/S, excluding treasury shares. Apart from dividends and grants, cf. note 6, no transactions were carried out with the Carlsberg Foundation during the year.

Related parties exercising significant influence. During the year the 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 Group in which these parties have significant influence.

Related parties exercising significant influence comprise the Group's Supervisory Board, Executive Board, key management personnel and close members of their families.

Related parties also comprise companies in which the persons referred to above have significant influence. Remuneration to the Supervisory Board, Executive Board and key management personnel is disclosed in note 12.

Related parties also include the Group's associates (companies in which the Group has significant influence) and jointly controlled entities (companies that are jointly controlled by the Group and other venturers).

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

	Associates		Proportionally consolidated entities	
DKK million	2012	2011	2012	2011
Revenue	286	377	13	12
Cost of sales	-381	-322	-	-1
Loans	300	123	727	161
Receivables	131	233	26	19
Borrowings	-96	-107	-	-
Trade payables and other liabilities etc.	-22	-72	-4	-3

NOTE 38 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

The Group has issued guarantees for loans etc. raised by joint ventures (non-consolidated share of loan) of DKK 83m (2011: DKK 87m) and for loans etc. raised by third parties (non-consolidated entities) of DKK 674m (2011: DKK 762m).

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

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

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

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

Capital commitments

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

NOTE 39 OPERATING LEASE LIABILITIES

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total 2012
Future lease payments:				
Within one year	161	32	322	515
Between one and five years	335	117	643	1,095
After more than five years	233	18	99	350
Total	**729**	**167**	**1,064**	**1,960**

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total 2011
Future lease payments:				
Within one year	205	10	332	547
Between one and five years	332	54	640	1,026
After more than five years	235	-	91	326
Total	**772**	**64**	**1,063**	**1,899**

DKK million	2012	2011
Operating lease expenses recognised in the income statement	522	565
Expected future income under non-cancellable subleases (matures within 10 years)	58	57

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

NOTE 40 EVENTS AFTER THE REPORTING PERIOD

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

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

NOTE 41 PARENT COMPANY

DKK million	2012	2011
Key financial figures for the Parent Company Carlsberg A/S:		
Profit for the year	507	436
Total assets	47,287	47,738
Total equity	45,835	46,139
– of which retained earnings	42,784	43,088
Proposed dividends for the year	915	839

NOTE 42 ACCOUNTING POLICIES

The 2012 consolidated financial statements of the Carlsberg 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.

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

The consolidated financial statements are presented in Danish kroner (DKK million), 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, which are measured at fair value: derivative financial instruments, financial instruments in the trading portfolio and financial instruments classified as available-for-sale.

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

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

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

New IFRS and Interpretations

Implementation of new and amended IFRSs and Interpretations
With effect from 1 January 2012, the following amended IFRS was implemented:
- Amendment to IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets". The amendment provides further guidance on deferred tax on investment properties and is therefore not relevant to the Group.

