2011

Carlsberg
Annual Report

Market overview

Northern & Western Europe

Our markets[1]	Denmark	Norway	Sweden	Finland	Poland	Germany	The Baltic States[2]	United Kingdom	France	Switzerland	Italy	Greece
Population (millions)	5.5	5.0	9.4	5.4	38.1	81.4	6.9	62.6	63.2	7.8	60.6	11.2
Est. GDP/capita PPP (USD)	37,742	53,376	40,614	36,723	20,137	37,936	17,958[4]	35,974	35,049	43,509	30,166	27,624
Est. real GDP growth (%)	1.5	1.7	4.4	3.5	3.8	2.7	4-6.6	1.1	1.7	2.2	0.6	-5.0
Inflation, avg. consumer prices (%)	3.2	1.7	3.0	3.1	4.0	2.2	4.2-5.1	4.5	2.1	0.7	2.6	2.9
Est. beer market growth 2012-2016	↘	↘	↘	↘	↘	↘	↑	↘	↘	→	↘	↘
Our operations												
Breweries	1	2	1	1	3	2	4	1	1	1	1	1
Employees	1,705	1,294	981	875	1,191	601	1,006	1,698	1,803	1,321	345	323
Our position												
Market position (no.)	1	1	1	1	3	1[7]	1	4	1	1	4	2
Market share (%)	54.4	52.1	31.8	43.5	16.2	17.7	34.5-39.0	15.4	31.1	42.8	8.0	14.9
Primary competitive climate (int./local)	Local	Local	Local	Int.	Int.	Int./local	Local	Int.	Int.	Int.	Int.	Int.
Consumption characteristics												
On-trade share of market, approx. (%)	22	26	20	15	15	20	7-12	58	21	44	42	60
Per capita beer consumption (litres)	78	49	51	83	92	106	75-95	72	28	58	29	36
Beer of total alcohol consumption (%)	49	44	42	46	53	55	41-48	43	14	33	18	35

1) 2011E
2) Estonia, Latvia, Lithuania
3) Bulgaria, Croatia, Serbia
4) Weighted average
5) Western China, incl. Chongqing
6) Excl. Habeco
7) Northern Germany (Schleswig-Holstein, Hamburg, Lower Saxony)
8) Incl. Habeco

Portugal	South East Europe[3]	Eastern Europe	Russia	Ukraine	Kazakhstan	Uzbekistan	Belarus	Azerbaijan	Asia	Malaysia	Singapore	Hong Kong	China	Vietnam	Laos	Cambodia	Nepal	India
10.7	19.3		142.4	45.6	16.5	28.6	9.4	9.1		28.7	5.3	7.2	1,348.1	89.3	6.6	14.4	28.5	1,206.9
23,204	13,740[4]		16,687	7,199	13,060	3,294	14,948	10,217		15,579	59,937	49,342	8,394	3,355	2,659	2,286	1,328	3,703
-2.2	0.8-2.5		4.3	4.7	6.5	7.1	5.0	0.2		5.2	5.3	6.0	9.5	5.8	8.3	6.7	3.5	7.8
3.4	3.2-11.3		8.9	9.3	8.9	13.1	41.0	9.3		3.2	3.7	5.5	5.5	18.8	8.7	6.4	9.5	10.6
↘	→		↗	↗	↗	↗	↗	↗		↗	↗	↗	↗	↗	↗	↗	↗	↗
2	4		10	3	1	1	1	1		1	-	-	41[5]	6[6]	2	1	1	5
697	1,481		9,632	1,800	465	461	559	219		688	73	206	7,122	597	737	1,235	350	519
2	2-3		1	2	2	2	1	1		2	2	2	1[5]	2[8]	1	1	1	3
46.9	16.6-26.2		37.4	28.8	38.5	31.4	26.8	66.6		42.5	19.9	23.6	~55	36.0	97.5	58.0	75.0	5.6
Int.	Int.		Int.	Int.	Int.	Local	Int./local	Local		Int.	Int.	Int.	Local[5]	Int.	Local	Int.	Local	Int.
60	25-40		8	11	33	n/a	3	n/a		74	74	42	45	50	60	60	80	37
56	64-76		64	60	28	12	52	7		5	21	23	32	27	28	18	2	2
36	40-65		25	48	22	n/a	17	n/a		69	76	53	42	92	n/a	n/a	n/a	28

Sources: IMF, Canadean and Carlsberg estimates.

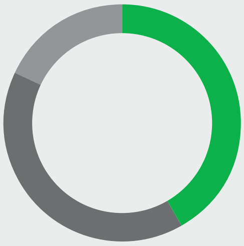
Management review

Financial statements

Editors Carlsberg Group Communications **Design and production** Kontrapunkt **Photos** Nana Reimers, Martin Sølyst **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

Mid-term operating margin target: around 20%



Pro rata beer volumes
■ N & W Europe ■ Eastern Europe ■ Asia

The Carlsberg Group is the fourth largest brewer in the world with a large portfolio of beer and other beverage brands. Our flagship brand, Carlsberg, is one of the best-known beer brands in the world, and Baltika, Carlsberg and Tuborg are among the biggest brands in Europe.

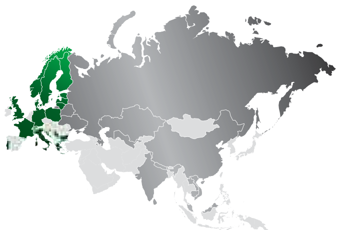
Our business is focused in Northern & Western Europe, Eastern Europe and Asia, where we have strong market positions. The rest of the world is serviced through export or licence agreements.

2011 in brief

- Challenging year due to input cost pressure, soft trading in Russia driven by duties and high inflation in general, and adverse weather
- Focus on driving value in the beer category
- Continued focus on optimising and streamlining locally and at Group level
- Initiative to integrate the European supply organisation, incorporating procurement, supply chain and logistics

Northern & Western Europe

Mid-term operating margin target: 15-17%



Carlsberg is the second largest brewer in the region, which mainly comprises mature markets. As a general rule, market volumes are flat or slightly declining. The region is generally characterised by well-established retail structures and a strong tradition of beer consumption in most markets. Consumers are normally receptive to innovation but due to the uncertain macro environment, current consumer behaviour is less predictable.

The main business agenda is about increasing efficiencies, taking out costs and capturing growth opportunities. Top-line growth is mainly value-driven and will, in the current environment, be fuelled by initiatives such as value management and superior in-store execution.

2011 in brief

- Overall market share up
- Positive price/mix in most markets
- Continued execution of efficiency agenda

Eastern Europe

Mid-term operating margin target: 26-29%

Carlsberg holds a strong no. 1 position in the region's main market, Russia, and strong positions in the other markets in the region. The Russian beer market has declined in volume in the last few years due in part to significant price increases following a large duty increase in 2010 and high food inflation in 2011. However, value growth has been healthy and consistent. Modest volume growth is expected to resume during 2012, and the medium- to long-term average growth rate is expected to be 3-5% p.a.

Volumes are driven by increasing disposable income, improving consumer dynamics and consumers aspiring to brands and innovation. The retail structure is in its developing stage with traditional trade still being dominant.

2011 in brief

- Russian market decline of 3%
- Significant increases in COGS
- Successful repositioning of the Carlsberg brand

Asia

Mid-term operating margin target: 15-20%

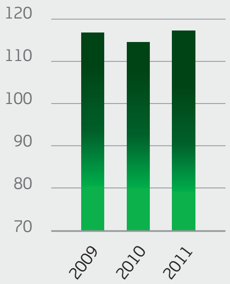
Carlsberg's Asian portfolio of businesses consists of mature markets such as Malaysia, Hong Kong and Singapore as well as investments in growing beer markets such as China, India and Vietnam. These markets offer considerable prospects for growth, underpinned by growing economies which have proved to be resilient to the global recession; expanding populations; rising disposable income levels; 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.

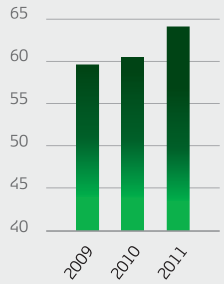
2011 in brief

- Market share gains in all key markets
- Reinforced position through further key acquisitions in important markets

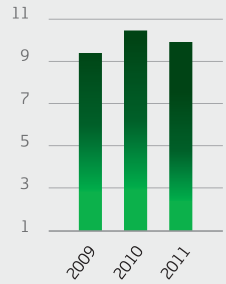
Beer volume, pro rata
(Million hl)



Net revenue
(DKKbn)

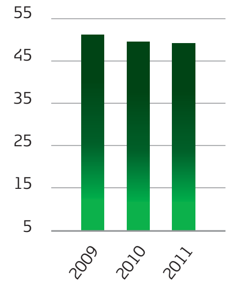


Operating profit
(DKKbn)

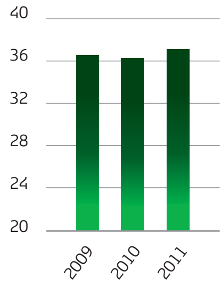


Operating margin
(%)

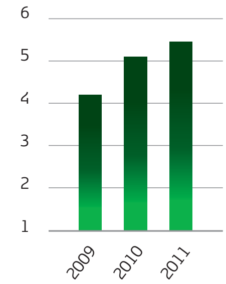
Beer volume, pro rata
(Million hl)



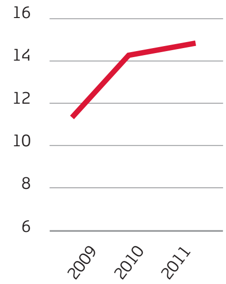
Net revenue
(DKKbn)



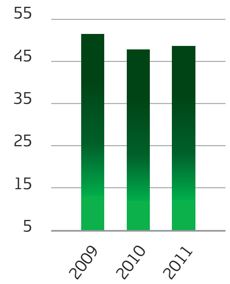
Operating profit
(DKKbn)



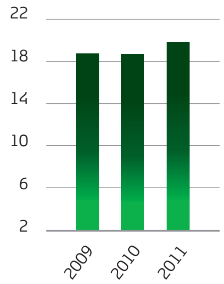
Operating margin
(%)



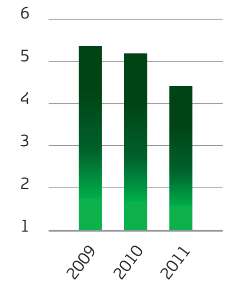
Beer volume, pro rata
(Million hl)



Net revenue
(DKKbn)

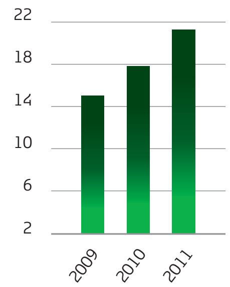


Operating profit
(DKKbn)

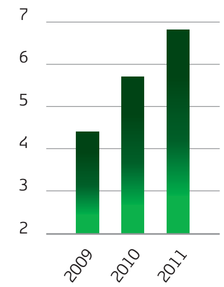


Operating margin
(%)

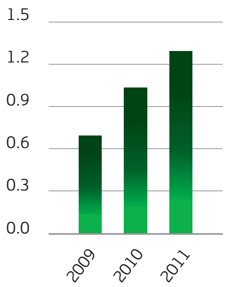
Beer volume, pro rata
(Million hl)



Net revenue
(DKKbn)



Operating profit
(DKKbn)



Operating margin
(%)

Focus and prioritisation

We kept our focus on balancing volume and value development across our business despite a challenging Russian market.

2011 was a year in which we faced headwinds from rising input costs and a challenging Russian market. However, I am pleased that our Northern & Western European and Asian regions continued to perform well. In Northern & Western Europe, our performance was largely driven by efficiency improvements and market share gains, while in Asia our results were driven by growth and market share gains. Our performance in Eastern Europe was impacted by the beer market decline in Russia and our Russian market share loss, which was caused by a high level of promotions and price activations by competitors. Our full-year results were in line with the expectations announced in August 2011.

Throughout 2011, we maintained our focus on profitable growth by balancing volume and value share, and we will maintain this focus in 2012.

In preparing for 2012, we have taken a cautious view on overall consumer dynamics in Northern & Western Europe as we believe trading conditions will remain uncertain across many of our European markets. At the same time, we expect the Russian market to return to modest growth during 2012 and strong growth to continue across our Asian markets. Our strategy is to focus on fewer but more important activities where the return on investment is higher, and to execute them with greater impact. We will continue to become more efficient across the Carlsberg Group; invest in growth across our business; provide our customers and consumers with exceptional products and outstanding service; and explore acquisition opportunities in growth markets.

2011 results

Group beer volumes grew organically by 3%. Including acquisitions, net, the increase was 4% to 118.7m hl (114.2m hl in 2010). All three regions reported organic volume growth for the year. Pro rata Group volumes of other beverages were 19.2m hl (19.3m hl in 2010). Led by stocking of around 1.3m hl at distributors in Russia in Q4, organic volume growth in the quarter was 8%. Good performance in Northern & Western Europe and Asia also supported the Q4 volume growth.

Sales and marketing investments as a percentage of sales grew compared with last year, mainly in Eastern Europe and Asia. Our sales and marketing efforts are aimed at improving both volume and value market share and included numerous commercial activities such as value management, new products, brand premiumisation initiatives, and upgrading of key account and sales capabilities.

During the year, we introduced a number of new products and line extensions across our regions. An important Group innovation launched in Q2 in selected markets in the Nordics was the light, refreshing and stylish premium beer Copenhagen. Examples of new local products include Baltika Draught Non-filtered and 1664 Millésime.

We are intensifying our efforts behind our international premium portfolio. An important milestone in 2011 was the global repositioning of the Carlsberg brand in April. A significant number of activities took place during the year and the activity level will remain high, not least in 2012 when UEFA EURO 2012™ will be a very important activity. The first signs of the repositioning are encouraging with 7% volume growth for the year in the brand's premium markets.

Net revenue grew by 6% to DKK 63,561m (DKK 60,054m in 2010) with a solid 6% organic growth (total volume 2% and 4% price/mix), currency impact of -1% and

Expectations and results 2011

		Operating profit	Carlsberg's share of net profit
21.02.2011	Actual (Financial Statements for 2010)	DKK 10.25bn	DKK 5.4bn
21.02.2011	Financial Statements for 2010	High single-digit percentage growth	> 20% growth*
17.08.2011	Interim results Q2 2011	Around DKK 10bn	Growth of 5-10%*
20.02.2012	Actual (Financial Statements for 2011)	DKK 9.8bn	DKK 5.1bn

* Reported 2010 adjusted for the DKK 598m non-cash, non-taxable income in special items related to step acquisitions.

net acquisition impact of 1%. Organic net revenue growth for Q4 was even stronger at 11%. In 2011, it was necessary to compensate for the higher input costs, and the Group achieved a 4% price/mix as a result of value management, including price increases, with particularly strong pricing in Eastern Europe.

The Group continues to centralise procurement activities, but despite the benefits of this, input costs grew in all regions in 2011. Prices in most categories increased and cost of sales per hl for the Group increased organically by approximately 8%, with a particularly strong increase in Eastern Europe. Gross profit margin declined by 170bp to 50.0%, while gross profit per hl increased slightly organically as higher input costs were offset by the positive price/mix and the impact of the continued efficiency improvements.

Operating expenses grew organically by 5% (approximately 3% per hl) due to increased sales and marketing investments, especially in Eastern Europe and Asia, and higher logistics costs, mainly in Eastern Europe. In spite of unchanged sales and marketing investments in Northern & Western Europe, operating expenses in the region declined organically by approximately 3% per hl due to ongoing efficiency improvements.

Overall efficiency improvements remain in focus across the whole Group. Several local, regional and Group-wide projects were implemented in 2011 as part of the Group transformation. An important transformational step was taken in October, when we announced the initiative to fully integrate the supply chain across our markets in Northern & Western Europe. The purpose is to improve capabilities, customer service and efficiency, increase speed and optimise asset utilisation. The Business Standardisation Programme will be an important enabler for the integrated supply chain.

Group operating profit was DKK 9,816m (DKK 10,249m in 2010) with an organic decline of 4%, currency impact of -1% and 1% net effect from acquisitions. Solid growth in Asia and Northern & Western Europe was not enough to offset the Eastern European decline, and Group operating margin declined to 15.4% (17.1% in 2010).

Q4 operating profit grew strongly by 67% (organic growth of 63%). This improvement was driven by stock building in Russia by distributors; different phasing of sales and marketing investments versus prior year; execution of contingency plans in Northern & Western Europe following a poor summer; and general overall cost consciousness.

Invested capital and cash flow

Return on average invested capital continued to grow in Northern & Western Europe, increasing from 17.2% to 18.3% due to improved profitability and reduced asset base. In Eastern Europe and Asia, return on average capital employed declined due to lower profitability and capacity expansion respectively. In total, return on average invested capital for the brewing activities declined slightly to 9.4% (9.8% in 2010).

We continuously work to improve capital efficiency by setting clear and focused targets. Since the Scottish & Newcastle transaction in 2008, the Group has improved working capital management, prioritised capital investments and monetised redundant assets.

Operating cash flow was DKK 8.8bn (DKK 11bn in 2010). This was impacted negatively mainly by lower profits than 2010 and trading working capital at year-end. Year-end trading working capital was impacted by the stocking by distributors in Russia in the latter part of Q4 and consequently a high level of trade receivables. Average trading working capital to net revenue declined to 1.9% (2.6% in 2010). Free cash flow was DKK 3.9bn for 2011 (DKK 5.2bn for 2010).

Net interest-bearing debt was DKK 32.5bn at the end of 2011 (DKK 32.7bn at the end of 2010). The Group is committed to maintaining an investment-grade credit quality.

In December, the Group established a new five-year revolving credit facility of EUR 800m replacing a facility signed in 2005. With this new credit facility, Carlsberg has extended the maturity profile of its bank commitments at favourable pricing and terms.

For 2011, the Company proposes a 10% increase in dividend per share to DKK 5.50. Notwithstanding the slight decline in earnings per share (in reported terms), the Company has demonstrated strong cash flow generation in the past three years and has reduced the leverage and increased the interest cover. Subsequently, the Company's credit rating has improved over the last years and is currently "BBB stable outlook/Baa2 stable outlook".

Structural changes

In line with our M&A strategy, several structural changes took place during 2011 aimed at strengthening the Group's position in key markets:

- The Group increased its ownership in its Indian business, South Asian Breweries Pte Ltd., to 94%
- The Group announced an expansion of its presence in China through the establishment of the planned joint venture Chongqing Xinghui Investment Co., Ltd. When completed, the Group will be directly or indirectly involved in 42 breweries in China
- The Group acquired an additional 1% of the shareholding in the joint venture Lao Brewery Co. Ltd., Laos, in a disproportionate capital increase, thus gaining control of the entity in a step acquisition
- The Group increased its ownership in the Vietnamese Hue Brewery from 50% to 100%

Carlsberg Group

DKK million	2010	Change Organic	Change Acq., net	Change FX	2011	Change Reported
Beer sales (million hl)	114.2	3%	1%		118.7	4%
Net revenue	60,054	6%	1%	-1%	63,561	6%
Operating profit	10,249	-4%	1%	-1%	9,816	-4%
Operating margin (%)	17.1				15.4	-170bp

2012 earnings expectations

The current challenging consumer environment and the limited visibility into consumer reactions to the uncertain macro environment, especially in Europe, led in the second half of 2011 to a review of the Group's short- and medium-term plans, while the Group's long-term planning and ambitions remain intact.

In developing our 2012 commercial agenda, we have had a clear focus and a high level of prioritisation, especially in Northern & Western Europe, ensuring that we continue to strive for market share expansion across the Group while keeping the balance between volume and value share performance. We will continue to drive our international brand portfolio, as well as our local power brands, and combine this with our ambitions to strengthen our commercial execution capabilities.

To support our long-term ambitions, in 2012 the Group will continue the focused efficiency agenda, which includes larger projects such as standardising business processes and integrating procurement, supply chain and logistics across Northern & Western Europe. In addition to these larger Group projects, initiatives at all levels across the organisation will be implemented to improve cost-efficiency.

The key market assumptions for the Group's 2012 outlook are:

- Low single-digit decline in the Northern & Western European markets
- The Russian market reverting to modest growth during 2012
- Continued growth in key markets across Asia

In addition to the market assumptions, other key assumptions for the outlook are:

- An average EUR/RUB exchange rate of 43.3 (a EUR/RUB change of +/- 1 impacts Group operating profit by slightly less than +/- DKK 100m)
- A negative volume and earnings impact in the already seasonally small Q1 2012 from anticipated destocking by distributors in Russia of an estimated 1.3m hl and stocking by distributors at a similar level in Q4 2012

Based on the assumptions above and our planning, for 2012 the Carlsberg Group expects:

- Operating profit before special items at the level of 2011 (higher at the 2011 average EUR/RUB rate)
- Slightly growing adjusted net profit[1]

The 2012 outlook does not include any impact of events after the reporting date, cf. note 40 to the consolidated financial statements.

The Group confirms its mid-term regional and Group operating margin targets announced in February 2010.

Thank you

I would like to thank our many dedicated employees around the world for their efforts and contributions during 2011, which was a challenging year for many markets. I would also like to thank our shareholders for endorsing our strategy, and our customers, partners and suppliers for their ongoing support and cooperation.

Over the past 10 years, Carlsberg has transformed itself from a significant regional brewer into the world's fourth largest brewer. In 2012, this journey will continue as we adopt a business model more aligned to an international fast moving consumer goods (FMCG) company. We will continue to strive for perfection, be it in terms of working with great people, producing and launching great brands, or delivering great moments such as this summer's UEFA EURO 2012™.

Jørgen Buhl Rasmussen

1) Adjusted net profit 2011 of DKK 5,203m equals 2011 reported net profit excluding special items after tax.

Five-year summary

DKK million		2007	2008	2009	2010	2011
Sales volumes, gross (million hl)						
Beer		115.2	126.8	137.0	136.5	139.8
Other beverages		20.8	22.3	22.2	22.5	22.2
Sales volumes, pro rata (million hl)						
Beer		82.0	109.3	116.0	114.2	118.7
Other beverages		17.8	19.8	19.8	19.3	19.2
Income statement						
Net revenue		44,750	59,944	59,382	60,054	63,561
Operating profit before special items		5,262	7,978	9,390	10,249	9,816
Special items, net		-427	-1,641	-695	-249	-268
Financial items, net		-1,201	-3,456	-2,990	-2,155	-2,018
Profit before tax		3,634	2,881	5,705	7,845	7,530
Corporation tax		-1,038	312	-1,538	-1,885	-1,838
Consolidated profit		2,596	3,193	4,167	5,960	5,692
Attributable to:						
Non-controlling interests		299	572	565	609	543
Shareholders in Carlsberg A/S		2,297	2,621	3,602	5,351	5,149
Statement of financial position						
Total assets		61,220	142,639	134,515	144,250	147,714
Invested capital		45,394	118,643	109,538	117,119	118,196
Interest-bearing debt, net		19,726	44,156	35,679	32,743	32,460
Equity, shareholders in Carlsberg A/S		18,621	54,750	54,829	64,248	65,866
Statement of cash flows						
Cash flow from operating activities		4,837	7,812	13,631	11,020	8,813
Cash flow from investing activities		-4,927	-57,153	-3,082	-5,841	-4,883
Free cash flow		-90	-49,341	10,549	5,179	3,930
Investments						
Acquisition and disposal of property, plant and equipment, net		-4,596	-4,669	-2,342	-2,197	-3,618
Acquisition and disposal of entities, net		-179	-51,438	95	-477	-260
Financial ratios						
Operating margin	%	11.8	13.3	15.8	17.1	15.4
Return on average invested capital (ROIC)	%	11.7	8.2	8.2	8.8	8.4
Equity ratio	%	30.4	38.4	40.8	44.5	44.6
Debt/equity ratio (financial gearing)	x	0.99	0.74	0.60	0.47	0.45
Debt/operating profit before depreciation and amortisation	x	2.43	3.80	2.71	2.30	2.39
Interest cover	x	4.38	2.31	3.14	4.76	4.86
Stock market ratios*						
Earnings per share (EPS)	DKK	24.3	22.1	23.6	35.1	33.8
Cash flow from operating activities per share (CFPS)	DKK	51.2	65.8	89.3	72.1	57.7
Free cash flow per share (FCFPS)	DKK	-1.0	-415.4	69.1	33.9	25.7
Dividend per share (proposed)	DKK	4.8	3.5	3.5	5.0	5.5
Pay-out ratio	%	20	20	15	14	16
Share price (B shares)	DKK	498.1	171.3	384.0	558.5	405.0
Number of shares (period-end, excl. treasury shares)	1,000	76,246	152,554	152,553	152,539	152,523
Number of shares (average, excl. treasury shares)	1,000	94,466	118,778	152,550	152,548	152,538

* Stock market ratios for 2007-2008 are adjusted for bonus factor from rights issue in June 2008 in accordance with IAS 33. Number of shares (period-end) is not adjusted.
Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines "Recommendations and Financial Ratios 2010".

IN THE **SPOTLIGHT**

The Carlsberg brand is our flagship brand. It accounts for approximately 10% of Group beer volumes, but we believe that it has more potential to grow.

That calls for a Carlsberg™

On 5 April 2011, we launched a new brand proposition for Carlsberg in order to make the brand more consistent, appealing and distinctive to consumers in both established and newer markets. The repositioning was supported by a range of new marketing initiatives and was rolled out across more than 150 markets.

New positioning

The new positioning celebrates the brand's heritage and values, while connecting with today's active and adventurous generation of beer drinkers. The proposition encourages consumers "to step up and do the right thing", rewarding themselves with a Carlsberg for their deeds, and it carries the tagline "That calls for a Carlsberg". However, in markets where the previous tagline "Probably the best ..." is well established and highly successful, the two taglines will be used alongside each other.

New identity and creative communication

The visual identity is up to date and modernised. It builds on the brand's trusted heritage while looking to the future and increasing its appeal to today's young adult consumers. The visual identity supports the brand positioning and is executed through four design principles – bold, authentic, modern and approachable. However, the core elements – including the Carlsberg logo, which was designed in 1904 – remain the same.

To support the launch, a new set of creative communications was produced, ranging from television advertising, print and digital media through to point-of-sales materials. Carlsberg also developed a new, proprietary modern musical score which is used across all applications and channels. To learn more, explore the Carlsberg Universe on carlsberg.com or visit the brand on facebook.com/Carlsberg.

Encouraging results

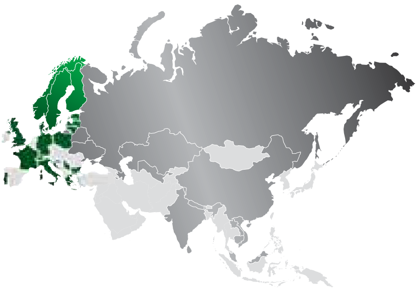
With the new and modern visual identity, the completely new range of packaging and communication, and also widened distribution channels, the target is to double the Carlsberg brand contribution by 2015. The results for 2011 were encouraging. In the brand's premium markets, Carlsberg grew in volume by 7%. In premium markets such as France, Poland, Russia, China and India, the brand even achieved double-digit growth rates.

UEFA EURO 2012™

For the seventh time in a row, Carlsberg is sponsoring the European football championship, which this time will be held in Poland and Ukraine in June 2012. UEFA EURO 2012™ will be the biggest event in our marketing calendar with all major Carlsberg markets having qualified for the event and with more than 7 billion people worldwide making up the cumulative audience for the entire tournament.

Our regions

Northern & Western Europe



Growth in operating profit driven by positive price/mix and continued focus on improving efficiencies.

With the exception of a few markets in Southern Europe such as Greece and Portugal, consumer behaviour in the beer category was quite resilient throughout 2011 despite the macroeconomic challenges in many countries across the region. The regional beer market was flat for the year, though there were significant variations between markets. Q3 was slightly worse than the trend throughout the year due to very wet and cold weather in July and the beginning of August in several of our markets.

The Group's volume and value market share grew slightly with improvements in markets such as Poland, Finland and Italy, while our market share declined in markets such as France and South East Europe. In the northern part of the region, our market share performance improved sequentially throughout the year.

In 2011, we continued to drive category value through a high level of commercial activities, including intensified support behind existing brands; introduction of new products; and further development of channel marketing and value management tools. The repositioning of the Carlsberg brand and the launch of Copenhagen in pilot markets were important activities. In addition, line extensions of Somersby were introduced, the brand was rolled out in more markets and Tuborg Lime Cut was introduced in new markets.

Organic beer volume growth was 1% for the year and 5% in Q4 with markets such as Sweden, Switzerland, Poland and Finland achieving positive volume growth. Reported beer volumes grew by 1%. Total volumes, including non-beer beverages, were flat for the year (+4% in Q4).

Net revenue was DKK 36,879m (DKK 36,156m in 2010) with organic growth of 1% (3% in Q4) and reported growth of 2%. Net revenue growth for beer was 3% (1% volume, 1% price/mix, 1% currency and 0% acquisitions). Prices were increased by low single digits in most markets. Positive price/mix in most markets more than offset a negative country mix due to the Polish business continuing to grow strongly and a negative channel mix from on-trade to off-trade across the region.

An important lever to improve price/mix was the development and implementation of portfolio optimisation and SKU harmonisation, which started in the northern part of the region in 2011 and will become an integral part of value management. These efforts are levers to reduce complexity in our business and to strengthen our ability to meet specific price points and pack sizes preferred by customers and consumers.

Gross profit margin declined slightly for 2011 due to the negative impact of higher input costs.

Operating profit grew organically by 6% with a particularly strong contribution from several of the Nordic markets, the UK, Switzerland and Poland. Reported growth was 7% to DKK 5,419m (DKK 5,086m in 2010). The Group managed to reduce operational expenses through the

Northern & Western Europe

		Change				Change
DKK million	2010	Organic	Acq., net	FX	2011	Reported
Beer sales (million hl)	49.5	1%	0%		49.7	1%
Net revenue	36,156	1%	-1%	2%	36,879	2%
Operating profit	5,086	6%	0%	1%	5,419	7%
Operating margin (%)	14.1				14.7	60bp

continued focus on improving efficiency in all areas despite slightly increasing revenue and flat sales and marketing investments, and operating profit margin improved by 60bp to 14.7%.

As expected, operating profit improvement was particularly strong in Q4 with a 38% organic operating profit growth driven by volume growth and the actions implemented following the wet July which reduced the total cost level in the quarter.

UK, France, Switzerland and South East Europe

The UK market declined by 3% for the year with the second half of the year being flat. The Group's market share was flat at 15.4% for the year with slightly better performance in the on-trade versus off-trade. In H2 the Group gained share in both channels. During the year, Carlsberg UK advanced to become no. 3 in the UK on-trade. The Leeds brewery was closed in June.

The French market was slightly up for the year. The strong premiumisation trend in France continued in 2011 benefiting our premium brands – 1664, Grimbergen and Carlsberg – which all gained market share. Grimbergen and Carlsberg showed particularly strong performance in the on-trade. Our mainstream brand, Kronenbourg, lost share as the mainstream segment continued to shrink. Hence, overall market share declined by approximately 60bp. Several product launches took place in France, including a 5-litre non-returnable keg for 1664 and the line extensions 1664 Millésime and Kronenbourg Fleuron d'Alsace.

The roll-out of the Business Standardisation Programme was piloted in Switzerland in May. Our Swiss market share was flat despite a growing penetration of imported brands supported by a strong CHF. The Fribourg brewery was closed and beer production concentrated at the Rheinfelden brewery. Despite the implementation of these significant structural changes, profitability in the Swiss business improved due to a very strong operational focus.

In South East Europe, several product launches took place, including the roll-out of Somersby across all markets, Tuborg in 1-litre PET in Bulgaria, and Radler (beer mix) in Croatia and Serbia as line extensions to our PAN and LAV brands.

Denmark, Poland and Finland

The Danish market declined by approximately 2% in 2011, impacted by poor weather in July and continued growth of the German-Danish cross-border trade. Our market share declined slightly to 54.4%. Price increases were implemented in January and November 2011 to offset higher input costs. Profitability increased due to tight cost control and ongoing efficiency improvements.

The Polish market grew by approximately 5% for the year. Our Polish business continued its strong performance with double-digit organic volume growth and market share growth of 230bp to 16.2%. The strong performance was driven by the Harnas, Kasztelan, Okocim and Carlsberg brands and our position in the rapidly expanding modern trade channel, where discounters in particular are increasing their market share. Throughout the year, we made several price increases in line with the market and our pricing was up year-on-year. Mix was negative due to a significant channel shift. Volumes, revenue and profits grew strongly.