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

New and amended IFRSs and Interpretations not yet adopted by or applicable within the EU
In addition, the following new or amended IFRSs and Interpretations of relevance to the Carlsberg Group have been issued and adopted by EU but are not applicable for 2012:
- IFRS 10 "Consolidated Financial Statements". The standard changes the definition of control over an entity following which de facto control will result in full consolidation of the entity and potential voting rights could require full consolidation. The standard is effective for financial years beginning on or after 1 January 2013.
- IFRS 11 "Joint Arrangements". The standard supersedes IAS 31 "Interests in Joint Ventures" and eliminates the possibility of proportionate consolidation of joint ventures. The standard distinguishes between joint ventures (recognised according to the equity method) and joint arrangements (proportionate consolidation). The standard changes the Group's recognition and measurement of joint ventures. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but is not applicable within the EU until 1 January 2014.
- IFRS 12 "Disclosure of Interests in Other Entities". The standard defines disclosure requirements for consolidated entities, and for joint ventures and associates recognised according to the equity method. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but is not applicable within the EU until 1 January 2014.
- IFRS 13 "Fair Value Measurement". The standard supersedes the definitions of fair value in the individual IFRSs and requires further disclosure of fair value estimates. The standard does not change recognition and measurement for the Group. The standard is effective for financial years beginning on or after 1 January 2013.
- Amendments to IAS 27 "Separate Financial Statements". The standard contains requirements for the accounting treatment of and disclosures for investments in subsidiaries, joint ventures and associates in parent company financial statements. The standard does not change recognition and measurement for the Parent Company. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but is not applicable within the EU until 1 January 2014.
- Amendments to IAS 28 "Investments in Associates and Joint Ventures". The standard prescribes the accounting treatment of investments in joint ventures and associates according to the equity method. The standard does not change recognition and measurement for the Group. The standard is effective for financial years beginning on or after 1 January 2013 according to the standard but is not applicable within the EU until 1 January 2014.
- Amendments to IAS 19 "Employee Benefits". The standard changes the valuation of assets and is not expected to have a material impact on the Group. The standard is effective for financial years beginning on or after 1 January 2013.
- Amendment to IAS 1 "Other Comprehensive Income" (issued 16 June 2011). The standard changes the presentation of other comprehensive income. The standard is effective for financial years beginning on or after 1 July 2012.
- Amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities". The standard is effective for financial years beginning on or after 1 January 2013.
- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities". The standard is effective for financial years beginning on or after 1 January 2014.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". The Interpretation is not relevant to the Group.
- Improvements to IFRSs issued in June 2011.

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

Furthermore, the following new or amended IFRSs and Interpretations of relevance to the Carlsberg Group have been issued but are not yet adopted by the EU and are not applicable for 2012:
- IFRS 9 "Financial Instruments", most recently revised in November 2010. As further changes to the standard are being drafted and planned, the impact of the final standard on the consolidated financial statements cannot yet be estimated. The standard is effective for financial years beginning on or after 1 January 2015.
- Improvements to IFRSs 2009-2011 (issued 17 May 2012), effective for financial years beginning on or after 1 January 2013.
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (issued 28 June 2012), effective for financial years beginning on or after 1 January 2013.
- Investment Entities (Amendments to IFRS 10, IFRs 12 and IAS 27) (issued 31 October 2012), effective for financial years beginning on or after 1 January 2014.

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

Consolidated financial statements

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

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

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

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

A Group chart is included in note 43.

NOTE 42 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 42 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 42 ACCOUNTING POLICIES – CONTINUED

Income statement

Revenue

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

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

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

Cost of sales

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

Sales and distribution expenses

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

Administrative expenses

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

Other operating income and expenses

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

Revenue on construction contracts (real estate projects) which are specifically negotiated is recognised as the work is carried out, corresponding to the selling price of work performed during the year (the percentage of completion method). Revenue is recognised when total income and expenses on a construction contract as well as the stage of completion at the end of the reporting period can be determined reliably, and when it is probable that the economic benefits, including payments, will be received by the Group. On disposal of real estate projects which are not specifically negotiated, the gain is recognised at the disposal date (the sales method).

Profit on real estate projects is recognised net under other operating income. Revenue and expenses relating to construction contracts which are specifically negotiated are disclosed in the notes.

Government grants

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

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

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

Operating profit before special items

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

Special items

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

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

Profits/losses from investments in associates

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

Financial income and expenses

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

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

Tax on profit/loss for the year

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

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

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

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

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

Statement of financial position

Intangible assets

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

NOTE 42 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

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

The present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost of self-constructed assets if the liabilities are provided for. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items and are depreciated separately.

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

NOTE 42 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

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

Construction contracts
Construction contracts (real estate projects) are measured at the contract revenue of the work performed less progress billings and anticipated losses.

The contract revenue is measured by reference to the percentage of completion at the end of the reporting period and total expected revenue from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is measured as the proportion of contract costs incurred for work performed relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is recognised as an expense immediately. The selling price of construction contracts is recognised under other receivables and disclosed in the notes.

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

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

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

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

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

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

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

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

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

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

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

NOTE 42 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other non-current assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period

NOTE 42 ACCOUNTING POLICIES – CONTINUED

when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement. Changes to deferred tax recognised in other comprehensive income are, however, recognised in other comprehensive income.