The Finnish market grew by approximately 1%. Our performance in Finland was not least a result of our portfolio optimisation and SKU harmonisation projects and the subsequent introduction of more flexible pack sizes.

Eastern Europe

Eastern Europe results impacted by challenging Russian market.

2011 was a challenging year in Eastern Europe as consumer behaviour in the beer category was still impacted by very high inflation on basic food items, in particular in H1, and the substantial beer price increases in 2010, making the Russian market less predictable and less positive than we expected at the beginning of the year.

The Group's beer volumes grew organically by 2% (14% for Q4). However, numbers are distorted by the substantial impact of stocking and destocking by distributors in Russia pre and post excise duty increases. In Q1 2010, a destocking of an estimated 1.5m hl took place following the significant excise duty increase in January 2010. In Q4 2011, there was a stocking impact of an estimated 1.3m hl ahead of the excise duty increase in January 2012. Adjusting for this, our Eastern European volumes declined by an estimated 3-4% in 2011. This decline was mainly due to lower Russian market volumes driven by an underlying market decline and tough comparables because of very hot and dry weather in Q3 2010.

The Group's market share in Ukraine continued to strengthen, while our Russian market share declined. During 2011, we increased our sales and marketing investments in the region to drive category value by supporting our brands across all price points, drive new product introductions and further strengthen our commercial capabilities in areas such as key account management, channel marketing, digital media etc.

Net revenue grew 8% to DKK 19,719m (DKK 18,187m in 2010) and 14% organically (+33% in Q4). Price/mix developed favourably and the Group achieved a +12% price/mix for beer (19% for Q4) driven by price increases throughout the year; distorted comparisons in H1 following the Russian excise duty increase in January 2010; and a healthy mix improvement in both Russia and Ukraine.

Reported operating profit declined by 15% to DKK 4,286m (DKK 5,048m in 2010) and 11% organically. In Q4, profit grew strongly with organic operating profit growth of 68% due to stock building by distributors in Russia and different phasing of sales and marketing investments in 2011 versus 2010.

Operating profit margin for the year was 21.7% (27.8% in 2010). Although our gross profit margin declined by around 500bp, the Group offset the absolute impact of the substantial input cost increases of more than 20% per hl by implementing several price increases throughout the year, resulting in low single-digit organic growth in gross profit per hl. The significant input cost increases were caused by the very poor Eastern European harvest in 2010, which made it necessary to import large quantities of raw materials, especially barley/malt, and an overall higher price level for packaging. Operational expenses increased due to higher sales and marketing investments and higher logistics costs because of higher fuel prices and higher freight rates.

Russia

At the beginning of 2011, the Group anticipated a slightly growing Russian beer market in 2011 due to improving macroeconomic conditions and a recovery of the Russian consumer sentiment in late 2010.

However, consumer behaviour in the beer category in 2011 was negatively impacted by the significant inflationary pressure on basic food items on top of the significant consumer price increases on beer of more than 30% since November 2009, primarily implemented to offset the excise duty increase in 2010. Consequently, the Russian market volumes declined by an estimated 3% for 2011 (estimated -4% in Q4).

Our Russian shipments grew by 4% (20% for Q4), impacted by the aforementioned destocking by distributors in Q1 2010 and stocking in Q4 2011. Adjusted for this, the Group's Russian shipments would have declined by an estimated 4%.

The Group's in-market-sales ("off-take") declined by 7% (-7% in Q4).

Our Russian volume market share declined from 39.2% to 37.4% for the year (source: Nielsen Retail Audit, Urban Russia). The value share declined considerably less by 130bp (source: Nielsen Retail Audit, Urban Russia).

We believe the market share loss was mainly caused by our price leadership following the substantial price increases that started in November 2009; too little focus on the economy segment in the first half of the year in traditional trade in particular; and a high level of promotional activities by competitors. To ensure profitable market share development, the Group consciously decided not to fully participate in these promotional price activities because in Russia too, we are determined to balance volume and value share development and drive category value development.

The Group achieved a positive mix of approximately 3%, compared to an estimated positive market mix of 1%, reflecting our focus on mainstream, premium and super premium, although selectively increasing the activity level in lower mainstream in traditional trade in the second half of the year.

In Russia, price increases for 2011 were introduced in November 2010 and March, May and November 2011 to cover the duty increase and the significant input cost increase, leading to a consumer price increase of approximately 10% for the year. The price increase in November was implemented to offset part of the January 2012 excise duty increase of RUB 2.

In 2011, the Russian regulation for selling and marketing beer in Russia was changed. The new regulation is expected to accelerate certain trends already evident in the Russian marketplace. Consequently, actions have been taken within channel management and marketing to benefit from the expected channel and assortment changes. Our balanced portfolio approach will continue, assuming that the level of price promotions will normalise compared to 2011. We will continue to support our premium brands and several of our strong brands are being revitalised, including the lower-mainstream brand Arsenalnoe. Within sales, we are rolling out improved planning and performance management tools and strengthening our key account management capabilities.

In December 2011, the CEO of Carlsberg UK, Isaac Sheps, took over the position of Senior Vice President, Eastern Europe and President of Baltika Breweries.

Ukraine

The Ukrainian market declined by approximately 2% in 2011 impacted by a very wet summer. Our Ukrainian business continued to perform well and achieved yet another year of market share growth. Beer volumes grew by approximately 3%. The Group's Ukrainian market share grew by 20bp to 28.8% with a stronger improvement in value share. The main drivers were the Baltika and Lvivske brands. Ukraine is now the Group's third largest market in volume terms. Net revenue and operating profit grew organically by double-digit percentages and margin improved slightly despite the impact of higher input costs.

Other markets

Our business in Belarus delivered strong organic volume, revenue and earnings growth.

The beer market in Kazakhstan was flat. Our Kazakh business is still recovering from the merger of the local Kazakh

Eastern Europe

DKK million	2010	Change Organic	Change Acq., net	Change FX	2011	Change Reported
Beer sales (million hl)	46.8	2%	0%		47.7	2%
Net revenue	18,187	14%	0%	-6%	19,719	8%
Operating profit	5,048	-11%	0%	-4%	4,286	-15%
Operating margin (%)	27.8				21.7	-610bp

Carlsberg's business portfolio consists of brewery activities in Northern & Western Europe, Eastern Europe and Asia. The beer markets vary widely among the three regions, from very mature markets to new, emerging markets.

business with the Russian export business to Kazakhstan and consequently lost share in 2011. Changes to management were made during the year and operational performance is expected to improve. Profitability declined due to lower volumes and higher input costs.

Asia

Another year of strong performance in Asia driven by growth.

Our Asian business again delivered very strong performance driven by increasing market shares in growing markets across the region and strong execution by our local businesses. The region achieved strong volume and revenue growth and managed to keep margins unchanged versus last year despite higher input costs and increased sales and marketing investments.

We continue to view the region as a key platform for growth and we are therefore continuing to strengthen our position by investing in capability building and capacity expansion to drive organic growth as well as pursuing appropriate acquisitions. Several transactions were carried out during 2011, which resulted in increased ownership in a number of our Asian businesses.

Beer volumes grew organically by 9% in 2011 (3% in Q4). Including acquisitions, beer volumes grew by 19% to 21.3m hl (17.9m hl in 2010). The acquisition impact was due to the increased ownership obtained in Chongqing Brewery Co. Ltd. (China) in 2010, Gorkha Brewery (Nepal) in 2010, South Asian Breweries (India) in 2011, Hue Brewery (Vietnam) in 2011 and Lao Brewery (Laos) in 2011.

Organic net revenue growth was 15% (9% in Q4). The acquisition impact of our increased ownership in the businesses in Vietnam, Laos, Nepal and India was 10%.

Operating profit grew organically by 13% (24% in Q4) with a reported growth of 23% (28% in Q4). Operating profit margin grew by 20bp to 18.8% despite the negative impact of higher input costs.

China

Our Chinese volumes grew organically by 8% in a market which grew by approximately 5%. Reported volumes grew by 20% due to acquisitions. Our Chinese volumes (pro rata) reached almost 14m hl. Our market share was slightly up because of strong growth in our international premium portfolio.

Despite a very competitive market environment, price/mix was 8%, driven by our premiumisation efforts within our local portfolio and the growth of our international premium brands, capability building within sales and price increases.

The repositioning of the Carlsberg brand was a key initiative for the Chinese business in 2011. As a result, our Carlsberg brand portfolio, with Carlsberg Chill and Carlsberg Light, performed very well, achieving 30% volume growth.

Indochina

Our business in Indochina (Vietnam, Laos, Cambodia and Thailand) grew by approximately 7% with strong performances in Laos and Cambodia. Volume in Vietnam declined due to poor weather conditions at the beginning of the year and challenging macroeconomic conditions. The Cambodian business benefited from strong growth of the Angkor brand, which doubled its volumes versus the previous year, and the introduction of Carlsberg. The Carlsberg brand was relaunched in Thailand after an absence of eight years.

We are continuing to invest in the growth markets in Indochina. In Vietnam, we took full control of Hue Brewery; in Cambodia, we doubled the size of our brewing capacity to meet demand; and in Laos, we became the majority shareholder.

Organic operating profit growth was close to 20%.

Malaysia/Singapore

Our businesses in Malaysia and Singapore performed well with a particularly strong performance achieved by the Carlsberg brand and new premium brands such as 1664 in the on-trade. We achieved very favourable growth in revenue per hl from price increases and our portfolio premiumisation strategy.

India

Our strong growth in India continued in 2011 and Carlsberg made further market share gains to reach third position in the market with a share of close to 6%, up more than 100bp from last year. Volumes grew organically by approximately 70% in a market which grew by approximately 6%. Our growth was driven by successful execution of the repositioning of the Carlsberg brand; the introduction of Carlsberg Elephant; and strong growth of Tuborg. We are currently operating five breweries in India and planning to construct a sixth brewery.

Asia

		Change				Change
DKK million	2010	Organic	Acq., net	FX	2011	Reported
Beer sales (million hl)	17.9	9%	10%		21.3	19%
Net revenue	5,613	15%	10%	-3%	6,838	22%
Operating profit	1,044	13%	13%	-3%	1,286	23%
Operating margin (%)	18.6				18.8	20bp

IN THE
SPOTLIGHT

Russia

Russia is the fourth largest beer market in the world. It is the largest single market in the Carlsberg Group, accounting for approximately 30% of beer volumes and 40% of operating profit.

Beer market development

The consolidation of the then fragmented Russian beer market took its first steps in the early 1990s, when beer consumption per capita was below 20 litres. Today, the market is dominated by global brewers, which account for approximately 85% of the market. Carlsberg is the market leader with a current market share of 37.4%.

In the past 20 years, consumption has gradually increased, reaching 78 litres per capita in 2008. In 2009-2011, consumption declined, initially due to the global financial crisis, which severely impacted the Russian economy and negatively impacted the Russian consumer sentiment. After the crisis, the consumer had to absorb average price increases of approximately 25% following a significant increase in excise tax in January 2010. The increase led to a prolonged period of consumption decline as consumers needed time to adjust to the much higher price level.

The market decline in 2011 was fuelled by consumers still adjusting to the higher price level of beer, further price increases as the industry passed on significantly higher input cost, and high inflation on basic food items, particularly in the first half of 2011. By the end of 2011, beer consumption was estimated at 64 litres per capita.

Beer market segmentation

The Russian beer market is dominated by the off-trade, which accounts for around 90% of the total market. The off-trade universe is quite fragmented and covers more than 300,000 outlets, with Carlsberg covering 98% of these. Traditional trade, consisting of small grocery outlets, pavilions, kiosks and the like, accounts for approximately 75% of off-trade, while the growing modern trade accounts for 25%.

In terms of pricing, the Russian beer market is segmented into four main groups: economy, consisting of discount and lower mainstream (~45% of market volumes); mainstream (~28%); premium (~19%); and super premium (~8%). The average retail price of a mainstream beer at the end of 2011 was around RUB 60/litre. Indexing the mainstream segment at 100, the economy segment is priced at index 60-90; premium at 110-150; and super premium above 150.

Beer duties and regulation

In late 2011, the Russian Duma approved a three-year excise tax scheme, according to which beer duties will increase gradually from RUB 12 in 2012 to RUB 18 per litre in 2014. The increase will require average annual consumer price increases of approximately 5%.

In July 2011, a new law was passed which tightens the regulation of where and how alcoholic beverages, including beer, can be sold. The key elements of the law are the prohibition of the sale of beer above 0.5% ABV from "non-stationary" outlets from 1 January 2013 and the ban on TV, radio and outdoor advertising from July 2012.

The new regulation is expected to accelerate trends already evident in Russia, including the shift from traditional trade to modern trade. In 2008, kiosks and pavilions (both "stationary" and "non-stationary") accounted for approximately 26% of total off-trade beer sales versus an estimated 20-22% in 2011. In the same period, modern trade increased from an estimated 20% to 25%.

The marketing restrictions will change how sales and marketing resources are allocated and are expected to impact the industry's efforts within channel marketing and in-store execution.

Carlsberg supports the Russian Government in its desire to combat alcohol misuse and, together with other Russian brewers, has implemented a self-regulatory Code of Honour covering key areas such as manufacturing, quality control, retailing, and consumer relations and awareness.

37% market share in the premium segment

31% market share in the economy segment

49% market share in the mainstream segment

35% market share in the super-premium segment

Carlsberg in Russia

Carlsberg's Russian beer portfolio is very strong, with leading international, national and local brands such as Carlsberg, Tuborg, Baltika, Žatecký Gus, Arsenalnoe, and many others. Carlsberg's strength is underlined by the fact that we are no. 1 in all price segments.

Not least due to our strong beer portfolio, we have continuously grown our Russian market share over many years. In 2010 and 2011, however, we saw our market share decline. The decline was due to several factors, including Carlsberg leading on the quite substantial price increases needed to offset the significant excise tax increase in 2010. The excise tax increase also led to more unpredictable competitor and market dynamics as well as promotional activities for an extended period of time in 2011, in particular in the lower mainstream segment. As we maintained our focus on balancing volume and value share, we lost volume share in the large economy (including lower mainstream) segment, which negatively impacted the Group's overall volume market share.

Looking ahead

Based on our understanding of the Russian consumer dynamics and expectations for the Russian market in general, including price elasticity, food inflation, real wage growth and other parameters, we expect the Russian market to revert to modest growth during 2012.

Notwithstanding the known regulatory and excise tax changes as well as the global macro uncertainty, we believe that the fundamental drivers and characteristics of the beer category, such as the shift from high-alcoholic to low-alcoholic products, are solid, supporting medium-term beer market and profit pool growth expectations.

The new regulation will further increase Carlsberg's emphasis on the growing off-trade channels, such as modern trade and grocery outlets, including further enhancement of key account management.

Our strong Russian brand portfolio, our no. 1 position in every price segment and our strong value chain footprint across the Russian landscape are, and will remain, a significant competitive advantage. We are committed to regaining market share as a trend while at the same time securing the balance between volume and value.

Read more about our 2011 performance in Russia on page 13.

Strategy

The Carlsberg Group's long-term ambition is to be the fastest growing global beer company measured in terms of average organic growth in net revenue and operating profit. This ambition remains despite short-term challenges in some of our core geographies.

Our activities are focused on markets in Northern & Western Europe, Eastern Europe and Asia, where we have the strength and the right product portfolio to maintain or achieve a leading position.

Our markets are very different, and their contribution to growth, earnings and development differs both at present and in the long-term projections. In order to make the most valuable use of our resources, our approach and business model therefore vary between markets, and central tools and resources primarily target markets and opportunities with the estimated highest return.

In addition to the markets where we have our own breweries, we have exports to more than 100 markets and licence agreements in 26 countries around the world.

Strategy wheel

The Group's strategy embraces the entire business and is illustrated by means of a strategy wheel. The wheel includes five closely linked core strategic areas which provide a clear direction for the whole organisation as to how the Group's ambition is to be achieved.

The strategic areas are of equal importance and not one can be neglected if the long-term ambition to be the fastest growing global beer company is to be achieved. However, at certain times or in certain parts of the organisation some areas may get more focus than others.

We continuously evaluate the strategy in order to ensure responsiveness to the world around us and achieve the right balance between growth and efficiency.

2011 was a challenging year, and the macroeconomic environment, particularly in Northern & Western Europe, will most likely continue to be challenging. Carlsberg will continue to respond to what is happening in our markets, and in our planning for 2012 we have taken steps to adapt to the uncertain environment.

A number of structural changes and cost savings initiatives were implemented in late 2011. In 2012, we will focus our initiatives and actions very carefully. We are not abandoning investments in our long-term growth, but we are recognising that the current macro environment requires us to focus on opportunities and activities with the highest return and postpone other initiatives.

Strategy wheel

Five strategic priorities

Consumers and customers

Our brands, product portfolio and commercial execution are pivotal in becoming the preferred partner of our customers and the preferred choice for our consumers. Our strategy is to offer a winning portfolio of international premium brands and strong local brands, and to continuously improve the offerings to customers and consumers while also strengthening the value contribution of our many brands. In 2011, we developed a process and a toolkit to provide a common global framework for portfolio priorities and decisions locally and at Group level.

The Carlsberg brand enjoys a special status as the Group's flagship brand. An important initiative in 2011 was the revitalisation and new global positioning of the brand. The repositioning and initial results are elaborated on page 10.

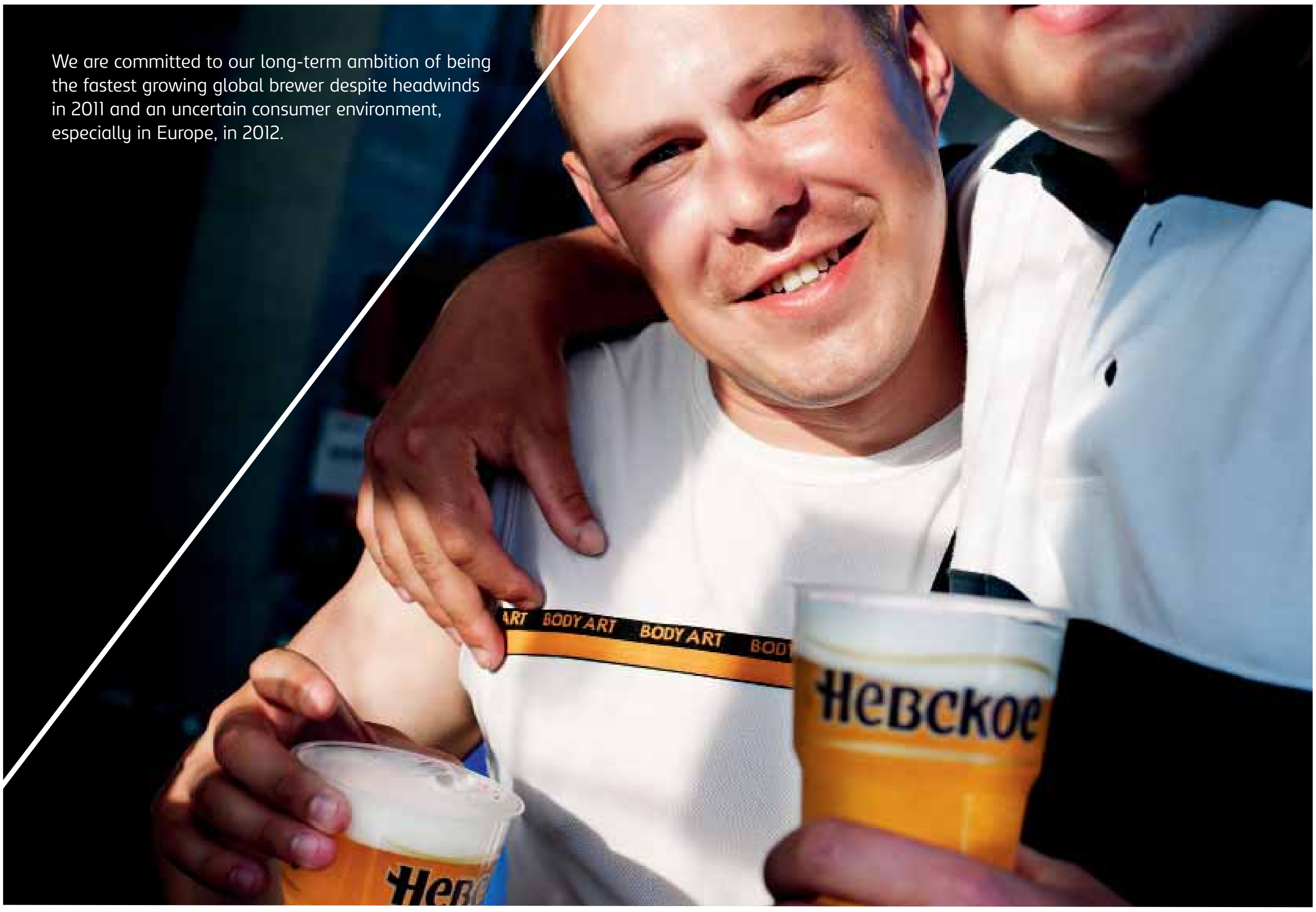
Another important element of the strategy is to excel in all commercial areas, with an emphasis on value management, route-to-market, highest return on marketing investments and superior outlet execution. We aim to develop and offer solutions which meet the needs of consumers, customers and wholesalers in a superior way, transforming plans and insights into action in a speedy manner. In 2011, we began offering our customers greater flexibility in terms of pack sizes, tailoring multi-packs to individual channel needs and thus driving value for the customer and for Carlsberg. We also started a project which focused on how to increase sales through distributors by better selection and management of as well as improved collaboration with distributors in order to ensure that our products are displayed and presented in the best possible way.

In 2012, value management is an area that will be prioritised due to the need for sharper focus on pricing, value engineering and packaging. We will also put more emphasis on execution and implementation of existing tools and processes.

Products and innovation

Innovation is important at Carlsberg, both locally and at Group level. Our innovation efforts are fuelled by a deep understanding of consumer insights, trends and opportunities, and build on our core competences within cereals/grains, yeast,

We are committed to our long-term ambition of being the fastest growing global brewer despite headwinds in 2011 and an uncertain consumer environment, especially in Europe, in 2012.



fermentation and brewing technology. The strategic aspiration is for less but smarter and more efficient product news across more markets to add to short-, medium- and long-term value creation.

To ensure focus, efficiency, speed and scale of our innovation efforts, the Group's integrated Innovation, Research and Development organisation spans the entire innovation process – from raw materials, through consumer insights and trends, to idea generation, production processes and packaging.

Some of our innovation efforts and activities in 2011 are presented on page 21. They included the launch of two new super-premium products and further development and testing of a one-way keg system. Because of uncertainty regarding consumer sentiment and responsiveness to new products, in 2012 we will concentrate more on improving existing innovations and supporting our local power brands. Other ideas in our innovation pipeline will be kept for later when the macroeconomic environment and consumer sentiment have improved.

Structure and society

Our strategy within structure and society is about being a strong player in the markets where we choose to compete, as this is the best prerequisite for the success of our brands, systems and strategies. In 2011, a number of structural changes took place aimed at strengthening our position in growth markets in Asia. These included increasing our ownership in our Indian business, in Hue Brewery in central Vietnam and in Lao Brewery in Laos. In China, we expanded our business through the planned establishment of a joint venture with our partner in Chongqing.

At Carlsberg, we strongly believe in our *GloCal* approach to doing business. Being *GloCal* is about finding the right balance between working closely together at a *global* level while allowing *local* brands and initiatives to flourish. We believe this approach sets us apart from our competitors and is a critical competitive parameter.

Structure and society are also about integrating corporate social responsibility (CSR) perspectives into the business behaviour of the Group and its employees. CSR is about understanding and interacting with our stakeholders and growing our company in a responsible way. Read more about CSR at Carlsberg on page 24.

Efficiency

Improving efficiency by adjusting and optimising the cost and asset base in all markets is a continuous journey encompassing the entire value chain. Our approach is to work with change projects combining efficiency gains with growth opportunities at local, regional and Group level. One example is portfolio optimisation and simplification aimed at reducing complexity and improving efficiency across the value chain while at the same time increasing customer offerings.

Significant value is created locally in each market close to customers and consumers, but significant value is also created by using the strengths of being a group, taking advantage of scale, and harmonising, standardising and centralising functions and processes across borders. In 2011, Carlsberg therefore launched an initiative to establish an integrated supply chain for Europe which will incorporate Group procurement, supply chain and logistics functions with the aims of saving costs and improving capabilities and customer service. This is part of Carlsberg's transformation into working as a fast moving consumer goods (FMCG) company, which is further highlighted on page 22.

People

Carlsberg believes that being a global and diverse company is an important parameter in recruiting, retaining and developing the best people around the world. By mixing gender, cultures, competences and business experiences, our employees mirror the markets in which we operate, thereby allowing a much better understanding of consumers, customers and other stakeholders.

Our people strategy centres on creating and driving a high performance culture, continuously developing the functional and leadership competences of our people, and supporting the transformation and the various change initiatives within our business.

The focus of our people programmes is on standardisation and implementation of global tools and processes in the areas of performance and talent management, employee engagement and mobility. In 2011, this resulted in a new standardised approach to performance management for all our senior leaders, linking performance management with talent development in terms of talent assessment, succession planning and implementation of various talent pools. In addition, we initiated a new global engagement approach, combining an annual global employee engagement survey with a periodical manager–employee follow-up programme.

Our key people priorities for 2012 focus on driving and optimising a global high-performance culture, further integration of performance and talent management, including the development of people competences, and ongoing support of the transformation of our business.

Winning Behaviours

A set of Winning Behaviours provides guidance on how to work with and implement the Group's strategy and drive a performance culture. The Winning Behaviours pull our company together across national borders and functions as well as promoting commitment and engagement.

Our Winning Behaviours are:

- Our consumers and customers are at the heart of every decision we make
- We want to win!
- Together we are stronger
- We are each empowered to make a difference
- We are engaged with society

IN THE **SPOTLIGHT**

Innovation

Innovation, research and development at Carlsberg are integrated at Group level in order to control the innovation process, from raw materials, through consumer insights and trends, to idea generation, production processes and packaging.

Our innovation efforts are concentrated within our core competences, which are cereals/grains, yeast, fermentation and brewing technology, and they are fuelled by a deep understanding of consumer insights, trends and opportunities.

Our efforts are not only targeted at developing and launching new products, but also at enhancing and innovating existing products; developing new types of packaging; and improving brewing processes and ingredients.

Our activities in 2011 included the launch of two new products, an unfiltered beer concept applicable for local beer brands across our portfolio, and continued development of a new and improved draught beer system.

Copenhagen

Copenhagen is a new beer by Carlsberg. It is an innovation targeted at the new generation of beer drinkers, for whom it is important that the package of design, taste and quality fits their lifestyle.

Among consumers, women and men alike, there is an increasing demand for light-to-drink and less bitter alcoholic beverages. Copenhagen is a crisp and easy-to-drink new beer developed to accommodate this consumer demand.

Copenhagen is sold in a transparent and stylish bottle designed to cater to the target consumer group as research shows that young, modern consumers, women in particular, are conscious of design when choosing what to drink.

Beo*

The female consumer, health and well-being are on Carlsberg's innovation agenda. Beo* is an innovative malt-based beverage which targets the adult consumer looking for a healthy, non-alcoholic soft drink alternative.

Only natural ingredients are used in the production. No sugar is added, but a light, natural sweetness comes from the brewed base and fruit juice. Even the bubbles are natural as they are a result of the brewing process.

Beo* is sold in a stylish bottle to meet the need of the target group, and it comes in two flavours: Apple Green Tea and Blood Orange/Hibiscus.

RAW

RAW is a new concept that captures natural simplicity, aimed at leveraging the global trend for naturalness.

The RAW concept supports the perception of beer as a natural product as it is brewed with selected, natural ingredients, including special hops. It is unfiltered to keep more of the delicate flavour and the natural character.

The RAW concept is adjusted to the character of local power brands, providing an opportunity for consumers to trade up within their everyday beer brand. It has been rolled out across a number of markets.

DraughtMaster™

Carlsberg has developed a breakthrough one-way draught beer system which delivers improved draught beer quality while at the same time reducing the environmental impact of draught beer due to, among other things, lower CO_2 emissions and less waste production.

The one-way draught beer system is easy to handle and convenient for medium and large on-trade customers. As the system uses recyclable one-way PET kegs instead of steel kegs, it provides better protection for the beer, thereby ensuring a longer shelf life.

The system is used for both the international and local beer portfolio and was successfully pilot tested in Italy in 2011 prior to a wider roll-out.

IN THE
SPOTLIGHT

The transformation

The current agenda at Carlsberg is the FMCG journey, which encompasses front-end as well as back-end integration.

In the past decade, the Carlsberg Group has undergone a significant change – from being a smaller, mainly local brewer with only a few significant market positions to being the world's fourth largest brewer with strong market positions across Northern & Western Europe, Eastern Europe and Asia. Throughout this development, a large number of efficiency programmes have been implemented, particularly in Northern & Western Europe, significantly improving profitability.

The next phase, which we started a few years ago, is about transforming the Group into a winning fast moving consumer goods (FMCG) company. The FMCG aspiration encompasses front-end as well as back-end integration, standardisation and optimisation, adapting best practices from the world's leading FMCG companies. The goal is to combine efficiency gains with growth opportunities.

Carlsberg's *GloCal* approach (see page 20) recognises the importance of our many strong local brands and initiatives. Notwithstanding this, we benchmark ourselves against best-in-class global FMCG companies within all areas. Commercial excellence at Carlsberg goes across all processes and activities and is about optimising and creating a common framework, tools and processes across the Group within areas such as brand management and execution; conversion of consumer and customer insights into value-driving actions; value management; sales & operations planning (S&OP); and route-to-market control and outlet execution.

Centralising and standardising

In recent years, Carlsberg has taken a number of steps to globalise and centralise back-office functions as well as other relevant areas in which it makes sense to create centres of excellence at global, regional or sub-regional level. Examples of this are a shared accounting service centre in Poland, a centralised procurement organisation in Switzerland, and a virtual, centralised European IT organisation.

Inspired by best practices in other FMCG companies, on-going initiatives in the Group include business standardisation; a planned integration of the supply organisation; and portfolio optimisation and simplification.

Business standardisation is about standardising work processes across a number of areas throughout the value chain. The ultimate aim is to provide the right tools and processes to help Carlsberg professionals perform their jobs faster, smarter, more efficiently and with greater transparency, allowing more time to focus on local market needs and thereby generating revenue and earnings growth. To achieve the full benefits of business standardisation, the programme is aligned with the planned integration of the supply organisation.

The aim of the planned integrated supply chain is to bring together procurement, supply chain and logistics in order to improve the utilisation of the supply chain network; provide better planning at all levels; optimise the logistics network; and standardise and streamline processes. The idea is to create an efficient central supply organisation capable of delivering supply requirements across Northern & Western Europe. An integrated supply organisation will ensure cost competitiveness while enabling markets to focus on customer and consumer service and improve business profitability.

Portfolio optimisation

The aim of portfolio optimisation and simplification is to create a common, aligned packaging strategy to allow greater choice of and flexibility in packaging solutions in each market while reducing the overall number of packaging solutions at Group level. This will lead to efficiency gains within procurement and supply chain, such as increased cross-border sourcing and improved capacity utilisation, while at the same time acting as a driver for growth.

A few years ago, Carlsberg embarked on a journey to transform the Group into a winning fast moving consumer goods (FMCG) company. The transformation will impact front end as well as back end and is about integration, optimisation, standardisation and combining efficiency gains with growth opportunities.

Corporate social responsibility

The Carlsberg Group is committed to conducting its operations in a socially and environmentally responsible way. We acknowledge the importance of integrating corporate social responsibility (CSR) into our business functions in order to maintain our licence to operate, address risks, create new commercial and efficiency opportunities, and make a positive impact on the societies in which we operate. One example is an innovative draught system which produces less waste and uses less CO_2.

The Group has committed itself to targets for each of its CSR areas to be achieved by the end of 2013. In 2011, we made good progress towards reaching these targets for most of our CSR areas. We will be aiming to keep up our good performance and increase our efforts where needed.

In 2011, we concentrated on the planned continued implementation of our CSR polices in business functions and local companies. In addition, we carried out a detailed risk and opportunity analysis in four increasingly important areas for the future sustainability of the Group: packaging, water, energy and agriculture. The findings will be used to further develop a road-map and priorities for our CSR efforts going forward.

In 2011, we were recognised for our environmental achievements by the Newsweek Green Ranking. The Carlsberg Group was included in the top 5 of the "food, beverage and tobacco" category and scored highest among global beer companies when comparing actual environmental footprints and environmental management.

CSR reporting and management

In 2011, we continued to improve systems and procedures used to measure performance data for our CSR areas: environment, health & safety, community engagement, labour & human rights, business ethics and marketing communication. The collected data enable us to measure performance against the 2013 targets, identify areas for improvement and show local companies' year-on-year progress.

Similar to previous years, a selected set of indicators used to track environmental performance has been independently assured by KPMG Sustainability. In 2011, the scope of the assurance was expanded to include selected safety indicators. The independent report is available online at www.carlsberggroup.com/csr/ReportingonProgress/overview/Pages/2011Assurance.aspx.

CSR performance and targets

CSR area	2009	2010	2011	Target 2013
Energy	32.2 kWh/hl	32.3 kWh/hl	29.2 kWh/hl	29.0 kWh/hl
CO_2	8.9 kg CO_2/hl	8.7 kg CO_2/hl	7.9 kg CO_2/hl	7.5 kg CO_2/hl*
Water	3.7 hl/hl	3.5 hl/hl	3.3 hl/hl	3.2 hl/hl
Lost-time accidents in production per 1,000 employees	20.1	16.7	13.6	10.8*

* Revised to more ambitious targets.

The Group's web-based CSR report is available at www.carlsberggroup.com/csr. It includes the full scope of our 2011 performance data for all CSR areas as well as the 2013 targets. We will review our targets and ambitions periodically to ensure that we focus on the right issues and level of ambition for our business and our stakeholders alike.

We have also worked with KPMG to develop new performance measurements and indicators within all CSR areas in order to better track our progress and improve performance.

Reducing environmental impact

The Group has set ambitious targets for reducing our environmental impact and improving efficiency by 2013. In 2011, we continued the implementation of a Group-wide Lean Utilities programme to reduce energy and water consumption in our breweries. This led to significant improvements in our water and energy efficiency, particularly as a result of the strong performance of our Russian production sites. The results show that we are well on track to reach our 2013 targets. Based on strong improvements during the year, we have revised our CO_2 targets for 2013.

Addressing water risks

In order to better understand the Group's exposure to water risks, such as scarcity, poor quality and increasing costs, a full risk assessment was carried out at all breweries in 2011. The assessment data will be used to develop local action plans to address the water risks relating to our breweries with a particular focus on our Asia region. Our water initiatives are discussed in more detail on page 28.

A sustainable packaging strategy

Carlsberg is committed to innovative management of packaging and packaging waste. To prepare for new regulations and changing customer and consumer demands, the Group is developing a new strategic approach to packaging sustainability.

United Nations Global Compact (UNGC)

Since 2008, Carlsberg has been a signatory to the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Our progress in implementing the UNGC principles in our business operations is presented in our online Communication on Progress at www.carlsberggroup.com/csr/ReportingonProgress/overview/Pages/2011COP.aspx.

To underline our commitment to contributing to addressing global water challenges, the Group endorses the CEO Water Mandate, an initiative of the UN Global Compact which seeks to advance more sustainable corporate water management. In 2011, the Carlsberg Group hosted the annual meeting of the CEO Water Mandate in Copenhagen.

A first step was taken in 2011 with the development of a life cycle analysis (LCA) tool which measures the environmental impact of various packaging materials and formats throughout the product life cycle. The tool simulates and benchmarks different packaging options and the differences in their environmental impact, enabling us to immediately evaluate this in line with other business parameters.

As part of the approach to packaging sustainability, Carlsberg has initiated a pilot project in the UK on upstream and downstream engagement in the product value chain. With this initiative we are seeking to establish a lasting dialogue and partnership with key suppliers on the environmental impacts and sustainability of supplied packaging products.

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 to our consumers.

An important aspect of protecting commercial freedom involves marketing beer in a way that reflects society's concerns about alcohol abuse. Our local businesses are actively involved in initiatives related to issues such as under-age drinking, drinking and driving, and general education about responsible beer consumption. Engaging with local external stakeholders is fundamental in optimising the reach and impact of responsible drinking initiatives.

In 2011, we executed responsible drinking initiatives targeted at consumers in many of our markets. Examples include partnering with the Transport Administration and customers to prevent drinking and driving in Sweden, engagement of consumers as "responsible drinking ambassadors" in Malaysia, and running an educational TV campaign in Ukraine through the Ukrainian Brewers' Association with the objective of combating under-age drinking and promoting responsible selling of alcohol. In Russia, we expanded our portfolio of initiatives and started up a programme with the aim of training bartenders in promoting responsible drinking behaviour to consumers and serving as advocates of a drinking culture where beer is appreciated in moderation.

In addition to engaging with local stakeholders, Carlsberg also collaborates with various international organisations and with our peers from the brewing industry. Initiatives include the development of voluntary industry self-regulation schemes to avoid irresponsible marketing of alcoholic beverages and consultation with WHO on how Carlsberg's and our peers' initiatives within marketing, communication and stakeholder engagement can support WHO member states in achieving their objectives of reducing the harmful consumption of alcoholic beverages.

Looking ahead

Despite challenging economic market conditions, Carlsberg remains committed to our ambition to grow responsibly. Our prioritised CSR initiatives are supported by strong business cases, either in terms of a positive return on investment or in securing our licence to operate. In 2012, we will focus our efforts on addressing specific sustainability risks and opportunities related to our production and value chain. Key priorities will include promoting responsible drinking, the completion of our sustainable packaging strategy and further implementation and training of the LCA tool.

Corporate social responsibility in the value chain

R&D

Our strong expertise in research 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.

Examples of 2011 activities

- Carlsberg's brewmasters all over the world have used the new null-LOX malt to produce Carlsberg beer. Null-LOX malt keeps the beer fresher for longer and requires less energy for cooling the products during storage
- Ongoing scientific collaborations with 37 universities globally
- Commissioning of a new pilot plant at the research facility in Copenhagen to capture biogas from brewery by-products

Going forward

We will continue the successful roll-out of null-LOX malt to produce the Carlsberg brand. Research on new raw materials resistant to varying weather conditions will continue. Trials in the new pilot plant will be conducted with the purpose of generating energy from by-products.

Procurement

Through our CSR activities within Procurement, we work with our suppliers with the aim to ensure that our CSR standards are adhered to and to reduce the social and environmental impact of the products and services purchased. The purpose of our Responsible Sourcing Programme is to increase knowledge of CSR issues in the supply chain and to monitor compliance with the Carlsberg Group Supplier and Licencee Code of Conduct.

Examples of 2011 activities

- Increasing the number of bottles on a pallet by 10-15%, thus improving pallet utilisation and reducing the environmental impact of transportation
- Carlsberg Group joined AIM-Progress, an industry-wide forum, to enable and promote responsible sourcing practices

Going forward

We will work towards reducing the weight or thickness of packaging materials and collaborate with our suppliers to reduce our carbon footprint. One initiative is to work with a strategic supplier on reducing the thickness of steel in crown corks. We also intend to develop a Group car policy with the aim of reducing emissions from our company car fleet. We will look into further monitoring of our suppliers' CSR performance through assessments and audits.

Brewing and bottling

We are running optimisation programmes at our breweries to save energy and water resources and reduce costs. Our efficiency within energy and water consumption in production is the highest of all global brewers. Strict requirements are enforced to create a safe working environment.

Examples of 2011 activities

- The lost-time accident rate in production decreased by 19%; the number of days lost in production was down by 1,049 days
- Our Lean Utilities programme, aimed at achieving energy and water efficiencies, was introduced in 25 new breweries
- A global assessment of water risk exposure was carried out at all sites

Going forward

We will continue to implement our global Lean Utilities programme with particular focus on Asia. We will continue our efforts to reach our targets for water and energy efficiency. We have set more ambitious targets for reducing CO_2 emissions and safety incidents in production. We will follow up on the results of our water risk assessment by developing local community initiatives. Opportunities for increasing the share of renewable energy will be further explored.

Logistics

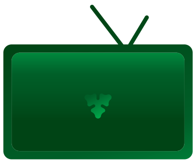
We are achieving resource and cost savings by optimising logistics, including more efficient distribution, the introduction of alternative means of transport and improved warehouses. We are also working with our suppliers to improve the materials and equipment used in our logistics operations.

Examples of 2011 activities

- Roll-out of a tool for road planning in the Nordic markets
- Introduction of a CO_2-neutral delivery scheme for on-trade customers in Switzerland
- Installation of a new dehumidifying system in Carlsberg Danmark's warehouse, resulting in significant reductions in both CO_2 emissions and costs

Going forward

We will continue to pursue opportunities for further optimising our logistics network. As part of the planned integrated supply organisation for Northern & Western Europe, we will develop new processes and initiatives to optimise logistics operations.
We will evaluate opportunities for implementing sustainability criteria in our purchasing process for distribution materials related to warehouses. Opportunities to roll out the route planning tool in more markets will be explored.



Sales and marketing

We are striving 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 marketing materials are developed.

We are focusing strongly on the training of marketing managers as well as on-trade and off-trade sales employees to make sure everyone applies the Marketing Communication Policy in their day-to-day work.

Examples of 2011 activities

- Introduction of a bartender training programme
- Training of 70% of marketing managers in the Marketing Communication Policy
- Development and introduction of new CSR guidelines for social media

Going forward

We will focus on developing additional tools to help integrate the principles of the Marketing Communication Policy into daily operations, such as guidelines for our on-trade staff. Training of marketing staff will continue with particular focus on Eastern Europe and Asia.

Consumers and customers

We are developing local initiatives and partnering with relevant stakeholders to promote responsible drinking to our consumers and address issues related to alcohol misuse.

We are working with our customers to improve the impact of our CSR efforts and reduce our environmental footprint.

Carlsberg Group companies support the local societies in which we operate through a wide variety of community activities.

Examples of 2011 activities

- Launch of several activities across our markets to promote responsible drinking
- Collaborative projects with retailers aimed at reducing packaging waste

Going forward

We will increase the reach and impact of our responsible drinking activities targeted at consumers, in particular at major consumer events such as UEFA EURO 2012™ and music festivals. We are looking at various ways to increase our cooperation with suppliers and customers in important CSR areas such as packaging.

IN THE **SPOTLIGHT**

Water

Carlsberg recognises that water is one of the world's most important resources and key to the sustainability of our business.

Research shows that water resources are under pressure in some parts of the world, representing a potential risk for the Group's business operations as well as for local communities. We are committed to continuously improving the water efficiency of our production, and since 2009 we have improved efficiency by 10.2%, which corresponds to savings of 47 million hl of water.

In 2009, the Carlsberg Group became a member of the CEO Water Mandate, a public–private initiative to help companies with the development and implementation of sustainable water practices. Taking part in the CEO Water Mandate helps Carlsberg to identify new ways to use water resources more efficiently and underlines the Group's commitment to addressing water risks.

In 2011, Carlsberg initiated a Group-wide initiative to evaluate water risks at our brewery sites. In order to improve our understanding of our exposure to water risk, a thorough water risk assessment was carried out at all production sites. The results showed that at a global level Carlsberg is in a good position to manage water risks in the short to medium term, but the assessment also showed that some of our sites are exposed to current and future water risks, and for those sites we are developing local actions to mitigate water risk.

Water targets

Carlsberg is the industry leader when it comes to operational water performance and our targets are the most ambitious of all global brewers. Our 2013 targets for water consumption and efficiency are:

- Reduce water consumption by 9% to 3.2 hl/hl
- Implement a long-term strategic approach to water risk management
- Explore new technologies for reuse of water inside and outside our breweries

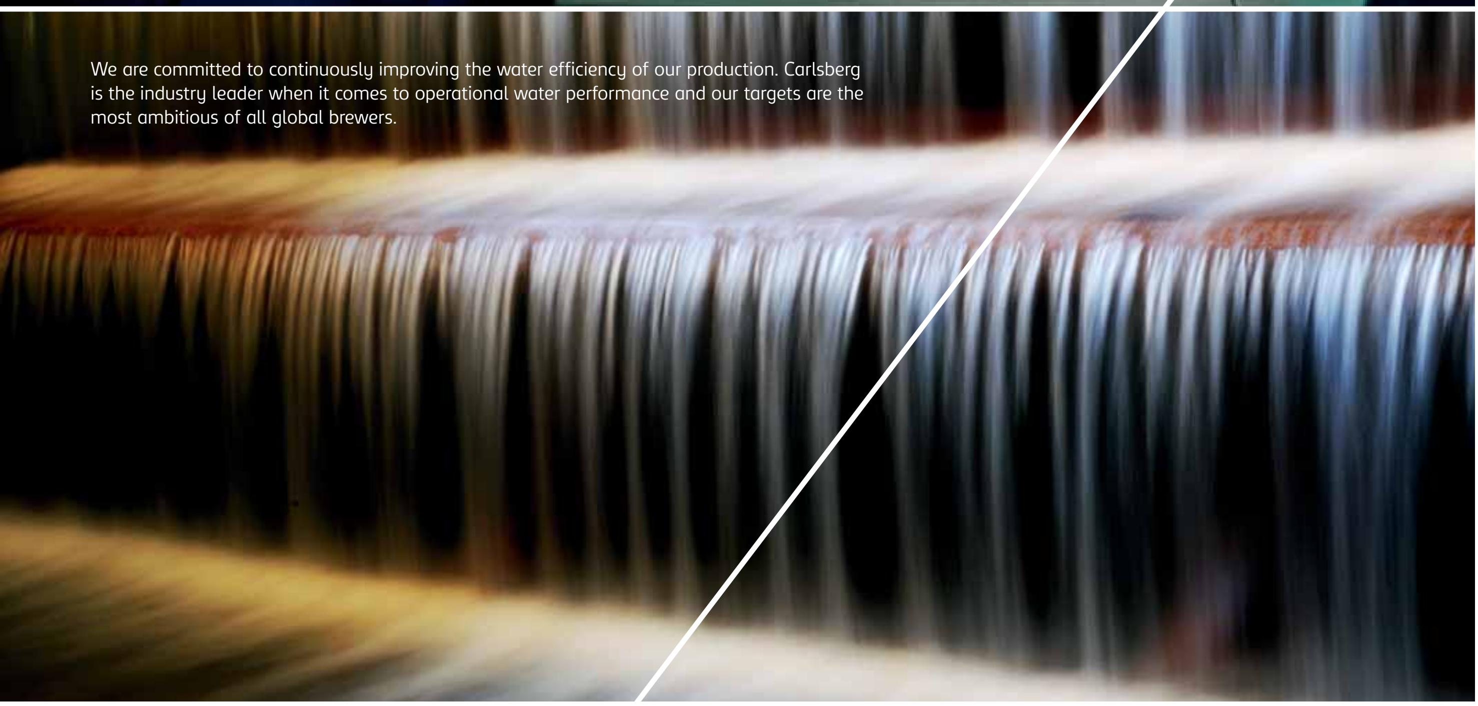
Water recovery plant in India

One example of our commitment to improving our water efficiency is the commissioning of a waste-water recovery plant at our brewery in Hyderabad, India, in June 2011. The recovery plant will reprocess effluent water through a state-of-the-art treatment method – reverse osmosis – and reuse it in different operations at the brewery. The recycled water can be used for numerous purposes, such as floor cleaning and tower cooling.

The recovery plant has an operating capacity of 140 hl/hour. Based on the plant capacity utilisation, the estimated annual savings from the reuse of water from the plant are 585,000 hl.

Increasing water efficiency in Russia

One of Carlsberg's largest breweries, the Tula Brewery in Russia, achieved strong improvements in its operational water efficiency in 2011. Following the implementation of an optimisation programme, increased awareness about water use among employees and the installation of supply control valves on the bottle-washing machines to avoid leaks, the brewery managed to achieve a 14% increase in its operational water efficiency, corresponding to approximately 272,000 hl of water.



We are committed to continuously improving the water efficiency of our production. Carlsberg is the industry leader when it comes to operational water performance and our targets are the most ambitious of all global brewers.

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.

The Group's risk management involves the identification, assessment and economic management of risks which 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. The risk management 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.

The risk management framework is a top-down approach and covers all major entities across regions, markets and functions.

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 observes that plans are in place for the management of individual risk factors, including commercial and financial risks.

Once a year, the Executive Committee (ExCom) reviews the overall risk exposure associated with the Group's activities. Strategic risks are assessed according to a two-dimensional heat map rating system which 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. Following this review, 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 (Group functions and business units) are responsible for the identification, evaluation, qualification, recording and reporting of the management of strategic risk 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 once a year, and following the review local risk owners are appointed and given the responsibility for mitigating the risks through a programme of risk-reducing activities.

A formal procedure is in place for ongoing identification, assessment and reporting during the year of any new or emerging risks which 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, credit and liquidity risks, are described in the notes to the consolidated financial statements.

Risk assessment 2012

In October 2011, 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 2012-2016 were defined. Local risk management workshops and heat mapping were carried out during the third quarter of 2011.

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 high risks identified, the economic downturn, Russian consumer sentiment and Russian dependency, and our ability to increase prices were classified as high risks for 2012. These three risks are presented on the following page. The other high risks identified include 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 2011

Four high risks were identified for 2011. Their impact on the Group and the proactive steps taken were as follows:

Beer excise tax

Beer is a highly taxable consumer product, and a high risk identified for 2011 was beer excise tax increases.

No significant changes in excise tax regimes were made in the Group's markets in 2011. However, beer duties remain an issue across our markets and we will continue to monitor and be proactive within this area in all markets to ensure that the impact of excise tax increases on the business is mitigated.

Legal restrictions

Increasingly, the brewing sector is facing pressure from authorities and other stakeholders to reduce alcohol consumption, and changes in public regulation such as restrictions on the selling, availability and advertising of beer were deemed a high risk in 2011. In 2011, restrictions on the selling and advertising of beer were passed by the Russian Duma. The restrictions will gradually come into effect up to 1 January 2013.

Carlsberg actively works to establish marketing self-regulation systems and CSR initiatives, including campaigns against under-age drinking, promotions of responsible drinking messages on packaging, and campaigns against drinking and driving. In addition, Carlsberg is active in local brewers' associations and The Brewers of Europe as well as supporting the Worldwide Brewing Alliance in providing tools to brew and market beer freely, cost-effectively and responsibly.

Legal restrictions continue to represent a strategic risk, and risk-reducing activities, including increased communication with stakeholders, lobbying, improved self-regulation and CSR activities, will continue in the coming years.

Price increases

Ability to raise prices was identified as a high risk for 2011 as a large number of the Group's input costs were increasing and the Group had to increase its sales prices to offset the higher input costs.

Risk-reducing activities included value management tools as a means to increase net sales/hl. The ability to raise prices remains a high risk for 2012 and risk-reducing measures are elaborated on page 32.

Commodity price volatility

The risk of volatile commodity prices leading to failure to purchase adequate commodities, including raw materials and packaging materials, at competitive prices was deemed high in 2011.

In response to the volatility, the Group has implemented risk-reducing actions and policies, including within procurement and hedging. At all times, hedging of both volume and price is used actively when deemed appropriate, and this includes the management of long-term Group agreements with key suppliers and fixed-price policies. In markets where hedging is not easily obtained, Carlsberg seeks to develop cooperation with local farmers to ensure volume and quality of barley supply and reduce exposure to spot-market price volatility.

High risks for 2012

The Carlsberg Group's Executive Committee has identified three high risks facing the Group in 2012. The financial risks are described in the notes to the consolidated financial statements.

Economic downturn

Description
The global economic environment is highly vulnerable and an economic downturn impacting consumer sentiments in the Group's beer markets is viewed as a high risk for 2012.

Possible impact
Negative consumer sentiment impacts consumer spending, including spending on beer. Decreasing demand leading to lower volumes may negatively impact the Group's net revenue and, subsequently, the operating profit.

Mitigation
A number of risk-reducing activities will be implemented to mitigate the impact of an economic downturn. Activities include: closely monitoring macroeconomic indicators in our most important markets; scenario planning; increased focus on and prioritisation of plans and activities; acceleration of working capital initiatives; early and timely cost reduction measures; and development of contingency plans to be able to reduce costs further and thereby protect profitability, if necessary.

Russian consumer sentiment and Russian dependency

Description
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 more exposed to the performance of the Russian business than any other market.

Possible impact
If the Russian beer market and our Russian business develop differently than expected in our plans and budgets, this may have an impact on the Group's results.

Mitigation
In late 2011, a number of senior management changes were implemented in Russia, including the appointment of a new CEO. Our commercial models for the Russian market have been adjusted to reflect developments in recent years within consumer and competitor dynamics. Our 2012 planning and budgets for the Russian business are based on detailed analyses and modelling of anticipated developments in consumer sentiment, inflation and other macroeconomic indicators, and pricing, changes in regulation and other relevant measures to reduce the degree of uncertainty and enable a fast response if assumptions do not materialise.

Ability to increase prices

Description
A large number of the Group's input costs are increasing, and the Group will increase its sales prices to offset the higher input costs.

Possible impact
Offsetting higher input costs through higher sales prices is important in order for the Group to continuously deliver on its mid-term financial margin targets.

Mitigation
Identifying top-line growth levers, Carlsberg has developed sophisticated value management tools for addressing these levers in order to be able to increase net revenue/hl in addition to what can be achieved as pure price list increases. The value management levers embrace price, customer investment, promotions, value engineering and product mix, and the execution of value management is important in Carlsberg's efforts to drive net revenue/hl.

Carlsberg's cider brand Somersby and line extensions of the brand were launched in several markets in 2011. Among other places, the brand was launched in Portugal and South East Europe, where it was received positively by consumers.

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 acts on the corporate governance recommendations in relevant areas in an attempt to optimise the way it works. During 2010 and 2011, the Supervisory Board implemented a number of changes to the way the Board works and increased transparency with regard to certain key matters in the company such as individual remuneration of the members of the Supervisory Board and the Executive Board.

1) corporategovernance.dk/graphics/Corporategovernance/20110816_Recommendations_on_Corporate_Governance.pdf

Carlsberg is generally compliant with all the recommendations with one exception, namely that a majority of the Supervisory Board members elected by the General Meeting are not independent as defined in the recommendations:

Recommendation 5.4.1.

In order for the members of the Supervisory Board to act independently of special interests, the Committee recommends that at least half of the members elected by the general meeting be independent persons. The recommendations set out a number of situations that would preclude independence. It means that e.g. any person who represents the interests of a controlling shareholder and/or any person who has been a member of the Supervisory Board for more than 12 years is not regarded as independent.

Explanation

Five of the eight members of Carlsberg A/S's Supervisory Board elected by the General Meeting have close links with the Company's principal shareholder, the Carlsberg Foundation, as they make up the Foundation's Board and represent the interests of the Foundation, while the three other members elected by the General Meeting have a business background. These five members are thus not independent as defined in the recommendations. In addition, two of them have served on the Board for more than 12 years. The independent members of the Supervisory Board are of the opinion that this combination ensures that the Supervisory Board has the necessary decision-making power for the Company to work in the highly competitive environment of FMCG companies, ensures appropriate breadth in the members' approach to their duties and helps to ensure that decisions are well-considered.

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 which 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 division into A shares and B shares, combined with the Carlsberg Foundation's position as principal shareholder, has 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.

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 or have requested to be notified of General Meetings by ordinary mail. 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 which 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 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 eight 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 12 members.

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 three members have a 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 www.carlsberggroup.com. The Nomination Committee and the Supervisory Board take the description of the required skills into consideration when recommending new candidates for the 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 154 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

The Carlsberg Research Center carries out research and development with new and improved raw materials, including barley. In our research, we also work with external partners, including Southern Seed Technology in New Zealand, which organised the Carlsberg null-LOX field trials and field logo in 2011.

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. 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:

- No later than during 2015 at least 40% of the Supervisory Board members elected by the General Meeting should be women
- 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 company in addition has a general aim of increasing the number of women in senior management positions in the company and will prepare and implement specific action plans to do so

The objectives regarding the international experience of Supervisory Board members are met as at least four of the eight 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, none of the Supervisory Board members elected by the General Meeting are women, whereas one member of the Executive Committee is a woman. 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 six meetings in 2011 and a three-day strategy seminar combined with visits to the Chinese operations. All Supervisory Board members but one attended all meetings as well as the strategy session. 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 2011 and they were all attended by both the Chairman 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. 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 the Executive Board) at which the performance of the Chairman is discussed. During the evaluation process in 2011, 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 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.

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 2011, this was based on input from the Nomination Committee. Carlsberg provides an introduction programme to all new Supervisory Board members and holds relevant courses for all Supervisory Board members.

Board committees

The Audit Committee

In 2011, Carlsberg's Audit Committee consisted of three members of the Supervisory Board (Jess Søderberg, Chairman, Povl Krogsgaard-Larsen and Richard Burrows). Jess Søderberg and Richard Burrows both qualify as being independent of the Company and both possess the relevant financial expertise. The Audit Committee is appointed for one year at a time.

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

Carlsberg's Board committees increase efficiency and improve the quality of the work of the Supervisory Board by preparing and processing the material on which decisions are based.

Board approved the current Terms of Reference and the Audit Committee meeting plan for 2011 at its meeting in December 2010. The Terms of Reference are available on the Company's website.

In 2011, the Audit Committee held five meetings. All members participated in all meetings. In accordance with its Terms of Reference and annual meeting plan, the Audit Committee 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 accounting policies and procedures, and on the clarity of disclosures. In addition, it focused on compliance with accounting standards and stock exchange and other legal requirements. The Audit Committee also discussed the assumptions behind the Company's full-year profit expectations before releases of financial statements and the changes to the full-year profit expectations announced by the Company in August 2011.

b) Monitored the effectiveness of the internal control and risk management systems. This work included a review of quarterly reports prepared by Group Internal Audit and a presentation by Group Internal Audit on the status and learnings from Carlsberg's whistleblower system during the period in which it has been in place. 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 received quarterly reports from Group Internal Audit on risk management, including the risk management process in Carlsberg and the status on risks identified in the strategic risk map for 2012. The Audit Committee also reviewed the financial personnel succession planning put in place by Group Finance.

c) Monitored the internal audit function. The work included review and approval of internal audit plans, 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, including the risk management handbook and a supplier fraud investigation tool developed by Group Internal Audit.

d) Monitored the external audit of financial reporting and the independence of the external audit. The work included discussions regarding audit planning and scope, 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 approval and announcement of the quarterly 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 preceding 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 2011, the Audit Committee held meetings with the external auditors and Group Internal Audit as well as with other relevant function heads without the presence of the Executive Board of the Company.

The Nomination Committee

In December 2010, the Supervisory Board decided to establish a Nomination Committee. In 2011, the Nomination Committee consisted of three members of the Supervisory Board (Povl Krogsgaard-Larsen, Chairman, Jess Søderberg and Kees van der Graaf). Jess Søderberg and Kees van der Graaf are independent of the Company as defined in the recommendations. The Committee held two meetings in 2011 and all members were present at both meetings.

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 2011, the Committee's work included recommendations to the Supervisory Board with regard to the Specification of Competencies required for the Supervisory Board, including recommendations regarding the Company's objectives for diversity at relevant management levels. The Specification of Competencies is available on the Company's website. 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. The Nomination Committee also drew up a description of the annual Board evaluation process, which was approved by the Supervisory Board. 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.

The Remuneration Committee

In December 2010, the Supervisory Board decided to establish a Remuneration Committee. In 2011, the Remuneration Committee consisted of four members of the Supervisory Board (Richard Burrows, Chairman, Povl Krogsgaard-Larsen, Jess Søderberg and Kees van der Graaf). Richard Burrows, Jess Søderberg and Kees van der Graaf are independent of the Company as defined in the recommendations. The Committee held three meetings in 2011 and all members were present at all meetings except one meeting where one member was absent.

The Remuneration Committee works according to Terms of Reference, which are reviewed and approved annually by the Supervisory Board and available on the Company's website. In 2011, the Committee's work included the review of short-term and long-term incentive plans in the Company, the appointment of an independent advisor to the Committee, a review of remuneration benchmarking data of relevant comparable companies, a review of remuneration trends and recommendation to the Supervisory Board with regard to Remuneration Policy and remuneration of the Executive Board.

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 attend Supervisory Board meetings.

The Company also has a wider Executive Committee which consists of nine individuals in addition to the two Executive Board members. The composition of the Executive Committee can be seen on page 42.

Remuneration

The Executive Board

In order to attract and retain managerial expertise, the remuneration of the members of the Executive Board and other senior executives is determined on the basis of the work they do, the value they create and conditions at comparable companies. The remuneration includes incentive programmes, which are to help align the interests of the Company's management and shareholders as the programmes support both short-term and long-term goals.

The remuneration of the Executive Board comprises salary, cash bonuses, share-based payments and other usual benefits. The members take out their own pension plans.

The remuneration of the Executive Board is presented in note 12 to the consolidated financial statements, which sets out the individual remuneration in 2011 of each Executive Board member. The Company's Remuneration Policy for the Supervisory Board and the Executive Board, including general guidelines for incentive programmes for the Executive Board, were approved at the Annual General Meeting on 24 March 2011. The policy and guidelines are available on Carlsberg's website.

Share option programmes exist for the Group's Executive Board and other management personnel. The programmes entitle them to purchase B shares in Carlsberg A/S between three and eight years after the options have been granted. The exercise price is the average market price during the first five days following the publication of the consolidated financial statements for the year. The number and value of share options granted and outstanding are presented in note 13 to the consolidated financial statements.

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

The Executive Board does not receive a bonus on the completion of a takeover bid, but its terms of notice change.

The Supervisory Board

The general principles for the remuneration of the Supervisory Board are set out in the Remuneration Policy. The Policy and the specific remuneration to the Supervisory Board for 2011 were approved by the Annual General Meeting on 24 March 2011. The remuneration consists of a fixed annual base fee (DKK 400,000 for 2011). The Chairman receives double the base fee and the Deputy Chairman receives one-and-a-half times the base fee. A member of a Board committee receives an additional annual fee 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 both receive an additional annual fee of 50% of the base fee.

The individual remuneration of each member of the Supervisory Board is presented in note 12 to the consolidated financial statements.

The Supervisory Board of Carlsberg A/S is not included in the Company's incentive programmes and does not receive a bonus on the completion of a takeover bid.

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.

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 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 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. These policies and procedures apply to all subsidiaries, and similar requirements are set out in collaboration with the partners of the joint ventures.

Risk assessment

The risk assessment process related to financial reporting is conducted annually.

The significant accounts in the consolidated financial statements are identified based on the assessment of 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 risk assessment process related to the financial reporting process is approved by the Audit Committee on an annual basis.

Control activities

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. Relevant Group companies and functions establish and implement internal controls comprising relevant control activities for significant processes. 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.

In addition, 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 links and in-depth knowledge of the individual companies and by technical accounting specialists. In addition, significant Group companies have controllers with extensive commercial and/or accounting knowledge and insight.

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.

All Group companies are using a standardised financial reporting system. In addition, the Group is in the process of standardising processes and reducing the number of financial reporting systems.

Monitoring

The monitoring of the internal control and risk management systems related to financial reporting is performed at multiple levels in the Group, such as periodical review of control documentation, controller visits, audits performed by Group Internal Audit and monitoring by the Audit Committee.

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, efficacy and quality of the Group's internal controls. The head of Group Internal Audit reports to the chairman of the Audit Committee and with a dotted line to the CFO, and 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 which 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 reports to the Audit Committee on issues reported via the whistleblower system and action taken as a result thereof. Since the establishment of the whistleblower system in April 2010, 70 reports have been made to the system. A few of the reports to the system have been regarding isolated fraud incidents carried out by individual employees in the Group. This has led to the dismissal of a small number of employees on the basis of violation of Group policies and in some cases relevant criminal laws. The incidents have not had any material impact on the financial results of the Group or the Group company in question.

The repositioning of the Carlsberg brand has been well received across the world, including in Serbia. In the brand's premium markets, volume grew by 7%.

Executive Committee

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 Board of DONG Energy A/S and of the Committee on Corporate Governance in Denmark. Prior to joining Carlsberg, Mr Jensen held senior managerial positions in, among others, Nilfisk Advance A/S and Foss Electric A/S.

Jesper Friis

Senior Vice President, Western Europe since 2009.

Mr Friis joined Carlsberg in 2005. Before joining Carlsberg's Executive Committee, Mr Friis was CEO of Ringnes, Carlsberg's Norwegian subsidiary, from 2007. Mr Friis has had a broad career within FMCGs, having worked for Toms Nordic in Sweden, Bacardi-Martini and Leaf.