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

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

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

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

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

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

Other liabilities are measured at amortised cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash flow from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the acquisition and

NOTE 42 ACCOUNTING POLICIES – CONTINUED

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 Group.

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

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

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

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

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

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

Cash flow per share (CFPS)	Cash flow from operating activities divided by the number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[1].
Debt/operating profit before depreciation, amortisation and impairment	Net interest-bearing debt[2] divided by operating profit before special items adjusted for depreciation, amortisation and impairment.
Earnings per share (EPS)	Consolidated profit for the year, excluding non-controlling interests, divided by the average number of shares outstanding.
Earnings per share, adjusted (EPS-A)	Consolidated profit for the year adjusted for special items net of tax, excluding non-controlling interests, divided by the average number of shares outstanding.
Earnings per share, diluted (EPS-D)	Consolidated profit for the year, excluding non-controlling interests, divided by the average number of shares outstanding, fully diluted for share options in the money and the bonus element in a rights issue in accordance with IAS 33[1].
Equity ratio	Equity attributable to shareholders in Carlsberg A/S at year-end as a percentage of total assets at year-end.
Financial gearing	Net interest-bearing debt[2] at year-end divided by total equity at year-end.
Free cash flow per share (FCFPS)	Free cash flow[3] divided by average number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[1].
Interest cover	Operating profit before special items divided by interest expenses, net.
Number of shares, average	The number of issued shares, excluding treasury shares, as an average for the year (= average number of shares outstanding).
Number of shares, year-end	Total number of issued shares, excluding treasury shares, at year-end (= number of shares outstanding at year-end).
Operating margin	Operating profit before special items as a percentage of revenue.
Operating profit	Expression used for operating profit before special items in the Management review.
Organic development	Measure of growth excluding the impact of acquisitions, divestitures and foreign exchange from year-over-year comparisons. We believe this provides investors with a better understanding of underlying trends.
Pay-out ratio	Dividend for the year as a percentage of consolidated profit, excluding non-controlling interests.
Pro rata volumes	The Group's total sale of beverages, including the pro rata share of sales through proportionally consolidated entities and associates.
Return on average invested capital, including goodwill (ROIC)	Operating profit before special items as a percentage of average invested capital[4].
Volumes	The Group's total sale of beverages, including the total sales through proportionally consolidated entities and associates.

[1] The dilutive effect is calculated as the difference between the number of shares that could be acquired at fair value for the proceeds from the exercise of the share options and the number of shares that could be issued assuming that the options are exercised.
[2] The calculation of net interest-bearing debt is specified in note 33.
[3] The calculation of free cash flow is specified in the statement of cash flows.
[4] The calculation of invested capital is specified in note 32.