Jørn Tolstrup Rohde

Senior Vice President, 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. Mr Sheps joined Carlsberg in 2004, when he was appointed Chairman of the Board of Directors in Bulgaria, Serbia, and Croatia. Mr Sheps has been CEO of Carlsberg Srbija, Carlsberg South East Europe and Carlsberg UK. Prior to joining Carlsberg, Mr Sheps held senior management positions in the brewing, electronic and electro-optic industries. Mr 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.

Roger Muys

Senior Vice President, Group HR since 2010.

Mr Muys joined Carlsberg in 2010 from a position as Senior Vice President HR at Royal Philips NV Lighting Sector. Before this, he was SVP HR for Philips Consumer Electronics in Amsterdam. Prior to joining Philips, Mr Muys worked for General Electric (GE), where he held a number of key HR positions.

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 Board of BSR, WWF Denmark, the Tuborg Foundation, and Erik Møller Architects. 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.

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 will be 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.

Khalil Younes

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

Mr Younes joined Carlsberg after 15 years with The Coca-Cola Company. His last position was Vice President of Global Juice Marketing. Prior to that role, 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.

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 Copenhagen's 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 addtion to NASDAQ OMX Copenhagen, the Carlsberg shares are also traded on a number of other equity exchanges, including Chi-X.

In 2011, the Carlsberg B share topped at DKK 618.7, but as a consequence of the general uncertain macroeconomic environment, the general decline in stock market prices and Carlsberg's guidance adjustment at the half-year results in August 2011, the share price fell and ended the year at DKK 405. Overall, the Carlsberg B share fell by 27% in 2011. At the end of 2011, the market value of the Company's shares was DKK 62.2bn compared to DKK 85.7bn at the end of 2010.

Annual General Meeting and dividend

The Company's Annual General Meeting will be held on Thursday, 22 March 2012, at Tap 1, Ny Carlsberg Vej 91, Copenhagen. The Parent Company has posted a profit for 2011 of DKK 436m. The Supervisory Board recommends that the Annual General Meeting approve payment of a dividend of DKK 5.5 per share. This will involve a total payment of DKK 839m, which will be deducted from retained earnings.

Shareholders

At 31 December 2011, 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 2011, Carlsberg had more than 58,000 registered shareholders, together holding a nominal capital of DKK 2,833m, corresponding to 93% of the share capital.

Management holdings of Carlsberg shares

At the end of 2011, the members of the Supervisory Board held a total of 12,723 B shares in Carlsberg, corresponding to a market value of DKK 5.2m, and the members of the Executive Board held a total of 400 A shares and 11,102 B shares, corresponding to a market value of DKK 4.7m. In addition to this, the Executive Board has been granted 60,000 share options, corresponding to a market value of DKK 10.8m. 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 both 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.

Carlsberg's investor website includes both current and historical information about the Company and its shares, including company announcements, share prices, investor presentations, financial calendar, quarterly financial statements and annual reports.

A total of 40 analysts had initiated coverage of Carlsberg at the end of 2011, 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.

Share price 2011

(DKK per share, Carlsberg B)

Financial calendar 2012

22 March
Annual General Meeting

Quarterly financial statements

9 May
Interim results – Q1

15 August
Interim results – Q2

7 November
Interim results – Q3

Shareholders (free float)

%	End-2011	End-2010	End-2009
DK	22	22	23
USA	29	30	27
UK	20	18	17
Other	29	30	33

Investor Relations

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

Company announcements

03.01.2011	The Carlsberg Group sells Dresden Brewery
21.02.2011	Financial statement as at 31 December 2010
01.03.2011	Notice to convene Annual General Meeting
01.03.2011	Annual report for 2010
24.03.2011	Carlsberg A/S – Annual General Meeting – Summary
11.05.2011	Interim results as at 31 March 2011
01.08.2011	Expansion of Chinese operations through establishment of JV with Chongqing Brewery and Chongqing Light Textile Holdings
17.08.2011	Interim results as at 30 June 2011
03.10.2011	Major shareholder announcement – OppenheimerFunds, Inc.
26.10.2011	Isaac Sheps to become CEO of Baltika Breweries and SVP of Eastern European region
28.10.2011	Acquisition of the remaining 50% shareholding in Hue Brewery Ltd., Vietnam, completed
09.11.2011	Interim results as at 30 September 2011

Share information

Share class	A	B	Total
Number of shares	33,699,252	118,857,554	152,556,886
Carlsberg Foundation	32,600,291	13,663,681	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 416.7	DKK 405.0	
Proposed dividend per share	DKK 5.5	DKK 5.5	

Financial review

Income statement

The Group generated total net revenue of DKK 63,561m, an increase of 4% compared with 2010. Gross profit was DKK 31,773m (DKK 31,072m in 2010), and the gross profit margin declined by 170bp to 50.0% due to higher input costs.

Sales and distribution expenses increased by DKK 1,325m to DKK 18,483m, primarily due to higher sales and marketing investments in Eastern Europe and Asia and higher logistics costs, mainly in Eastern Europe. Administrative expenses amounted to DKK 3,903m (DKK 4,040m in 2010) and other operating income, net was DKK 249m (DKK 227m in 2010). The Group's share of profit after tax in associates was DKK 180m (DKK 148m in 2010).

Group operating profit before special items was DKK 9,816m (DKK 10,249m in 2010). Strong growth in Asia and Northern & Western Europe was not enough to offset the decline in Eastern Europe.

Net special items amounted to DKK -268m against DKK -249m in 2010. Special items were positively affected by fair value non-cash revaluations of previously owned shareholdings in connection with the step acquisitions in Lao Brewery Co. Ltd in Laos and Hue Brewery Ltd. in Vietnam, cf. note 7 to the consolidated financial statements. The negative impact came from costs incurred in connection with restructuring measures implemented in Northern & Western Europe and impairment charges related to two trademarks in Eastern Europe and investments in Carlsberg Uzbekistan and Nordic Getränke, Germany, as a consequence of difficult market conditions as well as poor performance and profit outlook. Furthermore, impairment was made on the Business Standardisation Programme due to redesign and change of scope following the decision to establish a fully integrated supply chain in Northern & Western Europe.

Net financial items amounted to DKK -2,018m against DKK -2,155m in 2010. Net interest costs accounted for DKK -1,744m, compared to DKK -1,933m in 2010, reflecting the lower average funding cost. Other net financial items were DKK -274m (DKK -222m in 2010). The negative development is due to defined benefit obligations and other financial expenses such as bank fees etc.

Tax totalled DKK -1,838m against DKK -1,885m in 2010. The tax rate was 24.4%.

Consolidated profit was DKK 5,692m against DKK 5,960m in 2010, impacted by the decline in operating profit.

Carlsberg's share of net profit was DKK 5,149m against DKK 5,351m in 2010.

Statement of financial position

At 31 December 2011, Carlsberg had total assets of DKK 147.7bn (DKK 144.3bn at 31 December 2010). The increase of DKK 3.4bn primarily relates to currency adjustments and an increase in receivables.

Assets

Intangible assets totalled DKK 89.0bn against DKK 87.8bn at 31 December 2010. The increase is mainly related to the acquisition of additional shares in Lao Brewery Co. Ltd and Hue Brewery Ltd., increased goodwill and trademarks. Property, plant and equipment were DKK 31.8bn (DKK 32.5bn at 31 December 2010). Financial assets amounted to DKK 8.0bn (DKK 8.1bn at 31 December 2010).

Current assets totalled DKK 18.2bn against DKK 15.5bn at 31 December 2010 impacted by higher trade receivables, mainly due to the stock building at distributors in Russia in Q4 2011.

Liabilities

Total equity was DKK 71.6bn, of which DKK 65.8bn was attributed to shareholders in Carlsberg A/S and DKK 5.8bn to non-controlling interests.

The increase in equity compared with 31 December 2010 was DKK 2bn, mainly due to currency adjustments of approximately DKK -1.8bn, profit for the period of DKK 5.7bn, retirement benefit obligations of DKK -1.1bn, payment of dividends to shareholders of DKK -0.9bn, acquisition of non-controlling interests of DKK -1.5bn, share buy-back of DKK -0.4bn and acquisition of entities of DKK 1.6bn.

Total liabilities were DKK 76.1bn (DKK 74.6bn at 31 December 2010). Non-current liabilities increased by DKK 2.1bn compared with 31 December 2010, mainly due to an increase in retirement benefit obligations of DKK 0.8bn. Furthermore, a change in funding sources has increased non-current borrowings by DKK 1.8bn, while current borrowings have decreased by a similar amount.

Current liabilities excluding the current portion of borrowings were DKK 23.8bn (DKK 23.1bn at 31 December 2010), mainly impacted by an increase in trade payables of DKK 1.6bn.

Cash flow

Operating profit before depreciation and amortisation was DKK 13,600m (DKK 14,236m in 2010).

Segment reporting by quarter

DKK million	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Net revenue								
Northern & Western Europe	7,309	10,199	10,198	8,450	7,311	10,824	10,029	8,715
Eastern Europe	2,386	6,294	6,016	3,491	3,569	6,188	5,578	4,384
Asia	1,234	1,492	1,464	1,423	1,610	1,688	1,805	1,735
Not allocated	44	-11	30	35	38	40	28	19
Beverages, total	10,973	17,974	17,708	13,399	12,528	18,740	17,440	14,853
Other activities	-	-	-	-	-	-	-	-
Total	10,973	17,974	17,708	13,399	12,528	18,740	17,440	14,853
Operating profit before special items								
Northern & Western Europe	406	1,892	1,949	839	433	2,031	1,789	1,166
Eastern Europe	321	2,276	1,969	482	490	1,677	1,315	804
Asia	223	291	309	221	300	314	389	283
Not allocated	-230	-194	-35	-473	-246	-302	-180	-386
Beverages, total	720	4,265	4,192	1,069	977	3,720	3,313	1,867
Other activities	7	-26	-36	58	26	-25	-29	-33
Total	727	4,239	4,156	1,127	1,003	3,695	3,284	1,834
Special items, net	349	5	-462	-141	-81	-104	-6	-77
Financial items, net	-515	-302	-725	-613	-569	-615	-344	-490
Profit before tax	561	3,942	2,969	373	353	2,976	2,934	1,267
Corporation tax	-47	-1,066	-803	30	-92	-740	-734	-272
Consolidated profit	514	2,876	2,166	403	261	2,236	2,200	995
Attributable to:								
Non-controlling interests	47	248	226	87	88	181	191	83
Shareholders in Carlsberg A/S	467	2,628	1,940	316	173	2,055	2,009	912

The change in trading working capital was DKK -571m (DKK 1,334m in 2010). Trading working capital was impacted negatively by stocking by distributors in Russia in late Q4 and the consequent high level of trade receivables at year-end. Excluding the stocking effect, the change in trading working capital would have been DKK +11m. The focus on trading working capital remains and average trading working capital to net revenue was 1.9% at the end of 2011 compared to 2.6% at the end of 2010. The change in other working capital was DKK -421m (DKK -618m in 2010). The change relates primarily to pension obligations.

Paid net interest etc. amounted to DKK -2,070m in 2011 against DKK -2,089m in 2010.

Cash flow from operating activities in 2011 was DKK 8,813m against DKK 11,020m in 2010. On comparison, the reduction was mainly due to the significant working capital improvement in 2010.

Cash flow from investing activities was DKK -4,883m against DKK -5,841m in 2010. Operational capital expenditure was DKK 996m higher than in 2010. The increase was in line with plans and mainly related to network and production optimisation and sales investments. Financial investments were DKK -311m (DKK -2,675m in 2010, primarily due to the acquisition of shares in Wusu Xinjiang Beer Group and Chongqing Brewery Co. Ltd.). Finally, investments, other activities were DKK -1m (DKK +409m in 2010, impacted by disposal of real estate).

Free cash flow was DKK 3,930m against DKK 5,179m in 2010.

Financing

At 31 December 2011, the gross interest-bearing debt amounted to DKK 37.0bn and net interest-bearing debt amounted to DKK 32.5bn. The difference of DKK 4.5bn was other interest-bearing assets, including DKK 3.1bn in cash and cash equivalents.

Of the gross interest-bearing debt, 95% (DKK 34.4bn) was long term, i.e. with maturity more than one year from 31 December 2011, and consisted primarily of facilities in EUR.

In December 2011, the Group entered into a new five-year revolving credit facility of EUR 800m with a select group of relationship banks. The new facility replaced the EUR 1.425bn facility signed in 2005 (subsequently reduced to EUR 1.225bn in 2008). Carlsberg has extended the maturity profile of its bank commitments and achieved favourable pricing and terms.

FINAN
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Tuborg is one of Carlsberg's international beer brands. First brewed in Copenhagen in 1880, Tuborg was the first pilsner-type beer in Denmark. Today, real cosmopolitan beer, present in more than 70 countries.

Carlsberg Group

Notes

Income statement

DKK million	Note	2011	2010
Revenue		86,555	81,295
Excise duties on beer and soft drinks etc.		-22,994	-21,241
Net revenue		63,561	60,054
Cost of sales	3	-31,788	-28,982
Gross profit		31,773	31,072
Sales and distribution expenses	4	-18,483	-17,158
Administrative expenses	5	-3,903	-4,040
Other operating income	6	671	815
Other operating expenses	6	-422	-588
Share of profit after tax, associates	17	180	148
Operating profit before special items		9,816	10,249
Special items, net	7	-268	-249
Financial income	8	630	1,085
Financial expenses	8	-2,648	-3,240
Profit before tax		7,530	7,845
Corporation tax	9	-1,838	-1,885
Consolidated profit		5,692	5,960
Attributable to:			
Non-controlling interests	10	543	609
Shareholders in Carlsberg A/S		5,149	5,351

DKK			
Earnings per share	11		
Basic earnings per share		33.8	35.1
Diluted earnings per share		33.7	35.0

Statement of comprehensive income

DKK million	Note	2011	2010
Profit for the year		5,692	5,960
Other comprehensive income:			
Foreign exchange adjustments of foreign entities	8	-1,839	5,947
Value adjustments of hedging instruments	8, 35, 36	-12	-768
Value adjustments of securities	8	-	1
Retirement benefit obligations	25	-1,093	-167
Share of other comprehensive income in associates	17	3	-
Effect of hyperinflation	8	175	-
Other		-26	11
Corporation tax	9	314	47
Other comprehensive income		-2,478	5,071
Total comprehensive income		3,214	11,031
Total comprehensive income attributable to:			
Non-controlling interests		639	1,043
Shareholders in Carlsberg A/S		2,575	9,988

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. 2011	31 Dec. 2010
Non-current assets:			
Intangible assets	14, 15	89,041	87,771
Property, plant and equipment	15, 16	31,848	32,480
Investments in associates	17	5,051	4,877
Securities	18	134	124
Receivables	19	1,650	1,747
Deferred tax assets	26	1,199	1,301
Retirement benefit plan assets	25	5	8
Total non-current assets		128,928	128,308
Current assets:			
Inventories	20	4,350	4,191
Trade receivables	19	7,855	5,687
Tax receivables		129	172
Other receivables	19	1,846	1,766
Prepayments		867	938
Securities	18	24	34
Cash and cash equivalents	21	3,145	2,735
Total current assets		18,216	15,523
Assets held for sale	22	570	419
Total assets		147,714	144,250

EQUITY AND LIABILITIES

DKK million	Note	31 Dec. 2011	31 Dec. 2010
Equity:			
Share capital	23	3,051	3,051
Reserves		-8,740	-7,056
Retained earnings		71,555	68,253
Equity, shareholders in Carlsberg A/S		65,866	64,248
Non-controlling interests		5,763	5,381
Total equity		71,629	69,629
Non-current liabilities:			
Borrowings	24	34,364	32,587
Retirement benefit obligations and similar obligations	25	3,263	2,434
Deferred tax liabilities	26	9,652	9,947
Provisions	27	1,001	1,506
Other liabilities	28	1,262	922
Total non-current liabilities		49,542	47,396
Current liabilities:			
Borrowings	24	1,875	3,959
Trade payables		11,021	9,385
Deposits on returnable packaging		1,291	1,279
Provisions	27	511	512
Corporation tax		527	534
Other liabilities etc.	28	10,490	11,378
Total current liabilities		25,715	27,047
Liabilities associated with assets held for sale	22	828	178
Total liabilities		76,085	74,621
Total equity and liabilities		147,714	144,250

Statement of changes in equity

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
	Shareholders in Carlsberg A/S								2011
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/disposal 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

2010

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
	Shareholders in Carlsberg A/S								
Equity at 1 January 2010	3,051	-10,578	-1,384	146	-11,816	63,594	54,829	4,660	59,489
Profit for the year	-	-	-	-	-	5,351	5,351	609	5,960
Other comprehensive income:									
Foreign exchange adjustments of foreign entities	-	5,516	-	-	5,516	-	5,516	431	5,947
Value adjustments of hedging instruments	-	-1,069	301	-	-768	-	-768	-	-768
Value adjustments of securities	-	-	-	1	1	-	1	-	1
Retirement benefit obligation	-	-	-	-	-	-170	-170	3	-167
Other	-	-	-	-	-	11	11	-	11
Corporation tax	-	82	-71	-	11	36	47	-	47
Other comprehensive income	-	4,529	230	1	4,760	-123	4,637	434	5,071
Total comprehensive income for the year	-	4,529	230	1	4,760	5,228	9,988	1,043	11,031
Acquisition/disposal of treasury shares	-	-	-	-	-	-9	-9	-	-9
Exercise of share options	-	-	-	-	-	-38	-38	-	-38
Share-based payment	-	-	-	-	-	34	34	-	34
Dividends paid to shareholders	-	-	-	-	-	-534	-534	-709	-1,243
Acquisition/disposal of non-controlling interests	-	-	-	-	-	-22	-22	-55	-77
Acquisition of entities	-	-	-	-	-	-	-	442	442
Total changes in equity	-	4,529	230	1	4,760	4,659	9,419	721	10,140
Equity at 31 December 2010	3,051	-6,049	-1,154	147	-7,056	68,253	64,248	5,381	69,629

The proposed dividend of DKK 5.50 per share, in total DKK 839m (2010: DKK 5.00 per share, in total DKK 763m), is included in retained earnings at 31 December 2011. Dividends paid out in 2011 for 2010 amount to DKK 763m (paid out in 2010 for 2009: DKK 534m), which is DKK 5.00 per share (2010: DKK 3.50 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	2011	2010
Operating profit before special items		9,816	10,249
Adjustment for depreciation and amortisation		3,780	3,987
Adjustment for impairment losses[1]		4	-
Operating profit before depreciation, amortisation and impairment losses		13,600	14,236
Adjustment for other non-cash items	29	315	493
Change in trading working capital	29	-571	1,334
Change in other working capital	29	-421	-618
Restructuring costs paid		-448	-446
Interest etc. received		218	255
Interest etc. paid		-2,288	-2,344
Corporation tax paid		-1,592	-1,890
Cash flow from operating activities		8,813	11,020
Acquisition of property, plant and equipment and intangible assets		-4,329	-3,326
Disposal of property, plant and equipment and intangible assets		276	181
Change in trade loans	29	-518	-430
Total operational investments		-4,571	-3,575
Free operating cash flow		4,242	7,445
Acquisition and disposal of entities, net	30	-260	-477
Acquisitions of associates		-75	-2,041
Disposals of associates		15	-
Acquisition of financial assets		-9	-35
Disposal of financial assets		7	18
Change in financial receivables	29	-47	-233
Dividends received		58	93
Total financial investments		-311	-2,675
Other investments in property, plant and equipment		-36	-51
Disposal of other property, plant and equipment		35	460
Total other activities[2]		-1	409
Cash flow from investing activities		-4,883	-5,841
Free cash flow		3,930	5,179
Shareholders in Carlsberg A/S	29	-812	-581
Non-controlling interests	29	-1,876	-878
External financing	29	-1,003	-3,950
Cash flow from financing activities		-3,691	-5,409
Net cash flow		239	-230
Cash and cash equivalents at 1 January[3]		2,601	2,583
Foreign exchange adjustment of cash and cash equivalents[4]		-5	248
Cash and cash equivalents at 31 December[3]	21	2,835	2,601

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

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

[3] Cash and cash equivalents less bank overdrafts.

[4] Foreign exchange adjustment of cash and cash equivalents for 2010 mainly relates to the appreciated exchange rate of RUB.

Notes

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Carlsberg Group's consolidated financial statements, management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgements are performed in relation to the accounting treatment of:
- Business combinations
- Impairment testing
- Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment
- Restructurings
- Deferred tax assets
- Receivables
- Retirement benefit obligations and similar obligations
- Provisions and contingencies

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

Estimation uncertainty

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

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

Most economies are currently facing a challenging consumer environment and a limited visibility into consumer reactions to the uncertain macro environment, especially in Europe. The consumption recovery in some markets, including Russia, has been significantly impacted by excise duty increases. The impact on business development and the 2011 financials is described in the Management review, especially the sections describing the segment developments.

Estimates in the consolidated financial statements for 2011 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 seen 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 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 amounts) 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.

Management estimates the total fair value of the shareholding in the entity held immediately after the completion of the step acquisition. The estimated total fair value is accounted for as the cost of the total shareholding in the entity. The shareholding held immediately before the step acquisition is remeasured at fair value at the acquisition date. The 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 different valuation methods, including the net present value of expected future cash flows from the entity, the cost of newly acquired shareholdings in the entity including a control premium paid and other fair value models as applicable for the transaction, e.g. multiples.

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

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

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

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

For each trademark or group of trademarks, measurement is based on the relief from royalty method under which the value is calculated based on ex-

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

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

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 relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other net assets of the entity.

The 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 changed in line with the trademark's shorter useful life. The impairment test of trademarks is based on the same approach used to determine the fair value at the acquisition date.

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 450m in 2011 (2010: DKK 300m) mainly related to trademarks with finite useful life.

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 2011. The risk-free interest rates used in impairment tests performed at year-end 2011 were based on observed market data. The risk premium for the risk-free interest rate (spread) was fixed at market price or slightly lower than the current market level, which is comparable to the market level. The total interest rate, including spread, thereby reflected the long-term interest rate applicable to the Group's investments in the individual markets.

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

Useful lives and residual values for intangible assets with finite useful life and property, plant and equipment. Intangible assets with finite useful life and property, plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment losses. Amortisation and depreciation are recognised on a straight-line basis over the expected useful lives, taking into account any residual value. The expected useful lives and residual values are determined based on past experience and expectations of the future use of the assets. Reassessment of the expected future use is as a minimum made in connection with an evaluation of changes in production structure, restructuring and brewery closures. The expected

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

future use and residual values may not be realised, which will require reassessment of useful lives and residual values and recognition of impairment losses or losses on disposal of non-current assets. The amortisation and depreciation periods used are described in the accounting policies in note 41 and the value of non-current assets is specified in notes 14 and 16.

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

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

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

Receivables. Receivables are measured at amortised cost less impairment.

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

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

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

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

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

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

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

Assessment in applied accounting policies

In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognised in the consolidated financial statements. Such judgements are performed in relation to the accounting treatment of:
- Business combinations
- Financial instruments
- Revenue
- 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 of IFRS preventing the use of proportional consolidation will therefore have an impact on the consolidated financial statements as of 1 January 2013 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 2011 and 2010 all projects 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.

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

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

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

For leases an assessment is made as to whether the lease is a finance lease or an operating lease. The 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 2011.

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.

							2011
DKK million	Northern & 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/loss after tax in 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.

NOTE 2 SEGMENT INFORMATION – CONTINUED

DKK million	Northern & Western Europe	Eastern Europe	Asia	Not allocated	Beverages, total	Non-beverage	2010 Carlsberg Group, total
Income statement:							
Net revenue	36,122	18,141	5,613	178	60,054	-	60,054
Intra-segment revenue	34	46	-	-80	-	-	-
Total net revenue	36,156	18,187	5,613	98	60,054	-	60,054
Share of profit/loss after tax in associates	9	-11	142	1	141	7	148
Operating profit before special items	5,086	5,048	1,044	-932	10,246	3	10,249
Special items, net					-249	-	-249
Financial items, net					-2,137	-18	-2,155
Profit before tax					7,860	-15	7,845
Corporation tax					-1,847	-38	-1,885
Consolidated profit					6,013	-53	5,960
Operating margin	14.1%	27.8%	18.6%		17.1%		17.1%

Not allocated net revenue, DKK 98m, consists of DKK 2,549m net revenue from other companies and activities and DKK 2,451m from eliminations of sales between these other companies and the segments.

Not allocated operating profit before special items, DKK -932m, consists of DKK -928m from other companies and activities and DKK -4m from eliminations.

DKK million							
Other segment items:							
Total assets	52,275	74,496	14,467	-9,090	132,148	12,102	144,250
Assets held for sale	79	-	-	205	284	135	419
Invested capital, cf. note 32	28,216	67,553	10,826	-1,722	104,873	12,246	117,119
Acquisition of property, plant and equipment and intangible assets	1,644	745	549	384	3,322	55	3,377
Depreciation and amortisation	2,057	1,507	287	115	3,966	21	3,987
Impairment losses	440	240	43	-	723	-	723

Not allocated total assets, DKK -9,090m, 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 2011	Net revenue 2010	Non-current assets 2011	Non-current assets 2010
Denmark (Carlsberg A/S's domicile)	4,722	4,604	2,086	2,192
Russia	16,070	14,466	60,525	63,335
Other countries	42,769	40,984	66,317	62,781
Total	63,561	60,054	128,928	128,308

The geographical allocation is made on the basis of the selling countries' residence 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	2011	2010
Cost of materials	18,699	16,682
Direct staff costs	1,270	1,311
Machinery costs	839	929
Depreciation, amortisation and impairment losses	2,671	2,728
Indirect production overheads	3,432	3,293
Purchased finished goods and other costs	4,877	4,039
Total	31,788	28,982
Of which staff costs, cf. note 12	2,652	2,638

NOTE 4 SALES AND DISTRIBUTION EXPENSES

DKK million	2011	2010
Marketing expenses	6,554	5,857
Sales expenses	4,937	4,808
Distribution expenses	6,992	6,493
Total	18,483	17,158
Of which staff costs, cf. note 12	5,872	4,724

NOTE 5 FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

DKK million	2011	2010
KPMG:		
Statutory audit	27	29
Assurance engagements	-	1
Tax advisory	4	5
Other services	3	2

Assurance engagements included fees for assurances in relation to opinions to third parties. In 2010, assurance engagements also included fees for assurances in relation to bond issue. Tax advisory services mainly related to fees for assistance on Group restructuring projects and general tax consultancy.

NOTE 6 OTHER OPERATING INCOME AND EXPENSES

DKK million	2011	2010
Other operating income:		
Gains on disposal of real estate under other activities	10	16
Gain on disposal of assets classified as held for sale under other activities	58	118
Gains on disposal of real estate within beverage activities	34	49
Gains on disposal of other property, plant and equipment and intangible assets within beverage activities	89	176
Interest and amortisation of on-trade loans	102	105
Rental income, real estate	79	95
Funding and grants received for research and development activities	15	12
Income from grants and subsidies	47	27
Loss compensation	-	20
Other	237	197
Total	671	815
Other operating expenses:		
Loss on disposal of real estate within beverage activities	-54	-51
Loss on disposal of other property, plant and equipment and intangible assets within beverage activities	-2	-7
Losses and write-downs on on-trade loans	-1	-73
Real estate costs	-137	-115
Expenses relating to research centres	-162	-146
Other	-66	-196
Total	-422	-588
Of which staff costs, cf. note 12	-83	-95

Funding and grants received for research and development activities include funding from the Carlsberg Foundation of DKK 15m (2010: DKK 12m) for the operation of the Carlsberg Laboratory.

NOTE 7 SPECIAL ITEMS

DKK million	2011	2010
Special items, income:		
Gain on disposal of entities and adjustments to gain in prior year	64	134
Revaluation gain on step acquisition of entities	1,300	598
Other restructuring income etc., other entities	40	-
Income total	1,404	732
Special items, cost:		
Impairment of trademarks	-450	-300
Impairment of Carlsberg Uzbekistan	-300	-
Impairment of Nordic Getränke GmbH, Germany	-260	-
Impairment of Business Standardisation Programme	-250	-
Impairment of Dresden Brauerei, Carlsberg Deutschland	-	-128
Impairment of properties, Unicer-Bebidas de Portugal	-	-65
Impairment of Lingwu Brewery, Ningxia, China	-	-40
Impairments of other non-current assets	-31	-
Termination benefits and impairment of non-current assets in connection with restructuring at Carlsberg Deutschland	-94	-
Impairment and restructuring in relation to optimisation of packaging standardisation in Northern Europe	-83	-
Termination benefits in connection with restructuring in central headquarter functions	-76	-
Restructuring of Leeds Brewery, Carlsberg UK	-57	-19
Termination benefits in connection with restructuring of sales force, logistics and administration, Carlsberg UK	-16	-29
Termination benefits and impairment of non-current assets in connection with new administration structure at Brasseries Kronenbourg, France	-32	-77
Termination benefits etc., Carlsberg Italia	-10	-28
Termination benefits etc. in connection with Operational Excellence Programmes	-57	-20
Loss on sale of Sorex, France	-86	-
Restructuring of Fribourg Brauerei, Feldschlösschen, Switzerland	-	-161
Provision for onerous malt contracts, including reversal of unused provision from previous year	150	-7
Costs in relation to acquisitions of Hue Brewery Ltd., Vietnam (2010: Wusu Xinjiang Beer Group, China, and Chongqing Brewery Co. Ltd., China)	-14	-71
Other restructuring costs etc., other entities	-6	-36
Cost total	-1,672	-981
Special items, net	-268	-249
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Cost of sales	-858	-627
Sales and distribution expenses	-5	-52
Administrative expenses	-372	-171
Other operating income	1,404	807
Other operating expenses	-86	-206
Share of profit after tax in associates	-260	-
	-177	-249
Impairment of goodwill	-91	-
Special items, net	-268	-249

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 1,404m (2010: DKK 732m) and relates to revaluation on step acquisitions of Lao Brewery Co. Ltd., Laos, and Hue Brewery Ltd., Vietnam, and adjustment of gains and losses on disposal of entities in prior years.

Special items, costs, amounted to DKK -1,672m (2010: DKK -981m).

The impairment losses on trademarks of DKK -450m primarily relate to two trademarks in Eastern Europe. In 2010 the DKK 300m mainly related to trademarks in Eastern Europe, cf. note 15.

The impairment losses on Carlsberg Uzbekistan, DKK 300m, and Nordic Getränke GmbH, DKK 260m, are related to goodwill and non-current assets in the entities due to difficult market conditions, poor performance and profit outlook.

The impairment of the Business Standardisation Programme (BSP) relates to redesign and change of scope following the decision of establishing a fully integrated supply chain across all markets in Northern & Western Europe.

In 2011, the Group disposed of its distribution activities in Sorex, France, resulting in a loss of DKK 86m.

The Dresden Brauerei, Germany, was sold in January 2011. 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 sales price agreed with the acquirer. Following the completion of the transaction, a minor gain was recognised in 2011.

In 2010, it was announced that Fribourg Brauerei, Switzerland, would be closed. The restructuring costs and impairment losses in relation to the closing of the brewery amounted to DKK 161m.

NOTE 8 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial items recognised in the income statement

DKK million	2011	2010
Financial income:		
Interest income	191	232
Dividends from securities	10	8
Fair value adjustments of financial instruments, net, cf. note 36	-	495
Foreign exchange gains, net	54	-
Realised gains on disposal of associates and securities	-	1
Expected return on plan assets, defined benefit plans	327	325
Other financial income	48	24
Total	630	1,085

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

DKK million	2011	2010
Financial expenses:		
Interest expenses	-1,935	-2,165
Fair value adjustments of financial instruments, net, cf. note 36	-72	-
Foreign exchange losses, net	-	-473
Realised losses on disposal of securities	-1	-9
Impairment of financial assets	-6	-25
Interest cost on obligations, defined benefit plans	-376	-390
Effect of hyperinflation	-59	-
Other financial expenses	-199	-178
Total	-2,648	-3,240
Financial items, net recognised in the income statement	-2,018	-2,155

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

Interest, losses and write-downs from 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	2011	2010
Foreign exchange adjustments of foreign entities:		
Foreign currency translation of foreign entities	-1,837	5,976
Recycling to income statement of cumulative translation differences related to foreign operations acquired in step acquisitions/disposed of in the year	-2	-29
Effect of hyperinflation	175	-
Total	-1,664	5,947
Value adjustments of hedging instruments:		
Cash flow hedges, effective portion of changes in fair value	-496	-301
Net change in fair value of cash flow hedges transferred to income statement	504	602
Net investment hedges, net change in fair value	-20	-1,069
Total	-12	-768
Value adjustments of securities:		
Securities, net change in fair value	-	1
Total	-	1
Financial items, net recognised in other comprehensive income	-1,676	5,180
Financial items, net recognised in total comprehensive income	-3,694	3,025

Of the net change in fair value of cash flow hedges transferred to income statement DKK 99m (2010: DKK -1m) is included in cost of sales and DKK 405m (2010: DKK 603m) is included in financial items.