NOTE 43 GROUP COMPANIES

				Ownership share[1]	Nominal share capital ('000)	Currency	Exchange rate
Carlsberg Breweries A/S, Copenhagen, Denmark			●	100%	501	DKK	100.00
WESTERN EUROPE							
Carlsberg Danmark A/S, Copenhagen, Denmark	1 subsidiary		●	100%	100,000	DKK	100.00
Carlsberg Sverige AB, Stockholm, Sweden	1 subsidiary		●	100%	70,000	SEK	87.14
Ringnes AS, Oslo, Norway	2 subsidiaries		●	100%	231,274	NOK	101.67
Oy Sinebrychoff Ab, Helsinki, Finland			●	100%	96,707	EUR	746.04
Carlsberg Deutschland GmbH, Hamburg, Germany	3 subsidiaries		●	100%	26,900	EUR	746.04
Nordic Getränke GmbH, Hamburg, Germany	15 subsidiaries		■	50%	5,000	EUR	746.04
Holsten-Brauerei Aktiengesellschaft, Hamburg, Germany	4 subsidiaries		●	100%	41,250	EUR	746.04
Carlsberg Polska S. A., Warsaw, Poland	1 subsidiary		●	100%	28,721	PLN	182.81
Saku Õlletehase AS, Tallinn, Estonia			●	100%	5,113	EUR	746.04
JSC Aldaris, Riga, Latvia			●	98%	7,500	LVL	1,069.13
UAB Svyturys-Utenos Alus, Utena, Lithuania			●	99%	118,000	LTL	216.07
Carlsberg UK Holdings Limited, Northampton, United Kingdom	1 subsidiary		●	100%	90,004	GBP	913.20
Carlsberg UK Limited, Northampton, United Kingdom	6 subsidiaries		●	100%	2,100	GBP	913.20
Emeraude S.A.S., Strasbourg, France	6 subsidiaries	[4]	●	100%	206,022	EUR	746.04
Brasseries Kronenbourg S.A.S., Strasbourg, France	6 subsidiaries		●	100%	507,891	EUR	746.04
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	4 subsidiaries		●	100%	95,000	CHF	617.58
Carlsberg Italia S.p.A., Lainate, Italy	3 subsidiaries		●	100%	8,600	EUR	746.04
Unicer-Bebidas de Portugal, S.G.P.S., S.A., Leca do Balio, Portugal	5 subsidiaries	[4]	◆	44%	50,000	EUR	746.04
Mythos Brewery SA, Thessaloniki, Greece			●	100%	39,405	EUR	746.04
Carlsberg Serbia d.o.o., Celarevo, Serbia	2 subsidiaries		●	100%	2,998,273	RSD	6.56
Carlsberg Croatia d.o.o., Koprivnica, Croatia			●	100%	239,932	HRK	98.87
Carlsberg Bulgaria AD, Mladost, Bulgaria			●	100%	37,325	BGN	381.45
B to B Distribution EOOD, Mladost, Bulgaria			●	100%	10	BGN	381.45
Carlsberg Hungary Kft., Budaörs, Hungary			●	100%	25,600	HUF	2.57
CTDD Beer Imports Ltd., Montreal, Canada			●	100%	532	CAD	568.54
Carlsberg Canada Inc., Mississauga, Canada			●	100%	11,000	CAD	568.54
Investeringsaksjeselskapet RH AS, Oslo, Norway	7 subsidiaries		●	100%	50,000	NOK	101.67
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary		●	100%	287,457	SEK	87.14
Baltic Beverages Holding OÜ, Tallinn, Estonia			●	100%	3	EUR	746.04
Nuuk Imeq A/S, Nuuk, Greenland			■	32%	38,000	DKK	100.00
International Breweries (Netherlands) B.V., Amsterdam, Netherlands	2 subsidiaries		■	23%	56	EUR	746.04
EASTERN EUROPE							
Baltika Breweries, Saint Petersburg, Russia	4 subsidiaries		●	100%	156,087	RUB	18.55
Baltika Baku LLC, Baku, Azerbaijan			●	100%	26,849	AZN	721.07
PJSC Carlsberg Ukraine, Zaporizhzhya, Ukraine	2 subsidiaries		●	95%	1,022,433	UAH	70.80
OJSC Olivaria Brewery, Minsk, Belarus	1 subsidiary		●	68%	61,444,801	BYR	0.07
Carlsberg Kazakhstan, Almaty, Kazakhstan	1 subsidiary		●	100%	5,362,774	KZT	3.74
UzCarlsberg LLC., Tashkent, Uzbekistan		[4]	●	100%	82,282,014	UZS	0.28
Baltic Beverages Invest AB, Stockholm, Sweden			●	100%	11	EUR	746.04
Baltic Beverages Holding AB, Stockholm, Sweden			●	100%	12,000	EUR	746.04
ASIA							
Carlsberg Brewery Hong Kong Limited, Hong Kong, China	2 subsidiaries		●	100%	260,000	HKD	73.00
Carlsberg Brewery (Guangdong) Limited, Huizhou, China			●	99%	442,330	CNY	90.79
Kunming Huashi Brewery Company Limited, Kunming, China			●	100%	79,528	CNY	90.79
Xinjiang Wusu Beer Co., Ltd., Urumqi, China	10 subsidiaries		●	65%	105,480	CNY	90.79
Ningxia Xixia Jianiang Brewery Company Limited, Xixia, China			●	70%	194,351	CNY	90.79
Dali Beer Company Limited, Dali, China			●	100%	97,799	CNY	90.79
Chongqing Brewery Co., Ltd, Chongqing, China	8 subsidiaries	[2,4]	■	29.7%	483,971	CNY	90.79
Chongqing Jianiang Brewery Ltd., Chongqing, China			●	49%	435,000	CNY	90.79
Tibet Lhasa Brewery Company Limited, Lhasa, China			■	33%	380,000	CNY	90.79

NOTE 43 GROUP COMPANIES – CONTINUED

				Ownership share[1]	Nominal share capital ('000)	Currency	Exchange rate
Lanzhou Huanghe Jianiang Brewery Company Limited, Lanzhou, China			■	30%	210,000	CNY	90.79
Qinghai Huanghe Jianiang Brewery Company Ltd., Xining, China			■	33%	85,000	CNY	90.79
Jiuquan West Brewery Company Limited, Jiuquan, China			■	30%	36,000	CNY	90.79
Tianshiui Huanghe Jianiang Brewery Company Limited, Tianshui, China			■	30%	58,220	CNY	90.79
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia		2	○	51%	300,000	MYR	184.86
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia			○	100%	10,000	MYR	184.86
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia			○	100%	100	MYR	184.86
Luen Heng F&B Sdn BHD, Selangor Darul Ehsan, Malaysia			○	70%	5,000	MYR	184.86
Carlsberg Singapore Pte Ltd, Singapore			○	100%	1,000	SGD	462.69
Lion Brewery (Ceylon) PLC, Biyagama, Sri Lanka		2	■	25%	850,000	LKR	4.43
Carlsberg Distributors Taiwan Limited, Taipei, Taiwan	1 subsidiary		■	50%	100,000	TWD	19.46
Cambrew Pte Ltd., Singapore		4	♦	50%	21,720	SGD	462.69
Cambrew Ltd, Phnom Penh, Cambodia	1 subsidiary	4	♦	50%	125,000	USD	565.91
Carlsberg Indochina Limited, Hanoi, Vietnam			○	100%	80,000,000	VND	0.03
South-East Asia Brewery Ltd., Hanoi, Vietnam			○	60%	212,705,000	VND	0.03
International Beverage Distributors Ltd., Hanoi, Vietnam			○	60%	15,622,000	VND	0.03
Hue Brewery Ltd., Hue, Vietnam			○	100%	216,788,000	VND	0.03
Hanoi-Vungtau Beer Joint Stock Company, Vung Tau, Vietnam			■	62%	540,000,000	VND	0.03
Ha Long Beer and Beverage Joint stock Company, Ha Long, Vietnam			■	31%	30,200,000	VND	0.03
Hanoi Beer Alcohol and Beverage Joint-Stock Corporation, Hanoi, Vietnam		4	■	17%	2,318,000,000	VND	0.03
Lao Brewery Co. Ltd., Vientiane, Laos			○	51%	22,808,641	LAK	0.07
CB Distribution Co., Ltd., Bangkok, Thailand			○	100%	200,000	THB	18.49
Carlsberg India Private Limited, New Delhi, India			♦	100%	764,334	INR	10.28
Parag Breweries Limited, Kolkata, India			♦	100%	122,962	INR	10.28
The Bottling and Brewing Group Limited, Blantyre, Malawi	3 subsidiaries	4	○	59%	1,267,128	MWK	1.75
Brewery Invest Pte Ltd, Singapore			○	100%	3,200	SGD	462.69
Caretech Ltd, Hong Kong, China		4	♦	50%	10,000	HKD	73.00
South Asian Breweries Pte. Ltd., Singapore			♦	60%	200,000	SGD	462.69
Carlsberg Asia Pte Ltd, Singapore			○	100%	54,914	SGD	462.69
NOT ALLOCATED							
Danish Malting Group A/S, Vordingborg, Denmark			○	100%	100,000	DKK	100.00
Danish Malting Group Polska Sp. z o.o., Sierpc, Poland			○	100%	20,000	PLN	182.81
Carlsberg Finans A/S, Copenhagen, Denmark			○	100%	25,000	DKK	100.00
Carlsberg International A/S, Copenhagen, Denmark			○	100%	1,100	DKK	100.00
Carlsberg Invest A/S, Copenhagen, Denmark	1 subsidiary		○	100%	33,000	DKK	100.00
Carlsberg IT A/S, Copenhagen, Denmark			○	100%	50,000	DKK	100.00
Carlsberg Insurance A/S, Copenhagen, Denmark			○	100%	25,000	DKK	100.00
Carlsberg Accounting Centre Sp. z.o.o., Poznan, Poland			○	100%	50	PLN	182.81
NON-BEVERAGE							
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen, Denmark			○	100%	10,000	DKK	100.00
Ejendomsaktieselskabet af 4. marts 1982, Copenhagen, Denmark			○	100%	9,500	DKK	100.00
Carlsberg Ejendomme Holding A/S, Copenhagen, Denmark			○	100%	500	DKK	100.00
Boliginteressentskabet Tuborg, Copenhagen, Denmark		3	♦	50%	-	DKK	100.00
Ejendomsinteressentskabet Waterfront, Copenhagen, Denmark		3	♦	50%	-	DKK	100.00
Carlsberg Byen P/S, Copenhagen, Denmark	3 subsidiaries		■	25%	17,000	DKK	100.00