NOTE 9 CORPORATION TAX

DKK million	2011 Total comprehensive income	2011 Other comprehensive income	2011 Income statement	2010 Total comprehensive income	2010 Other comprehensive income	2010 Income statement
Tax for the year can be specified as follows:						
Current tax	1,917	-9	1,908	1,915	1	1,916
Change in deferred tax during the year	-318	204	-114	45	37	82
Change in deferred tax from change in tax rate	-15	-	-15	-63	-	-63
Adjustments to tax for previous years	-60	119	59	-59	9	-50
Total	1,524	314	1,838	1,838	47	1,885

	2011 %	2011 DKK million	2010 %	2010 DKK million
Reconciliation of the effective tax rate for the year:				
Nominal weighted tax rate for the Carlsberg Group	22.3%	1,678	22.1%	1,739
Change in tax rate	-0.2%	-15	-0.8%	-63
Adjustments to tax for previous years	0.7%	59	0.7%	50
Non-capitalised tax assets, net movements	3.5%	264	-0.9%	-71
Non-taxable income	-1.5%	-115	-0.5%	-39
Non-deductible expenses	2.6%	194	2.3%	181
Tax incentives etc.	-1.6%	-119	-0.8%	-63
Special items	-2.1%	-160	-1.6%	-126
Withholding taxes	1.1%	86	3.8%	299
Other and tax in associates	-0.4%	-34	-0.3%	-22
Effective tax rate for the year	24.4%	1,838	24.0%	1,885

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	2011 Recognised item before tax	2011 Tax expense/ benefit	2011 Net of tax	2010 Recognised item before tax	2010 Tax expense/ benefit	2010 Net of tax
Foreign exchange adjustments	-1,839	-	-1,839	5,947	-	5,947
Hedging instruments	-12	103	91	-768	11	-757
Securities	-	-	-	1	-	1
Retirement benefit obligations	-1,093	208	-885	-167	38	-129
Share of other comprehensive income in associates	3	-	3	-	-	-
Effect of hyperinflation	175	-	175	-	-	-
Other	-26	3	-23	11	-2	9
Total	-2,792	314	-2,478	5,024	47	5,071

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	2011	2010
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	192	-42
Deferred tax from change in tax rate	-15	-63
Intangible assets and property, plant and equipment etc.	-306	124
Change in deferred tax recognised in the income statement	-129	19

Adjustment to tax for previous years DKK 119m (2010: DKK 9m) is included in the tax benefit/expense for hedging instruments.

NOTE 10 NON-CONTROLLING INTERESTS

DKK million	2011	2010
Non-controlling interests' share of profit for the year relates to the following:		
Baltika Breweries	294	419
Carlsberg Malaysia Group	146	115
Other	103	75
Total	543	609

NOTE 11 EARNINGS PER SHARE

DKK	2011	2010
Basic earnings per share of DKK 20 (EPS)	33.8	35.1
Diluted earnings per share of DKK 20 (EPS-D)	33.7	35.0

1,000 shares		
Average number of shares	152,557	152,557
Average number of treasury shares	-19	-9
Average number of shares outstanding	152,538	152,548
Average dilutive effect of outstanding share options	299	398
Diluted average number of shares outstanding	152,837	152,946

Diluted earnings per share exclude 222,244 share options (2010: 462,596) 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	5,692	5,960
Non-controlling interests	-543	-609
Profit attributable to shareholders in Carlsberg A/S	5,149	5,351

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

DKK million	2011	2010
Salaries and other remuneration	8,942	7,828
Severance pay	192	90
Social security costs	1,220	1,154
Retirement benefit costs – defined contribution plans	196	214
Retirement benefit costs – defined benefit plans	73	94
Share-based payment	-1	34
Other employee benefits	218	138
Total	10,840	9,552
Staff costs are included in the following items in the income statement:		
Cost of sales	2,652	2,638
Sales and distribution expenses	5,872	4,724
Administrative expenses	2,053	1,964
Other operating expenses	83	95
Special items (restructurings)	180	131
Total	10,840	9,552

The Group had an average of 42,670 (2010: 41,402) full-time employees during the year.

	2011			2010		
DKK million	Jørgen Buhl Rasmussen	Jørn P. Jensen	Key management personnel	Jørgen Buhl Rasmussen	Jørn P. Jensen	Key management personnel
Remuneration of the Executive Board and key management personnel:						
Fixed salary	10.5	9.1	52.1	10.5	9.1	46.0
Cash bonus	-	-	22.1	6.3	5.5	24.2
Non-monetary benefits	0.3	0.2	3.4	0.3	0.2	1.3
Share-based payment	4.0	4.0	4.2	3.5	3.5	8.7
Total	14.8	13.3	81.8	20.6	18.3	80.2

Executive Board share options:

		Number					DKK million
Grant year	Exercise year	1 Jan. 2011	Granted	Exercised	31 Dec. 2011	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	4
2009	2012-2017	30,000	-	-	30,000	-	6
2010	2013-2018	15,000	-	-	15,000	-	2
2011	2014-2019		30,000	-	30,000	-	2
Total		102,164	30,000	-	132,164	57,164	15
Jørn P. Jensen:							
2003	2006-2011	13,008	-	-13,008	-	13,008	-
2004	2007-2012	13,008	-	-	13,008	13,008	2
2005	2008-2013	12,388	-	-	12,388	12,388	2
2006	2009-2014	12,388	-	-	12,388	12,388	1
2007	2010-2015	12,388	-	-	12,388	12,388	1
2008	2011-2016	44,776	-	-	44,776	44,776	4
2009	2012-2017	30,000	-	-	30,000	-	6
2010	2013-2018	15,000	-	-	15,000	-	2
2011	2014-2019		30,000	-	30,000	-	2
Total		152,956	30,000	-13,008	169,948	107,956	20
Executive Board total		255,120	60,000	-13,008	302,112	165,120	35

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	2011	2010
Remuneration of the Supervisory Board:		
Povl Krogsgaard-Larsen (Chairman of the Supervisory Board and of the Nomination Committee)	1.30	1.05
Jess Søderberg (Vice Chairman, Audit Committee Chairman)	1.20	0.96
Flemming Besenbacher	0.40	0.35
Lars Stemmerik	0.40	0.26
Richard Burrows (Remuneration Committee Chairman)	0.75	0.35
Kees van der Graaf	0.70	0.35
Per Øhrgaard	0.40	0.35
Niels Kærgård	0.40	0.35
Hans Andersen	0.40	0.35
Bent Ole Petersen	0.40	0.35
Ulf Olsson	0.40	0.26
Peter Petersen	0.40	0.26
Thomas Knudsen	0.05	-
Axel Michelsen	-	0.09
Erik Dedenroth Olsen	-	0.09
Hanne Buch-Larsen	-	0.09
Total	7.20	5.51

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 thousand. The Chairman receives double base fee and the Deputy Chairman receives one and a half 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 Chaiman 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. 2011	Additions	Sold	31 Dec. 2011	Market value
Supervisory Board:						
Povl Krogsgaard-Larsen (Chairman)	B shares	-	-	-	-	-
Jess Søderberg (Vice Chairman, Audit Committee Chairman)	B shares	5,900	-	-	5,900	2.39
Flemming Besenbacher	B shares	600	650	-	1,250	0.51
Lars Stemmerik	B shares	-	-	-	-	-
Richard Burrows	B shares	1,000	540	-	1,540	0.62
Kees van der Graaf	B shares	-	950	-	950	0.38
Per Øhrgaard	B shares	1,614	787	-	2,401	0.97
Niels Kærgård	B shares	600	-	-	600	0.24
Hans Andersen	B shares	1	-	-	1	0.00
Bent Ole Petersen	B shares	54	-	-	54	0.02
Thomas Knudsen	B shares	-	27	-	27	0.01
Peter Petersen	B shares	-	-	-	-	-
Supervisory Board total		9,769	2,954	-	12,723	5.14
Executive Board:						
Jørgen Buhl Rasmussen	B shares	7,140	1,346	-	8,486	3.44
Jørn P. Jensen	A shares	400	-	-	400	0.17
Jørn P. Jensen	B shares	1,808	808	-	2,616	1.06
Executive Board total		9,348	2,154	-	11,502	4.67
Total		19,117	5,108	-	24,225	9.81

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 Senior Vice Presidents and Vice Presidents heading regions and Group business functions and CEOs in the most significant Group entities. Other management personnel comprise Vice Presidents and other key employees as well as the management of significant subsidiaries. No share option programme has been set up for Carlsberg A/S's Supervisory Board.

Since 2001 the Group has issued share options yearly as part of the management's remuneration packages. In 2008 the Group introduced an additional long-term incentive programme, which was replaced by a new programme in 2011. The value of the remuneration received under the long-term incentive programmes is calculated as a predetermined percentage of the employee's yearly salary.

The first long-term incentive programme (up to 2010) could be settled as either a regular cash bonus or as share options. The second long-term programme (from 2011) can only be settled in performance share units (PSUs).

Under the long-term incentive programme from 2008-2010, an employee who chose settlement in share options would be awarded the number of share options calculated as the value of the predetermined percentage of the employee's salary divided by the fair value of one share option. The exact number of share options granted under the long-term incentive programme each year is determined after the publication of the Annual Report for the reporting period. A participant in the long-term incentive programme effective from 2011 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 three programmes:

	Share option programme	Long-term incentive programme (up to 2010)	Long-term incentive programme (from 2011)
Vesting conditions	3 years of service	3 years of service and Group's financial performance in the service period	3 years of service and Group's financial performance for the grant year
Earliest time of exercise	3 years from grant date	3 years from grant date	Shares are transferred to the recipient immediately after PSUs have vested
Latest time of exercise	8 years from grant date	6 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 current reporting period	Immediately after publication of the Annual Report for the Group for the grant year

Upon resignation, a proportion of the options may be exercised within one to three months unless special severance terms are agreed. Special terms and conditions apply in the case of retirement, illness, death or changes in Carlsberg A/S's capital resources. Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares (equity-settled scheme). The Group has not purchased a significant number of treasury shares to meet this obligation. Treasury share holdings at 31 December 2011 totalled 33,498 shares (2010: 17,756 shares).

General information

The fair value of granted share options is estimated using the Black-Scholes call option pricing model based on the exercise price. The fair value at 31 December 2011 was DKK 134m (2010: DKK 360m), which is DKK 226m lower than at year-end 2010.

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

The calculation of the number of share options where no exercise price has been determined at year-end is based on the assumptions available at year-end (preliminary). The final number of share options 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 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 or after the grant date if this is different from the date of publication. The preliminary share price and exercise price for share options granted under the long-term incentive programme is the last available price before 31 December of the reporting year.

The expected volatility for share options granted or measured 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 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 5.0 per share (2010: DKK 3.6 per share) divided by the share price.

The expected life of share options granted or measured 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.

NOTE 13 SHARE-BASED PAYMENT – CONTINUED

Share option programme

In 2011, a total of 61,200 (2010: 136,150) share options were granted to 3 (2010: 98) employees. The fair value at the grant date of these options was a total of DKK 11m (2010: DKK 24m). The fair value is recognised in the income statement over the vesting period of three years. In 2011, DKK 3m (2010: DKK 7m) was recognised in respect of share options granted in the year. The total cost of share-based payment was DKK 22m (2010: DKK 30m) in respect of options granted in the period 2008-2011 (2010: granted in the period 2007-2010). The cost of share-based payment is included in staff costs. At 31 December 2011, an amount of DKK 17m (2010: DKK 30m) 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 2009	234,225	168,661	807,438	370,631	1,412,294	328.81
Granted	30,000	28,400	77,750	-	136,150	417.34
Forfeited/expired	-	-	-50,766	-1,951	-52,717	367.71
Exercised	-9,105	-3,716	-39,740	-130,726	-183,287	252.52
Transferred	-	-	-47,321	47,321	-	359.54
Share options outstanding at 31 December 2010	255,120	193,345	747,361	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	135,064	595,929	295,066	1,159,510	356.36
Exercisable at 31 December 2010	75,568	30,205	126,473	255,832	488,078	252.82
Exercised options as % of share capital	0.01%	0.00%	0.03%	0.08%	0.12%	
Exercisable at 31 December 2011	152,112	108,391	233,326	237,822	731,651	426.49
Exercised options as % of share capital	0.01%	0.01%	0.07%	0.04%	0.13%	

Assumptions									2011	2010
Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at measurement date	Options outstanding	Options outstanding
01.03.2003	01.03.2011	Grant 2003	173.12	25%	4.1%	1.8%	5.5	126.35	-	22,763
01.03.2004	01.03.2012	Grant 2004	216.65	29%	3.5%	1.8%	5.5	81.51	22,764	59,485
01.03.2005	01.03.2013	Grant 2005	232.71	27%	3.1%	1.7%	5.5	74.27	65,205	83,619
01.03.2006	01.03.2014	Grant 2006	306.89	19%	3.3%	1.3%	5.5	89.37	109,800	130,983
01.03.2007	01.03.2015	Grant 2007	472.11	19%	3.9%	1.0%	5.5	136.67	160,240	191,210
01.03.2008	01.03.2016	Grant 2008	457.82	22%	3.6%	1.1%	5.5	141.72	172,598	213,795
01.06.2008	01.06.2016	Special grant	531.80	23%	4.3%	0.9%	5.5	181.08	161,044	183,755
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	242,507	255,346
01.03.2010	01.03.2018	Grant 2010	417.34	30%	3.1%	0.8%	8.0	154.23	124,152	131,484
01.03.2011	01.03.2019	Grant 2011	566.78	25%	2.9%	0.9%	8.0	180.5	61,200	-
Total outstanding share options under the share option programme									1,159,510	1,312,440

The average share price at the exercise date for share options was DKK 571 (2010: DKK 482). At 31 December 2011, the exercise price for outstanding share options was in the range of DKK 203.50 to DKK 566.78 (2010: DKK 173.12 to DKK 531.80). The average remaining contractual life was 4.2 years (2010: 4.7 years).

NOTE 13 SHARE-BASED PAYMENT – CONTINUED

Long-term incentive programme (up to 2010)

The granted number of options included in the specification below is the estimated number of options that would be granted when applying the assumptions available at 31 December of the reporting year. When the actual value per share option is determined after the publication of the Annual Report in February of the following year, the number of granted options will be adjusted.

In 2011, no share options were granted under the long-term incentive programme (2010: 140,061). In 2010 share options were granted to 113 employees.

The fair value at the grant date of the options granted in 2010 was a total of DKK 21m. The fair value is recognised in the income statement over the vesting period of three years. In 2010, DKK 7m was recognised in respect of share options granted in the year. The total cost/(income) recognised for the long-term incentive programme was DKK -23m (2010: DKK 4m) in respect of options granted in the period 2009-2010 (2010: granted in the period 2008-2010). The cost/(income) of share-based payment is included in staff costs. At 31 December 2011, no cost is yet to be recognised in respect of share options granted under the long-term incentive programme (2010: DKK 21m).

	Number					Exercise price
	Executive Board	Key management personnel	Other management personnel	Resigned employees	Total	Fixed, weighted average
Share options outstanding at 31 December 2009	-	23,350	251,015	33,598	307,963	420.48
Granted	-	29,868	110,193	-	140,061	558.50
Adjustment	-	2,309	16,354	2,640	21,303	404.82
Forfeited/expired	-	-	-142,749	-19,959	-162,708	352.21
Transferred	-	-	-9,075	9,075	-	518.23
Share options outstanding at 31 December 2010	-	55,527	225,738	25,354	306,619	531.36
Adjustment	-	2,117	23,173	756	26,046	562.57
Transferred	-	-13,181	-20,465	33,646	-	535.24
Forfeited/expired	-	-44,463	-228,446	-59,756	-332,665	536.26
Share options outstanding at 31 December 2011	-	-	-	-	-	-

Assumptions									2011	2010
Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at measurement date	Options outstanding	Options outstanding
01.01.2009	01.01.2015	LTI 09-11 year 1 (final)	417.34	30%	2.4%	0.8%	5.0	136.10	-	58,951
01.01.2009	01.01.2015	LTI 09-11 year 2 (prelim.)	558.50	30%	1.6%	0.6%	4.2	139.68	-	53,265
01.01.2009	01.01.2015	LTI 09-11 year 2 (final)	566.78	25%	2.2%	0.9%	5.0	122.85	-	-
01.01.2009	01.01.2015	LTI 09-11 year 3 (prelim.)	558.50	30%	1.6%	0.6%	4.2	139.68	-	53,265
01.01.2010	01.01.2016	LTI 10-12 year 1 (prelim.)	558.50	29%	1.9%	0.6%	5.2	151.52	-	47,046
01.01.2010	01.01.2016	LTI 10-12 year 1 final)	566.78	25%	2.5%	0.9%	5.0	140.16	-	-
01.01.2010	01.01.2016	LTI 10-12 year 2 (prelim.)	558.50	29%	1.9%	0.6%	5.2	151.52	-	47,046
01.01.2010	01.01.2016	LTI 10-12 year 3 (prelim.)	558.50	29%	1.9%	0.6%	5.2	151.52	-	47,046
Total outstanding share options under the long-term incentive programme (up to 2010)									-	306,619

The performance conditions related to the long-term incentive programme (up to 2010) are not expected to be met. The estimated number of options expected to vest is therefore adjusted to zero. There are no exercisable share options in the long-term incentive programme as at 31 December 2011.

The number of options granted under the long-term incentive programme (up to 2010) is adjusted annually during the vesting period (three years). In 2010, the preliminary number of options regarding options granted in 2009 was adjusted to 58,951 based on the assumptions available after publishing the Annual Report for 2009. These assumptions are presented in the table above. The change in assumptions led to a positive adjustment of 4,546 options regarding 2009 and 16,757 regarding 2008.

The performance conditions related to share options granted under the long-term incentive programme in 2009 and 2010 are not expected to be fulfilled, hence the share options are not expected to vest. A reversal of cost of DKK 23m has been recognised in 2011 (2010: DKK 11m) in respect of the non-vesting of share options.

Long-term incentive programme (from 2011)

Due to the development in the Group's financial performance in 2011, no grant was made under the long-term incentive programme.

NOTE 14 INTANGIBLE ASSETS

DKK million	Goodwill	Trademarks	Other intangible assets	Pre-payments	2011 Total
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	2011	2010
Amortisation and impairment losses for the year are included in:		
Cost of sales	66	53
Sales and distribution expenses	56	56
Administrative expenses	141	201
Special items	791	300
Total	1,054	610

NOTE 14 INTANGIBLE ASSETS – CONTINUED

DKK million	Goodwill	Trademarks	Other intangible assets	Pre-payments	2010 Total
Cost:					
Cost at 1 January 2010	46,928	34,171	2,064	39	83,202
Step acquisition of entities	935	58	31	-	1,024
Revaluation of previously recognised assets acquired in step acquisition	-	38	39	-	77
Acquisition of ownership interest in proportionally consolidated entities	119	1	-	-	120
Additions	545	-	152	411	1,108
Disposals	-	-	-75	-	-75
Transfers	-	-	-154	162	8
Transfer to/from assets held for sale	-	-	-31	-	-31
Foreign exchange adjustments etc.	2,264	2,145	52	1	4,462
Cost at 31 December 2010	50,791	36,413	2,078	613	89,895
Amortisation and impairment losses:					
Amortisation and impairment losses at 1 January 2010	17	225	1,349	-	1,591
Acquisition of ownership interest in proportionally consolidated entities	-	1	-	-	1
Disposals	-	-	-73	-	-73
Amortisation	-	38	272	-	310
Impairment losses	-	300	-	-	300
Transfer to/from assets held for sale	-	-	-28	-	-28
Foreign exchange adjustments etc.	-4	5	22	-	23
Amortisation and impairment losses at 31 December 2010	13	569	1,542	-	2,124
Carrying amount at 31 December 2010	50,778	35,844	536	613	87,771

DKK million	2011	2010
Additions to goodwill during the year can be specified as follows:		
Step acquisition of entities	2,712	935
Acquisition of ownership interest in proportionally consolidated entities	101	119
Recognition and revaluation of put options related to acquisitions prior to 2010	122	261
Adjustment to acquisition of entities in prior years	-	284
Total	2,935	1,599

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 34,294m (2010: DKK 35,213m) at 31 December 2011, equivalent to 98% (2010: 97%) 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 2011 included capitalised software costs of DKK 86m (2010: DKK 277m) and beer delivery rights of DKK 81m (2010: DKK 79m).

Research and development costs of DKK 119m (2010: DKK 109m) 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 2011.

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 comprises 10% or more of the total carrying amount of goodwill and trademarks with an indefinite useful life at 31 December 2011. 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 2011.

Goodwill

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

The management structure and responsibilities support and promote optimisations across countries focusing on the Group or region as a whole and not just on the specific country. Change 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	2011	%	2010	%
Northern & Western Europe:				
Northern Europe	6,659	13%	6,841	14%
Western Europe excl. Unicer-Bebidas de Portugal	13,542	26%	13,329	26%
Unicer-Bebidas de Portugal	534	1%	536	1%
Eastern Europe:				
Eastern Europe	25,488	48%	26,378	52%
Asia:				
Greater China and Malaysia	2,181	4%	2,219	4%
Indochina	3,977	7%	980	2%
India	243	0%	119	0%
Gorkha, Nepal	373	1%	376	1%
Total	52,997	100%	50,778	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 solid 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	2011	%	2010	%
Northern & Western Europe	6,396	19%	6,405	18%
Eastern Europe	27,410	80%	28,808	82%
Asia	488	1%	-	-
Total	34,294	100%	35,213	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 either above, equal to or below the current inflation level in the countries where the individual trademark is sold. The curve for each individual trademark is determined with reference to its market position, the overall condition of the markets where the trademark is marketed, as well as regional and national macroeconomic trends etc. For some trademarks national, regional and international potential has been linked to the value of the trademark, and investments in terms of product development and marketing strategy are expected to be made. For these trademarks the expected growth is generally higher than for comparable trademarks, especially at the beginning of the 20-year period. The growth rates determined for the terminal period are in line with the expected rate of inflation.

The tax rate is the expected future tax rate in each country, based on current legislation. The impairment test at year-end 2011 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	
	2011	2010	2011	2010
Goodwill:				
Northern Europe	1.5%	1.5%	2.8%	3.9%
Western Europe excl. Unicer-Bebidas de Portugal	1.5%	1.5%	2.6%	3.6%
Unicer-Bebidas de Portugal	1.5%	1.5%	2.4%	3.3%
Eastern Europe	2.5%	2.5%	8.5%	9.2%
Greater China and Malaysia	2.5%	2.5%	3.4%	4.1%
Indochina	2.5%	2.5%	8.9%	10.3%
India	3.5%	3.5%	9.1%	8.3%
Gorkha, Nepal	2.5%	2.5%	12.7%	15.1%
Trademarks:				
Northern & Western Europe	2.0%	2.0%	5.0-9.0%	5.7-11.1%
Eastern Europe	2-5%	2-5%	10.2-18.8%	10.6-17.0%
Asia	2.0%	N/A	6.0%	N/A

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.

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).

Northern & 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 Programme (BSP) are expected to contribute to productivity improvements and cost savings. Some countries will continue to be characterised by a high level of investment as a result of changes to the production structure.

Eastern Europe faced a challenging year as consumer behaviour was still impacted by the substantial beer price increases in 2010 and high inflation on basic food items. 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 without resulting in any impairment loss.

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

Trademarks. Sensitivity tests show that for the trademark with an indefinite useful life with the lowest margin between recoverable amount and carrying amount, the growth rate in the terminal period can decline by around 0.8 percentage points without resulting in any additional impairment losses. Alternatively, the discount rate can increase by around 0.3 percentage points without resulting in any additional impairment losses.

Property, plant and equipment

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

Impairment losses

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

DKK million	2011	2010
Goodwill:		
Impairment of Carlsberg Uzbekistan	91	-
Trademarks:		
Trademarks with finite useful life	198	-
Trademarks with indefinite useful life	252	300
Other intangible assets:		
Impairment of Business Standardisation Programme	250	-
Property, plant and equipment:		
Impairment of Carlsberg Uzbekistan	209	-
Impairment of Dresden Brauerei, Carlsberg Deutschland	-	128
Impairment of Fribourg Brauerei, Feldschlösschen, Switzerland	-	119
Impairment of property, Unicer-Bebidas de Portugal	-	65
Impairment of Lingwu Brewery, Ningxia, China	-	40
Impairment of buildings, Brasseries Kronenbourg, France	-	35
Impairment of filling lines in Northern Europe	83	-
Other	36	36
Investments in associated companies:		
Impairment of Nordic Getränke, Germany	260	-
Total	1,379	723

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

In 2010, the impairment loss of DKK 300m mainly related to local trademarks in Russia (Nevskoye), Ukraine (Slavutich), Kazakhstan and Lithuania that had suffered from the economic crisis and therefore showed a recoverable amount below the carrying amount. The trademarks were written down to the lower recoverable amount.

The impairment losses on Carlsberg Uzbekistan, DKK 300m, and Nordic Getränke, Germany, DKK 260m, relate to goodwill and property, plant and equipment and are a consequence of difficult market conditions and poor performance.

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

The impairment of breweries in 2010 was a consequence of the disposal of Dresden Brauerei in January 2011 and the closing of Fribourg Brauerei in June 2011.

The impairment of other property, plant and equipment relates to restructuring projects resulting in a declining recoverable amount of tangible assets.

The impairment losses of DKK 1,375m (2010: DKK 723m) are recognised under special items in the income statement, while DKK 4m (2010: DKK 0m) 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 2011.

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Under construction	Total 2011
Cost:					
Cost at 1 January 2011	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

DKK million	2011	2010
Depreciation and impairment losses are included in:		
Cost of sales	2,605	2,675
Sales and distribution expenses	737	781
Administrative expenses	179	221
Special items	324	423
Total	3,845	4,100

NOTE 16 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Under construction	Total 2010
Cost:					
Cost at 1 January 2010	18,278	25,811	10,214	1,471	55,774
Step acquisition of entities	95	226	6	46	373
Revaluation of previously recognised assets acquired in step acquisition	79	222	2	10	313
Increase in ownership interest in proportionally consolidated entities	29	86	2	11	128
Additions	260	868	876	935	2,939
Disposals	-419	-1,519	-1,003	-166	-3,107
Transfers	246	549	251	-1,059	-13
Transfer to/from assets held for sale	-243	-360	-119	-109	-831
Foreign exchange adjustments etc.	982	1,449	512	72	3,015
Cost at 31 December 2010	19,307	27,332	10,741	1,211	58,591
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2010	4,902	12,701	6,346	-	23,949
Disposals	-205	-1,439	-904	-	-2,548
Depreciation	545	1,786	1,346	-	3,677
Impairment losses	246	173	4	-	423
Transfers	-99	90	3	-	-6
Transfer to/from assets held for sale	-170	-336	-110	-	-616
Foreign exchange adjustments etc.	232	681	319	-	1,232
Depreciation and impairment losses at 31 December 2010	5,451	13,656	7,004	-	26,111
Carrying amount at 31 December 2010	13,856	13,676	3,737	1,211	32,480
Assets held under finance leases:					
Cost	7	97	13	-	117
Depreciation and impairment losses	-3	-48	-2	-	-53
Carrying amount at 31 December 2010	4	49	11	-	64
Carrying amount of assets pledged as security for loans	1,827	134	2	17	1,980

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 54m (2010: DKK 64m) have been pledged as security for lease liabilities totalling DKK 53m (2010: DKK 65m).

NOTE 17 ASSOCIATES

DKK million	2011	2010
Cost:		
Cost at 1 January	4,762	2,547
Acquisition of entities	26	-
Additions	49	2,041
Step acquisition of entities transferred to other asset groups	-	-14
Disposals	-1	-
Foreign exchange adjustments etc.	197	188
Cost at 31 December	5,033	4,762
Value adjustments:		
Value adjustments at 1 January	115	120
Dividends	-46	-93
Impairment losses	-260	-
Share of profit after tax	180	148
Share of other comprehensive income	3	-
Step acquisition of entities transferred to other asset groups	-	-62
Foreign exchange adjustments etc.	26	2
Value adjustments at 31 December	18	115
Carrying amount at 31 December	5,051	4,877

Entities acquired in a step acquisition transferred to other asset groups comprise the carrying amount of investments in associates which are fully consolidated when control is obtained. The transfer of assets and liabilities at carrying amount in a step acquisition is further specified in note 30.

					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

					2010		
					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.	1,800	198	12,439	1,762	29.7%	34	3,172
Tibet Lhasa Brewery Co. Ltd.	340	74	492	30	33%	24	164
Lanzhou Huanghe Jianjiang Brewery Company	310	24	390	69	30%	7	101
Hanoi Beer Company	-	224	-	-	16%	36	578
The Lion Brewery Ceylon	258	40	323	122	25%	10	48
Other associates, Asia (3 entities)	183	95	277	66	30-33%	44	78
International Breweries BV	-	-32	826	700	16%	-5	20
Nuuk Imeq A/S	151	22	213	73	31.9%	7	45
Nordic Getränke GmbH	2,297	3	1,621	905	50%	1	358
Other	861	-21	2,675	1,874	20-50%	-10	313
						148	4,877

In December 2010 Carlsberg acquired an additional 12.25% of the shares in Chongqing Brewery Co. Ltd., resulting in a total shareholding of 29.71%.

NOTE 17 ASSOCIATES – CONTINUED

DKK million	2011	2010
Fair value of investments in listed associates:		
Chongqing Brewery Co. Ltd. Chongqing, China	3,726	6,757
The Lion Brewery Ceylon, Biyagama, Sri Lanka	189	178
Total	3,915	6,935

For companies in which the Group holds an ownership interest of less than 20%, the Group generally 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	2011	2010
Securities are classified in the statement of financial position as follows:		
Non-current assets	134	124
Current assets	24	34
Total	158	158
Types of security:		
Listed shares	23	18
Unlisted shares	135	140
Total	158	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	2011	2010
Receivables are included in the statement of financial position as follows:		
Trade receivables	7,855	5,687
Other receivables	1,846	1,766
Total current receivables	9,701	7,453
Non-current receivables	1,650	1,747
Total	11,351	9,200

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 145m (2010: DKK 138m) falling due more than five years from the end of the reporting period.

NOTE 19 RECEIVABLES – CONTINUED

DKK million	2011	2010
Receivables by origin:		
Receivables from the sale of goods and services	7,115	5,057
On-trade loans	2,066	2,065
Loans to associates	123	48
Loans to partners	230	225
Fair value of hedging instruments	499	318
Other receivables	1,318	1,487
Total	11,351	9,200

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.

%	2011	2010
Average effective interest rates:		
Loans to associates	3.1	2.9
On-trade loans	5.8	6.2

NOTE 20 INVENTORIES

DKK million	2011	2010
Raw materials and consumables	2,316	2,213
Work in progress	303	310
Finished goods	1,731	1,668
Total	4,350	4,191

Production costs of inventories sold amount to DKK 31,367m (2010: DKK 28,754m).

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 47m (2010: DKK 7m) 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	2011	2010
Cash at bank and in hand	3,145	2,734
Short-term marketable securities with a term of three months or less	-	1
Total	3,145	2,735
In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents as follows:		
Cash and cash equivalents	3,145	2,735
Bank overdrafts	-310	-134
Cash and cash equivalents, net	2,835	2,601
Of which pledged as security	-	-

Short-term bank deposits amounted to DKK 1,524m (2010: DKK 1,253m). The average interest rate on these deposits was 6.3% (2010: 5.1%).

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	2011	2010
Assets held for sale comprise the following individual assets:		
Intangible assets	-	3
Property, plant and equipment	544	295
Other non-current assets	7	7
Current assets	18	70
Financial assets	1	29
Deferred tax	-	15
Total	570	419
Liabilities associated with assets held for sale:		
Interest-bearing loans and liabilities	747	3
Deferred tax liabilities	-	52
Other provisions	56	41
Other liabilities	25	82
Total	828	178

Assets that are reclassified as held for sale are measured at the lower of the carrying amount and fair value at the date of reclassification. 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 at minimum expected to be equal to the carrying amount of assets held for sale.