○ Subsidiary
♦ Proportionally 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

CONSOLIDATED ANNUAL REPORT

This Consolidated Annual Report is an extract of the Company's Annual Report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, Carlsberg has chosen to issue a Consolidated Annual Report that excludes the financial statements of the Parent Company, Carlsberg A/S.

The financial statements of the Parent Company are an integral part of the full Annual Report, which is available from the Company on request, and the complete Annual Report is also available at and can be downloaded from www.carlsberggroup.com/investor/downloadcentre. After approval at the Annual General Meeting, the full Annual Report is also available on request from the Danish Business Authority.

The appropriation of the profit for the year and the proposed dividend in the Parent Company are disclosed in note 41 to the consolidated financial statements.

The full Annual Report has the following statement by the Supervisory Board and Executive Board, and Auditors' report.

MANAGEMENT STATEMENT

The Supervisory Board and the Executive Board have today discussed and approved the Annual Report of the Carlsberg Group and the Parent Company for 2012.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies.

In our opinion the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Carlsberg Group's and the Parent Company's assets, liabilities and financial position at 31 December 2012 and of the results of the Carlsberg Group's and the Parent Company's operations and cash flows for the financial year 2012.

Further, in our opinion the Management's review includes a fair review of the development in the Carlsberg Group's and the Parent Company's operations and financial matters, of the result for the year and of the Carlsberg Group's and the Parent Company's financial position as well as describes the significant risks and uncertainties affecting the Carlsberg Group and the Parent Company.

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

Copenhagen, 18 February 2013

Executive Board of Carlsberg A/S

Jørgen Buhl Rasmussen

Jørn P. Jensen

Supervisory Board of Carlsberg A/S

Flemming Besenbacher
Chairman

Jess Søderberg
Deputy Chairman

Richard Burrows

Donna Cordner

Elisabeth Fleuriot

Kees van der Graaf

Niels Kærgård

Søren-Peter Fuchs Olesen

Lars Stemmerik

Per Øhrgaard

Hans S. Andersen

Thomas Knudsen

Bent Ole Petersen

Peter Petersen

THE INDEPENDENT AUDITORS' REPORT

To the shareholders of Carlsberg 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 A/S for the financial year 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies for the Carlsberg 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 Group's and the parent company's financial position at 31 December 2012 and of the results of the Carlsberg Group's and the parent company's operations and cash flows for the financial year 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 18 February 2013

KPMG
Statsautoriseret Revisionspartnerselskab

Henrik Kronborg Iversen State Authorised Public Accountant	Jesper Koefoed State Authorised Public Accountant

The Chairman and Deputy Chairman of the Supervisory Board together constitute the Chairmanship. Years given denote first and (when more than one) most recent election to the Board.

SUPERVISORY BOARD

CARLSBERG'S SUPERVISORY BOARD HAS 14 MEMBERS; FIVE MEMBERS ARE ATTACHED TO THE CARLSBERG FOUNDATION, THE COMPANY'S PRINCIPAL SHAREHOLDER, FIVE MEMBERS HAVE AN INTERNATIONAL BUSINESS BACKGROUND AND FOUR MEMBERS ARE ELECTED BY THE EMPLOYEES.

Flemming Besenbacher

Chairman

Born 1952. Professor, D.Sc., h.c. mult., FRSC. Elected 2005 and 2012. Election period expires 2013. Chairman of the Supervisory Board and the Nomination Committee since March 2012. Member of the Audit and Remuneration Committees since March 2012. Member of the Board of Directors of the Carlsberg Foundation (Chairman as of 1 January 2012) and of the Supervisory Boards of property companies affiliated to the Carlsberg Foundation. Mr Besenbacher is Chairman of the Board of Trustees of the Carlsberg Laboratory and member of the Boards of the Tuborg Foundation and MedTech Innovation Center. Mr Besenbacher was director of the Interdisciplinary Nanoscience Center (iNANO), Aarhus University, from 2002 to 2012. He has extensive experience of managing large knowledge-based organisations and has strong competences relating to innovation, research, CSR and sustainable development. Mr Besenbacher is Professor Honoris Causa at 10 international universities and has received many international awards, including the Friendship Award and The Chinese Government Highest International Scientific and Technological Cooperation Award of the People's Republic of China.

Jess Søderberg

Deputy Chairman

Born 1944. Elected 2008 and 2012. Election period expires 2013. Chairman of the Audit Committee and member of the Nomination and Remuneration Committees. 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.

SUPERVISORY BOARD – CONTINUED

Richard Burrows

Born 1946. Elected 2009 and 2012. Election period expires 2013. Chairman of the Remuneration Committee and member of the Audit Committee. Mr Burrows has spent most of his career in the drinks business. He was joint CEO of Pernod Ricard from 2000 to 2005. He is Chairman of British American Tobacco and VoiceSage Ltd. Mr Burrows is a non-executive director of the boards of ENRC PLC and Rentokil Initial plc. He is a member of the European Advisory Council of the IMF. Mr Burrows has extensive experience of the branded consumer goods sector and wide international business experience gained through his career with Irish Distillers Group plc and Pernod Ricard. He has extensive experience of shareholder and investor relations and a broad understanding of the assessment and mitigation of business risks. Mr Burrows has worked extensively with developing markets and product innovation, and has substantial experience of financial management and reporting processes.

Donna Cordner

Born 1956. Elected 2012. Election period expires 2013. Member of the Audit Committee as of 1 January 2013. Non-executive director of Millicom International Cellular SA since 2004, where she is currently member of the Audit Committee and CSR Committee. Ms. Cordner is also a member of the Advisory Board of Vosges Haut Chocolat. Ms Cordner was formerly Managing Director and Global Head of Telecommunications and Media Structured Finance at Citigroup and has also held senior positions at Société Générale and ABN Amro Bank N.V. in the USA and Europe. Ms Cordner has been Chief Executive Officer of HOFKAM Limited, the largest rural micro-finance company in Uganda. She has held the positions of Executive Vice President of Corporate Finance and Treasury and Market Area Director and Chief Executive Officer for Russia at Tele2 AB. Ms Cordner has extensive international management experience, including experience of growth markets. She has substantial experience of financial management and financial reporting processes, stakeholder and investor relations management, and the assessment and mitigation of business risks. She has also worked extensively with performance management and CSR and sustainable development.

Elisabeth Fleuriot

Born 1956. Elected 2012. Election period expires 2013. Member of the Remuneration Committee as of 1 January 2013. Senior Vice President Emerging Markets and Vice President, Kellogg Company until 2012. Ms Fleuriot has substantial international branded consumer goods and management experience through her career in management positions at Kellogg Company (since 2001) and before that at Yoplait (Sodiaal Group) and the Danone Group. Ms Fleuriot has extensive experience of sales and marketing management, product innovation and strategic planning, and wide international experience of developed and emerging markets. She has worked on business development, acquisitions and partnerships, and has an in-depth understanding of the assessment and mitigation of business risks.