At 31 December 2011, assets held for sale primarily comprised land and property, mainly in Northern & 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 2012.

Interest-bearing loans associated with assets held for sale amounting to DKK 747m comprise loans secured on the assets held for sale. The buyer will take over the loans when acquiring the assets.

At 31 December 2010, assets held for sale primarily comprised activities in Dresden in Germany, which were disposed of in early January 2011. In addition, assets held for sale included real estate assets on the former Tuborg site in Hellerup, Denmark, that were expected to be disposed of in the near future, and land and property which was 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 had begun, and sales agreements had been entered into or were expected to be entered into in 2011.

In 2010 other provisions associatied with assets held for sale amounting to DKK 41m comprised liabilities related to terminating the agreements and disposing of the assets classified as held for sale. Other liabilities associated with assets held for sale amounting to DKK 82m comprised liabilities related to the activities in Dresden.

Assets (properties) which no longer qualified for recognition as assets held for sale were transferred to property, plant and equipment in 2011 as a result of ongoing sales negotiations not proceeding as expected. This involved an amount of DKK 9m (2010: DKK 5m) and affected the income statement by a total of DKK 5m (2010: DKK 0m) 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 58m (2010: DKK 118m).

Gain on disposal of the activities in Dresden is, however, recognised in the income statement under special items. The gain amounts 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 2010	33,699,252	673,985	118,857,554	2,377,151	152,556,806	3,051,136
No change in 2010	-	-	-	-	-	-
31 December 2010	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

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 dividends, all shares rank equally.

	Treasury shares		
	Shares of DKK 20	Nominal value, DKKm	Percentage of share capital
1 January 2010	3,472	-	0.0%
Acquisition of treasury shares	197,571	4	0.1%
Used to settle share options	-183,287	-4	-0.1%
31 December 2010	17,756	-	0.0%
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%

At 31 December 2011, the fair value of treasury shares amounted to DKK 14m (2010: DKK 10m).

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 4m (2010: DKK 4m) at an average price of DKK 549 (2010: DKK 480), corresponding to a purchase price of DKK 117m (2010: DKK 95m). 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 68m (2010: DKK 48m). The disposal was made in connection with settlement of share options.

NOTE 24 BORROWINGS

DKK million	2011	2010
Non-current borrowings:		
Issued bonds	19,478	19,216
Mortgages	1,457	1,982
Bank borrowings	13,071	11,193
Finance lease liabilities	38	46
Other non-current borrowings	320	150
Total	34,364	32,587
Current borrowings:		
Issued bonds	-	2,160
Current portion of other non-current borrowings	159	217
Bank borrowings	1,369	991
Financial lease liabilities	14	19
Other current borrowings	333	572
Total	1,875	3,959
Total non-current and current borrowings	36,239	36,546
Fair value	37,003	37,746

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

Borrowings are measured at amortised cost. The Group has designated a fixed interest rate GBP 300m bond issue as the hedged items 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 2,927m in 2011.

Time to maturity for non-current borrowings

						2011
DKK million	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Issued bonds	1,780	7,406	-	2,927	7,365	19,478
Mortgages	-	-	-	-	1,457	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

						2010
DKK million	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Issued bonds	-	1,734	7,414	-	10,068	19,216
Mortgages	-	-	-	-	1,982	1,982
Bank borrowings	8,642	574	425	1,552	-	11,193
Finance lease liabilities	8	4	4	4	26	46
Other non-current borrowings	33	49	19	22	27	150
Total	8,683	2,361	7,862	1,578	12,103	32,587

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
					2011
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 will be 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 borrowing presented as having a fixed rate was originally at floating rate but has been swapped to a fixed rate of 5.36%.

DKK million	Net financial interest-bearing debt[1]	Floating	Fixed	Floating %	Fixed %
				Interest rate[2]	
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

Interest rate risk at 31 December

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
					2010
Issued bonds:					
GBP 250m maturing 12 December 2011	Fixed	6.63%	0-1 year	2,160	Fair value
GBP 200m maturing 26 February 2013	Fixed	7.01%	1-2 years	1,734	Fair value
EUR 1,000m maturing 28 May 2014	Fixed	6.22%	2-3 years	7,414	Fair value
GBP 300m maturing 28 November 2016	Fixed	7.41%	>5 years	2,693	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	>5 years	7,375	Fair value
Total issued bonds		5.55%		21,376	
Mortgages:					
Floating-rate	Floating	1.98%	0-1 year	1,248	Cash flow
Fixed-rate	Fixed	4.10%	>5 years	734	Fair value
Total mortgages		2.76%		1,982	
Bank borrowings:					
Floating-rate	Floating			1,585	Cash flow
Fixed-rate	Fixed		1-4 years	10,599	Fair value
Total bank borrowings				12,184	

All interest rates stated in the table include a margin.

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

In 2010, Carlsberg repaid two fixed-rate mortgages and refinanced through two floating-rate mortgages.

Fixed-rate mortgages comprised three mortgages with a time to maturity of more than five years, of which two loans (a total of DKK 525m) were originally at floating rates but were swapped to fixed rates.

Floating-rate mortgage contained one loan (DKK 1,248m) which was repriced semi-annually with reference to 6-month CIBOR. The floating-rate loan was repriced in December 2010 at a rate of 1.98% (excl. margin) commencing in January 2011 and repriced again in June 2011. The time to maturity was more than five years.

The main part of the bank borrowing presented as having a fixed rate was originally at floating rate but had been swapped to a fixed rate of 4.87%.

DKK million	Net financial interest-bearing debt[1]	Floating	Fixed	Floating %	Fixed %
					Interest rate[2]
EUR	29,708	4,106	25,602	14%	86%
DKK	-2,892	-3,644	752	126%	-26%
PLN	1,590	1,583	7	100%	-
USD	458	535	-77	117%	-17%
CHF	2,921	2,921	-	100%	-
RUB	462	462	-	100%	-
Other	1,564	-174	1,738	-11%	111%
Total	33,811	5,789	28,022	17%	83%

[1] After swaps and currency derivatives.

[2] Before currency derivatives.

NOTE 24 BORROWINGS – CONTINUED

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

Cf. also note 35, Financial risks.

2010

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	2011	2012	2013	2014	2015	2016-
CHF	-64	2,988	2,924	-64	-	-	-	-	-
DKK	1,976	-4,762	-2,786	1,224	-	-	5	13	734
EUR	17,157	13,169	30,326	-8,327	69	7,509	7,483	2,994	7,429
GBP	6,667	-6,667	-	4,933	-	1,734	-	-	-
NOK	69	486	555	69	-	-	-	-	-
PLN	105	1,489	1,594	98	2	2	3	-	-
RUB	-5	560	555	-5	-	-	-	-	-
SEK	-10	-203	-213	-10	-	-	-	-	-
SGD	6	-	6	6	-	-	-	-	-
USD	9,957	-8,884	1,073	9,957	-	-	-	-	-
Other	688	1,824	2,512	684	4	-	-	-	-
Total	36,546	-	36,546	8,565	75	9,245	7,491	3,007	8,163

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 73% (2010: 69%) 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, especially in Germany, Sweden and Italy, are unfunded. For these plans the retirement benefit obligations amount to approximately 14% (2010: 16%) 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	2011	2010
Defined benefit plans are recognised in the statement of financial position as follows:		
Retirement benefit obligations and similar obligations	3,263	2,434
Plan assets	-5	-8
Net obligations	3,258	2,426
Specification of net obligations:		
Present value of funded plans	8,893	7,874
Fair value of plan assets	-7,099	-6,904
Net obligation for funded plans	1,794	970
Present value of unfunded plans	1,446	1,456
Payment in transit	18	-
Net obligations recognised	3,258	2,426
Specification of total obligations:		
Present value of funded plans	8,893	7,874
Present value of unfunded plans	1,446	1,456
Total obligations	10,339	9,330
Changes in obligations:		
Total obligations at 1 January	9,330	7,974
Current service cost	176	150
Interest cost	376	390
Actuarial gains (-) and losses (+)	849	364
Benefits paid	-478	-473
Curtailments and settlements	-103	-56
Employee contributions to pension scheme	14	16
Transfer from other provisions	-3	28
Step acquisition of entities	-	52
Disposal of entities	-7	-
Foreign exchange adjustments etc.	185	885
Total obligations at 31 December	10,339	9,330
Changes in plan assets:		
Fair value of assets at 1 January	6,904	5,823
Expected return	327	325
Actuarial gains (+) and losses (-)	-244	197
Contributions to plans	331	187
Benefits paid	-391	-380
Foreign exchange adjustments etc.	172	752
Fair value of assets at 31 December	7,099	6,904

The Group expects to contribute DKK 23m (2010: DKK 234m) to the plan assets in 2012.

DKK million	2011	2010
Actual return on plan assets:		
Expected return	327	325
Actuarial gains (+) and losses (-)	-244	197
Actual return	83	522

	2011		2010	
	DKK million	%	DKK million	%
Breakdown of plan assets:				
Shares	2,172	31%	2,139	31%
Bonds and other securities	3,251	45%	3,212	47%
Real estate	1,346	19%	1,274	18%
Cash and cash equivalents	330	5%	279	4%
Total	7,099	100%	6,904	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.

	2011		2010	
	Range	Weighted average	Range	Weighted average
Assumptions applied:				
Discount rate	1.0% - 5.3%	3.6%	2.0% - 5.4%	3.7%
Expected return on plan assets	0.4% - 5.4%	4.4%	2.4% - 6.2%	4.4%
Future salary increases	2.0% - 8.0%	2.9%	2.0% - 6.0%	3.4%
Future retirement benefit increases	1.0% - 3.8%	2.0%	1.0% - 3.8%	2.1%

DKK million	2011	2010
Recognised in the income statement:		
Current service cost	176	150
Expected return on plan assets	-327	-325
Interest cost on obligations	376	390
Curtailments and settlements	-103	-56
Total recognised in the income statement	122	159
The cost is recognised in the income statement as follows:		
Cost of sales	9	15
Sales and distribution expenses	42	53
Administrative expenses	25	28
Special items (restructuring)	-3	-2
Total staff costs, cf. note 12	73	94
Financial income	-327	-325
Financial expenses	376	390
Total	122	159

DKK million	2011	2010
Recognised in other comprehensive income:		
Recognised at 1 January	-1,424	-1,124
Actuarial gains/losses	-1,093	-167
Foreign exchange adjustment of foreign entities	-13	-133
Recognised in other comprehensive income during the year	-1,106	-300
Recognised at 31 December	-2,530	-1,424
Of which accumulated actuarial gains/losses	-2,616	-1,523

DKK million	2011	2010	2009	2008	2007
Five-year overview:					
Obligations	10,339	9,330	7,974	7,036	8,151
Plan assets	-7,099	-6,905	-5,823	-5,245	-6,234
Deficit	3,240	2,425	2,151	1,791	1,917
Experience adjustments to obligations	82	108	-34	-69	-42
Experience adjustments to plan assets	-506	-815	-544	-323	-899

NOTE 26 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

DKK million	2011	2010
Deferred tax at 1 January, net	8,646	8,205
Adjustments to previous years	87	50
Step acquisition of entities	60	39
Revaluation of previously recognised deferred tax acquired in a step acquisition	43	61
Disposal of entities	11	-
Recognised in other comprehensive income	-204	-37
Recognised in the income statement	-114	82
Change in tax rate	-15	-63
Effect of hyperinflation	16	-
Foreign exchange adjustments	-77	347
	8,453	8,684
Of which transferred to assets held for sale	-	-38
Deferred tax at 31 December, net	8,453	8,646
Specified as follows:		
Deferred tax liabilities	9,652	9,947
Deferred tax assets	-1,199	-1,301
Deferred tax at 31 December, net	8,453	8,646

Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
DKK million	2011	2010	2011	2010
Intangible assets	549	420	7,769	7,964
Property, plant and equipment	823	517	3,031	3,061
Current assets	84	110	45	54
Provisions and retirement benefit obligations	712	552	359	229
Fair value adjustments	293	128	232	163
Tax losses etc.	1,451	1,955	929	895
Total before set-off	3,912	3,682	12,365	12,366
Set-off	-2,713	-2,366	-2,713	-2,366
Transferred to assets held for sale	-	-15	-	-53
Deferred tax assets and liabilities at 31 December	1,199	1,301	9,652	9,947
Expected to be used as follows:				
Within 12 months after the end of the reporting period	531	123	273	138
More than 12 months after the end of the reporting period	668	1,178	9,379	9,809
Total	1,199	1,301	9,652	9,947

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 789m (2010: DKK 1,247m) 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 1,480m (2010: DKK 1,503m) 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 1,138m (2010: DKK 1,036m).

Deferred tax on temporary differences relating to investments in subsidiaries, joint ventures and associates amounts to DKK 0m (2010: DKK 0m).

Deferred tax of DKK 0m (2010: DKK 104m) 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 336m relate primarily to restructurings of Carlsberg Deutschland, Carlsberg UK, Carlsberg Italia, Brasseries Kronenbourg and Carlsberg IT. In 2010 the restructuring provisions of DKK 409m primarily related to restructurings of Carlsberg Sverige, Carlsberg Deutschland, Carlsberg UK, Feldschlösschen Getränke, Brasseries Kronenbourg and Carlsberg Italia. 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 Northern & Western Europe. The provision for onerous contracts in 2010 was also primarily related to raw materials.

Other provisions totalling DKK 1,064m (2010: DKK 1,294m) relate primarily to profit sharing in France, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

				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

				2010
DKK million	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2010	565	676	1,204	2,445
Additional provisions recognised	88	31	236	355
Used during the year	-290	-204	-161	-655
Reversal of unused provisions	-25	-215	-24	-264
Transfers	62	-	35	97
Discounting	17	-	61	78
Foreign exchange adjustments etc.	-8	27	-57	-38
Provisions at 31 December 2010	409	315	1,294	2,018
Provisions are recognised in the statement of financial position as follows:				
Non-current provisions	214	257	1,035	1,506
Current provisions	195	58	259	512
Total	409	315	1,294	2,018

DKK 898m (2010: DKK 1,116m) of total non-current provisions falls due within five years from the end of the reporting period.

NOTE 28 OTHER LIABILITIES ETC.

DKK million	2011	2010
Other liabilities are recognised in the statement of financial position as follows:		
Non-current liabilities	1,262	922
Current liabilities	10,490	11,378
Total	11,752	12,300
Other liabilities by origin:		
Excise duties and VAT payable	3,512	2,851
Staff costs payable	1,571	1,812
Interest payable	727	735
Fair value of hedging instruments	1,280	2,276
Liabilities related to the acquisition of entities	1,459	1,138
Amounts owed to associates	1	1
Deferred income	1,127	1,384
Other	2,075	2,103
Total	11,752	12,300

NOTE 29 CASH FLOWS

DKK million	2011	2010
Adjustment for other non-cash items:		
Share of profit after tax, associates	-180	-148
Gains on disposal of property, plant and equipment and intangible assets, net	-77	-293
Amortisation of on-trade loans etc.	572	934
Total	315	493
Change in trading working capital:		
Inventories	-206	-291
Trade receivables	-2,190	580
Trade payables and deposit liabilities	1,825	1,045
Total	-571	1,334
Change in other working capital:		
Other receivables	127	-309
Other payables	162	151
Retirement benefit obligations and other liabilities related to operating activities before special items	-690	-444
Adjusted for unrealised foreign exchange gains/losses	-20	-16
Total	-421	-618
Change in on-trade loans:		
Loans provided	-1,052	-1,050
Repayments	534	620
Total	-518	-430
Change in financial receivables:		
Loans and other receivables	2	-240
Prepayments	-49	7
Total	-47	-233
Shareholders in Carlsberg A/S:		
Dividends to shareholders	-763	-534
Acquisition of treasury shares	-117	-95
Disposal of treasury shares	68	48
Total	-812	-581
Non-controlling interests:		
Acquisition of non-controlling interests	-1,338	-169
Dividends to non-controlling interests	-121	-709
Share buy-back	-417	-
Total	-1,876	-878
External financing:		
Proceeds from issue of bonds	-	7,368
Repayment of bonds including cross-currency swap	-2,965	-
Debt institutions, long-term	1,640	-9,465
Debt institutions, short-term	533	-1,766
Loans from associates	-30	-36
Finance lease liabilities	-12	-23
Other financing liabilities	-169	-28
Total	-1,003	-3,950

NOTE 30 ACQUISITION AND DISPOSAL OF ENTITIES

Step acquisition of entities

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

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

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 comprises the additional consolidated share in the step acquisition due to the change from proportional consolidation to full consolidation equal to the difference between the previous ownership interest and 100% for previously proportionally consolidated entities.

NOTE 30 ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

DKK million	Lao Brewery Co. Ltd. (Acquired share of net assets recognised at fair value)	Hue Brewery Ltd. (Acquired share of net assets recognised at fair value)	Total (Acquired share of net assets recognised at fair value)	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

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

In Q3 2011, Carlsberg acquired an additional 1% of the shareholding in the joint venture Lao Brewery Co. Ltd. in a disproportionate capital increase where Carlsberg contributed assets in kind, thus gaining control of the entity in a step acquisition. The fair value of the consideration injected amounted to DKK 33m. The shareholdings held immediately before obtaining control have been 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 is still ongoing and has not yet been completed. Adjustments may therefore be made to all items in the opening statement of financial position. Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

This step acquisition is 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. has been recognised as part of goodwill.

In Q4 2011, Carlsberg acquired additional 50% of the shareholding in the joint venture Hue Brewery Ltd. and thereby gained control through a step acquisition. The shareholdings held immediately before obtaining control have been 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 not yet been completed. Adjustments may therefore be made to all items in the opening statement of financial position. Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

This step acquisition is 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, is estimated at DKK 5,966m.

The fair value of the non-controlling ownership interest 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 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 include receivables from customers at a fair value of DKK 11m. None of the acquired receivables from customers are considered irrecoverable at the time of acquisition.

Goodwill recognised regarding transactions completed in the year is not deductible for tax purposes.

In 2010, Carlsberg gained control of Wusu Xinjiang Beer Group in China, which was previously proportionally consolidated, and Gorkha Brewery in Nepal, which was previously recognised using the equity method.

DKK million	Previous method of consolidation	Previously held ownership interest	Acquired ownership interest	Total Carlsberg interest	Acquisition date	Main activity	2010 Cost
Acquired entity:							
Wusu Xinjiang Beer Group	Proportionally	60.12%	4.88%	65.00%	1 Jan. 2010	Brewery	228
Gorkha Brewery	Equity method	49.97%	40.03%	90.00%	12 Nov. 2010	Brewery	228
Total							456

Carlsberg's interest in Gorkha Brewery includes put options recognised at the time of acquisition.

NOTE 30 ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

DKK million	Wusu Xinjiang Beer Group	Gorkha Brewery	Total
Fair value of consideration transferred for acquired ownership interest	228	228	456
Fair value of previously held ownership interest	660	285	945
Fair value of non-controlling ownership interest	385	57	442
Fair value of entities acquired in a step acquisition, total	1,273	570	1,843
Carrying amount of identified assets and liabilities recognised before step acquisition	31	76	107
Revaluation of identified assets and liabilities recognised before step acquisition	235	21	256
Fair value of acquired identified assets, liabilities and contingent liabilities	179	97	276
Fair value of identified assets, liabilities and contingent liabilities	445	194	639
Total goodwill	828	376	1,204
Goodwill recognised before a step acquisition	269	-	269
Change in total recognised goodwill	559	376	935
Goodwill is attributable to:			
Shareholders in Carlsberg A/S	599	338	937
Non-controlling interests	229	38	267
Total goodwill	828	376	1,204
Gain on revaluation of previously held ownership interest in entities acquired in a step acquisition:			
Carrying amount of previously held ownership interest	-300	-76	-376
Fair value of previously held ownership interest	660	285	945
Recycling of cumulative exchange differences	30	-1	29
Total	390	208	598
Elements of cash consideration paid:			
Cash	228	-	228
Cash and cash equivalents, acquired	-5	-30	-35
Total cash consideration paid	223	-30	193
Contingent consideration	-	228	228
Total consideration transferred	223	198	421

Acquired cash only comprises the additional consolidated share in the step acquisition due to the change from proportional consolidation to full consolidation equal to the difference between the previous ownership interest and 100% for previously proportionally consolidated entities.

	Acquired share of net assets recognised at fair value				
DKK million	Wusu Xinjiang Beer Group	Gorkha Brewery	Total	Revaluation of previously recognised net assets at fair value	Total recognised net assets from acquisition
Intangible assets	89	-	89	77	166
Property, plant and equipment	281	92	373	313	686
Investments, excl. deferred tax	-	-	-	-76	-76
Inventories	49	18	67	18	85
Loans and receivables, current	2	44	46	44	90
Cash and cash equivalents	5	15	20	15	35
Pension liabilities	-52	-	-52	-	-52
Deferred tax assets and liabilities, net	-28	-11	-39	-61	-100
Borrowings	-37	-30	-67	-30	-97
Trade payables and other payables	-130	-31	-161	-44	-205
Net assets	179	97	276	256	532

Revaluation of previously recognised net assets at fair value includes revaluation at fair value of net assets that were proportionally consolidated prior to the step acquisition of the entity. In addition, the item includes investments in associates transferred to other net assets and revaluated at fair value at the time of acquisition.

In Q1 2010, Carlsberg gained control of Wusu Xinjiang Beer Group through a step acquisition. The shareholdings held before obtaining control have been recognised at fair value with the revaluation adjustment, DKK 390m, recognised in special items. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities in the acquisition has been completed.

NOTE 30 ACQUISITION AND DISPOSAL OF ENTITIES – CONTINUED

This step acquisition is 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 Wusu Xinjiang Beer Group has been recognised as part of goodwill.

In Q4 2010, Carlsberg gained control of Gorkha Brewery through a step acquisition. The shareholdings held immediately before obtaining control have been recognised at fair value with the revaluation adjustment, DKK 208m, recognised in special items. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities in the acquisition has been completed.

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

The Carlsberg Group is under certain circumstances obligated to pay a contingent consideration calculated partly as a function of future operating profits before amortisations, depreciations and impairments for Gorkha Brewery and partly as fair value of ownership interests owned by the non-controlling interests in Gorkha Brewery. At the time of acquisition the contingent consideration was recognised at a fair value of DKK 228m.

The acquired entities contributed positively to operating profit before special items for 2010 by approximately DKK 36m and to the profit for the year by approximately DKK 19m. The net profit for the year had the acquisition of Gorkha Brewery been completed at 1 January 2010 is estimated at DKK 5,382m. As the acquisition of Wusu Xinjiang Beer Group was completed at 1 January 2010, the result has already been included in net profit for the year.

The fair value of the non-controlling ownership interest 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 control premium, and other fair value models as applicable for the transaction. The key assumptions applied for the Wusu Xinjiang Beer Group transaction were an after-tax WACC of 10.5% and a terminal growth rate of 2.5%. For the Gorkha transaction the applied after-tax WACC was 16.8% and the applied terminal growth rate was 2.5%.

Acquired net assets of entities acquired in a step acquisition include receivables from customers at a fair value of DKK 90m. None of the acquired receivables from customers are considered irrecoverable at the time of acquisition.

Goodwill recognised regarding transactions completed in the year is not deductible for tax purposes.

Acquisition of entities

In 2010, the purchase price of part of the activities in S&N (acquired in 2008) has been adjusted by DKK 284m 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 2011, Carlsberg acquired 22.5% 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 74m, is recognised as goodwill. Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

In Q4 2011, Carlsberg acquired an additional 4% of the shares in South Asian Breweries Pte. Ltd. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities in the acquisition has not been completed. The fair value of identified assets, liabilities and contingent liabilities less the cost of the acquisition, DKK 27m, is recognised as goodwill. Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

In Q4 2010, Carlsberg acquired an additional 22.5% of the shares in the jointly controlled entity South Asian Breweries Pte. Ltd., which is recognised by proportional consolidation. The purchase price allocation, including contingent consideration, of the fair value of identified assets, liabilities and contingent liabilities in the acquisition has been completed. The fair value of identified assets, liabilities and contingent liabilities less the cost of the acquisition, DK 119m, is recognised as goodwill.

Contingent considerations

Carlsberg has in 2011 revaluated contingent consideration for the previous acquisition of shareholdings in Gorkha Brewery, Nepal, South Asian Breweries Pte. Ltd., Singapore, Olivaria, Belarus, and Svyturys-Utenos, Lithuania. The revaluations are based on updated information since the initial recognition of the liabilities including new budgets and sales forecasts, discount rates etc. The revaluation of Svyturys-Utenos arose upon final settlement. The total revaluation recognised in 2011 is DKK 349m (2010: DKK 162m).

Disposal of entities

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 is 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 is recognised in special items. No entities were disposed of in 2010.

DKK million	2011	2010
Net assets disposed of	336	-
Gains/losses recognised under special items	-76	-
Cash consideration received	260	-
Cash and cash equivalents, disposed of	-51	-
Cash inflow, net	209	-

DKK million	2011	2010
Acquisition and disposal of entities, net:		
Step acquisitions, cash outflow	-294	-193
Acquisitions of proportionally consolidated entities, cash outflow	-175	-
Payment regarding acquisition in prior period	-	-284
Disposals, cash inflow	209	-
Net	-260	-477

NOTE 31 ACQUISITION AND DISPOSAL OF NON-CONTROLLING INTERESTS

DKK million								2011
	Increase in ownership							
Entity	Baltika Breweries[1]	Carlsberg Serbia d.o.o.[2]	Carlsberg Croatia d.o.o.[2]	Carlsberg Bulgaria AD[2]	Slavutich Brewery	Svyturys-Utenos Alus AB[3]	Other entities[4]	
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

DKK million								2010
	Increase in ownership					Decrease in ownership		
Entity	Baltika Breweries	Olivaria	Bottling and Brewing Group Ltd.[5]	Parag Breweries Ltd.[5]	Slavutich Brewery[6]	Carlsberg Singapore Pte Ltd.[7]	Carlsberg Kazakhstan[8]	
Country	Russia	Belarus	Malawi	India	Ukraine	Singapore	Kazakhstan	
Paid	-55	-114	-	-	-	-	-	-169
Change in provision for put option	-	92	-	-	-	-	-	92
Proportionate share of equity acquired/disposed	54	22	16	2	7	-43	-3	55
Difference recognised directly in equity	-1	-	16	2	7	-43	-3	-22
Effects of changes in Carlsberg's ownership interest on the equity attributable to Carlsberg:								
1 January 2010	29,472	129	107	24	986	76	208	31,002
Effect of acquisition/disposal	54	22	16	2	7	-43	-3	55
Comprehensive income	5,782	22	33	-69	384	51	65	6,268
Dividends, capital injections etc.	-4,718	-5	-	74	174	-61	21	-4,515
31 December 2010	30,590	168	156	31	1,551	23	291	32,810

[1] 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. The ownership interests have not been derecognised in the consolidated financial statements in accordance with IFRS.

[2] 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. The transactions were completed in January 2012.

[3] Non-controlling interests of Svyturys-Utenos Alus AB exercised put options held against the Group. Carlsberg also derecognised put liability related to a smaller shareholding.

[4] Comprises transactions with shareholdings in Olivaria (Belarus), Carlsberg South Asia Pte. Ltd. (Singapore), Carlsberg Kazakhstan, A/S Aldaris (Latvia), Laos Soft Drinks Co. Ltd. and Parag Breweries Ltd. (India).

[5] The increase in ownership interest was settled by transfer of non-cash assets or conversion of debt.

[6] Effect of merger between two Ukrainian subsidiaries of the Group which changed the ownership interest between the shareholders of the continuing entity Slavutich Brewery. In accordance with local legislation, the ownership of the continuing entity was based on the proportionate ownership of the share capital of the merged entities rather than the proportionate equity value of the entities, thereby creating a change in relative ownership of Slavutich Brewery. No payment was received from the change in ownership interest in Slavutich Brewery.

[7] Effect of change in ownership structure in Malaysia and Singapore, which caused part of the investment to be indirectly owned by the non-controlling interests of Carlsberg Malaysia. No payment was received from the decrease in ownership interest of Carlsberg Singapore.

[8] Carlsberg's Russian subsidiary Baltika Breweries made an in-kind injection of tangible assets in Derbes Company Ltd. for a 10% share of the company. The change in ownership in Derbes Company Ltd. is related to the non-controlling shareholding in Baltika Breweries.

NOTE 32 SPECIFICATION OF INVESTED CAPITAL

DKK million	2011	2010
Invested capital is calculated as follows:		
Total assets	147,714	144,250
Less:		
Deferred tax assets	-1,199	-1,301
Loans to associates (current)	-105	-27
Interest income receivable, fair value of hedging instruments and financial receivables	-529	-330
Securities (current and non-current)	-158	-158
Cash and cash equivalents	-3,145	-2,735
Assets held for sale	-570	-419
Total assets included	142,008	139,280
Trade payables	-11,021	-9,385
Deposits on returnable packaging	-1,291	-1,279
Provisions, excluding restructuring	-1,176	-1,609
Corporation tax	-527	-534
Deferred income	-1,127	-1,384
Finance lease liabilities, included in borrowings	-52	-65
Other liabilities, excluding deferred income, interest payable and fair value of hedging instruments	-8,618	-7,905
Total liabilities offset	-23,812	-22,161
Total invested capital	118,196	117,119

NOTE 33 SPECIFICATION OF NET INTEREST-BEARING DEBT

DKK million	2011	2010
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	34,364	32,587
Current borrowings	1,875	3,959
Liabilities associated with assets held for sale	747	-
Gross interest-bearing debt	36,986	36,546
Cash and cash equivalents	-3,145	-2,735
Loans to associates, interest-bearing portion	-97	-24
Loans to partners	-230	-225
On-trade loans	-2,066	-2,065
Non-interest-bearing portion	1,030	1,286
Other receivables	-1,318	-1,487
Non-interest-bearing portion	1,300	1,447
Net interest-bearing debt	32,460	32,743
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	32,743	35,679
Cash flow from operating activities	-8,813	-11,020
Cash flow from investing activities, excl. acquisition of entities, net	4,623	5,364
Cash flow from acquisition of entities, net	260	477
Share buy-back	417	-
Dividends to shareholders and non-controlling interests	884	1,243
Acquisition of non-controlling interests	1,338	169
Acquisition/disposal of treasury shares and exercise of share options	49	47
Acquired net interest-bearing debt from step acquisition/disposal of entities	44	97
Change in interest-bearing lending	18	15
Settlement of financial instruments in relation to loan agreements	805	-
Effect of currency translation	289	808
Other	-197	-136
Total change	-283	-2,936
Net interest-bearing debt at 31 December	32,460	32,743

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	2011	2010
Revenue	2,744	2,558
Total costs	-2,329	-2,083
Operating profit before special items	415	475
Consolidated profit	235	319
Non-current assets	2,563	2,254
Current assets	924	1,068
Assets held for sale, net	10	16
Non-current liabilities	-455	-260
Current liabilities	-1,477	-1,575
Net assets	1,565	1,503
Free cash flow	-197	355
Net cash flow	-149	232
Cash and cash equivalents, year-end	164	308
Contingent liabilities in joint ventures	132	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 2011, the risk management activities were unchanged compared to 2010.

Capital structure

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

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

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 grading. 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.

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 2011, the Carlsberg Group had net interest-bearing debt totalling DKK 32,460m (2010: DKK 32,743m). 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	2011	2010
1-2 years	3,409	10,687
2-3 years	8,030	2,360
3-4 years	13,142	7,863
4-5 years	8,982	13,213
>5 years	8,871	12,103
Total	42,434	46,226
Current borrowings	1,875	3,959
Non-current borrowings	34,364	32,587
Total	36,239	36,546

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.

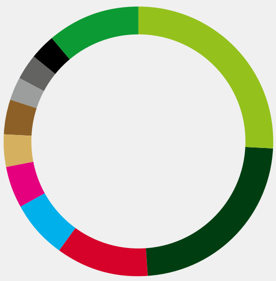
Foreign exchange risk
A significant part of the Group's activities and investments take place outside Denmark and in currencies other than DKK. Foreign exchange risk is therefore a principal financial risk for the Group and as such exchange rate fluctuations can have a significant impact on the income 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, GBP and UAH. There is also some exposure to a number of Asian currencies, which in total represent 5-10% of the Group's operating profit. The exposure to fluctuations in EUR/DKK is considered insignificant due to Denmark's fixed exchange rate policy towards EUR. Despite recent turmoil in the eurozone, 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.