Kees van der Graf

Born 1950. Elected 2009 and 2012. Election period expires 2013. Member of the Nomination and Remuneration Committees. Until May 2008, Mr van der Graaf held the position of President Europe on the Board of Unilever. He is Chairman of the Supervisory Boards of Grandvision BV, MYLAPS BV and the University of Twente, and member of the Supervisory Boards of ANWB (the Royal Dutch Touring Club), ENPRO Industries and Ben & Jerry's. Between 2008 and 2011, Mr van der Graaf was an executive-in-residence of the Lausanne-based IMD business school. He is the founder of the FSHD Foundation. Mr van der Graaf has acquired extensive international management experience through his many years in management positions at Unilever. He has substantial experience of growth markets and of manufacturing, logistics and sales & marketing management. He has also worked extensively with performance management and sustainable development.

Niels Kærgård

Born 1942. Professor, D.Econ. Elected 2003 and 2012. Election period expires 2013. Member of the Board of Directors of the Carlsberg Foundation and Chairman of the Supervisory Boards of property companies affiliated to the Carlsberg Foundation. Niels Kærgård has particular expertise in economics and international affairs, and headed the Chairmanship of the Danish Economic Council from 1995 to 2001. With his background as a researcher and educator, he has particular expertise in the analysis of economic and organisational issues and the presentation of plans and results.

Søren-Peter Fuchs Olesen

Born 1955. Professor D.M.Sc. Elected 2012. Election period expires 2013. Member of the Board of Directors of the Carlsberg Foundation and of the Board of Trustees of the Carlsberg Laboratory. Director of the Danish National Research Foundation Centre for Cardiac Arrhythmia at the University of Copenhagen and Copenhagen University Hospital from 2005. Mr Olesen has been involved in starting up and developing several pharma and device companies as co-founder, CEO, scientific director and board member. He has substantial experience of managing knowledge organisations, turning basic science into new products, innovation and planning. He is chairman of the evaluation committees for visiting scientists at Danmarks Nationalbank and the Nordea Foundation. Mr Olesen has extensive experience of funding and investor relations and wide experience of CSR.

Lars Stemmerik

Born 1956. Professor, D.Sc. Elected 2010 and 2012. Election period expires 2013. Member of the Board of Directors of the Carlsberg Foundation and of the Board of Trustees of the Carlsberg Laboratory. Mr Stemmerik was head of the Department of Geography and Geology 2007-2012. He is presently member of the Academic Council in the Danish Academy of Technical Sciences. With this background, he has substantial experience in managing knowledge organisations and particular expertise in the analysis of complex issues and the presentation of plans and results.

Per Øhrgaard

Born 1944. Professor, D.Phil. Elected 1993 and 2012. Election period expires 2013. Member of the Board of Directors of the Carlsberg Foundation and of the Supervisory Boards of property companies affiliated to the Carlsberg Foundation. Mr Øhrgaard is Chairman of Leonhardt & Høier Literary Agency A/S and of Højskolen Østersøen. He is affiliated to Copenhagen Business School, where he specialises in German. Given his background as a researcher and lecturer, he has particular expertise in the analysis of complex issues and the presentation of plans and results. He also has experience from directorships at other companies.

Hans Andersen

Born 1955. Brewery Worker, Carlsberg Danmark A/S. Elected 1998 and 2010. Election period expires 2014. Employee representative on the Board of Carlsberg Danmark A/S.

Thomas Knudsen

Born 1963. Workshop Manager, Carlsberg Research Center. Joined 2011. Election period expires 2014.

Bent Ole Petersen

Born 1954. Senior Technician, Carlsberg Laboratory. Elected 2002 and 2010. Election period expires 2014.

Peter Petersen

Born 1969. Chairman of the Staff Association Carlsberg and Demand Planner, Carlsberg Danmark A/S. Elected 2010. Election period expires 2014. Deputy Chairman of the Board of Carlsberg Staff – Gifts and Entertainment. Employee representative on the Boards of Carlsberg Danmark A/S and Carlsberg Breweries A/S.

Carlsberg A/S
100 Ny Carlsberg Vej
1799 Copenhagen V
Denmark

Phone +45 3327 3300
Fax +45 3327 4701
www.carlsberggroup.com

CVR No. 61056416