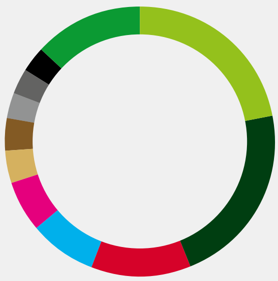
Revenue exposure to currencies is illustrated below:

Net revenue by currency as a percentage of total net revenue 2011



26%	23%	11%	7%	5%	4%	4%	3%	3%	3%	11%
EUR	RUB	DKK	GBP	CHF	NOK	SEK	PLN	UAH	CNY	Other

Net revenue by currency as a percentage of total net revenue 2010



22%	22%	12%	8%	6%	4%	4%	3%	3%	3%	13%
RUB	EUR	DKK	GBP	CHF	NOK	SEK	PLN	UAH	CNY	Other

NOTE 35 FINANCIAL RISKS – CONTINUED

The Group has chosen not to hedge the exposure 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.

The Group is exposed to transaction risks on purchases 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 Northern & Western Europe, excluding some of the Baltic and Balkan States. Hedging is carried out when plans for the following year are being prepared, effectively hedging the entities' operating profit in local currency. Since a major part of the purchases in foreign currency is in EUR, this will not constitute a risk at Group level. However, at Group level these hedges are effectively an economic hedge of (parts of) the net revenue in the relevant currency.

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 Baltika Breweries' policy to reduce the financial risk measured in RUB by balancing expenses in the foreign currencies USD and EUR. As long as the Russian Central Bank manages the RUB in accordance with the basket (consisting of 55% USD and 45% EUR), this procedure will reduce the transaction risk. However, appreciation and depreciation of RUB have affected and will continue to affect operating profit measured in both DKK and RUB.

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. Interest on borrowings is denominated in the currency of the borrowing.

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 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.

At 31 December 2011, 92% of the Group's net financial debt was in EUR (2010: 88%), 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 some 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	2011	2010	2011	2010
Swiss Franc (CHF)	6.1157	5.9755	6.0678	5.4070
Chinese Yuan (CNY)	0.9112	0.8504	0.8260	0.8365
Euro (EUR)	7.4342	7.4544	7.4514	7.4473
Pound Sterling (GBP)	8.9000	8.6659	8.6019	8.7169
Malaysian Ringgit (MYR)	1.8108	1.8226	1.7545	1.7484
Norwegian Krone (NOK)	0.9588	0.9534	0.9562	0.9311
Polish Zloty (PLN)	1.6676	1.8801	1.8245	1.8620
Russian Rouble (RUB)	0.1784	0.1848	0.1827	0.1876
Swedish Krona (SEK)	0.8342	0.8270	0.8248	0.7830
Ukrainian Hryvnia (UAH)	0.7219	0.7050	0.6679	0.7216

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 lower impact compared to 2010 on the Group's operating profit measured in DKK. Operating profit was improved as a result of an increase in the average CHF/DKK rate (12%), NOK/DKK rate (3%) and SEK/DKK rate (5%), and negatively affected by a decrease in the average RUB/DKK rate (-3%) and PLN/DKK (-2%) rate.

Impact on financial items, net. In 2011, the Group had net losses on foreign exchange and made fair value adjustments of financial instruments of DKK -93m (2010: DKK 22m). The main source for the losses in 2011 was reclassification of accumulated losses on interest rate swap from equity to the income statement, cf. note 36.

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 2011, the net interest-bearing debt increased by DKK 334m (2010: DKK 807m) due to movements in foreign exchange rates. The primary impact derives from net debt in GBP: the GBP/DKK rate appreciated from 8.67 at the end of 2010 to 8.9 at the end of 2011.

Impact on other comprehensive income. For 2011, the total loss on net investments, loans granted to subsidiaries as an addition to the net investment and net investment hedges amounted to DKK -1,956m (2010: DKK 4,907m). Losses were primarily incurred in RUB, PLN and BYR, while there were gains in CNY.

Sensitivity analysis. A negative development in the exchange rates would, all other things being equal, have the following impact on the consolidated profit and loss and other comprehensive income for 2011. 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.

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/LVL	3	-9	-	-	-6	6	-	10.00%	-
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

DKK million — 2010

	EUR receivable	EUR payable	EUR loans	EUR cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
EUR/RUB	2	-70	-	106	38	-	38	10.00%	4
EUR/LTL	3	-10	-	-	-6	-	-6	10.00%	-1
EUR/LVL	3	-11	-	-	-8	8	-	10.00%	-
EUR/RSD	9	-35	-	-	-26	-	-26	10.00%	-3
EUR/KZT	-	-3	-	1	-2	-	-2	10.00%	-
EUR/UAH	1	-20	-	24	5	-	5	10.00%	1
EUR/UZS	-	-40	-297	2	-335	-	-335	10.00%	-34
EUR/CNY	-	-1	-	-	-1	-	-1	10.00%	-
Total									-33

	USD receivable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L
USD/RUB	-	-67	-	504	437	-	437	10.00%	44
USD/UAH	2	-50	-298	8	-338	-	-338	10.00%	-34
USD/KZT	-	-6	-459	-	-464	-	-464	10.00%	-46
Total									-36

NOTE 35 FINANCIAL RISKS – CONTINUED

Interest rate risk

The most significant interest rate risk in the Group relates to borrowings. The Group's exposure to an increase in short-term interest rates is primarily in EUR, GBP and, secondarily, DKK. The exposure to medium- and long-term interest rates is primarily in EUR.

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, 85% of the net borrowings consisted of fixed-rate loans with rates fixed for more than one year (2010: 83%). It is estimated that an interest rate increase of 1 percentage point would lead to an increase in annual interest expenses of DKK 50m (2010: DKK 58m). The calculation assumes a parallel shift in the relevant yield curves and 100% effective hedging of changes in the yield curve.

At 31 December 2011, the duration of the borrowings was 2.5 years (2010: 3.1 years) and in value terms amounted to DKK 812m (2010: DKK 1,061m). 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 812m (2010: DKK 1,061m). 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 comprehensive income or the income statement. It is estimated that DKK 194m (2010: DKK 290m) of the duration is contained in interest rate derivatives designated as cash flow hedges or economic hedges, meaning that the impact from changes in interest rates will be recognised in the income statement or other comprehensive income. If the market interest rates had been 1 percentage point higher (lower) at 31 December 2011, shareholders' equity would have been DKK 194m (2010: DKK 290m) higher (lower). The impact is split between recognition in other comprehensive income (DKK 165m) and the income statement (DKK 29m). 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 that all other variables, in particular foreign exchange rates, remain constant. The analysis was performed on the same basis as for 2010.

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 2012, the majority of the aluminium price risk has been hedged for Northern & Western Europe and Eastern Europe, whereas the risk has been partially hedged for the period up to 2013. The total volume of aluminium purchased via financial instruments was approximately 88,600 tonnes at the end of 2011 (2010: 78,000 tonnes). Based on this volume, and assuming 100% efficiency, a 10% increase (decrease) in aluminium prices would impact equity positively (negatively) by DKK 94m (2010: DKK 110m). 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 exposure for 2012 was thus hedged through fixed-price purchase agreements for the majority of the Group in 2011.

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 2010 and 2011.

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

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

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

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

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

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

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

NOTE 35 FINANCIAL RISKS – CONTINUED

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. Historically, the Group has not incurred losses on bank balances and derivative financial instruments due to the counterparty's inability to pay, and management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk. The carrying amount of financial assets represents the maximum credit exposure. The carrying amount of financial assets, DKK 14,496m (2010: DKK 11,935m), is summarised below.

	2011				
DKK million	Net carrying amount at 31 Dec.	Of which neither impaired nor past due on 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	1,074	32	35	177
Cash and cash equivalents	3,145	3,145	-	-	-

	2010				
DKK million	Net carrying amount at 31 Dec.	Of which neither impaired nor past due on 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	5,057	4,634	163	105	155
On-trade loans	2,065	1,940	5	8	112
Loans to associates	48	48	-	-	-
Loans to partners	225	225	-	-	-
Fair value of hedging instruments	318	318	-	-	-
Other receivables	1,487	1,025	14	298	150
Cash and cash equivalents	2,735	2,735	-	-	-

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 2011 and 2010. The impairment losses at 31 December 2011 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.

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

	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

	2010			
DKK million	Trade receivables	On-trade loans	Other receivables	Total
Impairment at 1 January	-751	-276	-	-1,027
Impairment loss recognised	-133	-83	-	-216
Realised impairment losses	189	82	-	271
Reversed impairments	17	7	-	24
Disposals	3	3	-	6
Impairment losses at 31 December	-675	-267	-	-942

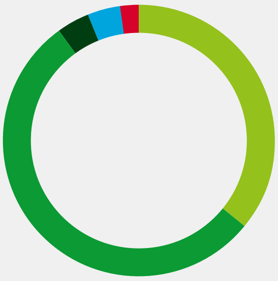
NOTE 35 FINANCIAL RISKS – CONTINUED

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 2011, the Group had unutilised non-current committed credit facilities of DKK 8,069m (2010: DKK 13,639m).

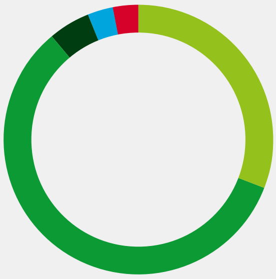
In addition to efficient working capital management and credit management, the Group mitigates liquidity risk by arranging borrowing facilities with highly rated financial institutions.

Distribution of gross financial debt 2011, DKK 36,239m



36% Non-current bank borrowing
54% Bonds
4% Non-current mortgages
4% Current bank borrowing
2% Other current and non-current borrowing

Distribution of gross financial debt 2010, DKK 36,546m



31% Non-current bank borrowing
58% Bonds
5% Non-current mortgages
3% Current bank borrowing
3% Other current and non-current borrowing

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	2011	2010
Total non-current committed loans and credit facilities	42,434	46,226
Total current and non-current borrowings	-36,239	-36,546
Unused committed non-current credit facilities	6,195	9,680
Cash and cash equivalents	3,145	2,735
Credit resources available	9,340	12,415

The unused non-current committed credit facilities of DKK 6,195m (2010: DKK 9,680m) stated in the formula are net of non-current and current borrowings and therefore DKK 1,875m (2010: DKK 3,959m) (the current borrowing) lower than the unused non-current committed credit facilities of DKK 8,069m (2010: DKK 13,639m).

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 2011 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					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	1,136	418	24	694	1,136
Financial liabilities associated with assets held for sale	828	828	-	-	828
Non-derivative financial instruments, total	54,804	16,756	28,192	9,856	-
Financial liabilities, total	56,059	17,306	28,876	9,877	-

Financial liabilities					2010
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	2,294	1,444	842	9	2,276
Non-derivative financial instruments:					
Financial debt, gross	36,628	3,966	20,573	12,090	36,546
Interest expense	6,176	1,488	4,018	670	N/A
Trade payables and other liabilities	10,664	10,664	-	-	10,664
Liabilities related to the acquisition of entities	1,138	535	91	512	1,138
Financial liabilities associated with assets held for sale	178	178	-	-	178
Non-derivative financial instruments, total	54,784	16,831	24,682	13,272	-
Financial liabilities, total	57,078	18,275	25,524	13,281	-

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 94m lower (2010: DKK 82m 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 2011. 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 2011 and 2010. Interest on the debt existing at year-end 2011 and 2010, 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:

		2011		2010	
DKK million	Note	Carrying amount	Fair value	Carrying amount	Fair value
Securities	18	158	158	158	158
Available-for-sale instruments		158	158	158	158
Fair value hedges	36	443	443	108	108
Cash flow hedges	36	43	43	151	151
Net investment hedges	36	13	13	59	59
Derivative financial instruments		499	499	318	318
Receivables from the sale of goods and services	19	7,115	7,115	5,057	5,057
On-trade loans	19	2,066	2,066	2,065	2,065
Other receivables	19	1,318	1,318	1,487	1,487
Loans to partners	19	230	230	225	225
Loans to associates	19	123	123	48	48
Cash and cash equivalents	21	3,145	3,145	2,735	2,735
Loans and receivables		13,997	13,997	11,617	11,617
Fair value hedges	36	-165	-165	-846	-846
Cash flow hedges	36	-875	-875	-935	-935
Net investment hedges	36	-240	-240	-495	-495
Derivative financial instruments	28	-1,280	-1,280	-2,276	-2,276
Issued bonds	24	19,478	20,242	21,376	22,576
Mortages	24	1,457	1,457	1,982	1,982
Bank borrowings	24	14,440	14,440	12,184	12,184
Finance lease obligations	24	52	52	65	65
Other borrowings	24	812	812	939	939
Trade payables		11,021	11,021	9,385	9,385
Financial liabilities measured at amortised cost		47,260	48,024	45,931	47,131

Fair value hierarchy. Carlsberg has no financial instruments measured at fair value on the basis of level 1 input (quoted prices) or at 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. Valuation reports as well as internally calculated values based on discounted cash flows of financial derivatives are used. Where internally calculated values are used, 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 2,066m (2010: DKK 2,065m).

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.

NOTE 36 FINANCIAL INSTRUMENTS

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

	2011		2010	
DKK million	Fair value adjustment recognised in income statement	Fair value	Fair value adjustment recognised in income statement	Fair value
Exchange rate instruments	8	284	569	-739
Other instruments	-7	-6	-23	1
Ineffective portion of hedge	-73	-	-51	-
Total	-72	278	495	-738

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 2011, financial expenses amounted to DKK -72m (2010: DKK 495m).

The ineffective portion of hedge in 2011 relates 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 is no longer likely to occur. The item also includes reversals of prior years' ineffective portions of interest rate hedges (DKK 12m). For 2010, the ineffective portion related to interest rate hedges designated as cash flow hedges. The total ineffective portion for 2011 is a loss of DKK -73m (2010: DKK -51m).

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 278m (2010: DKK -738m).

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 Northern & Western Europe and Eastern Europe.

Main financial instruments – overview

	Maturity	Purpose
Instrument:		
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	2012-2013	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

	2011			2010		
DKK million	Fair value adjustment recognised in other comprehensive income	Fair value	Expected recognition	Fair value adjustment recognised in other comprehensive income	Fair value	Expected recognition
Interest rate instruments	196	-752	2012-2015	284	-892	2011-2015
Exchange rate instruments	65	22	2012	-24	-43	2011
Other instruments	-253	-102	2012-2013	41	151	2011-2012
Total	8	-832		301	-784	

Fair value adjustments on cash flow hedges in the financial year are recognised in other comprehensive income and amounted to DKK 8m (2010: DKK 301m).

The fair value of cash flow hedges recognised at 31 December amounted to DKK -832m (2010: DKK -784m). 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	2011		2010	
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	-20	-227	-1,069	-436
Total	-20	-227	-1,069	-436

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 -20m (2010: DKK -1,069m).

The fair value of derivatives used as net investment hedges recognised at 31 December 2011 amounted to DKK -227m (2010: DKK -436m).

	2011				2010			
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	-4,194	-	-35	-	-390	3,740	-428	-
NOK	-750	3,182	2	-	-750	3,182	134	-
CHF	-460	-	-36	-	-460	-	-429	-
GBP	-70	86	-1	-	-70	90	-2	-
MYR	-450	-	-12	-	-450	-	-137	-5
EUR	-	645	-13	-	-398	663	44	-
RUB	-5,910	-	5	-	-	-	-25	-
PLN	-300	-	31	-	-820	-	-102	-
CNY	-1,250	-	-68	-	-1,250	-	-85	-
HKD	-	2,874	55	-	-	2,810	-40	-
EEK	-	-	-	-	-	-	1	-
USD	184	-	52	-	-	-	-	-
Total			-20	-			-1,069	-5

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 74.5% 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 and 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	2011	2010	2011	2010
Revenue	377	379	12	7
Cost of sales	-322	-229	-1	-2
Loans	123	48	161	-
Receivables	233	105	19	11
Borrowings	-107	-150	-	-
Trade payables and other liabilities etc.	-72	-1	-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 87m (2010: DKK 86m) and for loans etc. raised by third parties (non-consolidated entities) of DKK 762m (2010: DKK 828m).

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	2011	2010
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	-	5
Property, plant and equipment and construction contracts	763	171
Total	763	176

NOTE 39 OPERATING LEASE LIABILITIES

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	2011 Total
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	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	2010 Total
Future lease payments:				
Within one year	156	35	354	545
Between one and five years	338	86	666	1,090
After more than five years	232	6	91	329
Total	726	127	1,111	1,964

DKK million	2011	2010
Operating lease expenses recognised in the income statement	565	545
Expected future income under non-cancellable subleases (matures within 10 years)	57	84

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.

On 20 February 2012 Carlsberg announced its intent to make a voluntary offer for the remaining outstanding shares in Baltika Breweries. Assuming a successful voluntary offer the Group intends to make a compulsory redemption of any remaining outstanding shares.

NOTE 41 ACCOUNTING POLICIES

The 2011 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 the International Financial Reporting Standards (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 International Financial Reporting Standards (IFRSs) and Interpretations

Implementation of new and amended IFRSs and Interpretations. With effect from 1 January 2011, the following new and amended IFRSs and Interpretations were implemented:

NOTE 41 ACCOUNTING POLICIES – CONTINUED

- Amendments to IAS 24 "Related Party Disclosures". The standard changes some definitions of related parties and the requirements on disclosures of transactions with related parties.
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement".
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments".
- Amendments to IFRS 7 "Financial Instruments: Disclosures – Transfer of Assets". The amendments change disclosures on financial instruments in a transfer of assets.
- Improvements to IFRSs issued in May 2010.

The implementation of the new and amended IFRSs and Interpretations has not changed the recognition and measurement for 2011 from the principles 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 the EU.
In addition, the following new or amended IFRSs and Interpretations of relevance to the Carlsberg Group have been issued but not yet adopted by the EU:

- Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets". The amendments provide further guidance on deferred tax on investment properties and are therefore not relevant to the Group. The amendments are effective for financial years beginning on or after 1 January 2012.
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income". The amendments are effective for financial years beginning on or after 1 January 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.
- 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 pro rata consolidation of joint ventures. The standard distinguishes between joint ventures (recognised according to the equity method) and joint arrangements (pro rata 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.
- 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.
- 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.
- 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.
- Amendments to IAS 19 "Employee Benefits". The standard is effective for financial years beginning on or after 1 January 2013.
- 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 pro rata 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.

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2011. 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 42.

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

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

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

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

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

The acquisition date is the date when the Carlsberg 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

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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 shareholdings or voting rights, the retained shareholdings in the entity are 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.

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.

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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

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

On complete or partial disposal of a foreign entity or on repayment of balances which constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognised in other comprehensive income relating to that foreign entity is recognised in the income statement when the gain or loss on disposal is recognised.

Prior to translation of the financial statements of foreign entities in countries with hyperinflation, the financial statements are inflation-adjusted for changes in purchasing power in the local currency. Inflation adjustment is based on relevant price indexes at the end of the reporting period.

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

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

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

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

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

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

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

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

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

Income statement

Revenue. Revenue from the sale of finished goods and goods for resale is recognised in the income statement provided that transfer of all significant risk 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 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

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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 shareholdings in an entity held immediately before a step acquisition of that entity and transaction cost 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.

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

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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.

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.

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

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

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

Statement of cash flows

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

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

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

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

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

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

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

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

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

Segment information

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

NOTE 41 ACCOUNTING POLICIES – CONTINUED

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 pro rata 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 pro rata 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 42 GROUP COMPANIES

				Ownership share[1]	Nominal share capital ('000)	Currency	Exchange rate
Carlsberg Breweries A/S, Copenhagen, Denmark			○	100%	501	DKK	100.00
Northern & Western Europe							
Carlsberg Danmark A/S, Copenhagen, Denmark	1 subsidiary		○	100%	100,000	DKK	100.00
Carlsberg Sverige AB, Stockholm, Sweden	4 subsidiaries		○	100%	70,000	SEK	83.42
Ringnes a.s., Oslo, Norway	2 subsidiaries		○	100%	238,714	NOK	95.88
Oy Sinebrychoff Ab, Helsinki, Finland			○	100%	96,707	EUR	743.42
Carlsberg Deutschland GmbH, Mönchengladbach, Germany	4 subsidiaries		○	100%	26,897	EUR	743.42
Nordic Getränke GmbH, Germany	13 subsidiaries		■	50%	1,000	EUR	743.42
Holsten-Brauerei AG, Hamburg, Germany	4 subsidiaries		○	100%	41,250	EUR	743.42
Tuborg Deutschland GmbH, Mönchengladbach, Germany			○	100%	51	EUR	743.42
Carlsberg Polska S. A., Warszawa, Poland	1 subsidiary		○	100%	28,721	PLN	166.76
Saku Õlletehase AS, Estonia			○	100%	80,000	EUR	743.42
A/S Aldaris, Latvia			○	89%	7,500	LVL	1,062.79
Svyturys-Utenos Alus AB, Lithuania			○	99%	118,000	LTL	215.31
Carlsberg GB Limited, Northampton, UK			○	100%	692	GBP	890.00
Carlsberg UK Holdings PLC, Northampton, UK	2 subsidiaries		○	100%	90,004	GBP	890.00
Emeraude SAS, France	6 subsidiaries	5)	○	100%	405,037	EUR	743.42
Brasseries Kronenbourg SAS, France	6 subsidiaries		○	100%	547,891	EUR	743.42
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	3 subsidiaries		○	100%	95,000	CHF	611.57
Carlsberg Italia S.p.A., Lainate, Italy	3 subsidiaries		○	100%	82,400	EUR	743.42
Unicer-Bebidas de Portugal, SGPS, S.A., Porto, Portugal	5 subsidiaries	5)	◆	44%	50,000	EUR	743.42
Mythos Brewery S.A., Greece			○	100%	39,405	EUR	743.42
Carlsberg Serbia d.o.o., Serbia	2 subsidiaries		○	80%	2,989,921	CSD	7.10
Carlsberg Croatia d.o.o., Koprivnica, Croatia			○	80%	239,932	HRK	98.72
Carlsberg Bulgaria AD, Mladost, Bulgaria			○	80%	37,325	BGN	380.11
B to B Distribution EOOD, Mladost, Bulgaria			○	100%	10	BGN	380.11
Carlsberg Hungary Sales Limited Liability Company, Budaörs, Hungary			○	100%	25,400	HUF	2.36
CTDD Beer Imports Ltd., Quebec, Canada			○	100%	(-)	CAD	562.56
Carlsberg Canada Inc., Mississauga, Ontario, Canada			○	100%	5,000	CAD	562.56
Investeringsselskapet RH, Oslo, Norway	7 subsidiaries		○	100%	49,900	NOK	95.88
Pripps Ringnes AB, Stockholm, Sweden	1 subsidiary		○	100%	287,457	SEK	83.42
Baltic Beverages Eesti, Estonia			○	100%	400	EUR	743.42
Dyland BV, Bussum, Netherlands	1 subsidiary		○	100%	18,198	EUR	743.42
Nuuk Imeq A/S, Nuuk, Greenland			■	32%	38,000	DKK	100.00
International Breweries (Netherlands) B.V., Bussum, Netherlands	2 subsidiaries		■	16%	2,523	USD	574.56
Eastern Europe							
Baltika Breweries, St. Petersburg, Russia	4 subsidiaries	2)	○	85%	164,364	RUB	17.84
Baltika – Baku Brewery, Baku, Azerbaijan			○	100%	26,849	AZN	731.10
Slavutich Brewery, Ukraine	2 subsidiaries		○	95%	853,692	UAH	72.19
Olivaria, Belarus	1 subsidiary		○	68%	61,444,801	BYR	0.07
Carlsberg Kazakhstan Ltd., Kazakhstan	1 subsidiary		○	99%	4,820,426	KZT	3.88
UzCarlsberg LLC, Uzbekistan		5)	○	100%	35,217,146	UZS	0.32
Baltic Beverages Invest AB, Stockholm, Sweden			○	100%	11	EUR	743.42
BBH – Baltic Beverages Holding AB, Stockholm, Sweden			○	100%	12,000	EUR	743.42
Asia							
Carlsberg Brewery Hong Kong Ltd., Hong Kong, China	2 subsidiaries		○	100%	260,000	HKD	73.96
Carlsberg Brewery Guangdong Ltd., Huizhou, China			○	99%	442,330	CNY	91.12
Kunming Huashi Brewery Company Ltd., Kunming, China			○	100%	79,528	CNY	91.12
Xinjiang Wusu Beer Co. Ltd., Urumqi, Xinjiang, China	10 subsidiaries		○	65%	105,480	CNY	91.12
Ningxia Xixia Jianiang Brewery Ltd, China			○	70%	194,351	CNY	91.12
Dali Beer (Group) Limited Company, Dali, China			○	100%	97,799	CNY	91.12
Chongqing Brewery Co. Ltd., China	8 subsidiaries	2,5)	■	30%	483,971	CNY	91.12
Tibet Lhasa Brewery Company Limited, Lhasa, Tibet, China			■	33%	380,000	CNY	91.12

NOTE 42 GROUP COMPANIES – CONTINUED

			Ownership share[1]	Nominal share capital ('000)	Currency	Exchange rate
Lanzhou Huanghe Jianjiang Brewery Company Limited, China		■	30%	210,000	CNY	91.12
Qinghai Huanghe Jianjiang Brewery Company Ltd., Xining, Qinghai, China		■	33%	85,000	CNY	91.12
Jiuquan West Brewery Company Ltd., Jiuquan, Gansu, China		■	30%	15,000	CNY	91.12
Gansu Tianshui Benma Brewery Company Ltd., Tianshui, Gansu, China		■	30%	16,620	CNY	91.12
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia		2) ○	51%	154,039	MYR	181.08
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		○	100%	10,000	MYR	181.08
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		○	100%	100	MYR	181.08
Luen Heng F&B Sdn BhdSelangor Darul Ehsan, Malaysia		○	70%	5,000	MYR	181.08
Carlsberg Singapore Pte. Ltd., Singapore		○	100%	1,000	SGD	442.01
The Lion Brewery Ceylon, Biyagama, Sri Lanka		2) ■	25%	850,000	LKR	5.04
Carlsberg Distributors Taiwan Ltd, Taiwan	1 subsidiary	■	50%	100,000	TWD	18.97
Cambrew Pte Ltd, Singapore		5) ♦	50%	21,720	SGD	442.01
Cambrew Ltd, Phnom Penh, Cambodia	1 subsidiary	5) ♦	50%	125,000	USD	574.56
Carlsberg IndoChina, Vietnam		○	100%	8,000	VND	0.03
South-East Asia Brewery Ltd., Hanoi, Vietnam		○	60%	212,705,000	VND	0.03
International Beverages Distributors Ltd., Hanoi, Vietnam		○	60%	10,778,000	VND	0.03
Hue Brewery Ltd., Hue, Vietnam		○	100%	216,788,000	VND	0.03
Hanoi Vung Tau Joint Stock, Vietnam		■	58%	345,190,377	VND	0.03
Halong Beer and Beverage, Vietnam		■	31%	9,000,000,000	VND	0.03
Hanoi Beer Company, Vietnam		5) ■	17%	2,318,000,000	VND	0.03
Lao Brewery Co. Ltd., Vientiane, Laos		○	51%	14,400,000	LAK	0.07
CB Distribution Co. Ltd., Thailand		○	100%	100,000	THB	18.14
Carlsberg India Pvt Ltd., India		♦	94%	618,288	INR	10.83
Parag Breweries Ltd, India		♦	100%	5,200	INR	10.83
Bottling and Brewing Group Ltd., Blantyre, Malawi	3 subsidiaries	3,5) ○	50%	1,267,128	MWK	3.51
Brewery Invest Pte. Ltd, Singapore		○	100%	3,200	SGD	442.01
Caretech Ltd, Hong Kong, China		5) ♦	50%	10,000	HKD	73.96
South Asian Breweries Pvt. Ltd., Singapore		♦	56%	200,000	SGD	442.01
Carlsberg Asia Pte Ltd., Singapore		○	100%	54,914	SGD	442.01
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	166.76
Carlsberg Finans A/S, Copenhagen, Denmark		○	100%	25,000	DKK	100.00
Carlsberg International A/S, Copenhagen, Denmark		○	100%	1,000	DKK	100.00
Carlsberg Invest A/S, Copenhagen, Denmark	1 subsidiary	○	100%	31,000	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	166.76
Non-beverage						
Ejendomsaktieselskabet Tuborg Nord B, Copenhagen, Denmark		○	100%	25,000	DKK	100.00
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen, Denmark		○	100%	10,000	DKK	100.00
Ejendomsaktieselskabet Tuborg Nord D, Copenhagen, Denmark		○	100%	10,000	DKK	100.00
Ejendomsaktieselskabet af 4. marts 1982, Copenhagen, Denmark		○	100%	9,500	DKK	100.00
Investeringsselskabet af 17. januar 1991, Copenhagen, Denmark		○	100%	14,500	DKK	100.00
Carlsberg Ejendomme Holding A/S, Denmark	3 subsidiaries	○	100%	500	DKK	100.00
Vores By CAS P/S, Copenhagen, Denmark	1 subsidiary	○	100%	1,000	DKK	100.00
Vores By CDK P/S, Copenhagen, Denmark		○	100%	500	DKK	100.00
Vores By CB P/S, Copenhagen, Denmark		○	100%	500	DKK	100.00
Boliginteressentskabet Tuborg Nord, Copenhagen, Denmark		4) ♦	50%	-	DKK	100.00
Ejendomsinteressentskabet Waterfront, Copenhagen, Denmark		4) ♦	50%	-	DKK	100.00

○ Subsidiary ♦ Proportionally consolidated entity ■ Associate
1) For some entities the consolidation percentage is higher than the ownership share due to financial arrangements 2) Listed company
3) Carlsberg is responsible for management 4) A separate annual report is not prepared 5) Company not audited by KPMG


Asia is a key platform for growth. In 2011, our Asian business once again delivered very strong performance, driven by increasing market shares in growing markets across the region and strong execution by our local businesses.

Parent Company Carlsberg A/S

Notes

Income statement

DKK million	Note	2011	2010
Administrative expenses		-41	-48
Other operating income	3	151	192
Other operating expenses	3	-166	-199
Operating profit before special items		-56	-55
Special items, net	4	619	-
Financial income	5	84	127
Financial expenses	5	-144	-75
Profit before tax		503	-3
Corporation tax	6	-67	-38
Profit for the year		436	-41
Attributable to:			
Dividends to shareholders		839	763
Reserves		-403	-804
Profit for the year		436	-41

Statement of comprehensive income

DKK million	Note	2011	2010
Profit for the year		436	-41
Other comprehensive income:			
Value adjustments of hedging instruments	24	40	-9
Retirement benefit obligations	18	-12	-14
Other		-	-1
Corporation tax	6	-7	6
Other comprehensive income		21	-18
Total comprehensive income		457	-59

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

Statement of financial position

ASSETS

DKK million	Note	31 Dec. 2011	31 Dec. 2010
Non-current assets:			
Property, plant and equipment	9	979	978
Investments in subsidiaries	10	45,389	45,761
Investments in associates and joint ventures	11	-	-
Securities	12	5	7
Deferred tax assets	19	-	67
Total non-current assets		46,373	46,813
Current assets:			
Receivables from subsidiaries	13	1,093	1,518
Tax receivables		10	17
Other receivables	13	261	207
Cash and cash equivalents	14	1	29
Total current assets		1,365	1,771
Assets held for sale	15	-	128
Total assets		47,738	48,712

EQUITY AND LIABILITIES

DKK million	Note	31 Dec. 2011	31 Dec. 2010
Equity:			
Share capital	16	3,051	3,051
Reserve for fair value adjustments		-	-30
Retained earnings		43,088	43,474
Total equity		46,139	46,495
Non-current liabilities:			
Borrowings	17	227	752
Retirement benefit obligations and similar obligations	18	45	36
Deferred tax liabilities	19	4	-
Provisions	20	29	27
Other liabilities	21	175	175
Total non-current liabilities		480	990
Current liabilities:			
Borrowings	17	912	922
Trade payables		42	38
Provisions	20	8	5
Corporation tax		32	-
Other liabilities etc.	21	125	262
Total current liabilities		1,119	1,227
Total liabilities		1,599	2,217
Total equity and liabilities		47,738	48,712

Statement of changes in equity

2011

DKK million	Share capital	Shareholders in Carlsberg A/S Fair value adjustments	Retained earnings	Total equity
Equity at 1 January 2011	3,051	-30	43,474	46,495
Profit for the year	-	-	436	436
Other comprehensive income:				
Value adjustments of hedging instruments	-	40	-	40
Retirement benefit obligation	-	-	-12	-12
Corporation tax	-	-10	3	-7
Other comprehensive income	-	30	-9	21
Total comprehensive income for the year	-	30	427	457
Acquisition/disposal of treasury shares	-	-	-3	-3
Exercise of share options	-	-	-46	-46
Share-based payment	-	-	8	8
Share-based payment to employees in subsidiaries	-	-	-9	-9
Dividends paid to shareholders	-	-	-763	-763
Total changes in equity	-	30	-386	-356
Equity at 31 December 2011	3,051	-	43,088	46,139

2010

DKK million	Share capital	Shareholders in Carlsberg A/S Fair value adjustments	Retained earnings	Total equity
Equity at 1 January 2010	3,051	-23	44,073	47,101
Profit for the year	-	-	-41	-41
Other comprehensive income:				
Value adjustments of hedging instruments	-	-9	-	-9
Retirement benefit obligation	-	-	-14	-14
Other	-	-	-1	-1
Corporation tax	-	2	4	6
Other comprehensive income	-	-7	-11	-18
Total comprehensive income for the year	-	-7	-52	-59
Acquisition/disposal of treasury shares	-	-	-9	-9
Exercise of share options	-	-	-38	-38
Share-based payment	-	-	7	7
Share-based payment to employees in subsidiaries	-	-	27	27
Dividends paid to shareholders	-	-	-534	-534
Total changes in equity	-	-7	-599	-606
Equity at 31 December 2010	3,051	-30	43,474	46,495

The proposed dividend of DKK 5.50 per share, in total DKK 839m (2010: DKK 5.00 per share, in total DKK 763m), is included in retained earnings at 31 December 2011. Dividends paid out in 2011 for 2010 amount to DKK 763m (paid out in 2010 for 2009: DKK 534m), which is DKK 5.00 per share (2010: DKK 3.50 per share). Dividends paid out to shareholders of Carlsberg A/S do not impact taxable income in Carlsberg A/S.

Fair value adjustments comprise changes in the fair value of hedging transactions that qualify for recognition as fair value hedges and where the hedged transaction has not yet been realised.

Statement of cash flows

DKK million	Note	2011	2010
Operating profit before special items		-56	-55
Adjustment for depreciation		10	13
Operating profit before depreciation		-46	-42
Adjustment for other non-cash items	22	-59	-77
Change in working capital	22	59	-23
Restructuring costs paid		-6	-
Interest etc. received		44	43
Interest etc. paid		-58	-63
Corporation tax paid		51	3
Cash flow from operating activities		-15	-159
Acquisition of property, plant and equipment and intangible assets		-9	-4
Total operational investments		-9	-4
Acquisition and disposal of subsidiaries, net		875	-
Dividends from subsidiaries		40	70
Dividends from associates, joint ventures and securities		-	1
Total financial investments		915	71
Other investments in property, plant and equipment		-4	-51
Disposal of other property, plant and equipment		-	362
Total other activities[1]		-4	311
Cash flow from investing activities		902	378
Free cash flow		887	219
Shareholders in Carlsberg A/S	22	-812	-581
External financing	22	-103	441
Cash flow from financing activities		-915	-140
Net cash flow		-28	79
Cash and cash equivalents at 1 January[2]		29	-50
Cash and cash equivalents at 31 December[2]	14	1	29

[1] Other activities cover real estate and assets under construction, including costs of construction contracts.

[2] Cash and cash equivalents less bank overdrafts.

Notes

NOTE 1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing Carlsberg A/S's financial statements, management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Company's assets and liabilities. The most significant accounting estimates and judgements for the Company are presented below. The most significant accounting estimates and judgements for the Carlsberg Group are presented in note 1 to the consolidated financial statements. The Company's accounting policies are described in detail in note 28.

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.

Most economies are currently facing a challenging consumer environment and a limited visibility into consumer reactions to the uncertain macro environment, especially in Europe. The consumption recovery in some markets, including Russia, has been significantly impacted by excise duty increases. The impact on the business development and 2011 financials is described in the Management review, especially the sections describing the segment developments.

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

Investments in subsidiaries, joint ventures and associates. Management performs an annual test for indications of impairment of investments in subsidiaries, joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Carlsberg Group, cf. note 41 to the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2011. Impairment tests have therefore not been made of subsidiaries, joint ventures and associates.

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

A more detailed description of the Company's tax assets is presented in note 19.

Assessment in applied accounting policies

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

Such judgements include the recognition of income from real estate projects.

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

NOTE 2 FEES TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

DKK million	2011	2010
KPMG:		
Statutory audit	1	1
Assurance engagements	-	-
Tax advisory	-	-
Other services	-	-

NOTE 3 OTHER OPERATING INCOME AND EXPENSES

DKK million	2011	2010
Other operating income:		
Gains on disposal of real estate	63	96
Rental income, real estate	22	28
Funding from the Carlsberg Foundation for the operation of the Carlsberg Laboratory	15	12
Other, incl. grants received	51	56
Total	151	192
Other operating expenses:		
Real estate costs	-48	-71
Expenses relating to the Carlsberg Research Center	-109	-98
Other	-9	-30
Total	-166	-199
Of which staff costs, cf. note 7	-70	-70

NOTE 4 SPECIAL ITEMS

DKK million	2011	2010
Special items, income:		
Gain on disposal of subsidiary	625	-
Income total	625	-
Special items, cost:		
Restructuring	-6	-
Cost total	-6	-
Special items, net	619	-

NOTE 5 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial items recognised in the income statment

DKK million	2011	2010
Financial income:		
Interest income	25	48
Dividends from subsidiaries	40	70
Other financial income	19	9
Total	84	127

Interest income relates to interest from cash and cash equivalents.

Financial expenses:		
Interest expenses	-52	-57
Interest cost on obligations, defined benefit plans	-1	-1
Other financial expenses	-91	-17
Total	-144	-75
Financial items, net, recognised in the income statement	-60	52

Interest expenses primarily relate to interest on borrowings.

Financial items recognised in the statement of comprehensive income

DKK million	2011	2010
Value adjustments of hedging instruments:		
Net change in fair value of cash flow hedges transferred to income statement	83	-
Cash flow hedges, effective portion of changes in fair value	-43	-9
Financial items recognised in other comprehensive income	40	-9
Total financial items, net, recognised in comprehensive income	-20	43

NOTE 6 CORPORATION TAX

DKK million	2011 Total comprehensive income	2011 Other comprehensive income	2011 Income statement	2010 Total comprehensive income	2010 Other comprehensive income	2010 Income statement
Tax for the year can be specified as follows:						
Current tax	32	-	32	-	-	-
Change in deferred tax during the year	44	7	37	34	-6	40
Adjustments to tax for previous years	-2	-	-2	-2	-	-2
Total	74	7	67	32	-6	38

DKK million	2011	2010
Reconciliation of tax for the year:		
Tax in Denmark	126	-1
Tax on partnerships	2	9
Adjustments to tax for previous years	-2	-2
Non-capitalised tax assets, net movements	-	45
Non-deductible expenses	1	1
Tax-free dividend	-10	-14
Special and other items	-50	-
Tax for the year	67	38

Tax recognised in other comprehensive income

DKK million	2011 Recognised item before tax	2011 Tax expense/ benefit	2011 Net of tax	2010 Recognised item before tax	2010 Tax expense/ benefit	2010 Net of tax
Hedging instruments	40	-10	30	-9	2	-7
Retirement benefit obligations	-12	3	-9	-14	4	-10
Other	-	-	-	-1	-	-1
Total	28	-7	21	-24	6	-18

DKK million	2011	2010
The change in deferred tax recognised in the income statement can be broken down as follows:		
Tax losses	22	5
Property, plant and equipment etc.	13	35
Deferred tax recognised in the income statement	35	40

NOTE 7 STAFF COSTS AND REMUNERATION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

DKK million	2011	2010
Salaries and other remuneration	82	78
Retirement benefit costs – defined contribution plans	6	6
Share-based payment	4	7
Total	92	91
Staff costs are included in the following items in the income statement:		
Administrative expenses	16	21
Other operating expenses	70	70
Special items (restructuring)	6	-
Total	92	91

The Company had an average of 118 (2010: 124) full-time employees during the year.

Remuneration of the Group Executive Board

Remuneration of the Group Executive Board is based on a fixed salary, cash bonus payments and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes and incentive schemes have been established for the Group Executive Board. These programmes and schemes cover a number of years. The remuneration is specified in note 8.

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

Remuneration of the Group Executive Board and Supervisory Board as well as their holdings of shares in the Company are specified in note 13 to the consolidated financial statements.

NOTE 8 SHARE-BASED PAYMENT

In 2011, a total of 60,000 (2010: 31,200) share options were granted to 2 employees (2010: 3). The grant date fair value of these options was a total of DKK 11m (2010: DKK 5m). The total cost of share-based payment was DKK 8m (2010: DKK 7m), which is recognised in the income statement under staff costs. Refunds etc. between Carlsberg A/S and its subsidiaries are recognised directly in equity.

	Number				Exercise price
Share option programme	Executive Board	Other employees	Resigned employees	Total	Fixed, weighted average
Share options outstanding at 31 December 2009	234,225	6,216	131,148	371,589	296.30
Granted	30,000	1,200	-	31,200	417.34
Exercised	-9,105	-	-28,616	-37,721	174.73
Share options outstanding at 31 December 2010	255,120	7,416	102,532	365,068	311.65
Granted	60,000	-	-	60,000	566.78
Exercised	-13,008	-	-4,552	-17,560	174.73
Share options outstanding at 31 December 2011	302,112	7,416	97,980	407,508	378.52
Exercisable at 31 December 2010	75,568	1,858	99,693	177,119	262.63
Exercised options as % of share capital	0.01%	0.00%	0.02%	0.03%	
Exercisable at 31 December 2011	152,112	3,716	96,380	252,208	373.42
Exercised options as % of share capital	0.01%	0.00%	0.00%	0.01%	

Assumptions									2011	2010
Grant date	Expiring date	Programme	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend yield	Expected life of options, years	Fair value at measurement date	Options out-standing	Options out-standing
01.03.2003	01.03.2011	Grant 2003	173.12	25%	4.1%	1.8%	5.5	126.35	-	16,910
01.03.2004	01.03.2012	Grant 2004	216.65	29%	3.5%	1.8%	5.5	81.51	33,821	34,471
01.03.2005	01.03.2013	Grant 2005	232.71	27%	3.1%	1.7%	5.5	74.27	33,241	33,241
01.03.2006	01.03.2014	Grant 2006	306.89	19%	3.3%	1.3%	5.5	89.37	39,848	39,848
01.03.2007	01.03.2015	Grant 2007	472.11	19%	3.9%	1.0%	5.5	136.67	52,649	52,649
01.03.2008	01.03.2016	Grant 2008	457.82	22%	3.6%	1.1%	5.5	141.72	52,649	52,649
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	64,100	64,100
01.03.2010	01.03.2018	Grant 2010	417.34	30%	3.1%	0.8%	8.0	154.23	31,200	31,200
01.03.2011	01.03.2019	Grant 2011	566.78	25%	2.9%	0.9%	8.0	180.50	60,000	-
Total outstanding share options under the share option programme									407,508	365,068

The average share price at the exercise date for share options was DKK 569 (2010: DKK 434).

At 31 December 2011, the exercise price for outstanding share options was in the range DKK 203.50 to DKK 566.78 (2010: DKK 173.12 to DKK 472.11). The average remaining contractual life was 4.0 years (2010: 4.3 years).

The assumptions underlying the calculation of the fair value of share options are described in note 13 to the consolidated financial statements.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

2011

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Construction in progress	Total
Cost:					
Cost at 1 January 2011	1,054	106	5	1	1,166
Additions	2	3	-	9	14
Disposals	-	-	-1	-3	-4
Cost at 31 December 2011	1,056	109	4	7	1,176
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2011	83	100	5	-	188
Disposals	-	-	-1	-	-1
Depreciation	7	3	-	-	10
Depreciation and impairment losses at 31 December 2011	90	103	4	-	197
Carrying amount at 31 December 2011	966	6	-	7	979
Carrying amount of assets pledged as security for loans	930	-	-	-	930

Depreciation is included in administrative expenses.

In 2010, Carlsberg A/S made an in-kind injection of some of its buildings to a newly established partnership.

2010

DKK million	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Construction in progress	Total
Cost:					
Cost at 1 January 2010	1,303	102	6	448	1,859
Additions	-	-	-	55	55
Disposals	-5	-	-1	-124	-130
Transfers	-239	4	-	-269	-504
Transfer to/from assets held for sale	-5	-	-	-109	-114
Cost at 31 December 2010	1,054	106	5	1	1,166
Depreciation and impairment losses:					
Depreciation and impairment losses at 1 January 2010	330	96	4	-	430
Depreciation	8	4	1	-	13
Transfers	-255	-	-	-	-255
Depreciation and impairment losses at 31 December 2010	83	100	5	-	188
Carrying amount at 31 December 2010	971	6	-	1	978
Carrying amount of assets pledged as security for loans	967	-	-	-	967

NOTE 10 INVESTMENTS IN SUBSIDIARIES

DKK million	2011	2010
Cost:		
Cost at 1 January	45,761	45,642
Additions during the year	-	250
Disposals during the year	-250	-25
Share-based payment to employees in subsidiaries	-122	-106
Cost at 31 December	45,389	45,761
Carrying amount at 31 December	45,389	45,761

The carrying amount includes goodwill of DKK 11,207m (2010: DKK 11,207m) on acquisition of subsidiaries.

Share-based payment to employees in subsidiaries comprises exercised as well as outstanding share options.

NOTE 11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

DKK million	2011	2010
Cost:		
Cost at 1 January	-	-
Additions	-	-
Disposals	-	-
Cost at 31 December	-	-

The dividends received from associates and joint ventures exceed the original investments.

NOTE 12 SECURITIES

DKK million	2011	2010
Unlisted shares	5	7

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

No shares in unlisted entities were disposed of during 2011 or 2010.

NOTE 13 RECEIVABLES

DKK million	2011	2010
Receivables by origin:		
Loans to subsidiaries	1,043	1,475
Receivables from subsidiaries	50	43
Other receivables	261	207
Total	1,354	1,725

%	2011	2010
Average effective interest rates:		
Loans to subsidiaries	1.9	1.6

The fair value of receivables corresponds in all material respects to the carrying amount.

NOTE 14 CASH AND CASH EQUIVALENTS

DKK million	2011	2010
Cash at bank and in hand	1	29
Total	1	29

NOTE 15 ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

DKK million	2011	2010
Assets held for sale comprise the following individual assets:		
Property, plant and equipment	-	113
Deferred tax	-	15
Total	-	128

At 31 December 2010, assets held for sale primarily comprised an office building from the real estate development of the former Tuborg site in Hellerup, Denmark. The sale took place in 2011.

NOTE 16 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 2010	33,699,252	673,985	118,857,554	2,377,151	152,556,806	3,051,136
No change in 2010	-	-	-	-	-	-
31 December 2010	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

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 dividends, all shares rank equally.

	Treasury shares		
	Shares of DKK 20	Nominal value, DKKm	Percentage of share capital
1 January 2010	3,472	-	0.0%
Acquisition of treasury shares	197,571	4	0.1%
Used to settle share options	-183,287	-4	-0.1%
31 December 2010	17,756	-	0.0%
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%

At 31 December 2011, the fair value of treasury shares amounted to DKK 14m (2010: DKK 10m).

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 A/S 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 4m (2010: DKK 4m) at an average price of DKK 549 (2010: DKK 480), corresponding to a purchase price of DKK 117m (2010: DKK 95m). 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 68m (2010: DKK 48m). The disposal was made in connection with settlement of share options.

NOTE 17 BORROWINGS

DKK million	2011	2010
Non-current borrowings:		
Mortgages	209	734
Other non-current borrowings	18	18
Total	227	752
Current borrowings:		
Bank borrowings	1	1
Borrowings from subsidiaries	911	921
Total	912	922
Total non-current and current borrowings	1,139	1,674
Fair value	1,139	1,674

Other non-current borrowings include employee bonds of DKK 18m (2010: DKK 18m). No bonds were issued in 2011.

Borrowings are measured at amortised cost.

Time to maturity for non-current borrowings at 31 December 2011:

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	2011 Total
Mortgages	-	-	-	-	209	209
Other non-current borrowings	-	5	13	-	-	18
Total	-	5	13	-	209	227

DKK million	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	2010 Total
Mortgages	-	-	-	-	734	734
Other non-current borrowings	-	-	5	13	-	18
Total	-	-	5	13	734	752

Interest rate risk on non-current borrowings borrowings at 31 December 2011:

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	2011 Interest rate risk
Mortgages:					
Fixed-rate	Fixed	2.85%	4-5 years	209	Fair value
Total mortgages		2.85%		209	

The fixed-rate mortgage is one loan which has a fixed interest rate until 2016. Other non-current borrowings consist of employe bonds that carry a fixed interest rate. Of the three mortgages existing at 31 December 2010, two were redeemed in December 2011. One fixed-rate mortgage remains.

NOTE 17 BORROWINGS – CONTINUED

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-
	227	-	227	-	-	5	13	209	-

Interest rate risk on non-current borrowings at 31 December 2010:

2010

DKK million	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Mortgages:					
Fixed-rate	Fixed	4.10%	>5 years	734	Fair value
Total mortgages		4.10%		734	

The fixed-rate mortgages comprised three mortgages with a time to maturity of more than five years. Two loans (total DKK 370m) were originally at fixed rates but were swapped to floating rates. The loans were adjusted to fair value through the income statement. The total fair value adjustment of borrowings and swaps was DKK 8m and DKK -8m respectively (2010: DKK -8m and DKK 8m).

A floating-rate mortgage of DKK 372m was swapped to a fixed rate. Time to maturity was more than 5 years.

2010

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	2011	2012	2013	2014	2015	2016-
	752	-	752	-	-	-	5	13	734

NOTE 18 RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

Retirement benefit obligations and similar obligations comprise payments to retired directors that are not covered by an insurance company. The plan is unfunded.

DKK million	2011	2010
Changes in obligations:		
Total obligations at 1 January	36	25
Interest cost	1	1
Actuarial losses	12	14
Benefits paid	-4	-4
Total obligations at 31 December	45	36
Assumptions applied:		
Discount rate	1.0%	2.0%
Future retirement benefit increases	2.5%	2.8%
Recognised in the income statement:		
Interest cost on obligations	1	1
Total recognised in the income statement	1	1
Recognised in other comprehensive income:		
Recognised at 1 January	-45	-31
Actuarial gains/losses	-12	-14
Recognised at 31 December	-57	-45

DKK million	2011	2010	2009	2008	2007
Five-year overview:					
Unfunded obligations	45	36	25	27	29
Experience adjustments to obligations	-	-	-	-	-1

NOTE 19 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

DKK million	2011	2010
Deferred tax at 1 January, net	67	116
Joint taxation contribution	-44	-
Recognised in other comprehensive income	-7	6
Recognised in income statement	-35	-40
Assets held for sale	15	-
	-4	82
Of which transferred to assets held for sale	-	-15
Deferred tax at 31 December, net	-4	67
Specified as follows:		
Deferred tax liabilities	-4	-
Deferred tax assets	-	67
Deferred tax at 31 December, net	-4	67

NOTE 19 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES – CONTINUED

Specification of deferred tax assets and liabilities at 31 December

	Deferred tax assets		Deferred tax liabilities	
DKK million	2011	2010	2011	2010
Property, plant and equipment	-	4	8	-
Provisions and retirement benefit obligations	24	25	-	-
Tax losses etc.	-	53	20	-
Total before set-off	24	82	28	-
Set-off	-24	-	-24	-
Total after set-off	-	82	4	-
Transferred to assets held for sale	-	-15	-	-
Deferred tax assets and liabilities at 31 December	-	67	4	-
Expected to be used as follows:				
Within 12 months after the end of the reporting period	-	7	-	-
More than 12 months after the end of the reporting period	-	60	4	-
Total	-	67	4	-

Of the total deferred tax assets recognised, DKK 0m (2010: DKK 53m) relates to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.

NOTE 20 PROVISIONS

Provisions primarily comprise warranty provisions regarding real estate disposed of and provisions for ongoing disputes and lawsuits etc.

DKK million	2011	2010
Provisions at 1 January	32	34
Additional provisions recognised	4	4
Used during the year	-1	-6
Reversal of unused provisions	-2	-
Transfers	4	-
Provisions at 31 December	37	32

Of provisions, DKK 8m (2010: DKK 5m) falls due within one year and DKK 0m (2010: DKK 0m) after more than five years from the end of the reporting period.

NOTE 21 OTHER LIABILITIES ETC.

DKK million	2011	2010
Other liabilities are recognised in the statement of financial position as follows:		
Non-current liabilities	175	175
Current liabilities	125	262
Total	300	437
Other liabilities by origin:		
Staff costs payable	16	18
Interest payable	1	1
Fair value of hedging instruments	83	40
Deferred income	9	180
Other	191	198
Total	300	437

NOTE 22 CASH FLOWS

DKK million	2011	2010
Adjustment for other non-cash items:		
Gains on disposal of property, plant and equipment and intangible assets, net	-10	-82
Gains on disposal of property, plant and equipment classified as assets held for sale	-58	-
Other non-cash adjustments	9	5
Total	-59	-77
Change in working capital:		
Receivables	21	-11
Trade payables and other liabilities	41	-3
Retirement benefit obligations and other provisions	-3	-9
Total	59	-23
Shareholders in Carlsberg A/S:		
Dividends to shareholders	-763	-534
Acquisition of treasury shares	-117	-95
Disposal of treasury shares	68	48
Total	-812	-581
External financing:		
Debt institutions, long-term	-525	-
Inter-company loans, short-term	422	441
Total	-103	441

NOTE 23 SPECIFICATION OF NET INTEREST-BEARING DEBT

DKK million	2011	2010
Net interest-bearing debt is calculated as follows:		
Non-current borrowings	227	752
Current borrowings	912	922
Gross interest-bearing debt	1,139	1,674
Cash and cash equivalents	-1	-29
Loans to subsidiaries	-1,043	-1,475
Net interest-bearing debt	95	170
Changes in net interest-bearing debt:		
Net interest-bearing debt at 1 January	170	-177
Cash flow from operating activities	15	159
Cash flow from investing activities	-902	-378
Dividends to shareholders	763	534
Acquisition/disposal of treasury shares and exercise of share options	49	47
Change in interest-bearing lending	-	-11
Other	-	-4
Total change	-75	347
Net interest-bearing debt at 31 December	95	170

NOTE 24 FINANCIAL INSTRUMENTS

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods. In general, external valuation reports are used.

Fair value hedge and hedges not qualifying as hedges

Carlsberg A/S redeemed two floating-rate mortgages in December 2011. Both loans were swapped to fixed rates via interest rate swaps. The mortgages and the swaps were designated in a cash flow hedge relationship which was terminated when the mortgages were redeemed. As a consequence, the accumulated losses on swaps were reclassified to the income statement. The accumulated loss was DKK -83m. The loss in 2010 was due to losses on two swaps designated in a fair value hedge relationship with two mortgages carrying a fixed interest rate.

DKK million	2011	2010
Recognised in the income statement:		
Interest rate instruments	-83	-8
Total	-83	-8

Cash flow hedge

In December 2011, Carlsberg A/S ceased accounting for two interest swaps as cash flow hedges as described in the Fair value hedge section above. The impact on other comprehensive income is DKK 40m.

DKK million	2011	2010
Recognised in statement of comprehensive income:		
Interest rate instruments	40	-9
Total	40	-9

		2011		2010	
DKK million		Positive	Negative	Positive	Negative
Fair value of financial instruments:					
Cash flow hedge	Interest rate	-	-	-	-39
Fair value and economic hedge	Interest rate	-	-83	-	-
Total		-	-83	-	-39

NOTE 25 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 74.5% of the voting power in Carlsberg A/S, excluding treasury shares. Apart from dividends and grants, cf. note 3, no transactions were carried out with the Carlsberg Foundation during the year.

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

Associates. Dividends of DKK 0m (2010: DKK 0m) were received from associates.

DKK million	2011	2010
The income statement and statement of financial position include the following transactions with associates:		
Receivables	12	12

No losses on loans to or receivables from associates were recognised or provided for in either 2011 or 2010.

Subsidiaries. Dividends of DKK 40m (2010: DKK 70m) were received from subsidiaries.

DKK million	2011	2010
The income statement and statement of financial position include the following transactions with subsidiaries:		
Other operating income	41	49
Other operating expenses	-18	-18
Gain on disposal of subsidiary	675	-
Interest income	14	23
Interest expenses	-12	-8
Loans	1,043	1,475
Receivables	50	43
Trade payables	-15	-30
Borrowings	-911	-921

NOTE 26 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Carlsberg A/S has issued guarantees for loans etc. of DKK 372m (2010: DKK 343m) raised by subsidiaries.

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

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

Capital commitments

DKK million	2011	2010
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:		
Property, plant and equipment and construction contracts	-	18
Total	-	18

Carlsberg A/S has entered into an operating lease which relates to transport equipment. The lease contains no special purchase rights etc. Future lease payments are less than DKK 1m (2010: DKK 1m). Operating lease payments recognised in the income statement in 2011 are DKK 1m (2010: DKK 1m).

NOTE 27 EVENTS AFTER THE REPORTING PERIOD

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

NOTE 28 ACCOUNTING POLICIES

The 2011 financial statements of Carlsberg A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies, cf. the statutory order pursuant to the Danish Financial Statements Act.

In addition, the financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the IASB.

The financial statements are presented in Danish kroner (DKK), which is the functional currency.

The accounting policies for the Parent Company are the same as for the Carlsberg Group, cf. note 41 to the consolidated financial statements, with the exception of the items below.

Income statement

Dividends on investments in subsidiaries, joint ventures and associates. Dividends on investments in subsidiaries, joint ventures and associates are recognised as income in the income statement of the Parent Company in the financial year in which the dividend is declared.

Financial income and financial expenses. Foreign exchange adjustments of balances with foreign entities which are considered part of the total net investment in the entity are recognised in the income statement of the Parent Company.

Tax on profit/loss for the year. Tax on profit/loss for the year comprises profit/loss from real estate partnerships (associates) as these are not individually taxed but included in taxable income of the partners. In addition, tax on profit/loss and deferred tax are calculated and recognised as described in note 41 to the consolidated financial statements.

Statement of financial position

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

Share-based payment to employees in subsidiaries. The value of equity-settled share options granted to employees in the Parent Company's subsidiaries is recognised in investments in subsidiaries as the services rendered in exchange for the options are received in the subsidiaries, with a set-off directly against equity.

The difference between the purchase price and the sales price for the exercise of equity-settled share options by employees in subsidiaries is settled between Carlsberg A/S and the individual subsidiary, with a set-off directly against investments in subsidiaries.

The difference at the end of the reporting period between the fair value of the Parent Company's equity instruments and the exercise price of outstanding equity-settled share options is recognised as a receivable in Carlsberg A/S, with a set-off directly against investments in subsidiaries.

Equity-settled share options granted to the Parent Company's own employees are recognised and measured in accordance with the accounting policies used by the Carlsberg Group, cf. note 41 to the consolidated financial statements for a description of accounting policies.

Management statement
Auditors' report

Supervisory Board

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 2011.

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 2011 and of the results of the Carlsberg Group's and the Parent Company's operations and cash flows for the financial year 2011.

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, 20 February 2012

Executive Board of Carlsberg A/S

Jørgen Buhl Rasmussen

Jørn P. Jensen

Supervisory Board of Carlsberg A/S

Povl Krogsgaard-Larsen
Chairman

Jess Søderberg
Deputy Chairman

Hans Andersen

Flemming Besenbacher

Richard Burrows

Kees van der Graaf

Niels Kærgård

Thomas Knudsen

Bent Ole Petersen

Peter Petersen

Lars Stemmerik

Per Øhrgaard

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 2011. 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 2011 and of the results of the Carlsberg Group's and the parent company's operations and cash flows for the financial year 2011 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, 20 February 2012

KPMG
Statsautoriseret Revisionspartnerselskab

Henrik Kronborg Iversen
State Authorised
Public Accountant

Jesper Koefoed
State Authorised
Public Accountant

Supervisory Board

Povl Krogsgaard-Larsen
Chairman
Professor, D.Pharm. Born 1941. Elected 1993 and 2011. Election period expires 2012. Member of the Audit and Remuneration Committees. Chairman of the Nomination Committee. Chairman of the Board of Directors of the Carlsberg Foundation until 31 December 2011. Chairman of the Supervisory Boards of Auriga A/S and Bioneer A/S. Mr Krogsgaard-Larsen is affiliated to the Faculty of Pharmaceutical Sciences at the University of Copenhagen. With his background as a researcher and educator, he has particular expertise in the analysis of issues within the pharmaceutical sector and in the presentation of plans and results. As former rector of what was then the Royal Danish School of Pharmacy, he also has experience of managing large knowledge-based organisations such as PharmaBiotec, NeuroScience PharmaBiotec and the Drug Research Academy.

Jess Søderberg
Deputy Chairman
Chairman of the Audit Committee and member of the Nomination and Remuneration Committees. Born 1944. Elected 2008 and 2010. Election period expires 2012. 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, J. Søderberg Shipping ApS and KF Invest ApS. Mr Søderberg has broad international experience and extensive experience of financial management and financial reporting processes, performance management and the management of stakeholder and investor relations as a result of many years in the senior management of A.P. Møller - Mærsk. He has wide experience of growth markets and the identification and management of business risks.

Flemming Besenbacher
Professor, D.Sc., h.c. mult., FRSC. Born 1952. Elected 2005 and 2010. Election period expires 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 Supervisory Board of the Carlsberg Laboratory and member of the Boards of the Tuborg Foundation and Med-Tech Innovation Center. Mr Besenbacher was director of the Interdisciplinary Nanoscience Center (iNANO), Aarhus University, from 1 January 2002 to 1 February 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 a number of international universities, including Chongqing University, China, and a recipient of the prestigious Einstein Professorship from the Chinese Academy of Sciences.

Peter Petersen
Chairman of the Staff Association Carlsberg and Demand Planner, Carlsberg Danmark A/S. Born 1969. 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.

Niels Kærgård
Professor, D.Econ. Born 1942. Elected 2003 and 2011. Election period expires 2012. 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 organ-

isational issues and the presentation of plans and results.

Richard Burrows
Born 1946. Elected 2009 and 2011. Election period expires 2012. Chairman of the Remuneration Committee and member of the Audit Committee. Richard 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 (from 2009) and a non-executive director of 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.

Thomas Knudsen
Workshop Manager, Carlsberg Research Center. Born 1963. Joined 2011. Election period expires 2014.

Kees van der Graf
Born 1950. Elected 2009 and 2011. Election period expires 2012. 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 Board of MYLAPS BV and the University of Twente and member of the Supervisory Boards of Grandvision BV, ANWB (the Royal Dutch Touring Club) 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.

Hans S. Andersen
Brewery Worker, Carlsberg Danmark A/S. Born 1955. Elected 1998 and 2010. Election period expires 2014. Employee representative on the Board of Carlsberg Danmark A/S.

Per Øhrgaard
Professor, D.Phil. Born 1944. Elected 1993 and 2010. Election period expires 2012. Member of the Board of Directors of the Carlsberg Foundation and 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. Per Øhrgaard 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.

Lars Stemmerik
Professor, D.Sc. Born 1956. Elected 2010. Election period expires 2012. Member of the Board of Directors of the Carlsberg Foundation and the Supervisory Board of the Carlsberg Laboratory. Also member of the Board of Management of GeoCenter Denmark and the Board of GEUS. Mr Stemmerik is Head of Institute at the Department of Geography and Geology at the University of Copenhagen. With this background, he has particular expertise in the analysis of complex issues and the presentation of plans and results.

Bent Ole Petersen
Senior Technician, Carlsberg Laboratory. Born 1954. Elected 2002 and 2010. Election period expires 2014.

Carlsberg is our flagship brand with the tagline "That calls for a Carlsberg".

Tuborg and music go together as music is part of Tuborg's DNA.

Grimbergen, a contemporary abbey beer, is the outcome of passion and authenticity.

Baltika is the leading Russian beer brand and the largest beer brand in Europe.

The French beer brand Kronenbourg 1664 is a high-end premium beer.

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.

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